BY-LAWS OF CENTURY I CONDOMINIUM

Revised October 16, 1999

ARTICLE I

PLAN OF UNIT OWNERSHIP

SECTION 1: UNIT OWNERSHIP. The Condominium located in the Town of Ocean City in the Tenth Election District of Worcester County, Maryland, known as "Century I Condominium", shall be governed by the Maryland Condominium Act, Real Property Article, Section 11-101, et seq, of the Annotated Code of Maryland (1996 Replacement Volume). The administration thereof shall be by the Board of Directors herein described, subject to the powers of the Owners as herein specified.

SECTION 2: BY-LAWS APPLICABILITY. The provisions of these By-laws are applicable to the Condominium. The term "Condominium" as used herein shall include the land, as well as the improvements thereon. In construing these By-laws and the government of the Condominium pursuant thereto, the provisions of the Corporations and Associations Article of the Annotated Code of Maryland pertaining to the government of corporations shall be considered as governing to the extent not inconsistent with the provisions of the Real Property Article, Section 11-101 et seq., of the Annotated Code of Maryland (1996 Replacement Volume) (pertaining to Condominiums), or the Master Deed and these By-laws, the Condominium being considered the corporation and the Owners being considered the stockholders.

SECTION 3: PERSONAL APPLICATION. All present and future Owners, tenants and future tenants, and their employees, and any other person who may at any time use the facilities of the Condominium in any manner, are subject to the regulations set forth in these By-laws and to the declarations set forth in the Master Deed.

ARTICLE II

THE OWNERS

SECTION 1: OWNERS. The Condominium is owned by the Owners of the Units. Title to Units may be taken in the name of an individual or in the names of two or more persons, as tenants in common, or as joint tenants or as tenants by the entirety, or in the name of a corporation or partnership, or in the name of fiduciary, or in any other manner permitted by Maryland law. In all matters pertaining to the election of directors, the holding of office and the management of the Condominium, the lessee or sub-lessee in possession under any ground rent lease for a term of years, renewable forever, shall be considered to be the "Owner" and the Owner of the fee simple reversion under such lease shall have no right to vote on such matters; provided, however, that such lessee shall have no power, without the concurring vote of such fee simple reversion Owner, to act or vote upon any matter reducing or altering the rights of such fee simple reversion Owner pursuant to the terms of his lease or as otherwise existing according to law, or amending or terminating the Condominium Master Deed. Other than lessees or sub-lessees under ground rent lease above described, no other lessee, lien holder, mortgagee, pledge

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or contract purchaser shall have any voting rights with respect to the affairs of the Condominium.

SECTION 2: VOTES PER UNIT: WHO SHALL CAST VOTES. Votes at all meetings of the Owners shall be on a percentage basis and the percentages of the vote to which each is entitled shall be the Percentage Interest assigned to his Unit in the Master Deed. Where the ownership of a Unit is in more than one person, then the person who shall be entitled to cast the vote of that Unit shall be the person named in a certificate signed by all of the Owners of the Unit and filed with the Secretary. Such certificate shall be valid until revoked by a subsequent certificate. Where the approval or disapproval of an Owner is required by the Maryland law, the Master Deed or these By-laws, such approval or disapproval shall only be made by the person who would be entitled to cast the vote for the Owner of such Unit at any meeting of the Owners.

SECTION 3: ANNUAL MEETING. The Condominium shall hold each year an Annual Owners Meeting for the election of directors and the transaction of any business within the powers of the Condominium at 10:00 o'clock A.M. on the third Saturday in September in each year if not a legal holiday, and if a legal holiday then on the first day following which is not a Sunday or a legal holiday. Any business of the Condominium may be transacted at an Annual Meeting without it being specifically designated in the notice, except such business as is specifically required by statute, by the Master Deed or these By-laws to be stated in the notice. Failure to hold an annual meeting at the designated time shall not, however, invalidate the Condominium's existence or affect its otherwise valid acts.

SECTION 4: SPECIAL MEETINGS. At any time in the interval between annual meetings, special meetings of the Condominium may be called by the President or by a majority of the Board of Directors by vote at a meeting or in writing with or without a meeting.

SECTION 5: PLACE OF MEETING. All meetings of Owners shall be held at the Condominium in Ocean City, Maryland, except in cases in which the notice thereof designates some other place; but all such meetings shall be held within the State of Maryland.

SECTION 6: NOTICE OF MEETINGS. Not less than ten days or more than ninety days before the date of every Annual Owners Meeting the Secretary shall give to each Owner entitled to vote at such meeting, written or printed notice stating the time and place of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called, either by mail or by presenting it to him personally or by leaving it at his residence or usual place of business. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the Owner at his post office address as it appears on the records of the Condominium with postage thereon prepaid.

SECTION 7: QUORUM. At any meeting of Owners, the presence in person or by proxy of Owners entitled to cast a majority of the votes thereat shall constitute a quorum: but this section shall not affect or reduce any requirements under statute necessary for the adoption of any specific measure. In the absence of a quorum the Owners present in person or by proxy, by majority vote and without notice other than by verbal announcement may adjourn the meeting from time to time until a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

SECTION 8: VOTES REQUIRED. A majority of the votes cast at a meeting of Owners, duly called and at which a quorum is present, shall be sufficient to take or authorize action upon any matter which may properly come before the meeting, unless a different number of votes is required by statute, by the Master Deed or by these By-laws.

SECTION 9: PROXIES. An Owner may vote either in person or by proxy executed in writing by the Owner or by his duly authorized attorney-in-fact. No proxy shall be valid after 180 days from its date, unless granted to a lessee or mortgagee. Every proxy shall be in writing, subscribed by the Owner or his duly authorized attorney, and dated, but need not be sealed, witnessed or acknowledged. A proxy may be revoked at any time at the pleasure of the Unit Owners executing the proxy. A proxy who is not appointed to vote as directed by a Unit Owner may only be appointed for purposes of meeting quorums and to vote for matters of business before the Association of Unit Owners other than an election of officers and members of the Board of Directors. Only a Unit Owner voting in person or a proxy voting for candidates designated by a Unit Owner may vote for members of the Board of Directors.

SECTION 10: LIST OF OWNERS. At each meeting of Owners, a full, true and complete list in alphabetical order of all Owners entitled to vote at such meeting shall be furnished by the Secretary.

SECTION 11: VOTING; CONDUCT OF MEETINGS. In all elections for directors, every Owner shall have the right to vote, in person or by proxy, for as many persons as there are directors to be elected. At all meetings of Owners, the proxies and ballots shall be received subject to the approval of the Chairman of the meeting, and all questions touching on qualifications of voters and validity of proxies and the acceptance or rejection of votes shall be decided by the Chairman of the meeting. Unless demanded or ordered by a majority of Owners present, no vote need be by ballot unless required by fractional voting, and voting need not be conducted by inspectors. The Chairman may appoint tellers to count and certify votes. Unless otherwise ordered by a majority of Owners present, the President shall preside over all meetings of the Owners and the Secretary shall keep the minutes of the meeting and record in a Minute Book all resolutions adopted by the meeting as well as a record of all transactions occurring thereat. Roberts' Rules of Order shall govern the conduct of all meetings of the Owners when not in conflict with Maryland law, the Master Deed or these By-laws.

ARTICLE III

BOARD OF DIRECTORS

SECTION 1: POWERS. The business and affairs of the Condominium shall be managed by its Board of Directors. The Board of Directors may exercise all the powers of the Condominium except such as are by statute, the Master Deed or the By-laws conferred upon or reserved to the Owners. In particular, but not by way of limitation, the Board of Directors shall be responsible for and have all necessary powers in connection with the care, upkeep and surveillance of the buildings and other facilities at the Condominium, including its general and limited Common Elements and services, and the designation, hiring and dismissal of the personnel necessary for the good working order of the buildings and for the proper care of the general and limited Common Elements and to provide services for the buildings. The Board of Directors may delegate any of such responsibilities and powers to the officers of the Condominium, to a property manager, or management organization engaged by contract to undertake any of such responsibilities. The Board of Directors, or any officer or officers to whom such power may be delegated, shall have power to take any action necessary or appropriate to enforce payment of all sums, including assessment against Owners, due the Condominium, including the power to enforce any lien for the same as provided by statute, the Master Deed or these By-laws amended from time to time. Without limiting the foregoing, and in addition to any duties imposed by Maryland law, the Master Deed or the Owners by resolution, the Board of Directors shall have the power for, and be responsible for, the following:

(a) BUDGET. Preparation of an annual budget, in which there shall be established the contribution of each Owner to the Common Expenses.

(b) ASSESSMENTS. Making assessments against Owners to defray the costs and expenses of the Condominium, establishing the means and methods of collecting such assessments from the Owners, and establishing the period of the installment payment of the annual assessment for the Common Expenses. Unless otherwise determined by the Board the annual assessment against each Owner for his proportionate share of the Common Expenses shall be payable in equal monthly installments, each such installment to be due and payable in advance on the first day of each month for said month.

(c) OPERATION. Providing for the operation, care, upkeep maintenance and surveillance of all Common Elements and services of the Condominium.

(d) PERSONNEL. Designating, hiring and dismissing the personnel necessary for the maintenance operation, repair and replacement of the Common Elements, and providing services for the Condominium and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and material to be used by such personnel in the performance of their duties, which supplies and equipment shall be deemed the common property of the Owners.

(e) COLLECTIONS. Collecting the assessments against the Owners, depositing the proceeds thereof in a bank depository which it shall approve, and using the proceeds to carry out the administration of the Condominium.

(f) RULES AND REGULATIONS. Making and amending Rules and Regulations respecting the use of the Condominium, provided same shall not be in conflict with Maryland law, the Master Deed or these By-laws.

(g) BANK ACCOUNTS. Opening of bank accounts on behalf of the Condominium and designating the signatories required therefor.

(h) REPAIRS. Making, or contracting for the making of, repairs, additions, improvements to, or alterations of, the Condominium and repairs to, and restoration of, the Condominium after damage or destruction by fire or other casualty.

(i) ENFORCEMENT. Enforcing by legal means the provisions of Maryland law, the Master Deed or these By-laws, and the Board's Rules and Regulations for the use of the Condominium, and bringing any proceedings which may be instituted on behalf of the Owners.

(j) INSURANCE. Obtaining and carrying insurance against casualties and liabilities, as provided in these By-laws, and paying the premium cost thereof.

(k) PAYMENTS. Paying the cost of all services rendered to the Condominium and not billed to Owners of individual Units.

(l) ACCOUNTS. Keeping books with detailed accounts in chronological order of the receipts and expenditures affecting the Condominium, and the administration of the Condominium, specifying the maintenance and repair expenses of the Common Elements and any other expenses incurred. The said books and vouchers accrediting the entries thereupon shall be available for examination by the Owners, their duly authorized agents or attorneys, during general business hours on working days at the times and in the manner that shall be set and announced by the Board for the general knowledge of the Owners. All books and records shall be kept in accordance with good and accepted accounting practices, and the same should be audited at least once a year by an outside auditor employed by the Board who shall not be a resident of the Condominium, or an Owner of a Unit therein. The cost of such audit shall be a Common Expense.

(m) NOTIFICATION. Notifying the mortgagee of any Unit of any default by the Owner of such Unit whenever requested in writing by such mortgagee to send such notice.

(n) DELEGATION. To do such other things and acts not inconsistent with Maryland law, the Master Deed or these By-laws, which it may be authorized to do by a resolution of Owners.

(o) AGENT. The Board may employ for the Condominium a professional Managing Agent at a compensation established by the Board, to perform such duties and services as the Board shall authorize, including, but not limited to, the duties listed in paragraphs (a), (c), (d), (e), (h), (j), (k), (l), (m), and (n) above. The Board may delegate to the Managing Agent all of the powers granted to the Board by these By-laws, other than the powers set forth in paragraphs (b), (f), (g), and (i) above.

SECTION 2: NUMBER OF DIRECTORS. The number of Directors of the Condominium shall be nine, until such number be changed as herein provided. By vote of a majority of the entire Board of Directors, the number of Directors may be increased or decreased, from time to time, to not exceed fifteen nor less than seven Directors, but the tenure of office of a Director shall not be affected by any decreases in the number of Directors so made by the Board.

SECTION 3: ELECTION OF DIRECTORS. Directors shall be elected for three-year terms or until their successors are elected and qualify, directors being elected at each annual meeting to succeed the directors whose terms are expiring. A Nominating Committee shall be appointed by the President to present a slate of candidates for vacancies on the Board of Directors. A call for nominations shall be sent to all Unit Owners not less than 45 days before notice of an election is sent. Only nominations made at least 15 days before notice of an election shall be listed on the ballot. The ballot shall list all nominations submitted by the Unit Owners in a timely fashion and those recommended by the Nominating Committee. Each nominated candidate must give permission for his or her name to be placed on the ballot. All candidates shall be listed on the ballot in alphabetical order with no indicated candidate preference for any of the candidates. Election materials prepared with funds of the Association of Unit Owners shall list all candidates in alphabetical order and may not indicate a preference for any of the candidates. At any meeting of Owners, duly called and at which a quorum is present, the Owners may, by the affirmative vote of the holders of a majority of the votes entitled to be cast thereon, remove any Director or Directors from office and may elect a successor or successors to fill any resulting vacancy (ies) for the unexpired terms of removed Directors. Only Owners shall be eligible for election to the Board of Directors.

SECTION 4: VACANCIES. Any vacancy occurring in the Board of Directors for any cause other than by reason of an increase in the number of Directors may be filled by a majority of the remaining members of the Board of Directors, although such majority is less than a quorum. Any vacancy occurring by reason of an increase in the number of Directors may be filled by action of a majority of the entire Board of Directors. A Director elected by the Board of Directors to fill a vacancy shall be elected to hold office for the remainder of the unexpired term.

SECTION 5: REGULAR MEETINGS. After each Owners Meeting at which a Board of Directors shall have been elected, the Board of Directors so elected shall meet as soon as practicable for the purpose of organization and the transaction of other business, at such time as may be designated by the Owners at such meeting; and in the event that no other time is designated by the Owners, the Board of Directors shall meet immediately following such Owners Meeting. Such first meeting shall be held at such place within or without the State of Maryland as may be designated by the Owners, or in default of such designation at the place designated by the Board of Directors for such first regular meeting, or in default of such designation at the Condominium in Ocean City, Maryland. No notice of such first meeting shall be necessary if held as hereinabove provided. Other regular meetings of the Board of Directors shall be held on such dates and at such places within or without the State of Maryland as may be designated from time to time by the Board of Directors.

SECTION 6: SPECIAL MEETINGS. Special meetings of the Board of Directors may be called at any time by the President or by the Board of Directors by vote at a meeting, or by a majority of the Directors in writing with or without a meeting. Such special meetings shall be held at such place or places within or without the State of Maryland as may be designated from time to time by the Board of Directors. In the absence of such places as may be designated, such meetings shall be held at such places as may be designated in the calls.

SECTION 7: NOTICE OF MEETINGS. Notice of meetings of the Board of Directors shall be given to each Unit Owner at least annually. Except as provided in SECTION 5 of this ARTICLE, notice of the place, day and hour of every regular and special meeting shall be given to each Director two days (or more) before the meeting, by delivering the same to him personally, or by sending the same to his residence or usual place of business or in the alternative, by mailing such notice three days (or more) before the meeting, postage prepaid, and addressed to him at his known post office address, according to the records of the Condominium. Unless required by these By-laws or by resolution of the Directors, no notice of any meeting of the Board of Directors need state the business to be transacted thereat. No notice of any meeting of the Board of Directors need be given to any Director who filed in writing the waiver of such notice. Any meeting of the Board of Directors, regular or special, may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by announcement.

SECTION 8: QUORUM. At all meetings of the Board of Directors, a majority of the entire Board of Directors, but in no case less than five Directors, shall constitute a quorum for the transaction of business. Except in cases in which it is by statute, by the Master Deed or by the By-laws otherwise provided, the vote of a majority of such quorum at a duly constituted meeting shall be sufficient to elect and pass any measure. In the absence of a quorum, the Directors present by majority vote and without notice other than by verbal announcement may adjourn the meeting from time to time until a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

SECTION 9: COMPENSATION. By resolution of the Board of Directors expenses of attendance, if any, may be allowed to Directors for attendance of each regular or special meeting of the Board of Directors or of committees thereof. No Director shall receive compensation for his services. A Director who serves the Condominium in any other capacity, however, may receive compensation therefor without such vote of the Owners.

SECTION 10: INFORMAL ACTION BY DIRECTORS. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if a written consent to such action is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

SECTION 11: COMMITTEES. The Board of Directors may by resolution provide for such standing or special committees as it deems desirable, and discontinue the same at pleasure. Each such committee shall have such powers and perform such duties, not inconsistent with law, as may be assigned to it by the Board of Directors.

SECTION 12: FIDELITY BONDS. The Board shall obtain adequate fidelity bonds for all officers and employees of the Condominium handling or responsible for Condominium funds. The premiums on such bonds shall constitute a Common Expense.

SECTION 13: CONDUCT OF MEETINGS. The President shall preside over all meetings of the Board and the Secretary shall keep a Minute Book of the Board recording therein all resolutions adopted by the Board and a record of all transactions and proceedings occurring at such meetings. Robert's Rules of Order shall govern the conduct of the meetings of the Board when not in conflict with Maryland law, the Master Deed, or these By-laws. All meetings of the Board shall be open to attendance by Unit Owners and their mortgagees unless the Board of Directors votes to close the meeting for a purpose expressly permitted by the Maryland

Condominium Act (as of July 1, 1998: personnel matters, protection of privacy of individuals, consultation with legal counsel, discussion of compliance with statutory or judicially imposed requirements). If a meeting is held in closed session, the minutes of the meeting shall include a statement of the time, place and purpose of the closed meeting, the record of the vote of each board member by which any meeting was closed, and a statement of the authority for closing the meeting.

SECTION 14: LIABILITY OF THE MEMBERS OF THE BOARD. The members of the Board shall not be liable to the Owners for any mistake of judgement, negligence, or otherwise except for their own individual willful misconduct or bad faith. The Owners shall indemnify and hold harmless each of the members from and against all contractual liability to others arising out of contracts made by the Board on behalf of the Owners unless any such contract shall have been made in bad faith or contrary to the provisions of Maryland law, the Master Deed or these By-laws. It is intended that the members of the Board should have no personal liability with respect to any contract made by them on behalf of the Owners. It is also intended that the liability of any Owner arising out of any contract made by the Board or out of the aforesaid indemnity in favor of the members of the Board shall be limited to such proportion of the total liability thereunder as his Percentage Interest bears to the Percentage Interests of all of the Owners. Every agreement made by the Board or by the Managing Agent on behalf of the Owners shall, if obtainable, provide that the members of the Board, or the Managing Agent, as the case may be, are acting as agents for the Owners and shall have no personal liability thereunder (except as Owners), and that each Owner's liability thereunder shall be limited to such proportion of the total liability thereunder as his Percentage Interest bears to the Percentage Interests of all Owners. The Owners shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that he is or was a member of the Board, against (including attorney's fees), judgements, fines and amounts paid in settlement incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be, or not opposed to, the best interests of the Owners.

ARTICLE IV

OFFICERS

SECTION 1: EXECUTIVE OFFICERS. The Board of Directors shall choose a President and a Treasurer from among the Directors and a Secretary who need not be a Director. The Board of Directors may also choose a Vice President, an Assistant Secretary, and an Assistant Treasurer, none of whom need be a Director and therefore may not vote. Any two of the above mentioned offices, except those of President and Vice President, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument be required by statute, by the By-laws or by resolution of the Board of Directors to be executed, acknowledged or verified by any two or more officers. Each such officer shall hold office until the first meeting of the Board of Directors after the Annual Owners Meeting next succeeding his election, and until his successor shall have been duly chosen and qualified, or until he shall have resigned or shall have been removed. Any vacancy in any of the above offices may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

SECTION 2: PRESIDENT. The President shall preside at all meetings of the Owners and of the Board of Directors at which he shall be present; he shall have general charge and supervision of the business of the Condominium; he may sign and execute, in the name of the Condominium, all authorized documents, conveyances or other instruments except in cases in which the signing and execution thereof shall have been expressly delegated to some other officer or agent of the Condominium; and, in general, he shall perform all duties incident to the office of President, and such other duties as, from time to time, may be assigned to him by the Board of Directors.

SECTION 3: VICE PRESIDENT. The Vice President, at the request of the President or in his absence or during his inability to act, shall perform the duties and exercise the functions of the President, and when so acting shall have the power of the President. The Vice President shall have such other powers and perform such other duties as may be assigned to him by the Board of Directors or the President.

SECTION 4: SECRETARY. The Secretary shall keep the minutes of the Owners Meetings and of the Board of Directors in books provided for the purpose; he shall see that all notices are duly given in accordance with the provisions of the By-laws or as required by law, he shall be custodian of the records of the Condominium; and in general, he shall perform all duties incident to the office of Secretary, and such other duties as, from time to time, may be assigned to him by the Board of Directors or the President.

SECTION 5: TREASURER. The Treasurer shall have charge of and be responsible for all funds, securities, receipts and disbursements of the Condominium, and shall deposit, or cause to be deposited in the name of the Condominium all moneys or other valuable effects in such banks, trust companies or other depositaries as shall, from time to time, be selected by the Board of Directors. He shall render to the President and to the Board of Directors, whenever requested, an account of the financial condition of the Condominium, and, in general, he shall perform all the duties incident to the office of the Treasurer, and such other duties as may be assigned to him by the Board of Directors or the President.

SECTION 6: ASSISTANT OFFICERS. The Assistant Secretary shall have such duties as may from time to time be assigned to him by the Board of Directors or the Secretary. The Assistant Treasurer shall have such duties as may from time to time be assigned to him by the Board of Directors or the Treasurer.

SECTION 7: COMPENSATION. The Board of Directors shall have the power to fix, and to change from time to time the compensation of all officers of the Condominium.

SECTION 8: REMOVAL. Any officer or agent of the Condominium may be removed by the Board of Directors whenever, in its judgement, the best interests of the Condominium will be served thereby, but such removal shall be without prejudice to the contractual rights, if any, of the person so removed.

ARTICLE V

OPERATION OF THE CONDOMINIUM AND OBLIGATIONS OF THE OWNERS

SECTION 1: ASSESSMENTS. Each Owner is obligated to pay the assessments imposed upon him by the Condominium to meet general Common Element and limited Common Element expenses, and other Common or Condominium Expense, as more fully set forth below in this ARTICLE V, which said expenses may include a liability insurance policy premium and fire and other hazard insurance premium, and payments to a general operating reserve. Any such assessments levied upon the Owner of a Unit shall become a lien on said Unit at the time assessed and shall remain a lien thereon until paid in full, and may be enforced as set forth in SECTION 2 hereof. Each regular or annual assessment levied shall be due and payable as hereinafter provided in SECTION 3 (c). Any special assessment, designated as such by the Board of Directors shall be due and payable as assessed at the time specified by the Board in its notice of assessment. There is no declaration of trust for enforcement of the lien referred to herein.

SECTION 2: ENFORCEMENT OF ASSESSMENT. Any assessment, regular or special, may be enforced by the Directors by an appropriate action at law or equity including but not limited to suit on open account, summary judgements or such other actions as may be specifically authorized and permitted by the laws of Maryland now in effect or as hereinafter enacted. In addition to any other procedure authorized by law, any such action may be instituted in the name of Century I Condominium Association.

SECTION 3: DETERMINATION OF COMMON EXPENSES AND ASSESSMENTS AGAINST OWNERS.

(a) FISCAL YEAR. The fiscal year of the Condominium shall consist of the twelve-month period commencing on January 1 of each year and terminating on December 31 of the same year.

(b) PREPARATION AND APPROVAL OF BUDGET. Each year on or before December 31 the Board shall adopt a budget for the Condominium containing an estimate of the total amount which it considers necessary to pay the cost of maintenance, management, operation, repair and replacement of the Common Elements and those parts of the Units as to which it is the responsibility of the Board to maintain, repair and replace and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be Common Expenses by Maryland law, the Master Deed, these By-laws, or a resolution of the Owners, and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Condominium and the rendering to the Owners of all related services. Such budget shall also include such reasonable amounts as the Board considers necessary to provide working capital for the Condominium, a general operating reserve, and reserve for contingencies and replacements. The Board shall send to each Owner a copy of the budget in a reasonable itemized form, which sets forth the amount of the Common Expenses payable by each Owner on or before December 1 preceding the fiscal year to which the budget applies. The said budget shall constitute the basis for determining each Owners contribution for the Common Expenses of the Condominium.

(c) ASSESSMENT AND PAYMENT OF COMMON EXPENSES. The total amount of the estimated funds required for the operation of the Condominium set forth in the budget for the fiscal year adopted by the Board shall be assessed against each Owner in proportion to his respective Percentage Interest, and shall be a lien against each Owner's Unit as of the first day of the fiscal year to which such budget applies. On or before the first day of each fiscal year, and the first day of each of the succeeding eleven (11) months in such fiscal year, each Owner shall be obligated to pay to the Board or Managing Agent (as determined by the Board) one-twelfth ($1/12^{th}$) of the assessment for such fiscal year made pursuant to the foregoing provisions; provided, however, that within sixty (60) days after the end of each fiscal year, the Board shall make available by file in the Condominium Office to all Owners an itemized accounting of the Common Expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Board for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves.

(d) RESERVES. The Board shall build up and maintain reasonable reserves for working capital, operations, contingencies and replacements. Extraordinary expenditures not originally included in the annual budget, which may become necessary during the year shall be charged first against such reserves. If the reserves are inadequate for any reason, including nonpayment of any Owner's assessment, the Board may at any time levy a further assessment, which shall be assessed against the Owners according to their respective Percentage Interest, and which may be payable in a lump sum or in installments as the Board may determine. The Board shall serve notice of any such further assessment on all Owners by a statement in writing giving the amount and reasons therefor, and such further assessment shall, unless otherwise specified in the notice, become effective with the next monthly (or quarterly, if payments are required by the Board to be made quarterly) payment which is due more than ten (10) days after the delivery of mailing of such notice of further assessment. All Owners shall be obligated to pay the adjusted monthly (or quarterly) amount or, if the additional assessment is not payable in installments, the amount of such assessment. Also, the Board of Directors is authorized to use borrowed money in the form of a line of credit as a substitute for a large reserve fund. The line of credit will not exceed \$200,000 nor will it be used for more than one (1) year at a time. All or part of the \$200,000 may be extended year to year, but only if the current budget and the next projected year budget includes the amount of the line of credit. As long as the existing Condominium fee covers the general operating costs of the building and any or all of a \$200,000 line of credit, the Board of Directors has authority to use this method of financing major capital projects on/or in the building. Increases in the amount of this line of credit (\$200,000) can only be made with the approval of fifty-one percent (51%) of the voting Owners of the Association.

(e) EFFECT OF FAILURE TO PREPARE OR ADOPT BUDGET. The failure or delay of the Board to prepare or adopt the annual budget for any fiscal year shall not constitute a waiver or release in any manner of an Owner's obligation to pay his allocable share of the Common Expense as herein provided, whenever the same shall be determined, and in the absence of any annual budget or adjusted budget, each Owner shall continue to pay the monthly charge at the then existing monthly rate established for the previous fiscal period until the monthly payment which is due more than ten (10) days after such new annual or adjusted budget shall have been mailed or delivered.

(f) ACCOUNTS. All sums collected by the Board with respect to assessments against the Owners may be commingled into a single fund, but shall be held for each Owner in accordance with his Percentage Interest.

SECTION 4: PAYMENT OF COMMON EXPENSES. All Owners shall be obligated to pay the Common Expenses assessed by the Board pursuant to the provisions of SECTION 1 of this ARTICLE V. No Unit Owner may exempt himself from liability for his contribution toward Common Expenses by waiver or the use or enjoyment of any of the Common Elements or by abandonment of his Unit. No Owner shall be liable for the payment of any part of the Common Expenses assessed against his Unit subsequent to a conveyance by him of such Unit. The purchaser of a Unit shall be jointly and severally liable with the selling Owner for all unpaid assessments against the latter for his proportionate share of the Common Expenses up to the time of the conveyance, without prejudice to the purchaser's right to recover from the selling Owner the amounts paid by the purchaser therefore; provided, however, that any such purchaser shall be entitled to a statement from the Board or Managing Agent setting forth the amount of the unpaid assessments against the selling Owner and such purchaser shall not be liable for, nor shall the Unit conveyed be subject to a lien for, any unpaid assessments in excess of the amount therein set forth.

SECTION 5: TIME OF ACTION FOR COLLECTION OF ASSESSMENTS. The Board shall take prompt action to collect any assessments for Common Expenses due from any Owner which remain unpaid for more than thirty (30) days from the due date for payment thereof.

(a) INTEREST, LATE CHARGES AND OTHER PENALTIES FOR FAILURE TO PAY ASSESSMENTS. In the event of a default by any Owner in paying any Common Expenses or other sums assessed against him or his Unit, such Owner shall be obligated to pay interest on the amounts due from the due date thereof at the rate of eighteen percent (18%) per annum or, if greater, the maximum rate that is now or hereafter permitted by law, unless the Board shall elect that a lesser rate shall be charged; in addition the Owner shall be obligated to pay a late charge for such default of fifteen dollars or one tenth, whichever is greater of the total amount due or, if greater, the maximum late charge or other penalty for such default that is now or hereafter permitted by law, unless the Board shall elect to impose a lesser late charge or other penalty. In addition, in the event of such default the Board of Directors shall have the power to restrict or entirely suspend the right and privilege of the Owner to use and enjoy the Common Elements, including but not limited to parking vehicles thereon, provided, however, that the Owner's right of pedestrian access to the Unit may not be unreasonably restricted, and to restrict or entirely suspend the right or privilege of the Owner to vote or otherwise participate in the management or government of the Condominium regime as a Unit Owner thereof. In addition to the interest and late fees, the Board may impose a lien pursuant to the provisions of the Maryland Contract Lien Act against the Unit Owner's Unit for failure to pay assessments, late fee and interest, or sue the Unit Owner to obtain a judgment therefor. In either event, the Association of Unit Owners shall be entitled to an award of reasonable attorneys' fees and costs to create and record the lien or to obtain the judgment.

SECTION 6: STATEMENT OF COMMON EXPENSES. The Board shall promptly provide any Owner so requesting the same in writing with a written statement of all unpaid assessments for Common Expenses due from such Owner.

SECTION 7: MAINTENANCE AND REPAIR.

(a) BY THE BOARD. The Board shall be responsible for the maintenance, repair and replacement (unless necessitated by the negligence, misuse or neglect of an Owner, in which case such expense shall be charged to such Owner) of the following, the cost of which shall be charged to all Owners as a Common Expense.

(1) All of the Common Elements, whether located inside or outside of the Units.

(2) All exterior walls and exterior surfaces (including the painting of the exterior surface of the front door opening onto the corridor), the roof, party walls and all other portions of the Units which contribute to the support of any Building, such as the outside walls of a Building and all fixtures on the exterior thereof, the boundary walls of Units, floor slabs, floor joists and attached ceilings, corridor and Unit party walls, but excluding, however, any exterior walls, interior ceilings and interior floors of Units, and excluding the surfaces of all walls, floors and ceilings of a Unit

(3) The sanitary and storm sewer systems and appurtenances, all water and plumbing facilities and systems that are deemed Common Elements, including all conduits, ducts, plumbing, wiring and other facilities for the furnishing of such utility services into two or more Units, but excluding therefrom all plumbing, fixtures, systems and parts thereof which are enjoyed by only a single Unit and are located solely within the boundary of an individual Unit; and including all catch basins and television master antenna systems located outside the specific boundaries of any Unit; the roof and all roof drainage pipes, gutters and leaders.

(4) All incidental damage caused to any Unit by such work as may be done or caused to be done by the Board in accordance therewith.

(b) BY THE OWNER. Except for the portions of his Unit required to be maintained, repaired and replaced by the Board, each Owner shall be responsible for the maintenance, repair and replacement, at his own expense, of the following: any interior walls, interior ceiling and floors, kitchen and bathroom fixtures and equipment, refrigerator and range, lighting, heating and air-conditioning unit, including the air-conditioning compressor, and those parts of the plumbing system which are wholly contained within his Unit. Each Owner shall keep the interior of his Unit and its equipment and appurtenances in good order, condition and repair and in a clean and sanitary condition, and shall do all redecorating, painting and varnishing which may at any time be necessary to maintain the good appearance and condition of his Unit. In addition, each Owner shall be responsible for all damage to any and all other Units or to the Common Elements resulting from his failure to make any of the repairs required to be made by him by this SECTION. Each Owner shall perform his responsibility in such manner as shall not unreasonably disturb or interfere with the other Owners. Each Owner shall promptly report to the Board or the Managing Agent any defect or need for repairs for which the Board is responsible. Each Owner shall have the exclusive use of the balcony immediately adjacent to his Unit. The Owner shall be responsible for keeping such balcony in a clean and sanitary condition, free, and clear of snow, ice, and any accumulation of water and for maintenance. No permanent carpeting is allowed on the balconies. The Board shall be responsible for the repair and replacement of the balconies and balcony railing, the cost of which shall be a Common Expense.

(c) MANNER OF REPAIR AND REPLACEMENT. All repair and replacements shall be substantially similar to the original construction and installation and shall be of first-class quality. The method of approving payment vouchers for all repairs and replacements shall be determined by the Board.

SECTION 8: ADDITIONS, ALTERATIONS OR IMPROVEMENTS BY THE BOARD. Whenever in the judgement of the Board the Common Elements shall require additions, alterations or improvements costing in excess of two hundred thousand dollars ($200,000) during any period of twelve (12) consecutive months, and the making of such additions, alterations or improvements shall have been approved by a majority of the Owners, the Board shall proceed with such additions, alterations or improvements and shall assess all Owners for the cost thereof as a Common Expense. Any additions, alterations or improvements costing two hundred thousand dollars ($200,000) or less during any period of twelve (12) consecutive months may be made by the Board without approval of the Owners and the cost thereof shall constitute part of the Common Elements. Notwithstanding the foregoing, if, in the opinion of not less than two-thirds (2/3rds) of the members of the Board, such additions, alterations or improvements are exclusively or substantially exclusively for the benefit of the Owner or Owners requesting the same, such requesting Owner shall be assessed therefor in such proportion as they jointly approve or, if they are able to agree thereon, in such proportions as they jointly approve or, if they are able to agree thereon, in such proportions as may be determined by the Board.

SECTION 9: ADDITIONS, ALTERATIONS OR IMPROVEMENTS BY OWNERS. No Owner shall make any structural addition, alteration or improvement in or to his Unit without the prior written consent thereto of the Board. The Board shall be obliged to answer any written request by an Owner for approval of a proposed structural addition, alteration or improvement in such Owner's Unit within sixty (60) days after such request, and its failure to do so within the stipulated time shall constitute a consent by the Board to the proposed addition, alteration or improvement. Any application to any governmental authority for a permit to make an addition, alteration or improvement in or to any Unit shall be executed by the Board only, without however, incurring any liability on the part of the Board or any of the Board members to any contractor, subcontractor or material-man on account of such addition, alteration or improvement, or to any person having any claim for injury to person or damage to property arising therefrom.

SECTION 10: USE OF UNITS. Each Unit and the Common Elements shall be occupied and used as follows:

(a) RESIDENTIAL USE. Except as hereinafter provided, no part of the Condominium shall be used for other than housing and the related common purposes for which the Condominium was designated. Each Unit shall be used as a residence for a single family. Unit 100 (entrance from the lobby) may be rented by the Board for any use(s) permitted by Ocean City regulation, including zoning regulations, as well as the Party Room on the first floor and the roof of the Condominium. The Exercise Room is part of the Common Elements and may be used only by adult Owners (18 and older) or as permitted by the Board of Directors.

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

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

(d) PROTECT STRUCTURAL INTEGRITY. Nothing shall be done in any Unit or in, on or to the Common Elements which will impair the structural integrity of the Condominium or which would structurally change any building or improvements thereon except as is otherwise permitted by the By-laws.

(e) PROHIBITED USES. No industry, business, trade occupation or profession of any kind, commercial, religious, educational or otherwise, designed for profit, altruism, exploration, or otherwise shall be conducted, maintained, or permitted on any part of the Condominium, nor shall any "For Sale" or "For Rent" signs or other window displays or advertising be maintained or permitted on any part of the Condominium or in any Unit therein.

(f) PROTECTION OF EXTERIOR. A Unit Owner shall not change the exterior appearance of his Unit (by painting it a different color, adding fixtures thereto, or otherwise).

(g) PROTECTION OF COMMON ELEMENTS. Nothing shall be altered or constructed in or removed from the Common Elements except upon the written consent of the Board.

(h) USE OF COMMON ELEMENTS. The Common Elements shall be used only for the furnishing of the services and facilities for which they are reasonably suited and which are incident to the use and occupancy of the Units.

SECTION 11: DECORATION AND FIXTURING OF INTERIOR SURFACES ON WALLS AND CEILINGS. Each Unit Owner shall have the right, at any time and from time to time, to install, at his own cost and expense, such decorations, additions, fixtures, and coverings (including, without limitation, painting, finishing, wall papering and carpeting) to the surfaces of walls and ceilings which face the interior of his Unit, provided that the same do not impair the structural integrity of the building.

SECTION 12: RIGHT OF ACCESS. An Owner shall grant a right of access to his Unit to the Board or the Managing Agent, or any other person authorized by the Board or the Managing Agent, or any group of the foregoing for the purpose of making inspections or for the purpose of correcting any conditions originating in his Unit and threatening another Unit or the Common Elements, or for the purpose of performing installations, alterations or repairs to the mechanical, or electrical services or the Common Elements in his Unit or elsewhere in the Condominium, or to correct any condition which violates the provisions of any mortgage covering another Unit, provided that requests for entry are made in advance and that any such entry is at a time reasonably convenient to the Owner. In case of an emergency, such right of entry shall be immediate, whether the Owner is present at the time or not.

SECTION 13: RULES AND REGULATIONS. Rules and Regulations concerning the operation and use of the Common Elements may be promulgated and amended by the Board, provided that such Rules and Regulations are not contrary to or inconsistent with Maryland law, the Master Deed or these By-laws. Copies of the Rules and Regulations shall be furnished by the Board to each Owner prior to the time when the same shall become effective.

SECTION 14: ELECTRICITY. Electricity shall be supplied by the public utility company serving the area directly to each Unit through separate meters and each Owner shall be required to pay bills for electricity consumed or used in his Unit. The electricity serving the Common Elements shall be separately metered and the Board shall pay all bills for electricity consumed in such portions of the Common Elements as a Common Expense.

SECTION 15: WATER CHARGES AND SEWER RENTS. Water shall be supplied to all of the Units and the Common Elements through one or more building meters and the Board shall pay, as a Common Expense, all charges for water consumed on the Condominium, together with all related sewer rents arising therefrom, promptly after the bills for the same shall have been rendered. In the event of a proposed sale of a Unit, the Board, at the request of the Selling Owner, shall execute and deliver to the purchaser of such Unit, or to the purchaser's title insurance company, a letter agreeing to pay all charges for water and sewer rents affecting the Condominium as of the date of closing the title to such Unit promptly after such charges have been billed.

SECTION 16: USE OF THE PARKING LOT. The parking lot may be used only for the parking of vehicles operated by the Owners or Tenants of Units, their special guests and invitees of the Association of Unit Owners, subject to such other basis for usage or limitations, restrictions or conditions thereon, including but not limited to the registration of vehicles with the Association of Unit Owners, the assignment or other allocation of parking spaces or the display of permits for parking that is now or hereafter adopted by the Board of Directors by Rule or Resolution, which shall be deemed to be a part of these By-laws. All such Rules and Regulations that are currently in effect are hereby declared to be a part of these By-laws. Each such Rule or Resolution hereafter adopted shall allow to each Unit at least one (1) space or vehicle. The Board will regulate the use of the spaces to include consideration of full time permanent residents, staff and the handicapped. Any vehicle that is parked on the lot or other areas of the Condominium in violation of these By-laws or any Rule or Regulation now or hereafter adopted hereunder or in violation of law shall be deemed not permitted or authorized to use the parking lot or to be on the premises of the Condominium and may be removed from the Condominium premises by the Association of Unit Owners at the risk, liability and expense of the Owners and users of the vehicle, who shall promptly reimburse the Association of Unit Owners the full cost of towing or otherwise removing the vehicle.

SECTION 17: PROCEDURES FOR ADOPTION AND ENFORCEMENT OF RULES AND REGULATIONS. Rules may be adopted by the Board in accordance with Section 11-111 of the Maryland Condominium Act and enforced in accordance with Section 11-113 of the Maryland Condominium Act, R Enforcement

SECTION 18: EMERGENCY ADOPTION AND ENFORCEMENT OF RULES AND REGULATIONS. The Board of Directors shall have the power to adopt on an emergency basis any reasonable Rule or Regulation with regard to any matter that affects or involves the health, safety or well-being of any person or property at the Condominium or the conduct or behavior of persons on any part of the Common Elements of the Condominium or the usage thereof. Any such Rule or Regulation may take effect at the time of its adoption or at such time as may be specified therein, provided that a copy of it is distributed to all Unit Owners as shown on the records of the Association of Unit Owners by either delivery to the Unit or by mail addressed to the addresses of record. All Unit Owners, their tenants and guests shall be subject to each such Rule or Regulation regardless of whether the Unit Owner or other person is aware of the Rule or Regulation or its adoption. The Board of Directors may take such actions as may be reasonable to enforce any Rule or Regulation that it has the power to adopt on an emergency basis, including abatement of violations or imposition of fines or other sanctions for violations and may delegate the authority and discretion to enforce such Rules and Regulations, to the Manager or any other person. Any person who is aggrieved by the adoption or enforcement of any Rule or Regulation on an emergency basis may apply to the Association of Unit Owners, which may take such responsive or other action as may be approved by a majority vote of the Board of Directors, with or without prior notice or personal appearance of the person who claims to be aggrieved. The adoption and enforcement of Rules and Regulations on an emergency basis shall not be appealable to the Courts on any ground.

SECTION 19: OBLIGATION OF TENANTS, GUESTS AND OWNERS. Tenants and guests of Unit Owners shall be fully subject to all Rules and Regulations and fully responsible for their conduct and behavior in the same manner and extent as Unit Owners. The Association of Unit Owners shall not be responsible for the conduct or behavior of any tenant or guest or to report thereon to the Owners of the Units.

SECTION 20: REQUIRED IDENTIFICATION AND OTHER INFORMATION. The Association of Unit Owners may require any person on the Condominium premises to disclose his or her full name and permanent address, and to provide reasonable identification (such as a driver's license or social security card) in such name. Persons other than Owners may be required to state in a signed writing their authority for using the premises, giving reasonable details, such as the name of the person who invited them to the premises or authorized their usage of any part of them. Any person who fails or refuses to provide such information, identification and written statement after being afforded a reasonable opportunity to do so or who is not properly authorized to use the premises shall be deemed not to be permitted to remain on the premises, in the sole discretion of the Association of Unit Owners (subject to delegation to the Manager by the Board of Directors or the President), which may take reasonable measures to remove any such person from the premises.

ARTICLE VI

INSURANCE

SECTION 1: AUTHORITY TO PURCHASE. Except as otherwise provided in SECTION 3 of this ARTICLE VI, all insurance policies relating to the Condominium shall be purchased by the Board as trustee for the Owners of the Units and their respective mortgagees, as their interests may appear, which insurance shall be governed by the following provisions:

(a) MASTER POLICY. The Board shall be required to make every effort to obtain a single master policy covering physical damage for the Common Elements of the Condominium and the Units as originally installed by the Developer. The Unit Owners shall insure their own improvements.

(b) PHYSICAL DAMAGE POLICY. In addition, the Board shall be required to make every effort to secure a master policy covering physical damage that will provide the following:

(1) That the insurer waives its right of subrogation to any claims against the Board, the Managing Agent, the Owners and their respective agents, employees, guests and, in the case of the Owners, the members of their households.

(2) That the master policy on the Condominium cannot be canceled, invalidated, or suspended on account of the conduct of any member, officer or employee of the Board or the Managing Agent, without a prior demand in writing that the Board or the Managing Agent cure the defect.
(3) That any "no other insurance" clause contained in the master policy shall expressly exclude individual Owners' policies from its operation.
(4) That until the expiration of ten (10) days after the insurer gives notice in writing to the mortgagee of any Unit, the mortgagee's insurance coverage will not be affected or jeopardized by any act or conduct of the Owner of such Unit, the other Owners, the Board or any of the agents, employees or household members, nor canceled for non-payment of premiums.
(5) That the master policy may not be canceled or substantially modified without at least ten (10) days prior written notice to the Board and all mortgagees of Units.
(6) That the proceeds of such policies shall be paid to the Board.
(7) That the master policy shall contain a standard mortgagee clause in favor of each mortgagee of a Unit to the extent of the portion of the coverage of the master policy allocated to such Unit, which shall provide that the loss, if any thereunder, shall be payable to such mortgagee and the Owner as their interests may appear, subject, however, to the loss payment and adjustment provisions in favor of the Board.

(c) QUALIFIED INSURANCE COMPANY. All policies of insurance shall be written with a company at least "A" rated and an admitted carrier in the State of Maryland (if reasonably obtainable).

(d) RESTRICTED TO CONDOMINIUM. In no event shall the insurance coverage obtained and maintained by the Board hereunder be brought into contribution with insurance purchased by individual Owners or their mortgagees, unless otherwise required by Maryland or other applicable law or insurance company regulations.

(e) OWNER INSURANCE. Each Owner shall be required to insure his own improvements.

SECTION 2: INSURANCE COVERAGE.

(a) REQUIRED INSURANCE. The Board shall be required to obtain and maintain the following insurance:

(1) fire insurance with extended coverage, vandalism, malicious mischief and windstorm endorsements, insuring the entire Condominium (including all of the Units and the bathroom and kitchen fixtures and wall partition initially installed therein by the Developer, but not including furniture, furnishings or other personal property supplied or installed by Owners), together with all air-conditioning equipment and other service machinery contained therein and covering the interests of the Board and all Owners and their mortgagees, as their interests may appear, in an amount not less than the maximum insurable replacement value of the Property without deduction for depreciation;

(2) workmen's compensation insurance if and to the extent necessary to meet the requirements of law and
(3) such other insurance as the Board may determine or as may be requested from time to time by a majority of the Owners.

(b) LIABILITY INSURANCE. The Board shall also be required to obtain and maintain to the extent obtainable, public liability and property damage insurance in such limits as the Board may from time to time determine, insuring each member of the Board, the Managing Agent, and each Owner against any liability to the public or to the Owners (and their agents and employees) arising out of, or incident to, the ownership and/or use of the Common Elements. Said insurance shall be issued on a comprehensive liability basis and shall contain a cross liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to his action against another named insured. The Board shall review such limits once each year, but in no event shall such insurance be less than one million dollars ($1,000,000) with a two million dollar ($2,000,000) aggregate. It shall be the responsibility of each Owner to obtain, at his own expense, liability insurance with respect to his ownership and/or use of his Unit, and the Board shall not be responsible for obtaining such insurance.

(c) INSPECTION OF POLICIES. The master policy of physical damage insurance, all renewals thereof and all sub policies or certificates issued thereunder will be kept on file in the Condominium office and available for inspection by any Owner. Unit Owners and mortgage holders may request Certificates of Insurance. Prior to obtaining any policy of fire insurance or any renewal thereof the Board shall obtain an appraisal from an insurance company, or such other source as the Board may determine, of the full replacement value of the Condominium, without deduction for depreciation, for the purpose of determining the amount of physical damage insurance to be effected pursuant to this SECTION.

SECTION 3: SEPARATE INSURANCE. Each Owner shall have the right, at his own expense, to obtain additional insurance for his own Unit and his own benefit and to obtain insurance coverage upon his personal property and for his personal liability provided that no Owner shall be entitled to exercise his right to acquire or maintain such additional insurance coverage so as to decrease the amount which the Board, on behalf of all Owners, may realize under any insurance policy which it may have in force on the Condominium at any particular time or to cause any insurance coverage maintained by the Board to be brought into contribution with such additional insurance coverage obtained by the Owner, and provided further that all such additional policies shall contain waivers of subrogation.

SECTION 4: BOARD AS AGENT. The Board is hereby irrevocably appointed the agent for each Owner of a Unit and for each mortgagee of a Unit and for each Owner of any other interest in the Property to adjust all claims arising under insurance policies purchased by the Board and to execute and deliver releases upon the payment of claims.

SECTION 5: PREMIUMS. Premiums upon all insurance policies purchased by the Board shall be deemed to be a Common Expense.

ARTICLE VII

REPAIR AND RECONSTRUCTION AFTER

FIRE OR OTHER CASUALTY

SECTION 1: WHEN REPAIR AND RECONSTRUCTION ARE REQUIRED. In the event of damage to or destruction of all or any of the Condominium improvements as a result of fire, or other casualty (unless there is substantially total destruction of the Condominium improvements or if sixty-six and two thirds percent (66 2/3%) of the Owners duly resolve, at a meeting called within ninety (90) days after the occurrence of the casualty, not to proceed with repair or restoration), the Board shall arrange for and supervise the prompt repair and restoration of the Condominium improvements including any damaged Units, and any floor coverings or any kitchen or bathroom fixtures initially installed therein by the Developer, but not including any other furniture, furnishings, fixtures or equipment installed by the Owners in the Units.

SECTION 2: PROCEDURE FOR RECONSTRUCTION AND REPAIR.

(a) COST ESTIMATES. Immediately after a fire or other casualty causing damage to the Condominium improvements the Board shall obtain reliable and detailed estimates of the cost of repairing and restoring the Condominium improvements (including any damaged Units, and any floor coverings and kitchen and bathroom fixtures initially installed by the Developer but not including any other furniture, furnishings, fixtures or equipment installed by the Owner in the Unit) to a condition as good as that existing before such casualty. Such costs may also include professional fees and premiums for such bonds as the Board determines to be necessary.

(b) ASSESSMENTS. If the proceeds in insurance are not sufficient to defray the said costs of reconstruction and repair as determined by the Board, or if at any time during reconstruction and repair or upon completion of reconstruction and repair, the funds for the payment of the costs thereof are insufficient, assessments shall be made against the Owners directly affected by the damage or destruction in proportion to their respective Percentage Interests in sufficient amount to provide payment of such costs.

(c) PLANS AND SPECIFICATIONS. Any such reconstruction or repair shall be substantially in accordance with the plans and specifications under which the Condominium was originally constructed.

(d) ENCROACHMENTS. Encroachments upon or in favor of Units which may be created as a result of such reconstruction or repair shall not constitute a claim or basis for any proceeding or action by the Owner upon whose property such encroachment exists, provided that such reconstruction is substantially in accordance with the Condominium Plats and Plans under which the Condominium was originally constructed. Such encroachments shall be allowed to continue in existence for so long as the reconstructed Condominium improvements shall stand.

SECTION 3: DISBURSEMENT OF CONSTRUCTION FUNDS.

(a) CONSTRUCTION FUND. The net proceeds of insurance collected on account of a fire or other casualty and funds collected by the Board from assessments against Owners on account of such casualty shall constitute a construction fund which shall be disbursed in payment of the cost of reconstruction and repair in the manner set forth in these By-laws. The construction fund shall be held and disbursed by the Board.

(b) METHOD OF DISBURSEMENT. The construction fund shall be paid by the Board in appropriate progress payments, to such contractors, suppliers and personnel engaged in performing the work or supplying materials or services for the repair and reconstruction of the Buildings or to Unit Owners in such amounts as are designated by the Board.

(c) SURPLUS. It shall be presumed that the first monies disbursed in payment of the cost of reconstruction and repair shall be from insurance proceeds; and if there is a balance in the construction fund after the payment of all of the costs of the reconstruction and repair for which the fund is established, such balance shall be distributed to the Condominium Reserve.

(d) COMMON ELEMENTS. Any portion of the Condominium damaged or destroyed shall be repaired or replaced promptly by the Association of Unit Owners unless the Condominium is terminated or 80 percent of the Unit Owners, including every Owner of a Unit or assigned limited Common Element which will not be rebuilt, vote not to rebuild. The cost of repair or replacement in excess of insurance proceeds and reserves is a Common Expense. Once repairs and replacement have been made at Common Expense, the Association of Unit Owners may bring an action to recover any costs in excess of insurance proceeds if it can prove by a preponderance of the evidence that the loss was caused by the negligence of a Unit Owner, his tenant or guest or by a Unit Owner's failure to comply with his maintenance responsibility. In the event a vote is taken not to repair or replace a damaged portion of the Condominium, the provisions of SECTION 11-114(G) of the Maryland Condominium Act shall govern.

ARTICLE VIII

SALES, LEASES, AND OTHER TRANSFERS OF UNITS

SECTION 1: NO SEVERANCE OF OWNERSHIP. No Owner shall execute any deed, lease, mortgage, or other instrument conveying or mortgaging the title to his Unit without including therein the undivided interest of such Unit in the Common Elements and the membership of such Unit in the Condominium and the Association of Unit Owners; it being the intention hereof to prevent any severance of such combined ownership. Any such deed, lease, mortgage or other instrument purporting to affect one or more of such interests, shall be deemed and taken to include the interest or interests so omitted, even though the latter shall not be expressly mentioned or described therein. No part of the interests in the Common Elements of any Unit may be sold, leased, transferred, given, devised, or otherwise disposed of, except as part of a sale, lease, transfer, gift, devise, or other disposition of the Unit to which such interests are appurtenant, or as part of a sale, lease, transfer, gift, devise or other disposition of such part of the interests in the Common Elements of all Units.

SECTION 2: PAYMENT OF ASSESSMENTS. No Owner shall be permitted to convey, mortgage, hypothecate, sell, lease, give, or devise his Unit unless and until he (or his personal representative) shall have paid in full to the Board all unpaid Common Expenses theretofore assessed by the Board against his Unit and payable prior to the date of conveyance, except permitted mortgagees.

SECTION 3: USE RESTRICTIONS. The use of the Condominium property and all portions thereof (including without limitation the Units therein) shall be in accordance with the following provisions as long as the Condominium exists and the building in useful condition exists upon the Condominium land.

(a) UNITS. Each Unit shall be occupied only by a family, its servants and guests, as a residence and for no other purpose except as permitted by ARTICLE V, SECTION 10 (a) hereof. No Unit may be divided or subdivided into a smaller Unit nor any portion sold or otherwise transferred without suitable action by the Board of Directors and the Association of Owners approving all necessary amendments of the Master Deed, these By-laws and any other Condominium document in such fashion as to permit such action and to show the changes in the Unit(s) to be affected.

(b) COMMON ELEMENTS. The Common Elements shall be used only for the purpose for which they are intended in the furnishing of services and facilities for the enjoyment of the Units.

(c) NUISANCES. No nuisances shall be allowed upon the Condominium property, nor any use or practice that is the source of annoyance to residents or which interferes with the peaceful possession and proper use of the property by its residents. All parts of the Condominium shall be kept in a clean and sanitary condition, and no rubbish, refuse or garbage allowed to accumulate nor any fire hazard allowed to exist. No Unit Owner shall permit any use of his Unit or make any use of the Common Elements that will increase the cost of insurance upon the Condominium property.

(d) LAWFUL USE. No immoral, improper, offensive or unlawful use shall be made of the Condominium property nor any part of it; and all valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction shall be observed. The responsibility of meeting the requirements of governmental bodies for maintenance, modification or repair of the Condominium property shall be the same as the responsibility for the maintenance and repair of the property concerned.

(e) LEASING. An entire Unit may be rented provided the occupancy is only by the lessee and his family, servants and guests. No rooms may be rented and no transient tenants may be accommodated. Leasing of Units shall comply with the Town of Ocean City, Maryland Zoning Ordinance, a current copy of which shall be maintained in the office of the Condominium Manager. Nothing herein contained shall be construed to prohibit any Unit Owner from renting his Unit for any length of time; either through his own efforts or through those of a Maryland licensed real estate broker of the Unit Owner's selection.

(f) MINORS. Minors are permitted to occupy the Condominium property and Units therein provided that such minors shall be closely supervised by a resident adult and care taken to insure that they do not become a nuisance to other residents.

(g) PETS. No pets of any kind shall be kept on the Condominium premises or in any Unit therein without the express advance written approval of the Board of Directors; if given, such approval may be revoked by the Board at any time for cause or without cause. In event of such revocation by the Board then the Owner of the pet, when so notified in writing, shall be required to immediately remove said pet from the premises.

(h) ADDITIONAL USE REGULATIONS. Reasonable additional use Regulations concerning the use of the Condominium property may be made and amended from time to time by the Board of Directors. Copies of such additional use Regulations and amendments shall be furnished by the Board to all Owners and residents of the Condominium upon request.

(i) MISCELLANEOUS.

(1) Residents shall exercise care about making noises that may disturb other residents.

(2) No apparel or laundry shall be hung on any exterior railings.

(3) The Board of Directors shall have power to control all uses (including, but not limited to painting) of any and all parts of all Units visible from the outside, to preserve uniform appearance and aesthetic quality, and may act affirmatively to preserve same and may assess the costs thereof pursuant to ARTICLE V.

(j) STORAGE LOCKERS. The large Storage Lockers, which are sold to Unit Owners, shall be appurtenant to the Unit and shall transfer with title to the Unit when it is transferred. The small Storage Lockers are general Common Elements of the Condominium and may be leased by the Condominium Board of Directors to Unit Owners and/or lessees. The Board of Directors shall adopt rules which govern who shall receive priority in leasing the Locker when such a Storage Locker becomes vacant because the lease terminates or because the Unit Owner transfers the Unit.

SECTION 4: MAINTENANCE OF CONDOMINIUM RECORDS. In order to keep an up to date file of current Owners of the Condominium each new Owner must give to the Board of Directors notice of acquisition of a Unit, the Owner's full name, address and telephone number.

ARTICLE IX

FINANCE

SECTION 1: CHECKS, DRAFTS, ETC. All checks, drafts, and orders for the payment of money, notes and other evidences of indebtedness, issued in the name of the Condominium, shall be signed by officers or agents of the Condominium, as determined by the Board of Directors.

SECTION 2: ANNUAL REPORTS. There shall be prepared annually a full and correct statement of the affairs of the Condominium, including a balance sheet and a financial statement of operations for the preceding fiscal year, which shall be audited by an independent public accountant and submitted to Owners and filed in the Condominium office within sixty (60) days after the end of the fiscal year.

ARTICLE X

COMPLIANCE AND DEFAULT

SECTION 1: RELIEF. Each Owner of a Unit shall be governed by, and shall comply with, all of the terms of the Master Deed, these By-laws and all Rules and Regulations duly adopted by the Owners or the Board, and any amendments of the same. A default by an Owner shall entitle the Association of Owners, acting through its Board of Directors or through the Managing Agent, to the following relief:

(a) LEGAL PROCEEDINGS. Failure to comply with any of the terms of the Master Deed, these By-laws, and all Rules and Regulations duly adopted by the Board, shall be grounds for relief which may include without limiting the same, an action to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of all assessments, any other relief provided for in these By-laws or any combination thereof, and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Association of Owners, the Board, the Managing Agent, or, if appropriate, by any aggrieved Owner.

(b) ADDITIONAL LIABILITY. Each Owner shall be liable for the expense of all maintenance, repair or replacement rendered necessary by his act, neglect or carelessness or the act, neglect or carelessness of any member of his family or his employees, agents or licensees, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Board. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or its appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by any insurance company of its rights of subrogation.

(c) COSTS AND ATTORNEY'S FEES. In any proceeding arising out of any alleged default by an Owner, the prevailing party shall be entitled to recover the costs of the proceeding, and such reasonable attorney's fees as may be determined by the court.

(d) NO WAIVER OF RIGHTS. The failure of the Association of Owners, the Board, or of an Owner to enforce any right, provision, covenant, or condition which may be granted by the Master Deed, these By-laws, and all Rules and Regulations duly adopted by the Owners or the Board shall not constitute a waiver of the right of the Association of Owners, the Board or the Owner to enforce such right, provision, covenant, or condition, in the future. All rights, remedies and privileges granted to the Association of Owners, the Board, or any Owner pursuant to any term, provision, covenant or condition of the Master Deed, these By-laws, and all Rules and Regulations duly adopted by the Owners or the Board, shall be deemed to be cumulative, and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such privileges as may be granted to such party by the Board or at law or in equity.

(e) ABATEMENT AND ENJOINMENT OF VIOLATIONS BY OWNERS. The violation of any Rule or Regulation adopted by the Board, or the breach of any provision of the Master Deed, these By-laws, and all Rules and Regulations duly adopted by the Owners or the Board shall give the Board the right, in addition to any other rights pursuant to law or set forth

(1) to enter the Unit in which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Owner, any structure, thing or condition that may exist there in contrary to the intent and meaning of the provisions hereof, and the Board shall not thereby be deemed guilty in any manner of trespass; or

(2) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach.

SECTION 2: LIEN FOR CONTRIBUTIONS.

(a) LIEN. The total annual contribution of each Owner for the Common Expense pursuant to ARTICLE V, SECTION 1 of these By-laws is hereby declared to be a lien levied against the Unit of such Owner, which lien shall be effective as of the first day of each fiscal year of the Condominium. The Board or the Managing Agent, may file or record such other or further notice of lien, or such other or further document as may be required by the then laws of the S State of Maryland to confirm the establishment of such lien.

(b) UNPAID INSTALLMENTS. In any case where an assessment against an Owner is payable in installments, upon a default by such Owner in the payment of any single installment, which continues for thirty (30) days after written notice of such default has been sent to the Owner, the maturity of the remaining total of the unpaid installments of such assessments may be accelerated, at the option of the Board and the then balance owing may be declared due and payable in full by the service of notice to such effect upon the defaulting Owner by the Board or the Managing Agent in accordance with the Maryland Condominium Act and Contract Lien Act..

(c) SUIT TO RECOVER A MONEY JUDGMENT. Suit to recover a money judgment for unpaid contributions shall be maintainable without foreclosing or waiving the lien securing the same, and foreclosure shall be maintainable notwithstanding the pendency of any suit to recover a money judgement.

ARTICLE XI

MISCELLANEOUS

SECTION 1: NOTICES. All notices, demands, bills, statements or other communications under these By-laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by registered or certified mail, return receipt requested, first-class postage prepaid,

(a) if to an Owner, at the address which the Owner shall designate in writing and file with the Secretary, or if no such address is designated, at the address of the Unit of such Owner, or

(b) if to the Association of Owners, the Board or the Managing Agent, at the principal office of the Managing Agent or at such other address as shall be designated by notice in writing to the Owners pursuant to this SECTION.

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

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

SECTION 4: GENDER. The use of the masculine gender in these By-laws shall be deemed to include the feminine gender and the use of the singular shall be deemed to include the plural, whenever the context so requires.

ARTICLE XII

AMENDMENTS OF BY-LAWS

SECTION 1: BY-LAWS. These By-laws may be amended in accordance with Section 11-104(e) of the Maryland Real Property Code Annotated (1978 Cum. Supp.) or as hereafter supplemented and amended.

SECTION 2: AMENDMENT. The By-laws may be amended by the affirmative vote of Unit Owners having sixty-six and two-thirds (66 2/3) percent or more of the votes. An amendment shall be entitled to be recorded if accompanied by a certificate of the person specified in the By-laws to count votes at the meeting of the Association of Owners that the amendment was approved by Unit owners having at least sixty-six and two-thirds (66 2/3) percent of the votes and shall be effective on recordation. This certificate shall be conclusive evidence of approval.

ARTICLE XIII

RESIDENT AGENT

SECTION 1: AUTHORITY TO ACCEPT SERVICE. The Managing Agent shall be authorized to accept service of process in any action relating to two (2) or more Units or to the Common Elements. The Board of Directors will name a Managing Agent for the purpose of accepting such service of process as set forth above, provided that proper notification of such change be promptly filed with the Maryland Department of Assessments and Taxation.

ARTICLE XIV

COMPLIANCE

SECTION 1: COMPLIANCE WITH MARYLAND LAW. These By-laws are set forth to comply with the requirements of the Real Property Article, Section 11-101, et seq., of the Annotated Code of Maryland. In case any of these By-laws or the Master Deed conflict with the provisions of said statute, the provisions of the statute apply and shall control. In the event of a conflict between the Master Deed and these By-laws, the provisions of the Master Deed shall control.

Century I Condominium Association, Inc.

As Witness the following and foregoing signatures, seals and certificates by the undersigned, who hereby certify that the above By-laws amendments were approved at the special meeting called for that purpose of the Association of Unit Owners of Century I Condominium on October 16, 1999, by Unit Owners having seventy-five and two hundredths (75.02) percent of the votes.

George B. Falck

Suzanne B. Haslam

Valberline R. Hunt

Sally H. Hardy
President

I hereby acknowledge that Sally H. Hardy the person specified to count votes at meetings of the Council of Unit Owners, appeared before me and verified that these amended By-laws were approved by Unit Owners having the required percentages of votes.

Tracy L. Arthur, SEAL

my commission expires 3/31/03

TRACY LYNN ARTHUR NOTARY PUBLIC WORCESTER CO. MD.

DEC 07 1999 The foregoing instrument filed for record and is accordingly recorded among the land records of Worcester County, Maryland. Clerk