

BY-LAWS

FOGG COVE HOMEOWNERS ASSOCIATION, INCORPORATED

Post Office Box 1108
Saint Michaels, Maryland 21663

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ARTICLE I

MEMBERS

Section 1.01. Annual Meetings. The Association shall hold each year, an annual meeting of any business within the powers of the Association, at 10 :00 AM, on the second Saturday in June in each year if not a legal holiday, and if a legal holiday then the first day following which is not a Sunday or a legal holiday. Any business of the Association may be transacted at an annual meeting without being specially designated in the notice, except such business as is specifically required by statute or by the charter to be stated in the notice. Failure to hold an annual meeting at the designated time shall not, however, invalidate the corporate existence or affect otherwise valid corporate acts.

Section 1.02. Special Meetings. At any time in the interval between annual meetings, special meetings of the members may be called by the Chairman of the Board or by a majority of the Board of Directors by vote at a meeting or in writing with or without a meeting and shall be called forthwith by the Chairman of the Board or a majority of the Board of Directors upon the written request of one-fourth of all the votes of the membership.

Section 1.03. Place of Meetings. All meetings of members shall be held at the principal office of the Association, except in cases in which the notice thereof designates some other place; but all such meetings shall be held within the State of Maryland.

Section 1.04. Notice of Meeting. The Manager shall give to each member entitled to vote at a meeting of members of the Association, written or printed notice stating the time and place of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, either by mail or by presenting it to him personally or by leaving it at his residence or usual place of business. Such notice shall be given not less than fifteen (15) nor more than sixty (60) days before any members meeting. Except that such notice shall be given as aforesaid of any meeting to consider approving a special assessment for capital improvements as provided in the Declaration, not less than thirty (30) days nor more than sixty (60) days before the date of such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the member at his post office address as it appears on the records of the Association, with postage thereon prepaid. Notwithstanding the foregoing provision a waiver of notice, in writing, signed by the person or persons entitled to such notice and filed with the records of the meeting, whether before or after the holding thereof, or actual attendance at the meeting in person, shall be deemed equivalent to the giving of such notice to such persons. Any meeting of members, annual or special, may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by announcement.

Section 1.05. Quorum. Unless otherwise provided in the charter, at any meeting of members the presence in person, or by proxy, of sixty percent of the members entitled to cast a vote, shall constitute a quorum. This section shall not affect any requirement under statute or under the Charter of the Association for the vote necessary for the adoption of any measure. In the absence of a quorum, the members present in person at a meeting, by majority vote and without notice other than by announcement, may adjourn the meeting from time to time until a quorum shall attend. In addition, at such a meeting where a quorum of members is not present in person, a majority of the members present may call a further meeting of members, in accordance with the provisions of Section 5-206 of the Corporations and Associations Article of the Annotated Code of Maryland and at such further meeting a quorum shall be one-half (1/2) of the required quorum at the preceding meeting.

Section 1.06. Votes Required. A majority of the votes cast at a meeting of members, duly called and at which a quorum is present shall be sufficient to take or authorize action upon any matter which may properly come before the meeting, unless more than a majority of votes cast is required by statute or by the Charter, or the vote is for a special assessment, which requires a two thirds majority of the votes cast.

Section 1.07. List of Members. At each meeting of the members, a full, true and complete list in alphabetical order of all members entitled to vote at such meeting, shall be furnished by the Manager. The method employed by the Manager in determining the names and addresses of members entitled to vote shall have been approved by resolution of the Board of Directors.

Section 1.08. Members. The qualification for membership shall be that stated in the Charter of the Association.

Section 1.09. Voting. The rules and regulations concerning the right to vote shall be those stated in the Charter of the Association.

Section 1.10. Informal Action by Members. Any action required or permitted to be taken at any meeting of members may be taken without a meeting, if a consent in writing, setting forth such action, is signed by all the members entitled to vote on the subject matter thereof and any other members entitled to notice of meeting of members (but not to vote thereat) have waived in writing any rights which they may have to dissent from such action, and such consent and waiver are filed with the records of the Association.

ARTICLE II

BOARD OF DIRECTORS

Section 2.01. Number. The affairs of the Association shall be managed by a Board of Nine (9) directors who shall be members of the Association.

Section 2.02. Term of Office. At each annual meeting the members shall elect three directors for a term of three years.

Section 2.03. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 2.04. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for actual expenses incurred in the performance of his duties.

Section 2.05. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

Section 2.06. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nomination Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations shall be made from among members

Section 2.07. Election. Election to the Board of Directors shall be by secret written ballot. At such election the members or their proxies may cast, in respect to each vacancy, one vote. The persons receiving the largest number of votes shall be elected

Section 2.08. Regular Meetings. Regular meetings of the Board of Directors shall be held quarterly without notice, on the second Saturday of March, June, September and December, at such place and hour as may be fixed from time to time by resolution of the Board.

Section 2.09. Special Meetings. Special meetings of the Board of Directors shall be held when called by the Chairman of the Association, or by any two directors, after not less than three (3) days notice to each director.

Section 2.10. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 2.11. Powers. The Board of Directors shall have power to:

- a) adopt and publish rules and regulations governing the use of the Common area and facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;
- b) suspend the voting rights and right to use of the recreational facilities of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed 60 days for infraction of published rules and regulations;

c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, or the Declaration;

d) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from two (2) consecutive regular meetings of the Board of Directors, and,

e) employ, appoint and remove a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

Section 2.12. Duties. It shall be the duty of the Board of Directors to:

a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the members who are entitled to vote;

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

c) as more fully provided in the Declaration, to;

1) fix the amount of the annual assessments against each lot at least thirty (30) days in advance of each annual assessment period;

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

and

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

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

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

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

(g) cause the Common Areas to be maintained.

ARTICLE III

COMMITTEES

Section 3.01. Committees. The Board of Directors may by resolution provide for an Executive Committee and for such other standing or special committees as it deems desirable, and discontinue the same at its pleasure. Each committee shall have the powers and perform the duties, not inconsistent with law, as may be assigned to it by the Board of Directors.

ARTICLE IV

OFFICERS

Section 4.01. Chairman. The Board of Directors shall in each year elect a Chairman of the Board from among the Directors. The Chairman shall preside at all meetings of the Board of Directors and meetings of members at which time he shall present and shall and may exercise such additional powers and duties as are from time to time assigned to him by the Board of Directors.

Section 4.02. Manager. The Board of Directors shall in each year elect one person (who need not be a member of the Association) to serve as the Manager of the Association. The Manager shall generally advise the Association in the conduct and operation of its affairs. In the absence of the Chairman of the Board, and the Vice Chairman, the Manager shall preside at all meetings of the members and of the Board of Directors at which he shall be present; and he shall have generally charge and supervision of the business of the Association; he may sign and execute bonds, contracts or other instruments, except in cases in which the signing and execution thereof shall have been expressly delegated to some other officer or agent of the Association; and, in general, he shall perform all duties incident to the office of Manager of an association and such other duties as, from time to time, may be assigned to him by the Board of Directors. The Manager shall be the Secretary of the Association. As Secretary of the Association, the Manager shall keep the minutes of the meetings of the members, and the Board of Directors, in books provided for the purpose; he shall see that all notices are duly given in accordance with the provisions of the by-laws or as required by law; he shall be custodian of the records of the Association; he shall see that the corporate seal of the Association is affixed to all documents the execution of which, on behalf of the Association, under its seal, is duly authorized, and when so affixed may attest the same; and in general, he shall perform all duties incident to the office of a Secretary of the Corporation. The Manager shall also be the Treasurer of the Association. As Treasurer of the Association, the Manager shall have charge of and be responsible for all funds, receipts and disbursements of the Association, and shall deposit, or cause to be deposited, in the name of the Association, all monies or other valuable effects in such banks, trust companies or other depositories as shall, from time to time, be selected by the Board of Directors; he shall render to the Board of Directors whenever requested, an account of the financial condition of the Association, and in general, he shall perform all the duties incident to the office of a Treasurer of a corporation. The Manager shall serve at the pleasure of the Board of Directors and any vacancy in the office by reason of death, removal, resignation or otherwise shall be filled by the Board of Directors.

Section 4.03. Additional Executive Officers. The Board of Directors shall in each year elect a Vice Chairman of the Board from among the Directors. The Vice Chairman shall serve as Chairman and have all the duties and powers of the Chairman, in the Chairman's absence. The Board of Directors may choose one or more assistant managers, one or more assistant secretaries and one or more assistant treasurers, none of whom need be a Director, but all of whom shall be members of the Association. Any two or more of the offices mentioned in the Article IV may be held by the same person;

but no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument be required by statute, by the Charter, by the By-Laws or by resolution of the Board of Directors to be executed, acknowledged or verified by any two or more officers. Each such officer shall hold office until the first meeting of the Board of Directors after the annual meeting of members next succeeding his election, and until his successor shall have been chosen and qualify, or until he shall have resigned or shall have been removed. Any vacancy in any of the above offices may be filled for the unexpired portion of the term of the Board of Directors at any regular or special meeting. The assistant officers, if any, described in this Section 4.03, shall have such duties as may from time to time be assigned to them by the Board of Directors or the Manager.

Section 4.04. Subordinate Officers. The Board of Directors may from time to time appoint such subordinate officers as it may deem desirable. Each such officer shall hold office for such period and perform such duties as the Board of Directors or the Manager may prescribe. The Board of Directors may, from time to time, authorize any committee or officer to appoint and remove subordinate officers and prescribe the duties thereof.

Section 4.05. Compensation. None of the officers of the Association (other than the Manager or Assistant Managers) shall be compensated by the Association for services rendered in the capacity of such office. Any such officers (other than the Manager or Assistant Manager) who serve the Association in any other capacity, however, may receive compensation therefore. The Manager and Assistant Managers may receive such compensation as may be determined from time to time by resolution of the Board of Directors.

Section 4.06. Removal. Any officer or agent of the Association may be removed by the Board of Directors whenever, in its judgment, the best interests of the Association will be served thereby.

ARTICLE V

FINANCE

Section 5.01. Checks, Drafts, Etc. All checks, drafts and orders for the payment of money, notes, and other evidences of indebtedness, issued in the name of the Association, unless otherwise provided by resolution of the Board of Directors, shall be signed by the Manager or an Assistant Manager and countersigned by one Director of the Association.

Section 5.02. Annual Reports. There shall be prepared annually, by the Manager, a full and correct statement of the affairs of the Association, including a balance sheet and a financial statement of operations for the preceding calendar year, which shall be submitted at the annual meeting of members and filed within twenty (20) days thereafter at the principal office of the Association, in the State of Maryland.

Section 5.03. Fiscal Year. The fiscal year of the Association shall be the twelve (12) calendar month period ending December 31st of each year, unless otherwise provided by the Board of Directors.

ARTICLE VI

CERTIFICATES OF MEMBERSHIP

Section 6.01. Certificates of Membership. The Board of Directors may provide for the issuance of certificates evidencing membership in the Association, which shall be in such form as may be determined by the Board of Directors. The name and address of each member and state of issuance of the certificate shall be entered on the records of the Association. If any certificate shall become lost, mutilated or destroyed, a new certificate may be issued therefore upon such terms and conditions as the Board of Directors may determine or prescribe.

ARTICLE VII

SUNDRY PROVISIONS

Section 7.01. Seal. The Board of Directors shall provide a suitable seal, bearing the name of the Association, which shall be in the charge of the Manager. The Board of Directors may authorize one or more duplicate seals and provide for the custody thereof.

Section 7.01. Voting Upon Shares in Other Corporations. Any shares in other corporations or associations, which may from time to time be held by the Association, may be voted at any meeting of the shareholders thereof by the Manager or an Assistant Manager of the Association. The Board of Directors, however, may by resolution appoint some other person or persons to vote such shares, in which case such person or persons shall be entitled to vote such shares upon the production of a certified copy of such resolution.

ARTICLE VIII

AMENDMENTS

Section 8.01. Amendment of the By-Laws. These By-Laws may be amended, at a regular or special meeting of the members, by a vote of a majority of a quorum of members present in person or by proxy.

Section 8.02. Conflict. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

ARTICLE IX

INDEMNIFICATION

Section 9.01. Indemnification of Officers and Directors. The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (other than by or in the right of the Association) by reason of the fact that he is or was a director or officer of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent

of another corporation, partnership, joint venture, association, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amount paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, if he acted in good faith and in a manner he reasonably believed to be in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Association, and with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was lawful.

Section 9.02. Actions by or in Right of Association. The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that he is or was a director or officer of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, association, trust, or other enterprise. The indemnification shall be against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation; except that no indemnification shall be made in respect of any claim, issue, or matter as to which the person has been adjudged to be liable for negligence or misconduct in the performance of his duty to the Association, unless and only to the extent that the court in which the action or suit was brought, or a court of equity in the county in which the Association has its principal office, determines upon application that, despite the adjudication of liability, but in view of all circumstances of the case, the person is fairly and reasonably entitled to indemnity for the expenses which the court shall deem proper.

Section 9.03. Procedure for Determining Eligibility. Any indemnification under Sections 9.01 and 9.02 (unless ordered by a Court) shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he has met the applicable standard of conduct set forth in said Sections 9.01 and 9.02. Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such quorum is not obtainable, or even if obtainable and a quorum of disinterested directors so directs, by independent legal counsel (compensated by the Association) in a written opinion, or (3) by the members.

Section 9.04. Indemnification for Expenses. Expenses (including attorneys' fees) incurred in defending a civil or criminal action suit or proceeding may be paid by the Association in advance of the final disposition thereof, if authorized in the specific case by a preliminary determination following one of the procedures set forth in Section 9.03 hereof, that the director or officer met the applicable standard of conduct set forth in Sections 9.01 and 9.02, upon receipt of an undertaking by or on behalf of the director or officer reasonably assuring that such amount will be repaid unless it shall ultimately be determined that he is entitled to be indemnified by the Association as authorized in this Article.

Section 9.05. Advances for Expenses. Expenses (including attorneys' fees) incurred in defending a civil or criminal action suit or proceeding may be paid by the Association in advance of the final disposition thereof if authorized in the specific case by a preliminary determination following one of

the procedures set forth in Section 9.03 hereof that the director or officer met the applicable standard of conduct set forth in Sections 9.01 and 9.02; upon receipt of an undertaking by or on behalf of the director or officer reasonably assuring that such amount will be repaid unless it shall ultimately be determined that he is entitled to be indemnified by the Association as authorized in this Article.

Section 9.06. Indemnification of Employees. The Association may, upon approval of its Board of Directors on a case by case basis, indemnify any employee who is not an officer and director to the extent and in the manner provided in Sections 9.01, 9.02, 9.03, 9.04 and 9.05 above.

Section 9.07. Non-Exclusivity. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those indemnified may be entitled under an agreement, vote of members or disinterested directors, or otherwise, both as to action in his official capacity and as to actions in another capacity while holding such office, and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 9.08. Insurance. The Association may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association as director, officer, employee or agent of another Association, partnership, joint venture, association, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability under the provisions of this Article or of 2-418 of the Corporations and Associations Article of the Annotated Code of Maryland.

ARTICLE X

ASSESSMENTS

Section 10.01. Assessments. As more fully provided in the Declaration, each member is obligated to pay to the Association, annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after due, the assessment shall bear interest from the date due at the rate of twelve (12) percent per annum, and the Association may bring any action at law against the Owner personally obligated to pay the same, or foreclose the lien against the property. Interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided herein by non-use of the Common Area or abandonment of his lot.