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RICHARD H. CUTTEN -
CLK. CL. CT. WOR. CO.

DECLARATION

OF

BAY WATCH III CONDOMINIUM
HORIZONTAL PROPERTY REGIME
(AN EXPANDING CONDOMINIUM)

IMP FD SURE \$	2.00
RECORDING FEE	75.00
TOTAL	77.00
Rest MOBE	Rcpt # 20287
RHO 9681	Blk # 2128
Apr 30, 1996	09:15 am

THIS DECLARATION, made and entered into this *29th* day of *December* 1994, by MARIANI DEVELOPMENT COMPANY, LTD., a Maryland corporation, hereinafter and in the Exhibits hereto sometimes called the "Declarant":

After recording, mail to:
Williams, Hammond, Moore, Shockley & Harrison
P.O. Box 739, Ocean City, MD 21842

WHEREAS, the Declarant is the owner in fee simple of certain land and premises located in the County of Worcester, State of Maryland, and more particularly described on "EXHIBIT A" attached hereto and by this reference made a part hereof; and

WHEREAS, the Declarant is the owner of certain buildings and other improvements constructed upon the aforesaid premises, in fee simple, and it is the desire and intention of the Declarant to divide said property and the improvements thereon into condominium units, and to sell and convey the same subject to the covenants, restrictions, uses, limitations, obligations, easements, equitable servitudes, charges and liens, hereinafter set forth, each of which is for the benefit of said property and the subsequent owners thereof; and

WHEREAS, prior to or simultaneously with the recordation hereof, the Declarant has filed for record in the office of the Clerk of Court for Worcester County, Maryland, a certain plat, hereinafter referred to as the "Condominium Plat", which Condominium Plat consists of eight (8) sheets; and

WHEREAS, the Declarant desires and intends by the recordation of the Condominium Plat and this Declaration to submit the property described on "EXHIBIT A" together with the improvements heretofore constructed thereon and all appurtenances thereto to the provisions of Title 11 of the Real Property Article of the Annotated Code of Maryland, as a condominium;

NOW, THEREFORE, the Declarant hereby declares that all of the property described "EXHIBIT A" together with all improvements heretofore or hereafter constructed thereon, and all appurtenances thereto, shall be held, conveyed, divided or subdivided, leased, rented, and occupied, improved, hypothecated and encumbered, subject to the covenants, restrictions, uses, limitations, obligations, easements, equitable servitudes, charges and liens

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(hereinafter sometimes referred to as "Covenants and restrictions") hereinafter set forth, including the provisions of the By-Laws of the Council of Unit Owners of the Condominium, attached hereto as "EXHIBIT B", and by this reference incorporated herein, all of which are declared and agreed to be in aid of a plan for improvements of said property, and the division thereof into condominium units and common elements, and shall be deemed to run with and bind the land, and shall inure to the benefit of and be enforceable by the Declarant, their successors and assigns, any person acquiring or owning an interest in said property and improvements, including, without limitation, any person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who holds such interest solely as security for the performance of any obligation.

ARTICLE I

Section 1. Definitions. Unless the context shall plainly require otherwise, the following words when used in this Declaration and any and all exhibits hereto, shall have the following meanings:

(a) "The Act" or "the Condominium Act" means Title 11 of the Real Property Article of the Annotated Code of Maryland and shall include any revisions thereof and amendments and supplements thereto which are enacted subsequent to the date of this Declaration and which are not inconsistent with the provisions hereof.

(b) "Condominium" or "the condominium project" means the property subject to this Declaration.

(c) "Unit" or "condominium unit" means a three dimensional area, as hereinafter and on the Condominium Plat described and identified, and shall include all improvements contained within that area except those excluded in this Declaration.

(d) "Common elements" means both general common elements and limited common elements, as hereinafter and on the Condominium Plat described and identified, and shall include all of the condominium except the condominium units.

(e) "Unit owner" or "owner" means any person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who holds legal title to a unit within the condominium; provided, however, that any person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who holds such interest solely as security for the performance of an obligation shall not be a unit owner by reason only of such interest.

(f) "Council of Unit Owners" means all of the unit owners in association.

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(g) the "Heron Harbour Isle Recreation Declaration" shall mean the Declaration of Covenants, Easements, Charges and Liens relating to the Heron Harbour Isle Project and the Development Area made by Developer, and recorded (or intended to be recorded) in the Land Records of Worcester County in Liber 1155, folio 129, as from time to time amended. Neither the Council of Unit Owners nor a Unit Owner shall have any rights with regard to the Heron Harbour Isle Project or the Development Area except as expressly set forth herein or in the Heron Harbour Isle Recreation Declaration.

(h) "Common Expenses" shall mean the aggregate of (A) any and all expenses (other than "Boat Slip Expenses" as hereinafter defined) which shall be incurred by the Council in the exercise of the rights and powers, and in the discharge of the duties, which are vested in, exercisable by or imposed upon the Council under the Heron Harbour Isle Recreation Declaration, the Act, the Declaration, or the By-Laws, and (B) any and all amounts which the Council shall resolve to require to be deposited in a reserve fund pursuant to the By-Laws.

(i) "Common Profits" shall, for the period with respect to which reference is made, mean the amount, if any, by which the Council Receipts for such period shall exceed the Common Expenses for such period.

(j) "Boat Slip Expenses" shall mean and include the cost and expense of administration, operation, care, maintenance, repair or replacement of the piers, finger piers and pilings appurtenant to the boat slips, and to the structures, fixtures and other improvements attached thereto or located thereon; payment into a repair and replacement reserve fund established for the foregoing; the premiums charged for the portion of any policy of insurance, indemnity or bond procured or maintained by the Council or Board of Directors which insures the piers, finger piers and pilings, and the structures, fixtures and other improvements attached thereto or located thereon against damage from fire, flood or other hazards, and the premiums on any policy of insurance, indemnity or bond procured or maintained by the Council or Board of Directors which insure: Only those Unit Owners having the right to use one or more boat slips against liabilities arising from the ownership, use and operation of said piers, finger piers and pilings, and the structures, fixtures and other improvements attached thereto or located thereon, it being the intent of this paragraph (j) that the entire premium on any policy of insurance, indemnity or bond which insures all Unit Owners against liabilities arising from the ownership, use and operation of said piers, finger piers and pilings, and the structures, fixtures and other improvements attached thereto or located thereon shall be deemed a Limited Common Expense; compensation for accountants, attorneys, engineers, financial experts, superintendents, managers and such other employees and agents as may be deemed necessary or advisable for the operation of the boat slips; and all other costs and expenses declared to be boat slip expenses by any provision of the Act, this

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Declaration, or the By-Laws.

(k) "Boat Slip Expense Factor" means and includes the proportionate interest of each Boat Slip Unit Owner in the Boat Slip Expenses, expressed as a fraction. The particular Boat Slip Expense Factor of each Unit Owner, referred to in this Declaration equals the Boat Slip Expense Factor of the Unit owned by the Unit Owner, as specified in Article I hereof.

Section 2. Other Definitions. Unless it is plainly evident from the context that a different meaning is intended, all other terms used herein shall have the same meaning as they are defined to have in the By-Laws of the Council of Unit Owners or in Title 11 of the Real Property Article of the Annotated Code of Maryland.

Section 3. Name. The name by which the condominium is to be identified is as follows:

"BAY WATCH III CONDOMINIUM"

ARTICLE II

Section 1. Property Subject to Declaration. The property which is, and shall be, held, conveyed, divided or subdivided, hypothecated or encumbered, sold, leased, rented, used, occupied, and improved subject to this Declaration and the provisions of the Condominium Act, is located in the County of Worcester, State of Maryland, and is more particularly described on "EXHIBIT A", attached hereto and by this reference made a part hereof.

Section 2. Condominium Plat. The Condominium Plat is incorporated herein by this reference and made a part of this Declaration.

ARTICLE III

Section 1. The Condominium Project and Buildings. The Condominium Project hereby established shall consist of the tract of land hereinabove described on "EXHIBIT A" and improvements consisting of one (1) building consisting of twelve (12) units, all of which improvements have been constructed and are more fully described in the plats and plans incorporated herein by reference, filed among the Plat Records of Worcester County, Maryland, simultaneously with the recording of this Declaration, consisting of EIGHT (8) sheets, designated as:

1. Cover sheet/notes and including total site vicinity map with certifications and table of contents.
2. Location survey and site plan.
3. First Floor Plan.
4. Second Floor Plan.
5. Third Floor Plan.
6. Typical unit plans type A and type B.
7. Floor elevations.
8. Boat Slip Limited Common Elements

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The building as an aggregate length, an aggregate width and an elevation above mean low water to peak of roof all as more particularly shown on said plats. The building is constructed on concrete footings and concrete block and is supported by floor joists all as more particularly shown on said plats.

Phase I, Building A, contains twelve (12) units, designated as Units 101, 102, 103, 104, 201, 202, 203, 204, 301, 302, 303, and 304. Units are one-story, with two-bedrooms, and one-story with three-bedrooms, all as shown on said plats. The building also contains walkways, decks, stairs and other appurtenances as shown on said plat. The area of the building and the lots hereby subjected to this Horizontal Property Regime shall be shown on Sheet No. 2 under the heading of "Site Plan and Location Survey."

Section 2. The Condominium Units. The general description and number of each condominium unit in the condominium, including its perimeters, approximate dimensions, floor area, identifying number or letter, location and such other data as may be sufficient to identify if with reasonable certainty is set forth on the Condominium Plat.

Each unit shall consist of a horizontal property extending vertically from horizontal planes which are coincident with the upper surface of the plywood subfloor to horizontal planes which are coincident with the underside of the joists supporting the floor above or in the case of third floor units to horizontal plane coincident with the underside of the truss rafter supporting the roof over such unit. Each unit in the building shall extend laterally between the vertical planes which are separating such unit from another unit or common elements; provided, however, that all wallboards, panelling, tiles, wallpaper and paint shall be included within the unit space. Lateral and vertical boundaries of each unit are shown on the aforesaid plats. Each unit includes all space and facilities located therein except such elements as are hereinafter specified as general common elements and which are shaded on the plats. All doors, windows and skylights are part of the unit. Appliances, air conditioners, kitchen equipment, bathroom fixtures, plumbing, heating, electrical and other fixtures and non-load bearing walls are part of the unit.

Section 3. Easements. Each condominium unit shall be subject to an easement to the owners of all of the other condominium units to and for the unobstructed and uninterrupted use of any and all pipes, ducts, conduits, cables, wires, and wire outlets, utility lines and the like, and any other common elements located within or accessible only from any particular condominium unit and for support.

ARTICLE IV

Section 1. General Common Elements. The general common element of this Condominium Project shall be as follows:

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(a) all of the land described "EXHIBIT A" attached hereto (including the land directly and immediately beneath the supporting foundations of the condominium building) and including all rights appurtenant thereto;

(b) all facilities located underground;

(c) at the ground level and extending from there upwards, all of the area of said premises not included in the condominium units as hereinbefore described and all facilities located in that area. Such general common elements shall include, but not be limited to, driveways and parking lot subject to allocation of parking spaces.

(d) all lighting facilities and utilities installed to serve the above mentioned common elements, including water and electric meters;

(e) all structural parts of the building including sills, roof, outside walls (not including windows or glass doors) supports, treads, risers, rafters, pilings, beams, and any other structural parts of the building;

(f) all guttering, drainspouting and flashing;

(g) all sidewalks, (not decks or balconies), and walkways;

(h) All bulkheading located within the boundaries of the land described in "Exhibit A" together with tiebacks, "deadmen" and all other integral parts of the bulkhead anchoring system within said boundaries;

(i) all other elements of the unit building rationally of common use or necessity for its existence, upkeep and safety shall be general common elements.

Section 2. Limited Common Elements. The limited common elements of the condominium project shall be as follows:

(a) common plumbing, vent and waste lines serving both horizontally and vertically adjacent condominium units shall be limited common elements reserved for such horizontally and vertically adjacent units;

(b) decks and steps adjacent to each unit which shall be repaired, replaced and maintained pursuant to Article VIII, Section 3 of the By-Laws;

(c) the boat slips. There are intended to be located within the condominium and within future condominium expansion areas, "boat slip limited common elements". The "boat slip" is intended to become limited common element appurtenant to specific units upon the purchase of the boat slip area as herein defined by unit owners.

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Except for the ability to convey the boat slip limited common elements to the units in Bay Watch I Condominium, Bay Watch II Condominium and Bay Watch III Condominium, and further subject to the provision of the second following paragraph, all boats slips shall be limited common elements and not otherwise transferable.

Until such time as the boat slips are completely constructed and located, the developer herein specifically reserves the right to continue the construction and location of the boat slips within the area designated on the condominium plat. Developer specifically reserves unto itself the right to convey the boat slips in the manner set forth herein, the right to complete construction of the boat slip structures (such as piers, finger piers, and pilings) and the developer further specifically reserves the right by the execution of an amended condominium plat (without the necessity of having any unit owner join in or consent to the execution of said amended plat) for the purpose of the final location of the boat slip limited common elements. Thereafter, at any time, the developer shall through the execution of a deed or other document of conveyance, designate the boat slip limited common element as an appurtenance to one or more of the condominium units within the condominium, as a riparian right. "Boat slip" means the three dimensional area provided for the mooring of a recreational type watercraft, lying, vertically, between a point 6 feet below mean low water and a point 50 feet above mean high water, within the hereinafter specified horizontal area, and, horizontally, within the water space designated therefor on the Condominium Plat, as follows: from side to side, between the pier or finger pier, if any, and/or the row or rows of pilings enclosing same, if any, and from front to back, between (i) the bulkhead running along the shoreline of the property, and (ii) the channelward boundary thereof shown on the Condominium Plat, as the case may be, excluding from the boat slip, however: all bulkheads, piers, finger piers and pilings, to the end and intent that the boat slip include, horizontally, only the water space designed for mooring of the watercraft. Except as hereinafter set forth, the owner of each Unit, to the exclusion of the owners of all other Units, has the exclusive right to use and enjoy, as a riparian right, and not otherwise, (i) the boat slip, if any, appurtenant to his Unit, but only for the purpose of mooring a recreational type watercraft; and (ii) the pier, finger piers and pilings enclosing the boat slip appurtenant to his Unit, when said structures are constructed, but only for the purposes for which designed, subject to the following: the Unit Owners having the exclusive right to use and enjoy adjoining boat slips, have, in common with each other, the right to use and enjoy the finger pier and pilings separating their boat slips, if any. Each Boat Slip, as shown and designated on the Condominium Plat as amended in the future as set forth above, shall be an appurtenance of one or more Condominium Units, as a riparian right. The Developer shall determine, in its sole discretion, in the first instance, the boat slip or boat slips appurtenant to the Unit, if any; any such determination shall become and be finalized and fixed through the conveyance of the

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boat slip by the Developer to any other person, firm, corporation or other legal entity, with the boat slip or boat slips appurtenant to any unit conveyed, as a riparian right, from which time forward the boat slip or boat slips so designated in the Deed shall be deemed appurtenant to the Unit conveyed by said Deed, subject to the provisions of the following second paragraph, allowing limited conveyance or transfer thereof. When the Developer has conveyed all of the Units, including those that may be added to the condominium by expansion thereof, any Boat Slip not so designated by Developer as appurtenant to a Unit shall be deemed to be a General Common Element subject to all of the rights and obligations of the Council with regard to a General Common Element.

There is hereby reserved unto the Declarant, an irrevocable power of attorney coupled with an interest and with full power of substitution for the purpose of allocating the boat slip limited common elements to any unit whether by a deed executed at the time of conveyance of the unit or thereafter, in the sole exclusive discretion of Declarant. The power of attorney is further reserved unto Declarant for the purpose of executing and recording an amended condominium plat locating the boat slips in each phase of the condominium when and if the Declarant in its sole discretion determines to do so. Each owner and each mortgagee of a condominium unit in the condominium shall be deemed to have acquiesced in amendments to this declaration (if any are required) and in amendments to the condominium plat for the purpose of the location of boat slip limited common elements, and the addition of same in future condominium phases and shall be deemed to have granted to the Declarant an irrevocable power of attorney, coupled with an interest and with full power of substitution, to effectuate, execute, acknowledge, deliver and record any such amendments, and each such unit owner and mortgagee shall be deemed to have agreed and covenanted to execute, acknowledge and deliver such other and further instruments, if any, as may be required by the Declarant, its successors and assigns, to properly accomplish such amendments.

The right reserved includes the specific right to allocate Boat Slip Limited Common Elements to units within Bay Watch I and Bay Watch II Condominium.

No Limited Common Element shall be divided into two or more parts nor shall the right to use any Limited Common Element, or any part thereof be sold, mortgaged, conveyed, devised, leased, rented or otherwise encumbered, disposed of or transferred, except (i) as an appurtenance to a Unit sold, mortgaged, conveyed, devised, leased, rented or otherwise encumbered, disposed of or transferred; and (ii) the right to use a boat slip may be conveyed, rented, or otherwise transferred by the Unit Owner or Unit Owners having the exclusive right to use and enjoy the same, to any other Unit Owner or Unit Owners, so that the latter, as the grantee(s), lessee(s) or transferee(s) thereof, shall have the exclusive right to use and enjoy the boat slip conveyed or transferred as an appurtenance to

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his or their Unit(s), all as fully and to the same extent as though said boat slip were originally made an appurtenance of his or their Unit(s), provided that no such conveyance or transfer shall be effective until an appropriate written instrument is recorded among the Land Records of Worcester County, which instrument shall be executed by the grantor(s) or transferor(s) of such right, and by all mortgagee(s) having an interest in the Unit(s) to which such right was appurtenant prior to the conveyance or other transfer.

Limited Common Elements are reserved for the exclusive use of the Units to which they are appurtenant by reason of attachment or assignment, to the exclusion of other Units, and there shall pass with a Unit, as appurtenant thereto, the exclusive right to use the Limited Common Elements so appurtenant. Except as otherwise provided in the Declaration or By-Laws, any expense of ordinary maintenance or repair relating to such Limited Common Elements shall be the responsibility of the owner of the Unit to which the element is appurtenant or the Unit Owner sharing such elements, if any, but all structural maintenance, repair or replacement thereof shall be treated and paid for as a part of the Common Expense of the Unit Owners of which the boat slip limited common elements are appurtenant unless the same shall be caused by negligence or deliberate act of an individual Unit Owner or other persons residing in a Unit with the Unit Owner's actual or implied consent or permission, in which case expense of maintenance, repair or replacement relating to such Limited Common Owner, less the amount of any insurance benefits received by the Council on account thereof, shall be borne by the person so negligent or whose act causes the damage.

(d) all limited common elements of said building rationally of limited common use.

Section 3. Covenant Against Partition. The common elements, both general and limited, shall remain undivided. No owner of any condominium unit or other person shall bring any action for partition or division thereof except as may be provided for in the Condominium Act.

Section 4. Easements. The common elements of the condominium shall be subject to mutual rights of support access, use and enjoyment by all of the unit owners; provided, however, that any portions of the common elements designated as limited common elements are reserved for the exclusive use of the owner or owners of the condominium unit or units to which they are adjacent or to which they are declared to be appurtenant by appropriate designation on the Condominium Plat.

ARTICLE V

Section 1. The Condominium Units. Each of the condominium units in the Condominium Project shall have all of the incidents of real property.

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Section 2. Undivided Percentage Interests in Common Elements. Each unit owner shall own an undivided percentage interest in the common elements of the condominium equal to that set forth on "EXHIBIT C" attached hereto and by this and other reference made a part hereof. The undivided percentage interests in the common elements set forth on "EXHIBIT C" shall have a permanent character and, except as specifically provided in the Condominium Act and this Declaration, may not be changed without the written consent of all of the unit owners and the holders of all mortgages on the condominium units. The undivided percentage interests in the common elements set forth on "EXHIBIT C" may not be separated from the condominium unit to which they appertain. Any instrument, matter, circumstance, action, occurrence or proceeding in any manner affecting a condominium unit shall also affect, in like manner, the individual percentage interest in the common elements appertaining to such unit, whether or not such percentage interest is expressly described or mentioned.

Section 3. Percentage Interests in Common Expenses and Common Profits. Each unit owner shall have a percentage interest in the common expenses and common profits of the condominium equal to that set forth on "EXHIBIT C" attached hereto and by this and other reference made a part hereof. The percentage interests in the common expenses and common profits set forth on "EXHIBIT C" shall have a permanent character and, except as specifically provided in the Condominium Act and this Declaration, may not be changed without the written consent of all of the unit owners and the holders of all mortgages on the condominium units. The percentage interests in the common expenses and common profits as set forth on "EXHIBIT C" may not be separated from the condominium unit to which they appertain. Any instrument, matter, circumstance, action, occurrence or proceeding in any manner affecting a condominium unit shall affect, in like manner, the percentage interest in the common expenses and common profits appertaining to such unit, whether or not such percentage interest is expressly described or mentioned.

Section 4. Boat Slip Expenses. Each Unit Owner to whose Unit one or more boat slips are appurtenant shall contribute toward payment of the Boat Slip Expenses in proportion to its Boat Slip Expense Factor, subject to any right of contribution he may have against any other Unit Owner with whom he shares the right to use any such boat slip, and no Unit Owner to whose Unit one or more boat slips are appurtenant shall be exempt from contributing towards said Boat Slip Expenses, either by waiver of the use or enjoyment of said boat slip(s), or by the abandonment of his Unit. The contribution of each such Unit Owner toward Boat Slip Expenses shall be determined, levied and assessed as a lien, all in the manner set forth in the Declaration and By-Laws, and each such Unit Owner shall be liable for all boat slip expenses levied and assessed against him or his Unit, and each installment thereof, falling due while he is the owner of a Unit to which one or more boat slips are appurtenant. No Unit Owner not having a boat slip shall be required to contribute to Boat Slip Expenses. Unit owners in Bay

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Watch I and Bay Watch II who own the right to use their Boat Slip Limited Common Element described herein, do by the receipt of the conveyance thereof, agree to likewise contribute to the Boat Slip expense.

Section 5. Voting Rights. At any meeting of the Council of Unit Owners, each unit owner shall be entitled to cast, on each question, the number of votes appurtenant to his condominium unit, as set forth on "EXHIBIT C" attached hereto and by this and other reference made a part hereof. In the event the number of votes appurtenant to each condominium unit is not specifically set forth on "EXHIBIT C", then each unit shall be entitled to cast one vote on each question at any meeting of the Council of Unit Owners.

Section 6. Covenant Against Time Sharing. No unit may be submitted to a time share regime or interval (fractional) ownership; provided, however, that such restrictive covenant does not prevent the renting or leasing of the units.

ARTICLE VI

Section 1. Expansion - Addition of Subsequent Phases. Pursuant to the provisions of Section 11-120 of the Condominium Act, and subject to the limitations and requirements herein and therein set forth, the Declarant shall have the absolute right, but not the obligation, to be exercised prior to the 1st day of January, 2005, to expand on and to annex to the land and improvements described on "EXHIBIT A" attached hereto, and thereby to submit each and every of the provisions of this Declaration and the Condominium Act, in such increments as the Declarant may from time to time deem appropriate such additional units, additions and improvements designated as the various expansion Phases described on the attached Exhibit A-1, together with the improvements heretofore or hereafter constructed upon any of said land, as said land and improvements are delineated, in general terms, on the Condominium Plat. Any such expansion or annexation shall be accomplished by the recordation among the Land Records of Worcester County, Maryland, of an Amendment to this Declaration and the Condominium Plat as required by the provisions of Section 11-120 of the Condominium Act.

Upon the recordation of an amendment to this Declaration and to the Condominium Plat for the purpose of expanding on or annexation to the land and improvements described on "EXHIBIT A" attached hereto and designated as expansion phase on the Condominium Plat as previously described, together with the improvements heretofore or hereafter constructed upon such portion of the land described, each unit owner, by operation of law, shall then have the undivided percentage interests in the common expenses and common profits as determined by the formula set forth on "EXHIBIT C" attached hereto and by this and other reference made a part hereof. Any deed for any condominium unit shall be delivered subject to a conditional limitation that the percentage interest

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appurtenant to such condominium unit shall be automatically reallocated pro tanto upon the recordation of each such amendment.

Whenever in this Declaration or in any of the Exhibits hereto, reference is made to "EXHIBIT C" then such references shall mean and refer to "EXHIBIT C" and "EXHIBIT C-1" as the same may have been amended in accordance with and pursuant to the operation of this Article and to the exercise of the rights hereby reserved to the Declarant.

Pursuant to the requirements of Section 11-120(b)(2)(i) of the Condominium Act, a maximum total number of forty-eight (48) condominium units may be added to the condominium in accordance with the provisions of this Article VI, said additional units and common elements of the respective buildings as detailed on Sheet two (2) of the Plats and may be built in any order determined by the Declarant.

s There is hereby reserved unto the Declarant in irrevocable power-of-attorney, coupled with an interest, for the purpose of reallocating the percentage interests and voting rights appurtenant to each condominium unit in the condominium in accordance with the provisions of this Declaration, and the formula hereinabove set forth, and to execute, acknowledge and deliver such further instruments as may from time to time be required in order to accomplish the purposes of this Article VI. Each owner and each mortgagee of a condominium unit in the condominium shall be deemed to have granted unto the Declarant an irrevocable power-of-attorney, coupled with an interest, to effectuate, execute, acknowledge and deliver any such amendments and each such unit owner and mortgagee shall be deemed to have agreed and covenanted to execute such further assurances and instruments, if any, as may be required by the Declarant, their successors and assigns, to properly accomplish such amendments.

ARTICLE VII

Section 1. Encroachments. In the event that any portion of the common elements encroaches upon any condominium unit, or in the event any condominium unit encroaches upon any other condominium unit or any common elements, as a result of settlement, shifting, or the duly authorized construction or repair of any building, a valid easement of the encroachment and for the maintenance of the same shall exist so long as the building stands.

In the event any portion of the condominium is partially or totally damaged or destroyed by fire or other casualty, or as a result of condemnation or eminent domain proceedings, and then repaired or reconstructed as authorized in the By-Laws of the Council of Unit Owners and the Condominium Act, encroachments of any portion of the common elements upon any condominium unit or of any condominium unit upon any other condominium unit or any portion of the common elements due to such repair or reconstruction shall

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be permitted, and valid easements for such encroachments and the maintenance of the same shall exist so long as the building stands.

For all purposes incident to the interpretation of deeds, the Condominium Plat and all other instruments of title relating to any condominium unit in the condominium project, the existing physical boundaries of any condominium unit constructed or reconstructed in substantial conformity with the Condominium Plat shall be conclusively presumed to be its boundaries, regardless of the shifting, settling or lateral movement of any building and regardless of minor variations between the physical boundaries shown on the Condominium Plat and those of any condominium unit.

Section 2. Easement to Declarant. There is hereby reserved to the Declarant and their agents a non-exclusive easement over all of the common elements of the condominium for purposes of access, and for any and all purposes reasonably related to the completion of the marketing, construction, rehabilitation and repair of the condominium.

ARTICLE VIII

Section 1. Amendment. Except as otherwise provided in the Condominium Act, and except as specifically provided in Article VI hereof, this Declaration may be amended only with the written consent of eighty percent (80%) of the unit owners. Any such amendment shall be effective only upon the recordation of a Declaration of Amendment among the Land Records of Worcester County, Maryland. The requirements of the Condominium Act shall prevail in this regard.

Section 2. Termination and Waiver. The condominium regime established by the recordation of this Declaration and the Condominium Plat may be terminated by Deed of Termination executed by the required percentage of the unit owners, all in the manner provided in Section 11-123 of the Condominium Act. Any such termination shall be effective only upon the Recordation of a Deed of Termination among the Land Records of Worcester County, Maryland.

ARTICLE IX

Section 1. Construction and Enforcement. The provisions hereof shall be liberally construed to facilitate the purpose of creating a uniform plan for the creation and operation of a condominium. Enforcement of these covenants and restrictions and of the By-Laws attached hereto shall be by any proceeding at law or in equity against any person or persons violating or attempting to violate any covenant or restriction, either to restrain or enjoin such violation or to recover damages, or both, and against any condominium unit to enforce any lien; and the failure or forbearance by the Council of Unit Owners to enforce any covenant or restriction herein contained shall in no event be deemed a

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BAYWATCH III \ DECLARATION / bct

waiver of the right to do so thereafter.

There shall be and there is hereby created and declared to be a presumption that any violation or breach or any attempted violation or breach of any of the within covenants or restrictions cannot be adequately remedied by action at law or exclusively by recovery of damages.

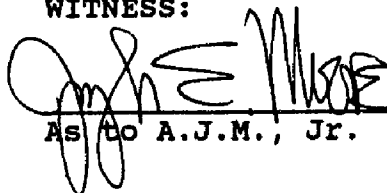
Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment, decree or order shall in no way effect any other provisions hereof, each of which shall remain in full force and effect.

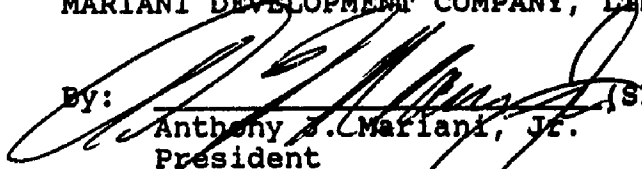
Section 3. Captions. The captions contained in this Declaration are for convenience only and are not a part of this Declaration and are not intended in any way to limit or enlarge the terms and provisions of this Declaration.

IN WITNESS WHEREOF, the Declarant has executed this Declaration the day and year first above written.

WITNESS:

MARIANI DEVELOPMENT COMPANY, LTD.

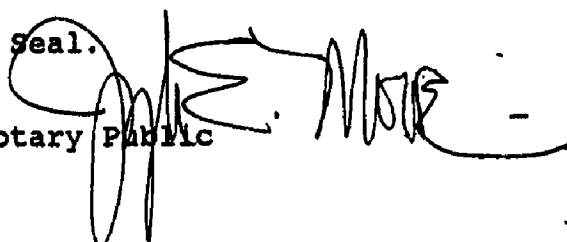

As to A.J.M., Jr.

By:  (SEAL)
Anthony J. Mariani, Jr.
President

STATE OF MARYLAND, WORCESTER COUNTY, to wit:

I HEREBY CERTIFY that on this 29th day of December, 1994, before me, the subscriber, a Notary Public of the State and County aforesaid, personally appeared Anthony J. Mariani, Jr., President of MARIANI DEVELOPMENT COMPANY, LTD., a Maryland corporation, who acknowledged himself to be the President of said corporation and further acknowledged the foregoing Declaration to be the act and deed of said corporation, and further certified that this conveyance is not part of a transaction in which there is a sale, lease, exchange, or other transfer of all or substantially all of the property and assets of the corporation.

AS WITNESS my hand and Official Seal.


Notary Public

My Commission Expires: 1-98

LIBER 2266 FOLIO 552

EXHIBIT "A"-PROPERTY SUBMITTED TO
BAYWATCH III CONDOMINIUM

LIBER 2266 FOLIO 553



Baffis & Associates, Inc.

EXHIBIT "A"

DESCRIPTION OF BAYWATCH III
PHASE ONE, BAYWATCH CONDOMINIUMS
OCEAN CITY, MARYLAND
TENTH ELECTION DISTRICT
WORCESTER COUNTY, MARYLAND


Beginning for the same at a point, being a rebar and cap, set on the Southeastern most right-of-way line of South Heron Drive 50 feet wide, said point also being situated on the Western most outline of Harbour Club Condominium, 1) Thence leaving said right-of-way line running with and binding on said Western most outline, South 00° 32' 05" West 137.27 feet to a rebar and cap found near bulkhead; 2) Thence running with and binding on or near said existing bulkhead, North 89° 38' 30" West 188.43 feet. Thence leaving said bulkhead and running the following three courses and distances: 3) North 00° 32' 05" East 46.21 feet; 4) North 89° 27' 55" West 32.00 feet; and 5) North 00° 32' 05" East 68.00 feet to a point, situated on the above mentioned Southeastern most side of South Heron Drive. Thence running with and binding on said South Heron Drive; the two following courses and distances: 6) South 89° 27' 55" East 132.68 feet to a cross cut set in side walk and; 7) A curve to the left having a radius of 171.52 feet, an arc of 92.11 feet and being subtended by a chord bearing and distance of North 75° 09' 01" East 91.01 feet to the point of beginning. Containing 24,306.48 square feet of land or 0.558 acre more or less.

Subject to an easement, 10.00 feet wide, lying South and Southeast of and adjacent to, the above described sixth (6th) and seventh (7th) lines, to be used in common for the installation and maintenance of utilities.

Also subject to an easement, 10.00 feet wide, for an infiltration basin as shown on the "Record Plat for Parcel B and C Harbourside at Heron Harbour" which plat is recorded among the land records of Worcester County, Maryland in Plat Book RHO 138 Folio 25.

LIBER 2266 FOLIO 554

Being part of that parcel of land known as Parcel "B" shown on said "Record Plat for Parcel B and C, Harbourside at Heron Harbour."


Samuel P. Framm Md. Reg. L.S. No. 5817



LIBER 2266 FOLIO 555

EXHIBIT "A-1"

FUTURE PHASES IN BAYWATCH III CONDOMINIUM
WHICH MAY BE ADDED IN INDIVIDUAL PHASES
AS DESIGNATED AS PHASES TWO, THREE, AND FOUR

LIBER 2266 FOLIO 556



Bafitts & Associates, Inc.

EXHIBIT "A-1" Future Phases

DESCRIPTION OF BAYWATCH III
PHASE TWO, BAYWATCH CONDOMINIUMS
OCEAN CITY, MARYLAND
TENTH ELECTION DISTRICT
WORCESTER COUNTY, MARYLAND

Beginning for the same at a point, situated on the Southern most right-of-way line of South Heron Drive, 50.00 feet wide, said point of beginning being situated Southwesterly by a curve to the right with a radius of 171.52 feet, the arc distance of 92.11 feet, which arc is subtended by a chord bearing South 75°09'01" West the distance of 92.01 feet and North 89° 27' 55" West 132.68 feet measured along said Southern most right-of-way line from the Northeastern most corner of parcel "B" as shown on the Record Plat for Parcel B and C, Harbourside at Heron Harbour as recorded among the land records of Worcester County, Maryland in Plat Book RHO 138, Folio 25. Thence running and leaving said right-of-way line of South Heron Drive, the three following courses and distances: 1) South 00° 32' 05" West 68.00 feet to a point; 2) South 89° 27' 55" East 32.00 feet to a point; and 3) South 00° 32' 05" West 46.21 feet to a point on an existing bulkhead, 4) Thence running with and binding on said bulkhead; North 89° 38' 30" West 250.42 feet to a point, on said bulkhead. Thence running and leaving said bulkhead, the five following courses and distances: 5) North 00° 32' 05" East 10.00 feet to a point, 6) South 89° 38' 30" East 1.74 feet to a point, 7) North 00° 32' 05" East 31.97 feet to a point; 8) South 89° 27' 55" East 32.00 feet to a point; and 9) North 00° 32' 05" East 73.00 feet to a point on the above mentioned right-of-way line of South Heron Drive, 10) Thence running with and binding on said right-of-way of South Heron Drive, South 89° 27' 55" East 184.67 feet to the point of beginning. Containing 24,001.56 square feet of land or 0.551 acre more or less.

Subject to an easement, 10.00 feet wide, lying South of and adjacent to the above described tenth (10th) line, to be used in common for the installation and main tenance of utilities.

Also subject to an easement, 10.00 feet wide, for an infiltration basin as shown on the "Record Plat for parcel B and C, Harbourside at Heron Harbour" which plat is recorded among the Land Records of Worcester County, Maryland in Plat Book RHO 138, Folio 25.

LIBER 2266 FOLIO 557

Being part of that parcel of land known as parcel "B" shown on said "Record Plat for parcel B and C, Harbourside at Heron Harbour."



Samuel P. Pramm Md. Reg. L.S. No. 5817



LIBER 2266 FOLIO 558



Baftis & Associates, Inc.

EXHIBIT "A-1" Future Phases

DESCRIPTION OF BAYWATCH III;
PHASE THREE, BAYWATCH CONDOMINIUMS
OCEAN CITY, MARYLAND
TENTH ELECTION DISTRICT
WORCESTER COUNTY, MARYLAND

Beginning for the same at a point, situated on the Southern most right-of-way line of South Heron Drive, 50.00 feet wide, said point of beginning being situated southwesterly by a curve to the right with a radius of 171.52 feet, the arc distance of 92.11 feet, which arc is subtended by a chord bearing South 75° 09' 01" West the distance of 92.01 feet and North 89° 27' 55" West 317.35 feet measured along said Southernmost right-of-way line from the Northeastern most corner of Parcel "B" as shown on the Record Plat for Parcel B and C, Harbourside at Heron Harbour as recorded among the Land Records of Worcester County, Maryland in Plat Book RHO 138, Folio 25. Thence running and leaving said right-of-way line of South Heron Drive the five following courses and distances; (1) South 00° 32' 05" West 73.00 feet to a point; (2) North 89° 27' 55" West 32.00 feet to a point; (3) South 00° 32' 05" West 31.97 feet to a point; (4) North 89° 38' 30" West 1.74 feet to a point; and (5) South 00° 32' 05" West 10.00 feet to a point on an existing bulkhead; (6) Thence running with and binding on said bulkhead, North 89° 38' 30" West 210.75 feet to a point on said bulkhead; Thence running and leaving said bulkhead, the four following courses and distances, (7) North 00° 32' 05" East 75.54 feet to a point; (8) North 25° 41' 56" East 31.02 feet to a point; (9) South 89° 27' 56" East 33.15 feet to a point; and (10) North 25° 41' 56" East 38.50 feet to a point on the above mentioned right-of-way line of South Heron Drive; Thence running with and binding on said right-of-way line of South Heron Drive, the three following courses and distances; (11) South 64° 19' 04" East 5.27 feet to a cross cut in said sidewalk; (12) On a curve to the left, having a radius of 217.04 feet, an arc distance of 95.32 feet and being subtended by a chord bearing and distance of South 76° 53' 00" East 94.56 feet to a cross cut in said side walk; and (13) South 89° 27' 55" East 84.72 feet to the point of beginning. Containing 26,876.52 square feet of land or 0.617 acres, more or less.

Subject to an easement, 10.00 feet wide, lying South of and adjacent to the above described eleventh (11th) twelfth (12th) and thirteenth (13th) lines, to be used in common for the installation and maintenance of utilities.

LIBER 2266 FOLIO 559

Also subject to an easement, 10.00 feet wide, for an infiltration basin as shown on the "Record Plat for Parcel B and C, Harbourside at Heron Harbour" which plat is recorded among the land records of Worcester County, Maryland in Plat Book RHO 138, Folio 25.

Being part of that Parcel of land known as Parcel "B" shown on said "Record plat for Parcel B and C, Harbourside at Heron Harbour."

Samuel P. Framm

Samuel P. Framm Md. Reg. L.S. No. 5817



LIBER 2266 FOLIO 560



Baftis & Associates, Inc.

EXHIBIT "A-1" Future Phases

DESCRIPTION OF BAYWATCH III
PHASE FOUR, BAYWATCH CONDOMINIUMS
OCEAN CITY, MARYLAND
TENTH ELECTION DISTRICT
WORCESTER COUNTY, MARYLAND

Beginning for the same at a point, situated on the Southern most right-of-way line of South Heron Drive, 50.00 feet wide, said point of beginning being at the Western most end of the North 64' 18' 04" West 155.27 foot line as shown on the Record Plat for Parcel 'B' and 'C', Harbourside at Heron Harbour, as recorded among the Land Records of Worcester County, Maryland in Plat Book RHO 138, Folio 25. 1) Thence running and binding reversely on part of said right-of-way line of South Heron Drive; South 64' 19' 04" East 150.00 feet to a point; Thence leaving said right-of-way line of South Heron Drive and running for the four following courses and distances: (2) South 25' 41' 56" West 38.50 feet to a point; (3) North 89' 27' 55" West 33.15 feet to a point; (4) South 25' 41' 56" West 31.02 feet to a point; and (5) South 00' 32' 05" West 75.54 feet to a point on an existing bulkhead, 6) Thence running along the said bulkhead, North 89' 38' 30" West 123.66 feet to a point; (7) Thence leaving said bulkhead and running North 00' 32' 05" East 154.76 feet to a point on the right-of-way line of Heron Gull Court, 50 feet wide; Thence running along the right-of-way line of said Heron Gull Court, the two following courses and distances; (8) North 28' 18' 16" East 9.83 feet to a point and (9) North 25' 41' 56" East 30.00 feet to a point; (10) Thence with a curve to the right, having a radius 25.00 feet and arc distance of 39.27 feet, and subtended by a chord bearing and distance of North 70' 41' 56" East 35.36 feet to the point of beginning. Containing 26,223.12 square feet of land, or 0.602 acre more or less.

Subject to an easement, 10.00 feet wide, lying East of and South of and adjacent to part of the above described seventh (7th) line and all of the eighth (8th) ninth (9th) tenth (10th) and first (1st) lines, to be used in common for the installation and maintenance of utilities.

Also subject to an easement, 10.00 feet wide, for an infiltration basin as shown on the "Record Plat for Parcel B and C, Harbourside at Heron Harbour" which plat is recorded among the land records of Worcester County, Maryland in Plat Book RHO 138, Folio 25.

LIBER 2266 FOLIO 561

Being part of that Parcel of land known as Parcel "B" shown on said record plat for Parcel B and C Harbourside at Heron Harbour.

Samuel P. Framm
Samuel P. Framm Md. Reg. L.S. #5817



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"EXHIBIT B"

BY-LAWS

BAY WATCH III CONDOMINIUM

COUNCIL OF UNIT OWNERS

ARTICLE I

NAME AND MAILING ADDRESS

Section 1. The name of this organization is as follows:
Bay Watch III Condominium, Council of Unit Owners, P.O. Box 2398,
Ocean City, Maryland 21842-8398.

Section 2. Its mailing address is set forth above.

ARTICLE II

Section 1. Establishment. The Council of Unit Owners governed by these By-Laws means that Council of Unit Owners established by Condominium Declaration dated December 29, 1994, by Mariani Development Company, LTD., recorded among the Land Records of Worcester County, Maryland, immediately prior hereto and to which these By-Laws are appended. As established hereby, the Council of Unit Owners shall be unincorporated but may be incorporated at a later date upon appropriate amendment hereto.

Section 2. Governing Law. The Council of Unit Owners shall be governed by the Laws of the State of Maryland, more specially Title 11 of the Real Property Article of the Annotated Code of Maryland as applicable to residential condominiums.

Section 3. Powers. The Council of Unit Owners, in addition to any other powers described herein, shall have all of the powers afforded Council of Unit Owners as set forth in said Title 11, as the same may be limited or supplemented by these By-Laws.

Section 4. Definitions. Terminology, words and phrases

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are defined for the purposes hereof as defined in said Title 11 of the Real Property Article of the Annotated Code of Maryland unless it is plainly evident from the context that a different meaning is intended. The terms "unit owner", "member", and "Council of Unit Owners" are used interchangeably herein and shall mean the person or persons who hold legal title to a unit.

ARTICLE III

MEMBERSHIP ROSTER

Section 1. To Be Maintained. The Secretary of the Council of Unit Owners shall be responsible for the maintenance of an accurate and current roster of unit owners, pursuant to Title 11 of the Real Property Article of the Annotated Code of Maryland.

Section 2. Responsibilities of Unit Owner. Unit owners shall furnish to the Secretary their names and current mailing address and no unit owner may vote at meetings of the Council of Unit Owners until such information is furnished. For purposes of notice hereunder, the responsible officer shall have the right to rely on the roster provided for herein.

ARTICLE IV

MEETING OF MEMBERS

Section 1. Place of Meeting. Meetings of the membership shall be held at the principal office of the place of business of the Council or at such other suitable place reasonably convenient to the membership as may from time to time be designated by the Board of Directors.

Section 2. Annual Meetings. The first annual meeting of the members of the Council shall be held at such time as the Board of Directors shall determine, but, in any event, not later than as may be required by statute. Thereafter, the annual meeting of the

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Council shall be held on the ____ day of ____ of each succeeding year. At such meeting there shall be elected by ballot of the members a Board of Directors in accordance with the requirements of these By-Laws. The members may also transact such other business of the Council as may properly come before them.

Section 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 members representing at least 15% of the total votes of the Council of Unit Owners having been presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as specifically stated in the notice.

Section 4. Notice of Meetings. It shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each annual or special meeting stating the purpose thereof as well as the time and place where it is to be held to each member of record at his address as it appears on the Condominium Roster 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 and proof of such notice shall be made by the affidavit of the person giving such notice. Attendance by a member at any annual or special meeting of the members shall be a waiver of notice by him of the time, place and purpose thereof. Notice of any annual or special meeting may also be waived, in writing, by any member either prior to or after such meeting. The notice of a meeting at which an election for director is to be held may include a specimen ballot if nominations or prospective nominations are known to the Board of Directors fifteen (15) days prior to the notice. Specimen ballots sent by the Council shall

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list candidates in alphabetical order and shall indicate no preference.

Section 5. Quorum. The presence, either in person or by proxy, of members representing at least 51% of the total eligible votes in the Condominium shall be requisite for and shall constitute a quorum for the transaction of business at all meetings of members.

Section 6. Adjourned Meetings. If any meeting of members cannot be organized because a quorum has not attended, the members who are present, either in person or by proxy, may, except as otherwise provided by law, adjourn the meeting to a time not less than 15 days from the date of notice.

Section 7. Voting. The number of votes established in the Condominium Declaration shall be applicable to all voting rights. At every meeting of the Council of Unit Owners each of the units shall have the right to one vote. The vote of the members representing 51% of the total eligible votes, present at the meeting, of the Condominium, in person or by proxy, shall decide any question brought before such meeting unless the question is one which is subject to an express provision of the Declaration, By-Laws or Laws of the State of Maryland in which a different vote is required, in which case such express provision shall govern and control. The votes for any membership which are owed 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 any condominium unit is owned by a corporation, then the votes for the membership appurtenant to such condominium unit shall be cast by a person designated in a certificate signed by the President or any Vice President and attested by the Secretary or an Assistant Secretary of such corporation and filed with the Secretary of the Council

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prior to the meeting. The votes for any membership which are 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 trustee or partner is at such meeting, the Chairman of such meeting shall not have duty to inquire as to the authority of the person casting such votes. No member shall be eligible to vote, either in person or by proxy, or to be elected to the Board of Directors against whom there has been established a condominium lien and said lien has not been paid.

Section 8. Proxies. A member may appoint any other person as his proxy. Any proxy must be in writing and must be filed with the Secretary in form approved by the Board of Directors before the appointed time of each meeting. Unless limited by its terms, any proxy shall continue until revoked by a written notice of revocation filed with the Secretary or by the death of the member; provided, however, that no proxy is effective for a period in excess of 180 days unless granted to a lessee or mortgagee of the condominium unit to which the votes are appurtenant. A proxy may be voted for a candidate in an election for officer or director only if it designates the candidate or candidates for which it may be voted.

Section 9. Rights of Mortgagees. Any institutional mortgagee of any condominium unit in the Condominium project who desires notice of the annual and special meetings of the members shall notify the Secretary to that effect by Registered Mail-Return Receipt Requested. Any such notice shall contain the name and post office address of such institutional mortgagee and the name of the person to whom notice of the annual and special meetings of the meeting should be addressed. The Secretary of the Council shall maintain a roster of all institutional mortgagees from whom such notices are received and it shall be the duty of the Secretary to

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mail or otherwise cause the delivery of a notice of each annual or special meeting of the members to each such institutional mortgagee, at the mortgagee's costs. Any such institutional mortgagee shall be entitled to designate a representative to attend any annual or special meeting of the members and such representative may participate in the discussion at any such meeting and may, upon his request made to the Chairman in advance of the meeting, address the members present at any such meeting. Such representative shall not have voting rights at any such meeting.

Section 10. Order of Business. The order of business at all annual meetings of the members of the Council 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.
- (d) Reports of officers, if any.
- (e) Reports of committees, if any.
- (f) Election or appointment or inspectors of election.
- (g) Election of directors.
- (h) Unfinished business.
- (i) New business.
- (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.

ARTICLE V

DIRECTORS

Section 1. Number and Qualifications. The affairs of the Council shall be governed by the Board of Directors composed of

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at least two (2) natural persons and not more than five (5) natural persons, all of whom (after the first annual meeting of members hereinbefore provided for) shall be individual members of the Council. Prior to the first annual meeting of members, the number of Directors shall be determined, from time to time, by a vote of the initial Directors hereinafter named. Thereafter, the number of Directors shall be determined by a vote of the members at the first annual meeting of members and the number of Directors may be changed by a vote of the members at any subsequent annual or special meeting of the members; provided, however, that (a) the limitations of this Section shall continue to apply; and, (b) no such change shall operate to curtail or extend the term of any incumbent Director.

Section 2. Initial Directors. The initial Directors shall be selected by the Developer and need not be members of the Council. The names of the Directors who shall act as such from the date upon which the Declaration is recorded among the Land Records of Worcester County, Maryland, until the first annual meeting of the members or until such time as their successors are duly chosen and qualified are as follows:

1. A.J. Mariani, Jr.
2. Barbara Hippolite

Section 3. Powers and Duties. The Board of Directors shall have all the powers and duties necessary for the administration of the affairs of the Council and the Condominium and may do all such acts and things as are not by law or by these By-Laws directed to be exercised and done by the members. The powers and duties of the Board of Directors shall include, but not be limited to, the following:

To provide for the

- (a) Care, upkeep and surveillance of the Condominium and

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its general and limited common elements and services in a manner consistent with law and the provisions of these By-Laws and the Declaration; and,

(b) Establishment, collection, use and expenditure of assessments and/or carrying charges for the members and for the assessment and/or enforcement of liens therefore in a manner consistent with law and the provisions of these By-Laws and the Declaration; and

(c) Designation, hiring and/or dismissal of the personnel necessary for the good working order of the Condominium project and for the proper care of the common elements and to provide services for the project in a manner consistent with law and the provisions of these By-Laws and the Declaration; and

(d) Promulgation and enforcement of such rules and regulations and such restrictions on or requirements as may be deemed proper respecting the use, occupancy and maintenance of the project and the use of the general and limited common elements as are designated to prevent unreasonable interference with the use and occupancy of the Condominium project and of the general and limited common elements by the members, all of which shall be consistent with law and the provisions of these By-Laws and Declaration; and

(e) To enter unto agreements whereby the Council of Unit Owners acquires leaseholds, memberships and/or other possessory or use interests in real or personal property for the purpose of promoting the enjoyment, recreation or welfare of the members of the Council and to declare expenses incurred in connection therewith to be common expenses of the Council; and

(f) To purchase insurance upon the Condominium project in the manner provided for in these By-Laws; and

(g) To repair, restore or reconstruct all or any part of

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the Condominium after any casualty loss in a manner consistent with the provisions of these By-Laws and to otherwise improve the Condominium project; and

(h) Subject to statutory requirements, to lease, grant licenses, easements, rights-of-way and other rights of use in all or any part of the common elements of the Condominium project; and

(i) To purchase condominium units in the Condominium project and to lease, mortgage or convey the same, subject to the provisions of these By-Laws and the Declaration.

Section 4. Management Agent. The Board of Directors may employ for the Council a management agent (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.

Section 5. Election and Term of Office. The term of the Directors named herein shall expire when their successors have been elected at the first annual meeting of members and are duly qualified. The election of Directors shall be by ballot, unless balloting is dispensed with by the unanimous consent of the members present at any meeting in person or by proxy. There shall be no cumulative voting. Upon the first election, the term of the Director (if three Directors are elected) or the two Directors (if five Directors are elected) acquiring the highest number of votes shall be for three (3) years; the term of the next Director (if three Directors are elected) or two Directors (if five Directors are elected) receiving the next highest number of votes shall be for two years and the last Director receiving the fewest number of votes, the term shall be for one year. Thereafter, the term of each Director shall be three (3) years from the date of his election. Directors shall hold office until their successors have been elected and qualified.

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Section 6. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the membership shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected by the members at the next annual meeting to serve out the unexpired portion of the term.

Section 7. Removal of Directors. At an annual meeting of members, or at any special meeting duly called for such purpose, any Director may be removed with or without cause by the affirmative vote of 80% of the entire membership of record and a successor may then and there be elected to fill the vacancy thus created by the Council of Unit Owners. Any Director whose removal has been proposed by the members shall be given an opportunity to be heard at the meeting, after ninety (90) days written notice. The term of any Director against whom a condominium lien has been established and not paid may be terminated by resolution of the remaining Directors and the remaining Council of Unit Owners shall elect his successor as provided in Section 5 of this Article.

Section 8. Compensation. No compensation shall be paid to Directors for their services as Directors. After the first annual meeting of the members, no remuneration shall be paid to any Director who is also a member of the Council for services performed by him for the Council in any other capacity unless a resolution authorizing such remuneration shall have been adopted by the uninterested Board of Directors before such services are undertaken. Directors may be reimbursed for their out-of-pocket expenses necessarily incurred in connection with their services as Directors.

Section 9. Organization Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10)

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days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, provided a majority of the whole Board of Directors shall be present at such first meeting. The notice of a meeting at which an election for officer is to be held may include a specimen ballot if nominations or prospective nominations are known to the Board of Directors fifteen (15) days prior to the notice. Specimen ballots shall list candidates in alphabetical order and shall indicate no preference.

Section 10. Regular Meetings. 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 such meetings shall be held during the fiscal year. The meetings of the Board of Directors shall be open and held at a time and location as provided in the notice, which said notice shall be given to each director, personally or by mail, telephone or telegraph, at least fifteen (15) days prior to the day named for such meeting. Notice of all directors' meetings, organizational, regular and special shall be given to the members on at least an annual basis.

Section 11. Special Meetings. Special meetings of the Board of Directors may be called by the President on fifteen (15) days' notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be open unless otherwise provided by Title 11 of the Real Property Article of the Annotated Code of Maryland, and shall be called by the President or Secretary in like manner and on like notice on the written request of at least one-half (1/2) of the Directors.

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Section 12. Waiver of Notice. Before, at or after any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to giving of such notice. Attendance by a Director at any meeting of the Board of Directors shall be a waiver of notice by him of the time, place and purpose thereof. If all the Directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

Section 13. Quorum. At all meetings of the Board of Directors a majority of the Directors shall constitute a quorum for the transaction of business and the acts of the majority of the Directors present at any meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted.

Section 14. Action Without Meeting. Any action by the Board of Directors required or permitted to be taken at any meeting, except adoption of the budget, may be taken without a meeting if all of the members of the Board of Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors.

Section 15. Fidelity Bonds. The Board of Directors shall require that all officers and employees of the Council regularly handling or otherwise responsible for funds of the Council shall furnish adequate fidelity bonds. The premium on such bonds shall be paid by the Council.

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ARTICLE VIOFFICERS

Section 1. Designation. The principal officers of the Council 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 first annual meeting of members, the officers of the Council need not be members of the Council. Thereafter, except for the President, the officers of the Council need not be members of the Council. The Directors may appoint an assistant secretary and an assistant treasurer and such other officers as in their judgment may be necessary. The offices of Vice President, Secretary, and Treasurer may be filled by the same person.

Section 2. Election of Officers. The officers of the Council 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.

Section 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 4. President. The President shall be the chief executive officer of the Council. 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 president of a corporation, including, but not limited to, the power to appoint such committees from among the membership from time to time as he may, in his discretion, decide are appropriate to assist in the conduct of the affairs of the Council.

Section 5. Vice President. The Vice President shall

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take over 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 assist the President generally and shall perform such other duties as shall from time to time be delegated to him by the Board of Directors.

Section 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 Council. The Secretary shall keep the minute book for recording resolutions of the Council. The Secretary shall give notice of all annual and special meetings of members in conformity with the requirements of these By-Laws. The Secretary shall have charge of the membership roster and of such other books and papers as the Board of Directors may direct and he shall, in general, perform all of the duties incident to the office of Secretary. The Secretary shall be in charge of vote counting at all meetings.

Section 7. Treasurer. The Treasurer shall have responsibility for funds and securities of the Council and shall be responsible for keeping, or causing to be kept, full and accurate accounts of all receipts and disbursements in books belonging to the Council. He shall be responsible for causing the deposit of all monies and other valuable effects in the name, and to the credit, of the Council in such depositories as may from time to time be designated by the Board of Directors.

ARTICLE VII

LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1. Liability and Indemnification of Officers and Directors. The Council may indemnify every officer and Director of

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the Council against any and all expenses, including counsel fees, reasonably incurred by or imposed upon any officer or Director in connection with any action, suit or other proceeding (including the Board of Directors of the Council), to which he may be made a party by reason of being or having been an officer or Director of the Council, whether or not such person is an officer or Director of the Council at the time such expenses are incurred in accordance with Section 2-418 of the Corporations Article of the Annotated Code of Maryland.

Section 2. Common or Interested Directors. The Directors shall exercise their powers and duties in good faith and with a view to the interests of the Council and the Condominium project. No contract or other transaction between the Council and one or more of its Directors, or between the Council and any corporation, firm or association (including the Developer) in which one or more of the Directors of this Council are directors or officers or are pecuniarily or otherwise interested, is either void or voidable because such Director or Directors are present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, or because his or their votes are counted for such purpose, if any of the conditions specified in any of the following subparagraphs exist:

(a) The fact of the common directorate or interest is disclosed or known to the Board of Directors or a majority thereof or noted in the minutes, and the Board authorizes, approves, or ratifies such contract or transaction in good faith by a vote sufficient for the purpose, not counting the vote of the interested Director;

(b) The fact of the common directorate or interest is disclosed or known to the members, or a majority thereof, and they approve or ratify the contract or transaction in good faith by a vote sufficient for the purposes; or

(c) The contract or transaction is commercially reasonable to the Council at the time it is authorized, ratified, approved and executed.

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Common or interested Directors may be counted in determining the presence of a quorum of any meeting of the Board of Directors or committee thereof which authorizes, approves or ratifies any contract or transaction.

ARTICLE VIII

MANAGEMENT

Section 1. Management and Common Expenses. The Council, acting by and through its Board of Directors shall manage, operate and maintain the Condominium project and, for the benefit of the Condominium units and owners thereof, shall enforce the provisions hereof and shall pay out of the common expense fund hereinafter provided for, at least the following:

(a) The cost of providing necessary utility services for the common elements and, to the extent that the same are not separately metered or billed to each Condominium unit, for the Condominium units; and,

(b) The cost of property and extended coverage and liability insurance on the Condominium project and the cost of such other insurance as the Council may effect, in accordance with Title 11 of the Real Property Article of the Annotated Code of Maryland; and,

(c) The cost of the services of a person or firm to manage the project to the extent deemed advisable by the Council consistent with the provisions of these By-Laws, together with the services of such other personnel as the Board of Directors of the Council shall consider necessary for the operation of the Condominium project; and,

(d) The cost of providing such legal and accounting services as may be considered necessary by the Board of Directors for the operation of the Condominium project; and,

(e) The cost of roof and exterior repairs and maintenance service, repairs and replacement of equipment for central services, the maintenance of paved areas and, in general without limitation, the cost of painting, maintaining, replacing, repairing and landscaping the common elements and such furnishings and equipment for the common elements as the Board of Directors shall determine are necessary and proper, and the Board of Directors shall have the exclusive right and duty to acquire the same; provided, however, that nothing herein contained shall require the Council to paint, repair, replace or otherwise maintain the interior of any condominium unit or any fixtures, appliances, equipment of the like located therein; and,

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(f) The cost of any and all other materials, supplies, labor, services, maintenance, repairs, taxes, assessments, or the like, which the Council is required to secure or pay for by law, or otherwise, or which in the discretion of the Board of Directors shall be necessary or proper for the operation of the Condominium; and,

(g) The cost of the maintenance or repair of any condominium unit in the event such maintenance or repair is reasonably necessary in the discretion of the Board of Directors to protect the common elements or to preserve the appearance or value of the Condominium project, or is otherwise in the interest of the general welfare of all owners of the condominium units; provided, however, that except in cases involving emergencies or manifest danger to safety of person or property, no such maintenance or repair shall be undertaken without a resolution by the Board of Directors and not without reasonable written notice to the owner of the Condominium unit proposed to be maintained and provided, further, that the cost thereof shall be assessed against the condominium unit on which such maintenance or repair is performed and, when so assessed, a statement for the amount thereof shall be rendered promptly to the then owner of said condominium unit at which time the assessment shall become due and payable and a continuing lien, upon recordation, and obligation of said owner in all respect as provided in these By-Laws; and,

(h) Any amount necessary to discharge any lien or encumbrance levied against the Condominium project or any portion thereof, which may, in the opinion of the Board of Directors, constitute a lien against any of the common elements rather than the interest of the owner of any individual condominium unit.

Section 2. Council As Attorney-In-Fact. The Council is hereby irrevocably appointed as attorney-in-fact for the owners of all of the Condominium units in the project, and for each of them, to manage, control and deal with the interests of such owners in the common elements of the project so as to permit the Council to fulfill all of its powers, functions and duties under the provisions of the Council, the Laws of the State of Maryland, the Declaration and By-Laws, and to exercise all of its rights thereunder and to deal with the Condominium in the event of its destruction and/or the proceeds of any insurance indemnity as hereinafter provided. The foregoing shall be deemed to be a power of attorney coupled with an interest and the acceptance by any person or entity of any interest in any condominium unit shall constitute an irrevocable appointment of the Council as attorney-in-fact aforesaid.

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Section 3. Management Agent. The Council may by contract in writing delegate any of its ministerial duties, powers or functions to the Management Agent. The Council and the Board of Directors shall not be liable for any omission or improper exercise by the Management Agent of any such duty, power or function so delegated.

Section 4. Duty to Maintain. Except for maintenance requirements herein imposed upon the Council, if any, the owner of any condominium unit shall, at his own expense, maintain the interior of his condominium unit and any and all equipment, appliances or fixtures therein situate, and its other appurtenances, and shall do all redecorating, painting and the like which may at any time be necessary to maintain the good appearance of his condominium unit and such appurtenances.

Section 5. Windows and Doors. The owner of any condominium unit shall, at his own expense, clean and maintain both the interior window frames and hardware and exterior surfaces of all windows of such condominium unit and shall at his own expense, clean and maintain both the interior and exterior glass surfaces of all entry doors of the condominium unit, including the interior and exterior surfaces of any door leading to any balcony, deck, terrace, courtyard, patio or the like appurtenant to such condominium unit.

Section 6. Access at Reasonable Times. The Council shall have an irrevocable right and easement to enter condominium units for the purpose of making repairs to the common elements when the repairs reasonably appear necessary for public safety or to prevent damage to other portions of the Condominium project. Except in cases involving manifest danger to public safety or property, the Council shall make a reasonable effort to give notice to the owner of any condominium unit to be entered for the purpose

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of such repairs. No entry by the Council for the purposes specified in this Section may be considered a trespass.

Section 7. Minimum Unit Temperature. It shall be the responsibility of each unit owner to maintain the temperature of his respective condominium unit at a minimum of 55° F in order to protect against winter damage to the Condominium or any unit therein.

Section 8. Easements for Utilities and Related Purposes. The Council is, subject to statutory requirements, authorized and empowered to grant, provided that said Council has written approval of at least two-thirds (2/3) of the unit owners and their respective mortgagees, (and shall from time to time grant) such licenses, easements and/or rights-of-way for sewer lines, water lines, electrical cables, telephone cables, gas lines, storm drains, underground conduits and/or such other purposes related to the provisions of public utilities to the Condominium project as may be considered necessary and appropriate by the Board of Directors for the orderly maintenance, preservation and enjoyment of the common elements or for the preservation of the health, safety, convenience and/or welfare of the owners of the condominium units or the developer.

Section 9. Limitation of Liability. The Council shall not be liable for any failure of water supply or other services to be obtained by the Council or paid for out of the common expense funds, or for injury or damage to person or property caused by the elements or resulting from electricity, water, snow or ice which may leak or flow from any portion of the common elements or from any wire, pipe, drain, conduit, appliance or equipment. The Council shall not be liable to the owner of any condominium unit for loss or damage, by theft or otherwise, of articles which may be stored upon any of the common elements. No diminution or abatement

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of common expense assessments, as hereinelsewhere provided, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the common elements, or to any condominium unit, or from any action taken by the Council to comply with any law or ordinance or with the order or directive of any municipal or other governmental authority.

ARTICLE IX

COMMON EXPENSES

Section 1. Common Expenses. Each member shall pay to the Council such sums at such times as the Board of Directors may deem appropriate as the member's proportionate share based upon percentage ownership in the common elements, of the sum required by the Council, as estimated by its Board of Directors, to meet its expenses, including, but in no way limited to, the following:

- (a) The cost of all operating expenses of the Condominium project and services furnished, including charges by the Council for facilities and services furnished by it; and
- (b) The cost of necessary management and administration, including fees paid to any Management Agent; and
- (c) The amount of all taxes and assessments levied against the Council or upon any property which it may own or which it is otherwise required to pay, if any; and
- (d) The cost of property and extended liability insurance on the project and the cost of such other insurance as the Council may effect which may be collected in a lump sum; and
- (e) The cost of furnishing water, electricity, heat, gas, garbage and trash collection and/or other utilities, to the extent furnished by the Council; and
- (f) The cost of funding all reserves established by the Council including, when appropriate, a general operating reserve and/or a reserve for replacements if established; and,
- (g) The estimated cost of repairs, maintenance and replacements of the Condominium project to be made by the Council.
- (h) The estimated cost of repairs, maintenance and replacements to boat slips, to be shared by boat slip owners only.

The Board of Directors shall make reasonable efforts to

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fix the amount of the assessment against each condominium unit for each annual assessment period at least thirty (30) days in advance of the commencement of such period and shall, at that time, prepare a roster of the membership and assessments applicable thereto which shall be kept in the office of the Council and shall be open to inspection by any owner upon reasonable notice to the Board. Written notice of the assessment shall thereupon be sent to the members. The omission of the Board of Directors, before the expiration of any annual assessment period to fix assessments for that or the next such period, shall not be deemed a waiver or modification in any respect of the provisions of this Article, or a release of any member from the obligation to pay this assessment, or any installment thereof, for that or any subsequent assessment period; but the assessment fixed for the preceding period shall continue until a new assessment is fixed. No member may exempt himself from liability for assessments or carrying charges by a waiver of the use or enjoyment of any of the common elements or by abandonment of any condominium unit belonging to him.

Section 2A. Budget. The Board of Directors, shall prepare and adopt a budget for each annual assessment period which shall include estimate of the funds required by the Council to meet its annual expenses for that period. Said budget shall provide for at least the following items: (1) income, (2) administration, (3) maintenance, (4) utilities, (5) general expenses, (6) reserves and (7) capital items except for the matters set forth in Section 2B; and said budget shall be submitted to the owners not less than thirty (30) days prior to its proposed adoption at an open meeting of the Council of Unit Owners or at a meeting of such other body to which the Council of Unit Owners delegates responsibilities for preparing and adopting the budget. The budget herein required to be prepared and adopted by the Board of Directors shall be in a

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format consistent with the classification of the accounts of the Council, as hereinafter in these By-Laws provided for, and shall provide for sufficient estimates, on a periodic basis, to permit comparison to and analysis of deviations from the various periodic reports of the actual results of operations and the actual financial condition of the Council, on both a current basis and for prior corresponding periods, all in accordance with generally accepted accounting practices, consistently applied. Copies of the budget shall be available for examination by the members and by their duly authorized agents and attorneys, and to the institutional holder of any first mortgage on any condominium unit in the Condominium and by their duly authorized agents and attorneys during normal business hours and for purposes reasonably related to their respective interests.

Section 2B. Boat Slip Budget. (1) In addition to the budget outlined in Section 2A hereof, the Board of Directors shall cause to be prepared and submitted to the Unit Owners, an annual proposed boat slip budget at least thirty (30) days prior to its adoption, which budget shall include estimates of the total boat slip expenses required for the operation and maintenance of the boat slips, and the piers, finger piers and pilings appurtenant thereto, during the ensuing year, including particularly, but not by way of limitation, all sums required to provide labor, materials, services and utilities for the operation, maintenance and care of the boat slips, piers, finger piers and pilings appurtenant thereto, and the conveniences deemed desirable to the use and enjoyment thereof, together with a reasonable amount deemed necessary by the Board of Directors as an operating reserve for contingencies and an adequate reserve for the painting, repair and replacement of the piers, finger piers and pilings appurtenant to the boat slips, and the structures, fixtures and other improvements attached thereto or

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located thereon, as hereinafter provided. The Board of Directors shall adopt, in accordance with the Act, at an open regular or special meeting, the boat slip budget, and formally levy against each Boat Slip Unit Owner, his share thereof in accordance with his Boat Slip Expense Factor by noting the assessment and levy on the books of the Council and submitting a written billing to the Unit Owner for the sum due by him. The failure or delay of the Board of Directors to prepare an estimate or determine the boat slip expenses for any year, or notify any Unit Owner of the total boat slip expenses of the Council, or of such Boat Slip Unit Owner's proportionate share of the boat slip expenses, shall not in any manner constitute a waiver or release of the Unit Owner's obligation to pay his share of the boat slip expenses whenever the same may be determined or assessed. In the absence of an annual determination of the boat slip expenses or a formal assessment against the Unit Owners, each Unit Owner to whose Unit one or more boat slips is appurtenant shall continue to pay monthly installments of boat slip expenses at the same amount per boat slip as was charged during the last fiscal year in which an assessment or levy of boat slip expenses had been made, all subject to acceleration or modification by the Board of Directors.

(2) The Board of Directors shall also establish and maintain a reasonable and adequate operating reserve and replacement fund and a reasonable and adequate repair and replacement reserve fund with respect to the boat slip expenses. Such reserves shall be deposited in a special account. The operating reserve fund shall be used to defray extraordinary expenditures for boat slip expenses not originally included in the annual determination of boat slip expenses, provided, however, that such reserves may be used for such other purposes (except for the payment of Common Expenses) as are approved by a majority vote of the Unit Owners at any annual or

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special meeting of the Council. The repair and replacement reserve fund shall be used appurtenant to the boat slips and the structures, fixtures and other improvements attached thereto or located thereon, provided, however, that such reserve may be used for such other purposes (except for the payment of Common Expenses) as are approved by a majority vote of the Unit Owners at any annual or special meeting of the Council.

Section 3. Special Assessments. In addition to the regular assessments authorized by this Article, the Council may levy in any assessment year a special assessment or assessments, applicable to that year only, for the purposes of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of a described capital improvement located upon the Condominium project, including the necessary fixtures and personal property related thereto, or for such other purposes as the Board of Directors may consider appropriate, provided that any such assessment shall have the assent of the members representing two-thirds (2/3) of the total votes of the Condominium. Any assessment that would result in an increase in excess of fifteen percent (15%) of the budget amount previously approved shall be adopted by an amendment to the budget. A special meeting of the members shall be duly called for this purpose, written notice of which shall be sent to all members at least fifteen (15) days but not more than ninety (90) days in advance of such meeting, such notice shall set forth the purpose of the meeting. Insurance bills may be provided for by Special Assessment.

Section 4. Reserve for Replacements. In addition to the boat slip reserve, the Council may establish and maintain a reserve fund for replacements of common elements by the allocation and payment monthly to such reserve fund of an amount to be designated

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from time to time by the Board of Directors. Such fund shall be conclusively deemed to be a common expense. Such fund shall be deposited in a special account with a lending institution the accounts of which are insured by an agency of the United States of America or may, in the discretion of the Board of Directors, be invested in obligations of, or fully guaranteed as to principal by, the United States of America. The reserve for replacements may be expended only for the purpose of effecting the replacement of the common elements and equipment of the project and for operating contingencies of a nonrecurring nature. The amounts required to be allocated to the reserve for replacements may be reduced, by appropriate resolution of the Board of Directors, upon the accumulation in such reserve for replacements of a sum equal to twenty percent (20%) of the full replacement value of the Condominium project as such full replacement value is annually determined by the Board of Directors for casualty insurance purposes. The proportionate interest of any owner in any reserve for replacements shall be considered an appurtenance of his Condominium unit and shall not be separately withdrawn, assigned or transferred or otherwise separated from the Condominium unit to which it appertains and shall be deemed to be transferred with such Condominium unit.

Section 5. Non-Payment of Assessment. Any assessment levied pursuant to the Declaration or these By-Laws, or any installment thereof, which is not paid on the date when due shall be delinquent and shall, together with interest thereon and the cost of collection thereof, as hereinafter provided, thereupon become a continuing lien upon the condominium unit or units belonging to the member against whom such assessment is levied upon the establishment of a condominium lien (in a timely manner pursuant to law and after statutory notice and hearing requirements

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have been complied with), with priority as of the date of recording same, all pursuant to Title 14, Subtitle 2 of the Real Property Article of the Annotated Code of Maryland. The personal obligations of the member to pay such assessment shall, however, remain his personal obligation for the statutory period and a suit to recover a money judgment for non-payment of any assessment levied pursuant to the Declaration or by these By-Laws, or any installment thereof, may be maintained without foreclosing or waiving the lien herein and by the aforesaid statute created to secure the same.

In the event a unit owner fails to pay an assessment when due, the Board of Directors on behalf of the Council of Unit Owners after statutory notice may demand payment of the balance of the remaining annual assessment for that fiscal year.

Any assessment levied pursuant to the Declaration or these By-Laws or any installment thereof, which is not paid within fifteen (15) days after it is due, may, upon resolution of the Board of Directors, bear interest at a rate not to exceed eighteen percent (18%) per annum and may, by resolution of the Board of Directors, subject the member obligated to pay the same to the payment of such penalty or "late charge" as the Board of Directors may fix, not to exceed \$15.00 or ten percent (10%) of the total amount of any delinquent assessment or installment, whichever is greater, and the Council, pursuant to Maryland Law, may bring an action of law against the member personally obligated to pay the same, or foreclose the lien against the condominium unit or units then belonging to said member in the manner now or hereafter provided for. Costs, interest and reasonable attorneys' fees may be added to the amount of each assessment and made a part thereof.

The Board of Directors may post a list of members who are delinquent in the payment of any assessment or other fees which may

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be due the Council, including any installment thereof which becomes delinquent, in any prominent locations within the Condominium project.

Liens shall be subject to the provisions of the Maryland Contract Lien Act, Real Property Article, Section 11-110 of the Annotated Code of Maryland.

ARTICLE X

USE RESTRICTIONS

Section 1. The use of each unit shall be as limited by the Declaration. No unit may be used for any purpose which would violate any law.

Section 2. Leasing. Any lease shall contain a provision to the effect that the rights of the tenant to use and occupy the condominium units shall be subject and subordinate in all respects to the provisions of the Declaration and these By-Laws and to such other reasonable rules and regulations relating to the use of the common elements, or other "house rules" as the Board of Directors may from time to time promulgate.

Section 3. Prohibited Uses and Nuisances. Except for the activities of the developer and its agents in connection with the original construction of the Condominium project, and except as may be reasonable and necessary in connection with maintenance, improvement, repair or reconstruction of any portion of the Condominium project by the developer or Council:

(a) No nuisances shall be permitted within the Condominium project, nor shall any use or practice be permitted which is or becomes a source of annoyance to the members, or which interferes with the peaceful use and possession thereof by the members.

(b) There shall be no obstruction of any common elements. Nothing shall be stored upon any common elements, excepting those areas designated for the storage of personal property by the owners of the condominium units.

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(c) Nothing shall be done or maintained in any condominium unit or upon any common elements which will increase the rate of insurance on the Condominium project, or result in the cancellation thereof, without the prior written approval of the Board of Directors. Nothing shall be done or maintained in any condominium unit or upon common elements which would be in violation of any law. No waste shall be committed upon any common elements.

(d) No structural alteration, construction, addition or removal of any condominium unit or common elements shall be commenced or conducted except in strict accordance with the provisions of these By-Laws.

(e) Except as hereinelsewhere provided, no recreational vehicle nor junked vehicle or other vehicle on which current registration plates are not displayed, shall be kept upon any of the general common elements, nor shall the repair or extraordinary maintenance of automobiles or other vehicles be carried out on any of the common elements.

(f) No burning of any trash and no reasonable or unsightly accumulation or storage of litter, new or used building materials, or trash or any other kind shall be permitted within any condominium unit or upon any common elements. All refuse shall be deposited with care in containers or trash chutes designated for such purpose during such hours as may from time to time be designated by the Board of Directors.

(g) No structure of a temporary character, trailer, tent, shack, barn or other outbuilding shall be maintained upon any common elements at any time. Outdoor clothes dryers or clothes lines shall not be maintained upon any common elements at any time. No clothing, laundry or the like shall be hung from any part of the condominium unit or upon any of the common elements or from or upon any balcony or patio.

(h) There shall be no violation of any rules for the use of the common elements, or other "house rules", which may from time to time be adopted by the Board of Directors and promulgated among the membership by them in writing.

(i) No junk, debris or trash shall be permitted to accumulate in the common elements, except in accordance with solid waste management procedures of the Board of Directors.

(j) The common elements shall not be used for any purpose whatsoever unless obviously intended therefor by the Declaration and By-Laws without the express written consent of the Board of Directors, and then in no way in violation of these By-Laws or the condominium Declaration.

(k) Exterior speakers shall be prohibited.

(l) No unlicensed motor vehicle is permitted in the common elements.

(m) Any non-residential use.

(n) The surface exposed to the outside of all window and

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glass door treatments shall be of uniform white color.

(o) No articles of any type shall be attached to, or hung from the exterior of the building, including from balcony rails.

ARTICLE XI

EXTERNAL CHANGES

Section 1. External Changes. No external changes in the building or the area surrounding the building shall be made by individual unit owners, without approval of the Board of Directors.

Section 2. Violations. Any violation of Article XI, Section 1., may be removed by the Council or Board of Directors forthwith, without compensation to the offender and with liability to the offender for the cost of such removal.

ARTICLE XII

INSURANCE

Section 1. Insurance. The Board of Directors shall obtain and maintain at least the following:

(a) Property insurance as described in Title 11 of the Real Property Article of the Annotated Code of Maryland, in an amount equal to the full replacement value (i.e., 100% of "replacement cost" exclusive of land, foundation and excavation) of the Condominium project (including all building service equipment and the like) with an "Agreed Amount" endorsement, a "Condominium Replacement Cost" endorsement and a "Contingent Liability from Operation of Building Laws" endorsement, without deduction or allowance for depreciation (as determined annually by the Board of Directors with the assistance of the insurance company affording such coverage), such coverage to afford protection against at least the following:

(1) Loss or damage by fire or other hazards covered by the standard extended coverage endorsement; and,

(2) Such other risks as shall customarily be covered with respect to projects similar in construction, location and use, including, but not limited to, cost of demolition, vandalism, malicious mischief, windstorm, water damage, machinery, explosion or damage, and such other insurance as the Board of Directors may from time to time determine; and,

(b) Comprehensive general liability insurance, including medical payment, with a "Severability of Interest" endorsement in such amounts and in such forms as may be considered appropriate by the Board of Directors (but not less than \$1,000,000.00) covering all claims for bodily injuries, and/or property damage arising out of a single occurrence including, but not limited to, water damage,

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legal liability, hired automobile, non-owned automobile, liability for property of others, any and all other liability incident to the ownership and use of the condominium project or any portion thereof.

(c) Workmen's Compensation Insurance to the extent necessary to comply with any applicable law.

(d) A "Legal Expense Indemnity" endorsement, or its equivalent, affording protection for the officers and directors of the Council for expenses and fees incurred by any of them in defending any suit or settling any claim, judgment or cause of action to which any such officer or director shall have been made a party by reason of his or her services as such.

(e) Such other policies of insurance, including insurance for other risks of a similar or dissimilar nature and fidelity coverage as required by Section 15 of Article V of these By-Laws, as are or shall hereafter be considered appropriate by the Board of Directors.

(f) The Board of Directors may, at its option, obtain separate hazard insurance coverage on each of the buildings constituting the condominium. And, in such event, may bill the cost of such coverage to the individual unit owners within each of the buildings on equal basis.

Section 2. Limitations. Any insurance obtained pursuant to the requirements of this Article shall contain all clauses required by law and regulation and be subject to the following provisions:

(a) Exclusive authority to negotiate losses under said policies shall be vested in the Board of Directors, as a trustee for the owners of the condominium units, or its authorized representative, including any trustee with which the Council may enter into any Insurance Trust Agreement, or any successor trustee, each of which shall be hereinelsewhere referred to as the "Insurance Trustee".

(b) In no event shall the insurance coverage obtained and maintained pursuant to the requirements of this Article be brought into contribution with insurance purchased by the owners of the condominium units.

(c) Such policies shall contain no provision relieving the insurer from liability because of loss occurring while the hazard is increased in the building, whether or not within the control or knowledge of the Board of Directors and shall contain no provision relieving the insurer from liability by reason of any breach of warranty or condition caused by the Board of Directors or any owner of any condominium unit, and/or their respective agents, employees, tenants, mortgagees or invitees or by reason of any act of neglect or negligence on the part of any of them.

(d) All policies shall provide that such policies may not be canceled or substantially modified without at least thirty

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(30) days prior written notice to any and all insureds named thereon, including any and all mortgagees of the condominium units.

(e) All policies of casualty insurance shall provide that, notwithstanding any provisions thereof which give the carrier the right to elect to restore damage in lieu of making a cash settlement, such option shall not be exercisable without the prior written approval of the Board of Directors (or any Insurance Trustee) or when in conflict with the provisions of any Insurance Trust Agreement to which the Council may be a part, these By-Laws or the provisions of Title 11 of the Real Property Article of the Annotated Code of Maryland.

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

(g) Title 11 of the Real Property Article of the Annotated Code of Maryland.

Section 3. Effect of Article. The provisions of this Article XII with regard to insurance are mandatory. It being the intention that the Board of Directors obtain and maintain adequate insurance for the protection of the Condominium project and the unit owners therein and that the Board of Directors maintain all of the types of policies described in this Article XII. In the event the criteria specifically described in Sections 1 and 2 of Article XII, are so stringent that such coverage cannot be reasonably obtained, and maintained, the Board of Directors may substitute similar coverage or the next best type of coverage that is reasonably available; but at least such as required by law or regulation.

Section 4. Board of Directors. The Board of Directors, at its option, may obtain individual insurance policies on each of the buildings constituting the condominium. If so, the cost of such policies shall be paid by the unit owners in the building on which the policy exists. Each unit owner shall share equally in such costs. The insurance shall, to the extent possible, meet the requirements of this Article, as to coverage, perils and the like.

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Section 5. Endorsements, etc. The Board of Directors, at the request of any owner of any condominium unit in the project or at the request of the mortgagee of any such condominium unit, shall promptly obtain and forward to such owner or mortgagee (a) an endorsement to any of the policies aforementioned in this Article showing the interest of such owner or mortgagee as it may appear; and, (b) certificate of insurance relating to any of such policies; and, (c) copies of any such policies, duly certified by the insurer or its duly authorized agent.

Section 6. Separate Building Insurance. The Board of Directors may insure buildings separately and assess insurance to the owners of the buildings which are insured by the separate policies.

ARTICLE XIII

CASUALTY DAMAGE - RECONSTRUCTION OR REPAIR

Section 1. Use of Insurance Proceeds. In the event of damage or destruction by fire or other casualty, the same shall be promptly repaired or reconstructed in substantial conformity with the original plans and specifications for the Condominium with the proceeds of insurance available for that purpose, if any, unless the Council of Unit Owners votes otherwise pursuant to Title 11 of the Real Property Article of the Annotated Code of Maryland.

Section 2. Proceeds Insufficient. In the event that the proceeds of insurance are not sufficient to repair damage or destruction by fire or other casualty, or in the event such damage or destruction is caused by any casualty not herein required to be insured against, then the repair or reconstruction of the damaged common elements shall be accomplished promptly by the Council at its common expense and the repair or reconstruction of any

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condominium unit shall be accomplished promptly by the Council at the expense of the owner of the affected condominium, unless the Council of Unit Owners votes to follow Title 11 of the Real Property Article of the Annotated Code of Maryland. The ratable share of the expenses of such repairs or reconstruction may be assessed and the lien for the same shall have all the priorities provided for in Article IX of these By-Laws. In the event that the proceeds of casualty insurance are paid to any Insurance Trustee pursuant to the requirements of Section 4 of this Article, then all funds collected from the owners of the condominium units pursuant to this Section 2 shall likewise be paid over to such Insurance Trustee and shall be disbursed by such Insurance Trustee in accordance with the provisions of Section 4 of this Article.

Section 3. Restoration Not Required. In the event the members do not promptly and unanimously resolve to proceed with repair or reconstruction then and in that event the project shall be deemed to be governed by Title 11 of the Real Property Article of the Annotated Code of Maryland.

Section 4. Insurance Trustee. Where the members do not resolve to proceed with repair or reconstruction as in Title 11 as aforesaid, then in such event, all proceeds of insurance shall be paid over to the Council of Unit Owners or a designated company or bank (the "Insurance Trustee") having trust powers and authorized to engage in trust business in the jurisdiction wherein the Condominium project is located selected by the Board of Directors and shall be paid out from time to time as the reconstruction or repair progresses in accordance with the provisions of an Insurance Trust Agreement which contains, inter alia, the following provisions:

(a) The reconstruction or repair shall be in charge of an architect or engineer, who may be an employee of the Council and hereinafter in this Section 4 called the "architect".

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(b) Prior to the commencement of the reconstruction or repair, other than such work as may be necessary to protect the Condominium project from further damage, the Council of Unit Owners shall have approved the plans and specifications for such reconstruction or repair, which approval shall not be unreasonably withheld or delay.

(c) Each request for an advance of the proceeds of insurance shall be made at least ten (10) days prior to delivery to the Insurance Trustee and shall be accompanied by a certificate from the architect to the effect that (a) all work then completed has been performed in accordance with plans and specifications and all building codes or similar governmental requirements; and (b) the amount requested to be advanced is required to reimburse the Board of Directors or is due to the contractor responsible for the restoration or repair, or to subcontractors, materialmen, laborers, engineers, architects, or to other persons responsible for services or materials, in connection with such restoration or repair, or for fees or the like necessarily incurred in connection with the same; and (c) when added to amounts previously advanced by the Insurance Trustee, the amount requested to be advanced does not unreasonably exceed the value of the work done and materials delivered to the date of such request; and (d) funds remaining available to the Insurance Trustee for the purpose are sufficient to complete the reconstruction or repair.

(d) Each request for an advance of the proceeds of insurance shall be accompanied by satisfactory waiver of liens covering that portion of the repair or reconstruction for which payment or reimbursement is being requested, together with appropriate evidence from a title insurance company or the like to the effect that there has not been filed with respect to the condominium project, any mechanic's lien or other lien, or notice of intention to file the same, which has not been dismissed or satisfied of record.

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

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

Upon completion of the reconstruction or repair and payment in full of all amounts due on account thereof, any proceeds of insurance then in the hands of the Insurance Trustee shall be paid to the Board of Directors and shall be considered as one fund and shall be divided among the owners of all of the condominium units in the same proportion as that previously established for ownership of appurtenant undivided interests in the common

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elements, after first paying out of the share of the owner of any condominium unit to the extent such payment is required by any lienor and to the extent the same is sufficient for the purpose, all liens upon said condominium unit.

ARTICLE XIV

PARKING

Section 1. Parking. Parking shall be for the use of the units of the condominium.

Section 2. Board of Directors shall have the right to prohibit employee parking on the respective areas of the property and to assign spaces for units, provided, however, no unit shall be assigned any more spaces than any other unit and such spaces shall be assigned in such a way as to create convenient parking for the unit.

ARTICLE XV

FISCAL MANAGEMENT

Section 1. Fiscal Year. The fiscal year of the Council shall begin on the first day of July every year, except for the first year of the Council which shall begin at the date of recordation of the Declaration among the Land Records of Wicomico County, Maryland. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should the practice of the Council subsequently dictate.

Section 2. Principal Office - Change of Same. The principal office of the Council shall be at the mailing address 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 Council from time to time; provided, however, that notice shall be given to each unit owner

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and mortgage holder as listed in the Mortgage Book hereinafter provided for.

Section 3. Records and Audits. The Board of Directors and the Condominium officers shall keep detailed records of the transactions of the Board of Directors, minutes of the meetings of the Board of Directors, minutes of the meetings of the Council and financial records and books of account of the Condominium, including a chronological listing of receipts and expenditures, as well as a separate account for each unit which, among other things, shall contain the amount of each assessment against each such unit, the date when due, the amounts paid thereon and the balance remaining unpaid. A written report summarizing all receipts and expenditures shall be rendered by the Board of Directors to all unit owners at least annually. Such report, if required by a vote of 5% of the unit owners, shall be certified by an independent certified public accountant and shall also be made available to all mortgage holders listed in the Mortgage Book, requesting same at mortgagees cost.

Section 4. Inspection of Books. The books and accounts of the Council, vouchers accrediting the entries made thereupon, and all other records maintained by the Council, shall be available for examination by the unit owners and their duly authorized agents or attorneys and to the holder of any mortgage on any condominium unit listed in the Mortgage Book and its duly authorized agents or attorneys, during normal business hours and for purposes reasonably related to their respective interests and after reasonable notice.

ARTICLE XVI

AMENDMENTS

Section 1. Amendments. These By-Laws may be amended by the affirmative vote of the number of unit owners required by Title

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11 of the Real Property Article of the Annotated Code of Maryland. Any such amendment shall be effective upon the recording thereof among the Land Records of Wicomico County, Maryland, as required by said Title 11 of the Real Property Article of the Annotated Code of Maryland. Amendments may be proposed by the Board of Directors or by a petition signed by any unit owner of the Condominium.

ARTICLE XVII

MORTGAGES - NOTICE

Section 1. Notice to Board of Directors. Any owner of any condominium unit in the Condominium who mortgages such unit shall promptly notify the Board of Directors of the name and address of his mortgagee and, if requested so to do, shall file a conformed copy of such mortgage with the Board of Directors. The Board of Directors shall maintain suitable records pertaining to such mortgages.

Section 2. Mortgage Book. The secretary or his designee shall maintain a mortgage book listing all mortgages of units in the Condominium and which said listing shall include without limitation the unit number, the name of the mortgagor and the name and address of the mortgagee. In the event any mortgagor fails to so notify the Board of Directors as set forth in Section 1 hereof, a mortgagee may do so and upon satisfaction upon the part of the secretary that the claim of the mortgagee is bona fide, such mortgage may be listed in the Mortgage Book.

Section 3. Notice. In addition to any special notice to mortgagees (sometimes called holders of mortgage) hereinafter required by these By-Laws or rights given to such mortgagees by these By-Laws, mortgagees listed in the Mortgage Book shall have

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the right to all notices provided for herein at their own expense, and to attend any meetings of the Council provided herein.

Section 4. Definition. Mortgagee or holder of mortgage as used in these By-Laws means the holder of any recorded mortgage or the party secured or beneficiary of any recorded Deed of Trust encumbering any condominium unit in the Condominium.

ARTICLE XVIII

COMPLIANCE - INTERPRETATIONS - MISCELLANEOUS

Section 1. Compliance. These By-Laws are set forth in compliance with the requirements of Title 11 of the Real Property Article of the Annotated Code of Maryland.

Section 2. Conflict. These By-Laws are subordinate and subject to all provisions of the Declaration and Laws of the State of Maryland.

Section 3. Resident Agent. Pursuant to Title 11 of the Real Property Article of the Annotated Code of Maryland, as aforesaid, A.J. Mariani, Jr., 6009 Sea Bay Drive, Ocean City, Maryland 21842, is hereby designated as Resident Agent of the Condominium and Council of Unit Owners. The Resident Agent, as well as officers, directors, managing agents and the Council of Unit Owners of the Association will be registered pursuant to Section 11-119 of the Real Property Article of the Annotated Code of Maryland.

Section 4. 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.

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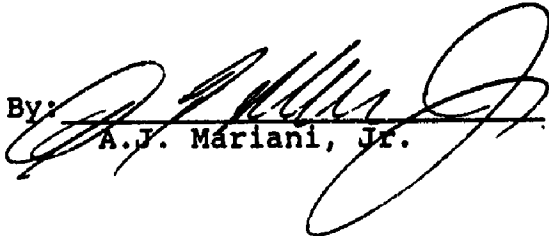
Section 5. Waiver. No restriction, condition, obligation or provision of these By-Laws shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

Section 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.

Certified to be a true copy of the By-Laws of Bay Watch III Condominium.

WITNESS:

MARIANI DEVELOPMENT COMPANY, LTD.

By:  (SEAL)
A.J. Mariani, Jr.

LIBER 2266 FOLIO 601

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"EXHIBIT C"

BAY WATCH III CONDOMINIUM

UNIT NUMBER	PERCENTAGE OF OWNERSHIP OF EACH UNIT IN COMMON ELEMENTS AND COMMON EXPENSES AND COMMON PROFITS	VOTING RIGHTS
Phase 1		
Building A		
Unit 101	8.9%	1
102	7.7%	1
103	7.7%	1
104	8.9%	1
201	8.9%	1
202	7.7%	1
203	7.7%	1
204	8.9%	1
301	9.3%	1
302	7.7%	1
303	7.7%	1
304	8.9%	1
	100.0%	12

Provision for Expanding Condominium

Each unit owner which is added to the Condominium Project, which has the expressed right to expand, shall be entitled to one (1) vote and the total number of votes shall be equal to the total number of units in the condominium project.

The percentage of ownership of each unit and the common element and in the common expenses and profits shall be determined by the following formula: one hundred (100) divided by the total number of units existing in the condominium project and added in each particular phase. The Declarant reserves the right to arbitrarily "round-off" to insure that the total percentage equals 100%.

As the additional phase is added to the condominium project, the Declarant shall cause to be filed Exhibit C-1 to reflect the unit numbers, percentage interest and voting rights as provided therein.

PLATS RECORDED IN PLAT BOOK LIBER _____ NO. _____ FOLIOS _____

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"EXHIBIT C-1"

BAY WATCH III CONDOMINIUM
PHASES 1 AND 2 (AFTER CONSTRUCTION OF BUILDING "B")

UNIT NUMBER	PERCENTAGE OF OWNERSHIP OF EACH UNIT IN COMMON ELEMENTS AND COMMON EXPENSES AND COMMON PROFITS	VOTING RIGHTS
Phase 1 Building A		
Unit 101	4.5%	1
102	3.8%	1
103	3.8%	1
104	4.5%	1
201	4.5%	1
202	3.8%	1
203	3.8%	1
204	4.5%	1
301	4.7%	1
302	3.8%	1
303	3.8%	1
304	<u>4.5%</u>	<u>1</u>
	50.0%	12
Phase 2 Building B		
Unit 101	4.5%	1
102	3.8%	1
103	3.8%	1
104	4.5%	1
201	4.5%	1
202	3.8%	1
203	3.8%	1
204	4.5%	1
301	4.7%	1
302	3.8%	1
303	3.8%	1
304	<u>4.5%</u>	<u>1</u>
	<u>50.0%</u>	<u>12</u>
	100.0%	

LIBER 2266 FOLIO 603

"EXHIBIT C-2"

BAY WATCH III CONDOMINIUM
PHASES 1, 2 AND 3 (AFTER CONSTRUCTION OF BUILDING "C")

UNIT NUMBER	PERCENTAGE OF OWNERSHIP OF EACH UNIT IN COMMON ELEMENTS AND COMMON EXPENSES AND COMMON PROFITS	VOTING RIGHTS
Phase 1 Building A		
Unit 101	2.96%	1
102	2.57%	1
103	2.57%	1
104	2.96%	1
201	2.96%	1
202	2.57%	1
203	2.57%	1
204	2.96%	1
301	3.11%	1
302	2.57%	1
303	2.57%	1
304	<u>2.96%</u>	<u>1</u>
	33.33%	12
Phase 2 Building B		
Unit 101	2.96%	1
102	2.57%	1
103	2.57%	1
104	2.96%	1
201	2.96%	1
202	2.57%	1
203	2.57%	1
204	2.96%	1
301	3.11%	1
302	2.57%	1
303	2.57%	1
304	<u>2.96%</u>	<u>1</u>
	33.33%	12

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"EXHIBIT C-2" (Cont'd)

Phase 3
Building C

Unit 101	2.96%	1
102	2.57%	1
103	2.57%	1
104	2.97%	1
201	2.97%	1
202	2.57%	1
203	2.57%	1
204	2.97%	1
301	3.11%	1
302	2.57%	1
303	2.57%	1
304	<u>2.97%</u>	<u>1</u>
	<u>33.33%</u>	<u>12</u>
	99.99%	

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"EXHIBIT C-3"

BAY WATCH III CONDOMINIUM
PHASES 1, 2, 3 AND 4 (AFTER CONSTRUCTION OF BUILDING "D")

UNIT NUMBER	PERCENTAGE OF OWNERSHIP OF EACH UNIT IN COMMON ELEMENTS AND COMMON EXPENSES AND COMMON PROFITS	VOTING RIGHTS
Phase 1		
Building A		
Unit 101	2.22%	1
102	1.93%	1
103	1.93%	1
104	2.22%	1
201	2.22%	1
202	1.93%	1
203	1.93%	1
204	2.22%	1
301	2.32%	1
302	1.93%	1
303	1.93%	1
304	<u>2.22%</u>	<u>1</u>
	25.00%	12
Phase 2		
Building B		
Unit 101	2.22%	1
102	1.93%	1
103	1.93%	1
104	2.22%	1
201	2.22%	1
202	1.93%	1
203	1.93%	1
204	2.22%	1
301	2.32%	1
302	1.93%	1
303	1.93%	1
304	<u>2.22%</u>	<u>1</u>
	25.00%	12
Phase 3		
Building C		
Unit 101	2.22%	1
102	1.93%	1
103	1.93%	1

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104	2.22%	1
201	2.22%	1
202	1.93%	1
203	1.93%	1
204	2.22%	1
301	2.32%	1
302	1.93%	1
303	1.93%	1
304	<u>2.22%</u>	<u>1</u>
	25.00%	12

Phase 4
Building D

Unit 101	2.22%	1
102	1.93%	1
103	1.93%	1
104	2.22%	1
201	2.22%	1
202	1.93%	1
203	1.93%	1
204	2.22%	1
301	2.32%	1
302	1.93%	1
303	1.93%	1
304	<u>2.22%</u>	<u>1</u>
	25.00%	12
	100.00%	

Plats Recorded in Plat Book R.H.O. 146 Folios 37 Thru 44

APR 30 1896
The foregoing instrument
filed for record and is accordingly recorded
among the land records of Worcester County,
Maryland.

Richard H. Rutton Clerk