

**RETIREMENT COMMUNITY OF EASTON, INC.
LONDONDERRY ON THE TRED AVON
BYLAWS**

**ARTICLE I
Principal Office, Place of Business, and Purpose**

SECTION 1. The principal office and place of business of the Corporation shall be 700 Port Street, No. 148, Easton, Maryland 21601, or at such other place as designated by the Board of Directors.

SECTION 2. The Purpose of this Cooperative Housing Corporation is to provide Residents with housing, community facilities and services in a retirement community setting in accordance with 42 USC §§ 3607, *et seq*, on a cooperative, not-for-profit basis consistent with the provisions set forth in the Articles of Incorporation.

**ARTICLE II
Definitions**

SECTION 1. The following terms have the following meanings whenever used throughout these Bylaws:

1. Additional Capital Contribution: Any additional payment by a Stockholder made pursuant to an agreement, as described in Article VII, Section 11.

2. Board of Directors: The Board of Directors of the Corporation, whose election and functions are described in Article III.

3. Board Policies: Those policies specifying the rules governing the regularly performed practices of the Board of Directors as adopted by the Board. Board Policies shall be available for inspection by all Stockholders and Residents.

4. Carrying Charges: All assessments, special charges, in addition to other charges to be paid by the Stockholders to the Corporation following the provisions of the Bylaws and Occupancy Agreement.

5. Chief Executive Officer (CEO): The Chief Executive Officer is selected by the Board of Directors and reports to the Board.

6. Common Areas: The entire Property other than the Units.

7. Controller: The Controller is selected by the Chief Executive Officer. The Controller is responsible for all financial activities of the Corporation.

8. Corporation: Retirement Community of Easton, Inc., a Maryland not-for-profit, cooperative, stock corporation, formed and operated in accordance with the Maryland Cooperative

Housing Corporation Act of the Maryland Annotated Code. The Corporation is also referred to as Londonderry on the Tred Avon, Londonderry Retirement Community and/or Londonderry.

9. House Rules: Published Rules and Regulations for the use and operation of the Property and of the Corporation as adopted from time to time by the Board of Directors pursuant to the Bylaws.

10. Membership: Membership in the Corporation established by shares of stock issued to a person who enters into an Occupancy Agreement for a Unit in the Property.

11. Membership Transfer Value: The formula price at which the Board of Directors may purchase the membership of a deceased or departing Member, or which is payable in certain circumstances upon the condemnation or destruction of a Member's Unit or upon the dissolution and liquidation of the Corporation.

12. Membership Value: The amount a Stockholder pays for shares of stock representing the Corporation's equity in the Unit, exclusive of the principal amount of the Property Indebtedness and any additional capital contribution.

13. Occupancy Agreement: The instrument granting a leasehold interest in a Unit to which an Occupant is entitled.

14. Occupant: Any person over the age of 62 years legally entitled to reside in a Unit pursuant to an Occupancy Agreement, whether a Stockholder or a permitted sublessee or subtenant of a Stockholder, or a spouse or family member of any of the foregoing. A guest is not considered an Occupant.

15. Property: All of the real and personal property owned by and belonging to the Corporation.

16. Property Indebtedness: The mortgage(s), indemnity deeds of trust, or other encumbrance(s) on or secured by the Property or by any property owned by the Corporation.

17. Resident and Occupant are interchangeable.

18. Shares: Shares of stock in the Corporation issued from time to time.

19. Security Interest: A lien or security interest in Shares pledged by a Stockholder or in an Occupancy Agreement.

20. Secured Party: A holder or owner(s) of a security interest in, or lien on, any shares of stock of the Corporation owned by a Stockholder, or in any Occupancy Agreement between the Corporation and any Stockholder.

21. **Special Charges:** Costs incurred by the Corporation in providing any special services to a Stockholder, including costs owed by a Stockholder for maintenance and upkeep of said Stockholder's Unit if said Stockholder fails or refuses to pay such costs.

22. **Stockholder:** Any legal person with legal title to one or more of shares of stock issued by the Corporation.

23. **Subscription Agreement:** The contract of purchase between a prospective Member and the Corporation.

24. **Transfer:** The disposition of shares or interest therein, more particularly defined in Article VII, Section 4 herein.

25. **Unit:** Individual dwelling, as such dwelling is identified by Certificates of Shares issued to Stockholders, together with any parking space, apartment storage unit, balconies or patios appurtenant thereto identified by its Occupancy Agreement.

26. **Unit Vote:** The collective vote of one or more Stockholders having a right of occupancy in a particular Unit, as reflected in the Certificate of Shares, which represents one vote in certain matters specified in these Bylaws.

ARTICLE III

Board of Directors

SECTION 1. Board: The Corporation shall be governed by a Board of Directors consisting of no less than five (5) elected resident Stockholders and an equal number of non-resident Directors, elected by the Board.

SECTION 2. Election: Resident Directors shall be elected at the annual meeting of Stockholders by a plurality of votes cast at the meeting. An elected Resident Director shall be a Stockholder occupying a Unit.

SECTION 3. Term: Each Director shall serve a term of three (3) years after election. No Director shall serve more than two (2) consecutive terms but may be re-elected after an absence of one (1) year. The term of each Director shall continue beyond that time if necessary, until his or her successor is appointed or elected.

SECTION 4. Committees:

1. **Finance Committee:** The Finance Committee shall recommend to the Board of Directors fiscal policies and business practices that will keep the Corporation in a sound financial position. The Committee shall review, and revise, if necessary, the annual budget prepared by the CEO and Controller for submission to the Board. The Committee's membership shall be specified in Board Policies.

2. Governance Committee: The Governance Committee is responsible for the recruitment and training of the Board of Directors, the evaluation of the Board, the review of Bylaws and the formation and supervision of the Election Committee. The Committee's membership shall be specified in Board Policies.

3. Election Committee: At least ninety days prior to the Annual Stockholders Meeting, the Governance Committee shall appoint the Election Committee. The Election Committee shall be responsible to solicit nominations to fill the positions of Resident Directors whose terms of office shall be expiring. The Secretary or the Secretary's designee shall cause the list of nominees and their statement of interest to be distributed to the Residents at least ten (10) days, but not more than thirty (30) days, before the annual meeting of the Stockholders. The Committee's membership shall be specified in Board Policies.

4. House Rules Committee: The Resident Directors serve as the House Rules Committee. This committee shall formulate House Rules for the Residents of the community. The Board of Directors must approve any changes or additions to the House Rules. Enforcement of the House Rules will be by the House Rules Committee.

5. Resident Standing Committees are enumerated in the House Rules and Board Policies; they shall be created or dissolved by recommendation of the President and confirmation by the Board.

6. Temporary or Ad Hoc Committees are created/dissolved at the discretion of the Board.

SECTION 5. Quorum: A majority of the Directors shall constitute a quorum for the transaction of business of the Board of Directors.

SECTION 6. Compensation: No compensation shall be paid to Directors for their services as Directors.

SECTION 7. Regular Meetings: Regular meetings of the Board may be held at such time and place as shall be determined but at least ten (10) regular meetings shall be held during the fiscal year.

SECTION 8. Special Meetings: Special meetings of the Board of Directors may be called at any time by the President.

SECTION 9. Resignations: A Director may resign at any time. This resignation shall be made in writing and will take effect upon delivery of the resignation to the President or Secretary. Acceptance of the resignation shall not be necessary.

SECTION 10. Removal: Two-thirds 2/3 of the Stockholders of the Corporation present at any regular or special meeting of the Stockholders may remove any Director for cause affecting the ability or fitness to perform his/her duties. A specific written complaint shall be filed with the Secretary, signed by a Director or Stockholder making the complaint and accompanied by a petition of twelve (12) Stockholders. Ten (10) days' notice shall be given of such meeting. Such

Director shall have the opportunity to be heard in person or through counsel and may produce witnesses in response to the complaint.

SECTION 11. Vacancy: A vacancy on the Board shall occur in the event of a Director's death, resignation, removal, completion of term, or unexcused absence from three (3) consecutive Board meetings. In the case of a Non-Resident Director, the Board shall fill such vacancy by electing a person to complete the term. With a vacancy of a Resident Director, the Board shall elect a resident stockholder who shall serve until the next annual meeting of the Stockholders. A Resident Director elected at that meeting shall complete the term. When a person assumes a vacancy with less than eighteen (18) months remaining the individual may occupy that position for an additional two (2) full terms. A person who assumes a vacancy with more than eighteen (18) months left will only be eligible for one additional term.

SECTION 12. Certificate Transfer: The transfer of certificates of shares shall be approved as needed by the Board or Board's designee, providing the purchaser proves to the Board's satisfaction to be financially responsible and only if no sums whatever are due to the Corporation from the transferring Stockholder.

SECTION 13: Borrow Money: When the Corporation is required to borrow money necessary for the needs of the Property and relating to the operation, care, upkeep and maintenance of the Property, the consent of at least two-thirds of the Unit Votes cast at a meeting duly called for that purpose shall be required in order to borrow any sum in excess of Two Hundred Fifty Thousand Dollars (\$250,000) in one (1) fiscal year.

SECTION 14: Chief Executive Officer: The Board of Directors and the Corporation shall employ a Chief Executive Officer.

1. The Chief Executive Officer shall ensure that two (2) or more persons shall be responsible for handling money to maintain adequate financial control and shall ensure that cash accounts of the Corporation shall not be commingled with any other accounts.

2. The Chief Executive Officer or designee shall ensure that a monthly financial statement of the Corporation shall be available for inspection by Stockholders.

3. Any interest that the Chief Executive Officer may have in any firm providing goods or services to the Corporation shall be disclosed before employment of such firm.

4. A management contract must be executed and shall specify duties as assigned as well as a termination clause.

ARTICLE IV

Officers

SECTION 1. Election: The officers of the Corporation shall be a President, one or more Vice Presidents, a Secretary, and a Treasurer. All officers shall be elected by the Board following

the Annual Stockholders Meeting. Officers will serve for a two (2) year term beginning on the day of the annual meeting in August and shall serve until their successors are elected and qualified.

SECTION 2. President: The President shall be the officer primarily responsible to execute the directives of the Board of Directors and shall be subject to the supervision of the Board of Directors. The President shall preside, or shall designate another Director to preside, at all meetings of the Stockholders and of the Board of Directors. The President shall have all of the general powers and duties which are usually vested in that office.

SECTION 3. Vice President: The Vice President shall assume the duties of the President in the case of the absence or disability of the President. In the case of absence or disability of the President and the Vice President, the remaining Directors may elect one of the members of the Board to perform temporarily all the duties of the President.

SECTION 4. Treasurer: The Treasurer shall have oversight of the financial records of the Corporation and shall review and present regular financial reports from the Controller at every board meeting, the Annual Meeting and Resident Meetings. The Treasurer shall make financial records available for inspection to any Director upon request. The Treasurer may delegate any or all of these duties to the Controller or a designee.

SECTION 5. Secretary: The Secretary shall ensure that minutes of all meetings of the Board of Directors and of the Stockholders shall be recorded. The Secretary, with the assistance of a designated staff person, shall assure the custody of all the official documents of the Corporation and shall assure notice of meetings to Stockholders and to the Board of Directors. The Secretary shall also perform all other duties incidental to his/her office.

ARTICLE V

Meetings of Stockholders

SECTION 1. Annual Meeting: The annual meeting of the Corporation shall be held in August of each year. At such meeting, the Stockholders shall by ballot of the Stockholders, elect the Resident Directors, in accordance with the requirements of Article III of these Bylaws. The Stockholders may also transact such other business of the Corporation as may properly come before them.

SECTION 2. Special Meetings: It shall be the duty of the President to call a special meeting of the Stockholders as directed by resolution of the Board of Directors or upon a petition signed by twenty percent (20%) of the Units having been presented to the Secretary. No business shall be transacted at a special meeting except as stated in the notice unless by consent of two-thirds (2/3) of the Unit Votes cast, either in person or by proxy.

SECTION 3. Notice of Meetings: It shall be the duty of the Secretary to mail or otherwise deliver 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 Stockholder of record of the Corporation. Notice of such meetings should be sent not less than ten (10) nor more than forty (40) days before the meeting.

If mailed, it shall be directed to each such Stockholder at the Stockholder's address as it appears on the stock ledger books, or at his or her last address.

SECTION 4. Waiver of Notice: The notice provided for in the foregoing section is not indispensable. Any Stockholders' meeting shall be valid for all purposes if all the outstanding shares are represented in person or by proxy, or if a quorum is present as provided in the next succeeding section, or, if waiver of notice of the time, place and subject matter of such a meeting shall be duly executed in writing either before or after said meeting by such Stockholders as are not so represented and were not given such notice.

SECTION 5. Quorum: The presence, either in person or by proxy of Stockholders representing at least two-thirds (2/3) of the Unit Votes of the Corporation shall be requisite for, and shall constitute a quorum for the transaction of business at all meetings of Stockholders. If the number of Stockholders representing a Unit Vote at a meeting drops below the quorum and the question of a lack of quorum is raised, no business may thereafter be transacted.

SECTION 6. Adjourned Meetings: If any meeting of Stockholders cannot be organized because a quorum has not attended, the Stockholders 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 forty-eight (48) hours from the time the original meeting was called, at which subsequent meeting the quorum requirements shall be two-thirds (2/3) of the Unit Votes.

SECTION 7. Voting: Unless these Bylaws provide for a different voting percentage or requirement on a particular matter, at each meeting of the Stockholders, the Stockholder representing a Unit Vote in person or by proxy shall be entitled to one vote for the shares associated with the Unit at the time of said meeting. Proxies shall be in writing, duly signed by the Stockholder but need not be acknowledged or witnessed, and the person named as proxy by any Stockholder shall be a Stockholder or his/her agent. If more than one person owning such Shares is present, then such vote shall be cast only in accordance with their unanimous agreement. Notwithstanding the foregoing, each resident who occupies a Unit pursuant to an executed Occupancy Agreement shall be entitled to a vote in electing the resident members of the Board of Directors and for this purpose only.

SECTION 8. Order of Business: So far as consistent with the purpose of the meeting, the order of business of each meeting of the Stockholders shall be as follows:

1. Call to Order.
2. Presentation of proof of notice of the meeting.
3. Proof of quorum.
4. Reading of minutes of previous meeting or meetings, unless waived.
5. Reports of officers or committees.
6. Appointment or election of inspectors of election, if requested.
7. If the annual meeting or a special meeting called for that purpose, the election of Directors.
8. Such other business as shall be prescribed by the public agenda.
9. Adjournment.

ARTICLE VI

Occupancy Agreements

SECTION 1. Form: The Board of Directors has adopted a form of Occupancy Agreement to be used by the Corporation for the occupancy of all Units in the Property. Such Occupancy Agreement shall be for such terms and shall contain such provisions, conditions, and covenants as the Board of Directors may determine from time to time. All Occupancy Agreements subsequently executed and delivered shall be in the same form (unless a new such form for all Occupancy Agreements be subsequently adopted, pursuant to Article XVII, Section 1), except with respect to the statement as to the number of shares owned by the Stockholders, the identification and use of the Unit and the date of the commencement of the term.

SECTION 2. Allocation of Shares: The shares allocated to each Unit, which must be owned by a Stockholder related to each such Unit, shall be established by the original purchase price of each Unit.

SECTION 3. Assignment of Occupancy Agreement or Transfer of Share: A duplicate of each Occupancy Agreement shall be kept on file in the principal office of the Corporation. No assignment of any Occupancy Agreement or transfer of the shares shall take effect as against the Corporation for any purpose until a written application has been delivered to the Chief Executive Officer, or designee. No consent of the Chief Executive Officer or of the Board of Directors shall be required for any transfer to or from any Secured Party. The Board of Directors shall not consent to any assignment of an Occupancy Agreement or transfer of shares until the assignee has assumed and agreed to perform and comply with all the covenants and conditions of the Occupancy Agreement, these Bylaws, Articles of Incorporation and House Rules, or has entered into a new Occupancy Agreement. The Chief Executive Officer or designee must respond to all written applications for consent to an assignment of an Occupancy Agreement or transfer of shares within thirty (30) days after receipt of the written application or consent shall be deemed to have been given. Any assignment or transfer not made in accordance with these requirements shall be invalid, and of no effect. No person to whom the interest of a Stockholder shall pass by operation of law shall be entitled to assign any Occupancy Agreement, transfer any share, or to sublet or occupy any Unit, except upon compliance with the requirements of the Occupancy Agreement and these Bylaws. Notwithstanding the above, nothing contained in this Section 3 shall prohibit the assignment for security purposes of any shares to a mortgagee, lender or other Secured Party for the purpose of financing or refinancing the purchase of shares; provided, however, the Board of Directors shall be given written notice of such Security Interest or assignment for security purposes, together with a copy of the executed note, security or pledge agreement and related documents. Any Stockholder may, following the terms of the Occupancy Agreement, sublease his or her Unit upon making written application for approval of such sublease to the Board of Directors or the Chief Executive Officer.

The Board shall apply all rules and criteria of the Corporation to anyone subleasing. The proposed subtenant will be required to furnish to the Board of Directors, and the Chief Executive Officer such information as they may be requested. The Board shall approve or disapprove in writing the proposed subtenant within thirty (30) days of its receipt of such written application. Failure by the Board of Directors to approve or disapprove such sublease within such thirty (30)

day period shall constitute an approval of such sublease. If the Board of Directors or the Chief Executive Officer shall disapprove the sublease, written notice of the grounds for the decision shall be given to afford the Stockholder and the proposed subtenant the opportunity to attend a hearing before the Board of Directors. No approval of any sublease shall release the Stockholder from any liability under the Occupancy Agreement. Except as set forth above, no other subleasing or subletting of a Unit shall be permitted. Any sublease or subletting made in contravention of the foregoing shall be a violation of these Bylaws and default under the Occupancy Agreement.

SECTION 4. Fees on Assignment: The Board of Directors shall have authority before an assignment or sublease of an Occupancy Agreement or transfer or reallocation of shares takes effect as against the Corporation to fix a reasonable fee to cover actual expenses and attorney's fees of the Corporation and such other conditions as it may determine in connection with each such proposed assignment or transfer, including, without limitation, a credit, title or other search with respect to the Unit or parties. The Board of Directors may provide that attorney's fees be paid directly to the Corporation attorneys. Nothing herein shall restrict any Stockholder, assignee, or sub-lessee from employing an attorney, title company, broker or other firm or person of their own choice to service or advise them personally, or to freely negotiate fees therewith.

SECTION 5. Lost Occupancy Agreement: In the event that any Occupancy Agreement in full force and effect is lost, stolen, destroyed or mutilated, the Board of Directors may authorize the issuance of a new Occupancy Agreement in lieu thereof, in the same form and with the same terms, provisions, conditions and limitations. The Board of Directors may, in its discretion, require the Stockholder or the legal representative of the Stockholder to make an affidavit or affirmation setting forth the facts relating to the loss, destruction, and or mutilation.

SECTION 6. Reallocation of Shares: The Board of Directors, upon the written request of a Stockholder may in its discretion, permit Stockholders at their cost to reallocate the shares issued to accompany the Occupancy Agreement, but the total number of Shares so reallocated shall not be more or less than the total number of shares previously allocated to the Unit or Stockholders of one or more Occupancy Agreements.

SECTION 7. Application to purchase stock in the Corporation:

1. Application for membership in the Corporation shall be presented in person as prescribed by the Board of Directors. The Chief Executive Officer and the Controller shall act upon all such applications. An executed Subscription Agreement shall constitute an application for an initial membership by the Subscriber or Subscribers thereunder. Any person shall be eligible for membership in the Corporation if such person demonstrates financial capability to meet the monthly Carrying Charges and other fees or costs imposed under the Occupancy Agreement. The decision of the Board of Directors as to the credit worthiness of an applicant shall be conclusive.

2. A Stockholder shall have the legal right to occupy the Unit covered by the terms of the Occupancy Agreement, provided that the Stockholder shall be over the age of 62 years. A Stockholder shall not be required to actually occupy said Unit.

SECTION 8. Waiver of Occupancy Eligibility Requirements in Certain Cases: The eligibility requirements for membership in the Corporation, set forth in Section 7 above, may be modified or waived by the Board of Directors in writing, in its sole discretion. Provided, however, that no modification or waiver of requirement shall be granted, which shall have the effect of disqualifying the Corporation as a Cooperative Housing Corporation under Section 216 of the Internal Revenue Code of 1986, as amended, and regulations thereunder, nor shall such modification or waiver fail to comply with the Federal Housing for Older Persons Act (§§ 42 USC 3607 *et seq*). Subject to the exceptions set forth herein, such criteria may also be waived or modified by the Board of Directors in writing in its approval of any sublease.

SECTION 9. Subscription Fees: All initial subscription funds received from Subscribers shall be deposited promptly in an established institution whose deposits are insured by an agency of the federal government. This account or accounts for the Subscribers, which monies shall not be corporate funds, but shall be held solely for the benefit of the Subscribers until transferred to the account of the Corporation. The account or accounts shall be interest bearing, with interest applied in the manner provided in the Subscription Agreement. All funds shall be subject to withdrawal or transfer to an account of the Corporation, or disbursed in a manner directed by the Corporation only upon certification by the President and Secretary of the Corporation that:

1. The Subscription Agreement of a named Subscriber has been terminated pursuant to its terms and such withdrawal is required to repay the amount deposited under such agreement; or
2. A Subscriber's closing for a Stockholder in the Corporation has not been scheduled within the effective period of the Subscription Agreement, or any extension thereof, and such withdrawal is required to repay to the Subscriber the amounts deposited; or
3. A named Subscriber has been approved as to credit worthiness by the Board of Directors, has made payment of the balance due on the subscription price, and has signed the Occupancy Agreement.

If these requirements have been met, the entire amount of the funds in the subscription account or accounts may be transferred to the Corporation. If the Subscriber defaults on any obligation under this Agreement after the required fifteen (15) day waiting period, notice will be sent by registered mail by the Corporation to the Subscriber regarding the options of the Corporation. The Subscriber shall lose any and all rights under this Agreement as of the date that the notice is mailed. At the option of the Corporation, any amount paid toward the subscription price may be retained by the Corporation as liquidated damages or may be returned to the Subscriber less Subscriber's proportionate share of any and all expenses incurred by the Corporation during the life of this Agreement, as determined by the Corporation.

ARTICLE VII

Shares

SECTION 1. Shares and Occupancy Agreement: A Certificate of Shares shall be issued only upon execution by the purchaser and delivery by the Corporation of an Occupancy

Agreement. These shares shall entitle the owner to occupy a Unit for residential purposes as specified by the Bylaws, Occupancy Agreement, House Rules and Board Policies.

SECTION 2. Form and Share Register: The Certificate of Shares shall be in the form adopted by the Board of Directors, signed by the President or a Vice President and another officer of the Board, and sealed with the seal of the Corporation. A certificate register shall be maintained showing a record of all shares issued in numerical order, the person owning the shares and the date of issue. Any Certificate exchanged or returned to the Corporation shall be indicated thereon and shall be retained in the Corporation records.

SECTION 3. Issuance of Certificates: Shares for each Occupancy Agreement shall be issued in the amount allocated by the Board of Directors and represented by a single Certificate.

SECTION 4. Transfers: Shares may be transferred by the Shareholder in person or by power of attorney or stock power with a guaranteed signature acceptable to the Corporation and upon surrender of said Certificate of Shares. Shares sold by the Corporation to satisfy a lien may be transferred without surrender of a Certificate.

SECTION 5. Lost Certificates: The Board of Directors may replace any Certificate of Shares lost, stolen, destroyed, or mutilated in a like amount. The Board of Directors may, at its discretion before authorizing issuance of a new Certificate require the Stockholder or legal representative to make an affidavit outlining the facts of the loss and furnish bond of a reasonable sum to indemnify the Corporation.

SECTION 6. Legend on Share Certificates: Certificates representing shares shall bear a conspicuous legend reading as followed:

"The rights of any holder hereof are subject to the provisions of the Articles of Incorporation, Bylaws and House Rules of the Retirement Community of Easton, Inc., and to all the terms, covenants, conditions and provisions of a certain Occupancy Agreement made between the person in whose name this certificate is issued and Retirement Community of Easton, Inc. The holder hereof is entitled to occupancy of that Unit identified hereon, subject to the terms and conditions and all the provisions of the Articles of Incorporation, Bylaws, the House Rules and the Occupancy Agreement, all of which the holder acknowledges to have been advised and to have received copies of and hereby expressly agrees to all of said terms, conditions and provisions thereof. The shares represented by this certificate are transferable only as an entirety and only to an assignee of such Occupancy Agreement. Copies of the Articles of Incorporation, the Occupancy Agreement, the Bylaws and the House Rules are on file and available for inspection at the Office of the Property."

The Board of Directors of the Property may refuse to consent to the transfer of the shares represented by this Certificate until any indebtedness of the Stockholders to the Corporation is paid or other default cured in accordance with the applicable provisions of the Articles of Incorporation, Bylaws, House Rules, Board Policies and Occupancy Agreement to the satisfaction of the Board of Directors.

Such further information shall be added as to the conditions and restrictions relative to shares as the Board of Directors may deem appropriate.

SECTION 7. Distribution: The Stockholders shall not be entitled to receive any distribution not out of earnings and profits of the Corporation, except upon a complete or partial liquidation of the Corporation.

SECTION 8. Permitted Transfers: Except as provided above, any transfer of shares or interest in any manner including disposition by will, gift, sale, delivery, assignment, exchange or distribution by personal representative or Trustee or passage or distribution under judicial order of legal process except (1) a transaction involving the creation or foreclosure of a Security Interest, or (2) succession to an interest by reason of death of a joint tenant by entirety shall be approved or disapproved in writing by the Board of Directors within thirty (30) days after receipt of a written application proposing such transfer. Failure by the Board to act on this request is deemed to constitute approval of such transfer. The Board of Directors shall apply the criteria for member eligibility (Article VI, Section 7) and if the Board of Directors should disapprove the transfer, they shall give written notice for its decision and afford the transferor and the transferee an opportunity to a hearing to furnish information to rebut the decision. The Corporation shall have the right (but not the obligation) to purchase shares of the deceased or departing Stockholder. Such right may be exercised under the following terms:

1. Any Stockholder proposing a transfer of shares shall give written notice of this action whereupon the Corporation shall have the option for a period of thirty (30) days beginning the first day of the month, following receipt of such notice, to purchase the shares together with the Occupancy Agreement for value as defined in Section (9) less any amounts due by the Stockholder to the Corporation under the Occupancy Agreement, less any amounts for such repairs and replacement other than routine painting, redecorating and floor finishing as are deemed necessary by the Corporation. In case of the death of a Stockholder, written notice received by the Board shall constitute said notice of intent to transfer and the Corporation shall have the option to purchase the shares from and after the death of a Stockholder and for two (2) months following notice. Such purchase by the Corporation shall be closed after completion of all probate proceedings unless by will the shares pass to another Occupant of the same Unit who then becomes a Stockholder of the Corporation upon approval by the Board of Directors and payment of all amounts due the Corporation under the Occupancy Agreement. This action must take place within sixty (60) days.

2. Waiting List: The Corporation may (but shall not be required to) maintain a waiting list of persons desiring membership in the Corporation. The Corporation may charge such fee as it may deem necessary to maintain a person on a waiting list.

3. Transfer fee: The Corporation may impose, as a condition of any transfer of any shares on the books of the Corporation, a reasonable fee to cover any expenses incurred in effecting the transfer.

4. Release of Obligation of Transferor: When a transferee has been approved for membership and has executed the Occupancy Agreement, the transferor or retiring Stockholder

shall be released from his or her Occupancy Agreement provided all amounts due the Corporation have been paid.

5. **Membership Transfer Value:** Whenever the Board of Directors elects to purchase the shares of a Stockholder, the term "Membership Transfer Value" shall mean the price paid by the Stockholder for the shares at the signing of the Occupancy Agreement, increased by the lesser of five percent (5%) per annum, or the percentage increase in the U.S. Consumer Price Index for all items for changes from the date of ownership of shares of the Corporation to the date of transfer, less annual depreciation, if any, uniformly applied as determined by the Board of Directors. Further, the following shall be deducted:

- (a) Costs of any renovations and repairs needed for the residence;
- (b) The sum of any assistance provided to the Stockholder from the Benevolence Fund;
- (c) Reasonable cost incurred by the Corporation in marketing the shares; and
- (d) Any financial obligations of the Stockholders to the Corporation at the date of death, or departure.

SECTION 9. Sale of Shares Upon Termination of Agreement for Cause: In the event the Corporation has terminated the rights of a Stockholder for cause under the Occupancy Agreement, the Stockholder shall be required to deliver promptly to the Corporation his or her Certificate of Shares and his or her Occupancy Agreement, both endorsed as may be required by the Corporation. The Corporation shall thereupon at its election either (i) repurchase the shares and Occupancy Agreement at its Membership Transfer Value or the amount the terminated Stockholder originally paid for his or her Shares and rights under the Occupancy Agreement, whichever is the lesser; or (ii) proceed with diligence to effect the public or private sale of the shares and rights under the Occupancy Agreement (at which sale the Corporation shall be entitled to bid) to a purchaser and at a sale price acceptable to the Corporation. Alternatively, the Corporation may exercise any other rights of a secured party under the terms of the Maryland Uniform Commercial Code. The terminated Stockholder shall be entitled to receive from such sale, less the following amounts (the determination of such amount by the Corporation to be conclusive):

- 1. Any amount due to the Corporation from the Stockholder;
- 2. The cost of such repairs and replacements (other than routine painting, redecorating, and floor finishing) as deemed necessary by the Corporation to place the Unit in suitable condition for another occupant; and
- 3. Legal and other expenses incurred by the Corporation resulting from the default of such Stockholder and the resale of his or her shares and rights under the Occupancy Agreement.

In the event the terminated Stockholder, for any reason, shall fail for a period of ten (10) days after demand to deliver the endorsed Certificate of Shares, said Certificate of Shares shall

forthwith be deemed to be canceled, and a replacement may be reissued by the Corporation to a new purchaser.

SECTION 10. Non-Speculation on Sales of Shares: The Corporation shall observe the basic cooperative principle that the purchase and sale of shares and rights under the Occupancy Agreements are not for speculative purposes, and that investments in the Corporation by Stockholders are for securing homes for their own use and benefit.

SECTION 11. Additional Capital Contributions: The Board of Directors may adopt regulations pursuant to which a Stockholder may make a contribution to the capital of the Corporation pursuant to an agreement in such form as the Board of Directors may prescribe; any such contribution shall be applied by the Corporation to the prepayment of the mortgage financing of the Property, and the monthly Carrying Charges of the Stockholder under his or her Occupancy Agreement shall be reduced commensurately. No Stockholder may make an additional capital contribution if, in the opinion of the Corporation and its tax adviser, such prepayment would adversely affect the availability to any Stockholder of deductions of mortgage interest or real property taxes. Such Additional Capital Contribution shall not entitle the Stockholder to any additional rights as a Stockholder, or rights upon the liquidation or dissolution of the Corporation. In the event of a liquidation or dissolution of the Corporation or the destruction or condemnation of the Stockholder's Unit, the rights of the Stockholder, who shall have made such additional capital contribution shall be as set forth in Articles X, XI and XVI below. Such additional capital contribution, shall not affect the Stockholder Transfer Value of the Shares, but the Corporation shall, upon any exercise of its option to purchase the shares of the Stockholder pursuant to Section 8 hereof, pay to the Stockholder as part of the purchase price a sum equal to such capital contribution, without interest or adjustment of any sort.

ARTICLE VIII

Indemnification and Related Matters

SECTION 1. Definitions: As used in Sections 1, 2, and 3, of this Article VIII, any word or words that are in Section 2-418 of the Corporations and Associations Article of the Annotated Code of Maryland, as amended from time to time (the "Indemnification Section") shall have the same meaning as provided in the Indemnification Section.

SECTION 2. Indemnification of Directors and Officers: The Corporation shall indemnify and advance expenses to a Director or officer of the Corporation in connection with any proceeding fully permitted and in accordance with the Indemnification Section.

SECTION 3. Indemnification of Employees and Agents: With respect to an employee or agent other than a Director or officer of the Corporation, the Corporation may, as determined by the Board of Directors of the Corporation, indemnify and advance expenses to such employee or agent in connection with a proceeding to the extent permitted by and in accordance with the Indemnification Section.

SECTION 4. Common or Interested Directors: Each member of the Board of Directors shall exercise his powers and duties in good faith and with a view to the interests of the

Corporation. No member of the Board of Directors shall receive monetary or material benefit because of their service on the Board of Directors of the Corporation. This does not apply to those instances specifically excluded by law, such as contracts with voluntary nonprofit corporations or associations.

ARTICLE IX

Operation of the Corporation

SECTION 1. Determination of Carrying Charges:

1. Preparation and Approval of the Budget: Upon recommendations from the Controller and Chief Executive Officer, the Finance Committee shall review and recommend to the Board of Directors an annual budget for its approval, and shall establish all procedures necessary to discharge its responsibility for the sound financial management of the Corporation.

2. Such budget shall also include such reasonable amounts, as the Board of Directors considers necessary, to provide reserves for replacements and to provide for a general operating reserve. The Board of Directors shall send to each Stockholder a copy of the budget in a reasonable itemized form, which sets forth the amount of the Carrying Charges.

3. Assessment and Payment of Carrying Charges: The total amount of the estimated funds required for operation of the Corporation and funding of the budget, as set forth in the budget adopted by the Board of Directors, shall be assessed or charged as annual Carrying Charges to each Stockholder in accordance with the terms of the Occupancy Agreement. On or before the first day of each fiscal year, and the first day of each of the succeeding eleven (11) months in such fiscal year, each Stockholder shall be obligated to pay such annual Carrying Charges on a monthly basis. The Board of Directors will supply to all Stockholders an itemized accounting of expenses for such fiscal year actually incurred and paid, together with the amounts collected for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves. Any amount accumulated in excess of the amount required for actual expenses and reserves shall, at the discretion of the Board of Directors, either be placed in a special reserve account to be expended solely for the requirements of the Corporation or be credited to each Stockholder on the next monthly invoice for Carrying Charges. Any net shortage shall be assessed promptly against the Stockholders as additional Carrying Charges and shall be payable either:

(a) In full in addition to the next monthly Carrying Charges; or

(b) In not more than six (6) equal monthly installments, as the Board of Directors may determine.

4. The Carrying Charges shall be an amount sufficient to fund the estimate of Corporation expenses in the discretion of the Board of Directors.

5. The appropriate balance to be maintained in the Benevolence Fund, and the frequency and amount of contributions to it from income, will be determined from time to time at the

discretion of the Board of Directors in the light of experience and estimates of current and future needs of our Stockholders. Consultation between the non-resident Directors and Chief Executive Officer will determine the amount of assistance furnished in each case.

6. Carrying Charges may also include Special Charges to any Stockholder who contracts for any special services with the Corporation or who fails or refuses to pay the cost of the maintenance and upkeep of Stockholder's Unit or fails to keep such Unit in good condition and repair. In such event, the Corporation may enter and pay the costs on behalf of such Stockholder or otherwise cure or cause such Unit to be maintained in good condition and repair. Charges of all costs incurred in so doing are deemed as Special Charges to such Stockholder and become a part of and payable as that Stockholder's Carrying Charges.

7. Commencement of Carrying Charges, Requirement of Payment: Upon any sale of shares, Carrying Charges shall become payable as established by agreement between the seller and the new buyer. The retiring Stockholder will be responsible for Carrying Charges to the last day of ownership, and the new Stockholder will be responsible for payment of Carrying Charges from the first day of ownership. Thereafter the Stockholder shall pay Carrying Charges each month in advance. For purposes of these Bylaws, ownership shall be deemed to have changed as of the day upon which the shares are transferred on the official books of the Corporation. No transfer of shares or new occupancy of a Unit shall be permitted unless all Carrying Charges and all sums due the Corporation pursuant to the provisions of these Bylaws or the Occupancy Agreement have been paid in full with respect to the subject shares or Unit.

8. Reserves: The Board of Directors shall provide for, accumulate, and maintain reasonable reserves for general operations and replacements. Extraordinary expenditures, not originally included in the annual budget, must be approved by an affirmative vote of at least a majority of the Unit Votes cast if in excess of One Hundred Thousand Dollars (\$100,000) taken together during any fiscal year, and then shall be charged first against such reserves. If the reserves are inadequate for any reason, the Board may levy a further assessment of Carrying Charges which shall be assessed against the Stockholders according to their respective proportional shares and which may be payable in a lump sum or in installments as the Board of Directors may determine. The Board of Directors shall serve notice of any assessment of Carrying Charges on all Stockholders by a statement in writing. Such statement will give the amount and reasons therefore, and such further assessment shall, unless otherwise specified in the notice, become effective with the next monthly payment of Carrying Charges which is due more than ten (10) days after the delivery of such notice of further assessment of Carrying Charges. All Stockholders shall be obligated to pay such adjusted monthly amounts of Carrying Charges, or, if such further assessment of Carrying Charges is not payable in installments, then the full amount of such assessment of additional Carrying Charges.

9. Effect or Failure to Prepare or Adopt Budget: The failure or delay of the Board of Directors to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of a Stockholder's obligation to pay Carrying Charges. In the absence of any annual budget or adjusted budget, each Stockholder shall continue to pay each monthly amount of Carrying Charges at the monthly rate established for the previous fiscal year until notice of

the monthly payment, which is due more than ten (10) days after such new annual or adjusted budget, has been delivered.

SECTION 2. Collection of Carrying Charges: Each Stockholder shall pay the Carrying Charges, Special Charges and any other assessments established by the Board of Directors pursuant to these Bylaws and the provisions of the Occupancy Agreement. The Board of Directors, or Chief Executive Officer at the request of the Board of Directors, shall take prompt action to collect any Carrying Charges, Special Charges and any other assessments due from any Stockholder, which remain unpaid for more than thirty (30) days from the due date for payment thereof. Any Carrying Charges or other assessment not paid within five (5) days after the due date shall accrue a late charge or interest charge in an amount, which shall be established as set forth in Article XIV.

SECTION 3. Statement of Carrying Charges: The Board of Directors shall promptly provide any Stockholder or contract purchaser of shares so requesting the same in writing with a written statement of all unpaid Carrying Charges and other assessment due from such Stockholder. The Board of Directors may impose a reasonable charge for the preparation of such statement.

SECTION 4. Maintenance, Repair and Replacement:

1. By the Corporation: The Corporation shall be responsible for the operation, maintenance, repair and replacement of the Property. Each Stockholder shall perform, at the Stockholder's expense, such normal maintenance repairs and replacement with respect to that Unit which he/she has a right to occupy as may be required pursuant to the terms of the Occupancy Agreement and the House Rules.

(a) The Corporation shall provide and pay for all necessary repairs, maintenance, and replacements of all exterior surfaces and fittings except as specified herein as an obligation of the Stockholder. Exterior surfaces shall be defined as exterior walls, exterior doors, and windows of all parts of a residence covered by the original roof of the building.

(b) The authorized officers and employees of the Corporation shall have the right to enter the dwelling unit of the Stockholder in order to effect necessary repairs, maintenance and replacement, and to authorize entrance for such purposes by employees of any contractor, utility company, governmental authority or other, at any reasonable hour of the day and, in the event of emergency, at any time.

(c) In case the Stockholder shall fail to affect the repairs, maintenance or replacements required by the provisions of the Bylaws, the House Rules, or the Occupancy Agreement in a manner satisfactory to the Corporation and pay for same, the Corporation may do so and add the cost thereof to the Stockholder's next monthly Carrying Charge payment as Special Charges.

2. By the Stockholder: Each Stockholder shall keep his Unit and the equipment, appliances, fixtures, and appurtenances in good order, condition and repair, and in a clean and sanitary condition. In addition, each Stockholder shall be responsible for all damage to any Units or to the Property resulting from his negligence or failure to act when required to do so. Each

Stockholder shall perform his responsibility in such manner as shall not unreasonably disturb or interfere with other Stockholders and occupants of the Property. Each Stockholder shall promptly report to the Director of Building and Grounds any defect or need for repairs for which the Corporation is responsible. Each Stockholder shall repair and maintain his Unit at his own expense as follows:

- (a) Any repair or maintenance necessitated by his own negligence or misuse;
- (b) Any redecoration of the interior the Unit;
- (c) Any repairs or maintenance of the interior surfaces of the perimeter walls, floors and ceilings of the Unit, whether occasioned by normal wear and tear or otherwise; and/or
- (d) Any repairs or maintenance of exterior structures, attachments, enclosures, patio extensions or any additions or improvements to the Units, including any of which may constitute exterior additions, improvements or structural modifications added by the Stockholder or by a previous occupant and accepted by the Stockholder at the time of purchase.

SECTION 5. Additions, Alterations or Improvements by the Board of Directors: Whenever in the judgment of the Board of Directors, the Property shall require non-budgeted additions, alterations or improvements costing in excess of One Hundred Thousand Dollars (\$100,000) during any period of twelve (12) consecutive months, the making of such non-budgeted additions, alterations or improvements shall be approved by the affirmative vote of at least the majority of the Unit Votes cast. Any non-budgeted additions, alterations or improvements costing One Hundred Thousand Dollars (\$100,000) or less during any period of twelve (12) consecutive months may be made by the Board of Directors without approval of the Stockholders.

SECTION 6. Additions, Alterations or Improvements by Stockholders or Unit Occupants: No Stockholder or Unit occupant shall make any structural addition, alteration or improvement in or to any Unit without the prior written consent of the Chief Executive Officer or CEO's designee. No Stockholder shall paint the exterior or make any structural alteration of the interior or exterior of any Unit in any way without the prior written consent of the Chief Executive Officer or CEO's designee. The Chief Executive Officer shall be obligated to answer any written request by a Stockholder for approval of a proposed addition, alteration, or improvement for such Stockholder's Unit within forty-five (45) days after such request. If any application to any governmental authority for a permit to undertake any work or addition, alteration or improvement in or to any Unit requires execution by the Corporation, and provided consent has been given by the Board of Directors, then the application shall be executed on behalf of the Corporation by the Board of Directors, without, however, incurring any liability on the part of the Corporation, the Board of Directors, or any of them to any contractor, subcontractor, material man or any other person on account of such addition, alteration, or improvement, or to any person having claim for injury to person or damage to property arising therefrom.

SECTION 7. Restrictions on Use of Unit: Rules and Regulations: Each Unit and the Property in general shall be occupied and used as follows:

1. No Stockholder shall lease or sublease a Unit except with a written lease agreement submitted to and approved by the Board of Directors and in accordance with the provisions of the Occupancy Agreement, except the present leases for Units are hereby approved, ratified and confirmed.

2. Nothing shall be done or kept in any Unit or the Property in general which will increase the rate of insurance for the Property or any part thereof without the prior written consent of the Board of Directors. No Stockholder shall permit anything to be done or kept in his Unit, which will result in the cancellation of insurance on the Property or any part thereof, which would be in violation of any law, regulation, or administrative ruling. No waste will be permitted on the Property.

3. No immoral, improper, offensive or unlawful use shall be made on any part of the Property, and all valid laws, zoning ordinances and regulation of all government agencies having jurisdiction thereof shall be observed. All laws, orders, rules, regulation requirements of any governmental agency having jurisdiction thereof relating to any portion of the Property shall be complied with, by and at the sole expense of the Stockholder or the Corporation, depending upon whichever shall have the obligation to maintain or repair such portion of the Property.

4. No Stockholder will obstruct or permit obstruction of any part of the Property without the approval of the Board of Directors. The Board of Directors shall regulate such vehicular parking not designated by shares and Occupancy Agreements or zoning regulation requirements. Nothing shall be altered or constructed in or removed from any part of the Property except upon the prior written consent of the Board of Directors.

5. Parking shall be as prescribed by the Board of Directors and specified in House Rules.

6. The maintenance, keeping, boarding or raising of animals, livestock, poultry or reptiles of any kind, regardless of number, shall be and is prohibited with any Unit or upon any common area of the Property, except as permitted by the House Rules established by the Board of Directors which may permit only the keeping of orderly dogs, cats or caged birds, as specified in House Rules. Residents agree to hold the Corporation, each Stockholder and all employees or contractors of the Corporation free and harmless from any loss, claim or liability of any kind whatsoever arising because of keeping or maintaining such pet.

7. Except for such signs as may be posted by the Corporation for promotional, marketing or related purposes, no signs of any character shall be erected, posted or displayed upon, in, from or about any of the Property without the prior written approval of the Board of Directors.

8. Each Unit and the entire Property shall be occupied and used in compliance with the House Rules, which may be promulgated and amended by the Board of Directors. The Board of Directors shall furnish copies of the House Rules to each Stockholder and Resident. Amendments to the House Rules shall be conspicuously posted to the time when the same shall become effective, and copies thereof shall be furnished to each Stockholder and Resident upon request.

9. Prior to the sale, transfer, or assignment of any Shares, the Board of Directors shall have the right to require that the Stockholder, or his or her heirs or assigns refurbish the Unit to the current standards established by the Board of Directors at the time of the transfer or assignment.

10. No transfer under any conditions shall be denied to any person because of race, color, religion, ancestry, or national origin, sex, marital status, sexual orientation, or on the basis of disability. Any restrictive covenant on the Property relating such classifications is recognized as being illegal and void and is hereby specifically disclaimed.

11. The Corporation provides housing in accordance with the Federal Housing for Older Persons Act (42 USC §§ 3607, et seq), and all of the Units in the Property are intended to be solely occupied by persons 62 years of age or older. Notwithstanding the requirement that all residents of the Property must be 62 years of age or older, the Corporation will make reasonable accommodations to its policies to allow live-in aides who are not 62 years of age, or other similar accommodations, where such accommodations may be necessary to afford a Stockholder or a Resident who is disabled, as that term is defined under the Americans with Disabilities Act (“ADA”) or the Fair Housing Act (“FHA”), with an equal opportunity live in, use and enjoy the Unit.

SECTION 8. Record of all Secured Parties: The Corporation shall maintain complete and accurate records of all Secured Parties who have made loans to Stockholders and who have notified the Corporation of a Security Interest. Each Stockholder shall be entitled to receive from the Corporation upon written request within seven (7) business days from the receipt of such request by the Corporation, an official certificate signed by a duly authorized officer of the Corporation or by the Chief Executive Officer, certifying to such Stockholder any Security Interest that is registered with the Corporation with respect to the Shares and the Occupancy Agreement of such Stockholder.

SECTION 9. Fiscal Year: The fiscal year of the Corporation shall begin on the first day of July each year. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors, should corporate practice subsequently dictate.

SECTION 10. Inspection of Books: The financial reports and the Stockholders’ records of the Corporation shall be available at the principal office of the Corporation for inspection at reasonable times by any Stockholder.

SECTION 11. Auditing: At the close of each fiscal year, the books and records of the Corporation shall be audited by a Certified Public Accountant. The Corporation will supply to the Stockholders, as soon as practicable after the end of each calendar year, a statement showing each Stockholder’s prorated share of the real estate taxes and mortgage interest paid by the Corporation during the preceding calendar year.

SECTION 12. Execution of Corporation Documents: As authorized by the Board of Directors, all Occupancy Agreements, notes and contracts, other than contracts in the ordinary course of the Corporation’s business, shall be executed on behalf of the Corporation by any officer

of the Corporation. All contracts in the ordinary course of the Corporation's business may be executed by the Chief Executive Officer or the Chief Executive Officer's authorized designee.

SECTION 13. Policies and Procedures: The Board of Directors shall have the power to formulate such policies and procedures as, in its discretion, may be necessary or appropriate for the management of the Corporation and the Property. Such policies and procedures will be published or promulgated in such manner as the Board of Directors may be deem advisable.

1. The Board of Directors shall make a good faith effort to assist Stockholders who are unable to continue to pay their full Carrying Charges and Special Charges.

(a) If a Stockholder's sources of income, including expenditure of principal, does not meet the obligations of the Occupancy Agreement to pay the full monthly Carrying Charges and Special Charges, and Stockholder makes every reasonable effort to obtain assistance from family connections or other available means, and if Stockholder can qualify and takes the necessary steps to obtain County, State and/or Federal aid or assistance, and agrees to execute any and all documents necessary to make perfect such claim or right, then, without in any way qualifying the right of the Corporation to terminate the Stockholder's rights under the Bylaws and Occupancy Agreement, the policy of the Board of Directors is that, if the sole reason for nonpayment is insufficient funds beyond the control of the Stockholder the matter will be reviewed by a committee of the non-Stockholder members of the Board of Directors to determine whether to make an allocation from the Benevolence Fund as provided herein.

(b) If a Stockholder presents sufficient detailed facts which, in the opinion of the Committee, justify special financial consideration and the Stockholder agrees to indemnify the Corporation from non-recovery of loss through whatever means are then or becomes available, the Corporation may subsidize Stockholder from funds in the Benevolence Fund, if any, provided that such subsidy can be granted or continued without impairing the ability of the Corporation to attain its objective while operating on a sound financial basis. All determinations made by the Committee concerning the granting or continuance of special financial consideration shall be final, and any such determination shall be regarded as a confidential transaction between the Committee and Stockholder, except for reports required to be made to regulatory or other governmental bodies.

ARTICLE X

Insurance

SECTION 1. Authority to Purchase: Except as any individual Stockholder may desire to carry on his own part, all insurance policies relating to the Property shall be purchased by the Corporation. Neither the Board of the Directors nor the Chief Executive Officer shall be liable for failure to obtain any coverage required by this Article X or for any loss or damage resulting from such failure if such failure is due to the unavailability of such coverage from reputable insurance companies, or if such coverage is available only at demonstrably unreasonable cost. Each such policy of the Corporation may provide that:

1. The insurer waives any right to claim by way of subrogating against the Corporation, the Board of Directors, the Chief Executive Officer or the Stockholders and their respective agents, employees, guests and, in the case of the Stockholder, the members of their households;

2. Such policy shall not be canceled, invalidated or suspended due to the conduct of any Stockholder (including his invitees, agents and employees) or of any member, officer or employee of the Board of Directors or the Chief Executive Officer, without a prior demand in writing that the Board of Directors or the Chief Executive Officer cure the defect and neither shall have so cured such defect within thirty (30) days after such demand; and

3. Such policy may not be canceled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days' prior written notice to the Board of Directors and the Chief Executive Officer and, in the case of physical damage insurance, to all mortgagees or Secured Parties. All policies of insurance shall be written by reputable companies licensed to do business in the State of Maryland.

SECTION 2. Physical Damage Insurance: The Board of Directors shall obtain and maintain a blanket all risk form policy of fire insurance with extended coverage, vandalism, malicious mischief, windstorm, sprinkler leakage, debris removal, cost of demolition, and water damage endorsements, insuring the entire Property. Coverage will include all equipment and fixtures in the Unit furnished by the Corporation and all replacements of such equipment and fixtures. Insurance coverage will not cover furniture, wall coverings, furnishings or other personal property and improvements supplied or installed by Stockholders. Insurance will cover all air-conditioning equipment and other service machinery owned by the Corporation contained therein and covering the interests of the Corporation, the Board of Directors, officers of the Corporation, all Stockholders, and any lender or Secured Party, as their interests may appear, in an amount equal to one hundred percent (100%) of the then current replacement cost of the Property (exclusive of the land, excavation, foundations and other items normally excluded from such coverage). Such policy shall also provide:

1. A waiver of any right of the insurer to repair, rebuild or replace any damage or destruction, if a decision is made pursuant to these Bylaws not to do so; and

2. If deemed necessary, the following endorsements (or equivalent): "no control," "contingent liability from operation of building laws or codes," "increased costs of construction or replacement cost," "agreed amount" or elimination of co-insurance clause.

A duplicate original of the policy for physical damage insurance, all renewals thereof, and any subspecies or certificates and endorsements issued hereunder, together with proof of payment of premiums shall be delivered by the insurer to any mortgagee requesting the same at least fifteen (15) days prior to expiration of the then current policy. All mortgages shall be notified promptly of any event giving rise to a claim under such policy arising from damage to the Property more than ten percent (10 %) of the current replacement costs of the Property.

SECTION 3. Liability Insurance: The Board of Directors shall obtain and maintain comprehensive general liability (including libel, slander, false arrest and invasions of privacy

coverage, and errors and omissions coverage for officers and Directors) and property damage insurance in such limits as the Board of Directors may from time to time determine, insuring each member of the Board of Directors, the Chief Executive Officer, and each Stockholder (and their invitees, agents and employees) arising out of or incident to the ownership and use of the Property. Such insurance shall be issued on a comprehensive liability basis, and shall contain:

1. A loss liability endorsement under which the rights of a named insured under the policy shall not be prejudiced with respect to his action against another insured;
2. Hired and non-owned automobile coverage against liability loss and damages resulting from events sponsored by the Corporation;
3. Deletion of the normal product exclusion with respect to events sponsored by the Corporation;
4. A "severability of interest" endorsement which shall preclude the insurer from denying liability to a Stockholder because of negligent acts of the Corporation or of another Stockholder; and
5. Such other endorsements as shall be deemed necessary or desirable by the Board of Directors.

The Board of Directors shall review such limits once each year, but in no event shall insurance be less than One Million Dollars (\$1,000,000) covering all claims for bodily injury or property damage arising out of one occurrence. Reasonable amount of "umbrella" liability insurance more than the primary limits may also be obtained.

SECTION 4. Fidelity Insurance: The Board of Directors may obtain and maintain adequate fidelity coverage to protect against dishonest acts on the part of officers, Directors, trustees and employees of the Corporation, and all others who handle or are responsible for handling funds of the Corporation, including the Chief Executive Officer. Such fidelity bonds shall:

1. Name the Corporation as an obligee;
2. Be written in an amount not less than one-half (1/2) the total annual Carrying Charges for one year; and
3. Contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

SECTION 5. Other Insurance: The Board of Directors may obtain and maintain:

1. If required by any governmental or quasi-governmental agency, including, without limitation, the Federal National Mortgage Association, the Federal Home Loan Mortgages

Corporation or the Veteran's Administration, flood insurance or other insurance or endorsements in accordance with the then applicable requirements of such agent;

2. Workers' compensation insurance if and to the extent necessary to meet the requirement of laws;

3. If deemed necessary, broad form machinery and pressure vessel explosion insurance; and

4. Such other insurance as the Board of Directors may determine or as may be requested from time to time by a majority of the Stockholders.

SECTION 6. Separate Insurance: Each Stockholder shall have the right, at his/her own expense, to obtain tenant's type insurance for his/her own personal possessions for his/her own benefit, and to obtain insurance coverage upon his/her personal property and for his/her personal liability, as well as upon any improvements made by him/her to his/her Unit. No Stockholder shall be entitled to exercise his/her right to acquire or maintain such insurance coverage to decrease the amount, which the Corporation may realize under any insurance policy maintained by the Board of Directors. All such policies shall contain waivers of subrogation.

SECTION 7. Insurance Trustee: All physical damage insurance policies purchased by the Board of Directors shall be for the benefit of the Corporation, the Stockholder and mortgagees, as their interests may appear, and shall provide that with respect to any single loss. If the proceeds exceed Fifty Thousand Dollars (\$50,000), then all such proceeds shall be paid in trust with such Trustee as may be designated by the Board of Directors (which Trustee is herein referred to as the "Insurance Trustee"). If such proceeds do not exceed Fifty Thousand Dollars (\$50,000), then all such proceeds shall be paid to the Board of Directors to be applied following the terms of Article IX. The Board of Directors may enter into an insurance trust agreement with any Insurance Trustee which shall provide that the Insurance Trustee shall not be liable for payment of premiums, the renewal of the policies, the sufficiency of coverage, the form or contents of the policies, the correctness of any amount received on account of the proceeds of any insurance policies, nor for the failure to collect any insurance proceeds. The sole duty of the Insurance Trustee shall be to receive such proceeds as are paid to it and to hold the same in trust for the purposes elsewhere stated in these Bylaws, for the benefit of the insured and their beneficiaries thereunder.

In the event the Board of Directors elects not to enter into an insurance trust agreement, it shall perform the duties, which are prescribed to be performed by the Insurance Trustee pursuant to these Bylaws, for the benefit of the insiders and their beneficiaries.

SECTION 8. Board of Directors as Agent: The Board of Directors is hereby irrevocably appointed the agent for each Stockholder, each mortgagee, other named insureds and their beneficiaries, and any other holder of a lien or other interest in the Corporation or the policies purchased by the Board of Directors, and to execute and deliver releases upon the payment of claims.

ARTICLE XI

Repair and Reconstruction

SECTION 1. When Repair and Reconstruction are Required: Except as otherwise provided in this Article XI, in the event of damage to or destruction of all or any of the buildings as a result of fire or other casualty, the Board of Directors shall arrange for and supervise the property repair and restoration of the buildings (including any damaged Units, but not including any furnishings, fixtures, equipment, or other personal property supplied or installed by the Stockholders in the Units).

SECTION 2. Procedure for Reconstruction and Repair:

1. Cost Estimates: Immediately after a fire or other casualty or damage to any building, the Board of Directors, under the direction of the Insurance Trustee, shall obtain reliable and detailed estimates of the cost of repairing and restoring such building to the condition, which existed before such casualty. Such costs may also include professional fees and premiums for such bonds as may be deemed necessary.

2. Assessments: If the proceeds of insurance are not sufficient to defray such estimated costs of reconstruction and repair, or if upon completion of reconstruction and repair the funds for the payment of the costs thereof are insufficient, the amount necessary to complete such reconstruction and repair may be obtained from the appropriate reserve fund or shall be deemed a Carrying Charge and a special assessment thereof shall be levied.

3. Plans and Specifications: Any such reconstruction or repair shall be substantially, in accordance with the original construction of the Property, subject to any modifications required by changes in applicable government regulations.

SECTION 3. Disbursement of Construction Funds:

1. Construction Fund and Disbursements: The proceeds of insurance collected because of casualty, and the sums received by the Board of Directors or Insurance Trustee from collection of Carrying Charges against Stockholders because of such casualty, shall constitute a construction fund, which shall be disbursed in payment of the costs of construction and repair in the following manner:

Architect and other persons who have rendered services or furnished materials in connection with the work, stating that:

(a) The sums requested by them in payment are justly due and owing and those sums do not exceed the value of the services and materials furnished;

(b) There is no other outstanding indebtedness known to such architect for the services and materials described; and

(c) The cost as estimated by such architect for the work remaining to be done after the date of such certificate does not exceed the amount of the construction fund remaining after payment of the sum so equated;

2. Surplus: It shall be presumed that the first monies disbursed in payment of the cost of reconstruction and repair shall be from insurance proceeds, and if there is a balance in the construction fund after the payment of all the costs of the reconstruction and repair for which the fund is established, such balance shall be divided among all Stockholders in proportion to their Shares or retained in a reserve fund as shall be determined by the Board of Directors.

SECTION 4. When Reconstruction is Not Required: In the event of a fire or other disaster causing loss, damage or destruction to the Property, if the same is not insured against the peril causing the same, or the proceeds of any policy insuring the same and payable by reason thereof are insufficient to reconstruct the Property, then within thirty (30) days of such damage claim, if any, or if adjustment then within thirty (30) days of such damage or destruction, the Board of Directors shall call a special meeting of Stockholders for the purpose of determining whether the Property should be reconstructed. Provision for reconstruction of the Property or a part thereof, shall require the affirmative vote of not less than two-thirds of the shares outstanding and Secured Parties. If provision for reconstruction of the Property is not made within one hundred eighty (180) days from the date of damage or destruction (if such peril is not insured against) or one hundred eighty (180) days from the final date of the adjustment of such insurance claim the Stockholders shall adopt a plan of liquidation for the Corporation. Except for distribution to be made to the first mortgagee of the Property and except as provided at law, no Stockholder shall be entitled to priority over any lender with respect to the distribution to such Stockholder or other party of any such distributive share payable because of such damage or destruction.

ARTICLE XII

Negotiable Instruments

SECTION 1. Signatures: All checks, drafts, orders for payment of money and negotiable instruments shall be signed by such officers or employees of the Corporation as the Board of Directors may from time to time, by standing resolution, prescribe. Endorsements or transfers of shares, bonds or other securities shall be signed by the President or any Vice President and by the Treasurer or the Secretary unless the Board of Directors, by special resolution, shall prescribe otherwise.

SECTION 2. Safe Deposit Access: Such officer or officers as from time to time shall be designated by the Board of Directors shall have access to any safe or safe deposit box of the Corporation.

SECTION 3. Bonds and Securities: Such officer or officers as from time to time shall be designated by the Board of Directors shall have power to control and direct the disposition of any bonds or other securities or property of the Corporation deposited in the custody of any trust company, bank or other custodian.

ARTICLE XIII

Compliance and Default

SECTION 1. Default: If at any time one or more of the events specified in the following subparagraphs of this Section shall occur, the Corporation may terminate the Stockholder's right to occupancy and exercise any other rights and remedies available at law or in equity. The Corporation shall furnish the Stockholder and any mortgagee, or Secured Party of such Stockholder disclosed to the Corporation in writing, at least ninety (90) days written notice of any declaration of default hereunder and the termination of the Stockholder's right to continue to occupy his Unit. Upon the end of said ninety (90) days written notice period, and failure of the Stockholder or the disclosed mortgagee or Secured Party to cure the default, the Corporation may re-enter the Unit and remove all occupants and their personal property therefrom and repossess the Unit in its former state. Such events of Default shall include, but are not limited to, the following:

1. In case at any time during the term of the Occupancy Agreement, the Stockholder shall cease to be the owner of shares;

2. In case the Stockholder attempts to transfer or assign the Occupancy Agreement in a manner inconsistent with the provisions of these Bylaws or the Occupancy Agreement, or lease or sublease his/her Unit in a manner inconsistent with the Bylaws, Occupancy Agreement, or the House Rules promulgated by the Board with respect to lease;

3. In case the Stockholder fails to effect and/or pay for repairs and maintenance as provided for in these Bylaws and in the Occupancy Agreement;

4. In case the Stockholder shall fail to pay any sum due as a Carrying Charge, Special Charge or otherwise due pursuant to any provision of these Bylaws or of the Occupancy Agreement; or

5. In case the Stockholder shall default in the performance of any of his/her obligations under the Occupancy Agreement or these Bylaws or shall fail to comply with or abide by any of the covenants, conditions, promises or undertakings of or under the Occupancy Agreement or any article or part thereof, or of any of the provisions of these Bylaws or of the House of Rules and Board Policies.

The Stockholder hereby expressly waives all rights to stay of execution and all rights to notice of or service of any writ of restitution or any other action at law or in equity, and all rights of redemption in case he shall be dispossessed by judgment or warrant of any court or judge. The words enter, reenter and reentry, as used in these Bylaws, are not restricted to their technical legal meanings, and in the event of a breach by the Stockholder of any of his obligations established under these Bylaws, the Occupancy Agreement or the House Rules, the Corporation shall have the right of injunction and the right to invoke any remedy allowed at law or in equity, together with any right or remedy otherwise provided in these Bylaws or the Occupancy Agreement. The failure on the part of the Corporation to avail itself of any of the remedies provided under these Bylaws shall not waive or destroy the right of the Corporation to avail itself of such remedies for similar or other breaches on the part of the Stockholder.

SECTION 2. Compliance: Each Stockholder shall be governed by and shall comply with all of the terms of these Bylaws, the Occupancy Agreement, the House Rules and Board Policies as any of the same may be amended from time to time.

SECTION 3. Additional Liability: Each Stockholder shall be liable for the expense of all maintenance, repair or replacement rendered necessary by his act, neglect or carelessness, or the act, neglect or carelessness of any member of his family or his employees, agents or licensees. Such liability shall include any increase in casualty insurance rates occasioned by use, misuse, occupancy, or abandonment of any Unit or its appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by any insurance company of its rights of subrogation.

SECTION 4. Costs and Attorney's Fees: In any proceeding arising out of any alleged default by a Stockholder, the prevailing party shall be entitled to recover the costs of such proceeding and such reasonable attorney's fees as may be determined by the court.

SECTION 5. No Waiver of Rights: The failure of the Corporation, the Board of Directors or of a Stockholder to enforce any right, provision, covenant or condition which may be established by law or equity, the Occupancy Agreement, the Articles of Incorporation, the House Rules and Board Policies or these Bylaws, shall not constitute a waiver of the right of the Corporation, the Board of Directors or the Stockholders to enforce such right, provision, covenant or condition in the future. All rights, remedies and privileges granted to the Corporation, the Board of Directors or any Stockholder pursuant to any term, provision, covenant or condition of the Occupancy Agreement, House Rules and Board Policies, Articles of Incorporation or these Bylaws, shall be deemed to be cumulative; and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such other privileges as may be the same nor from exercising such other privileges as may be granted to such party by such documents in instruments or at law or in equity.

SECTION 6. Interest: In the event of a default by any Stockholder in paying any sum assessed as a Carrying Charge, Special Charge or any other sum due under these Bylaws, Occupancy Agreement, House Rules or Board Policies which continues for a period in excess of ten (10) days, interest at the rate of the maximum permitted by law not in excess of fifteen percent (15 %) may be imposed at the discretion of the Board of Directors upon the principal amount unpaid from the date due until paid.

SECTION 7. Abating and Enjoining Violations By Stockholders: The violation of any of the House Rules adopted by the Board of Directors, the breach of any Bylaws contained herein, any provision of the Occupancy Agreement, or any provision of the Articles of Incorporation, shall give the Board of Directors the right, in addition to any other rights set forth in these Bylaws:

1. To enter the Unit in which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Stockholder, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provision hereof and the Board of Directors shall not be deemed guilty in any manner of trespass;

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

3. To terminate the Occupancy Agreement and deny the right of occupancy until such default shall be cured; provided, however, nothing contained herein shall impair the rights of a Secured Party pursuant to its Security Interest documents to, upon its written request, obtain within thirty (30) days of the request, the execution of a new Occupancy Agreement between the Corporation and an individual or individuals designated by said Secured Party, after the date on which the said Secured Party takes possession of the Unit, or accepts the transfer or assignment of any interest therein or any shares. The Corporation may, at its sole discretion, mitigate its damages as it sees fit, including without limitation the renting (on a month-to-month or other basis) of the Unit of the defaulting Stockholder from and after the date of the aforesaid termination of the Occupancy Agreement, to and including the day preceding the effective date of any new Occupancy Agreement pertaining to the Unit of the defaulting Stockholder. The costs incurred by the Corporation in respect to the exercise of its rights and remedies hereunder shall be charged and assessed to the Stockholder as a Special Charge.

SECTION 8. Legal Proceeding: Failure to comply with any of the terms of the Occupancy Agreement, Articles of Incorporation, these Bylaws, House Rules, and Board Policies shall be grounds for relief, including, without limitation, an action to recover any sums due for money damages, injunctive relief, any cost of actions for payment of all Carrying Charges, Special Charges or any other charges and costs, any other relief provided for in these Bylaws or any combination thereof, and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Corporation, the Board of Directors, the Chief Executive Officer or, if appropriate, by any aggrieved Stockholder, and shall not constitute an election of remedies.

ARTICLE XIV

Lien In Favor Of Corporation

The Corporation is hereby given and shall have at all times until the payment in full of all Carrying Charges, Special Charges and other sums due hereunder, a first and valid lien, except as herein below subordinated, upon the interest of the Stockholder, and upon all fixtures and equipment located in the Unit necessary, used or useful in the occupancy of an Unit, drapes and attached floor coverings in or about the Unit by the Stockholder, whether exempt by law or not, and upon the shares of stock of a Corporation owned by the Stockholder, to secure the payment of any and all sums, which lien may, at any time become due to the Corporation. The lien may, at the option of the Corporation, be foreclosed in any lawful manner, at any time when such or any portion thereof shall become overdue or upon termination of the Occupancy Agreement. In the event of any such foreclosure, a receiver may, at the option of the Corporation, be appointed with the usual powers of receivers in equity to take possession of any or all of the shares and the property covered by such lien and relet all or such portion thereof as such receiver shall, pursuant to order of the court, see fit. The shares of stock of the Corporation held by the Stockholder are hereby continuously and irrevocably pledged by Stockholder to the Corporation as security for the payment from time to time, as often as the same may become due and payable, of all obligations of the Stockholder to the Corporation pursuant to any provisions herein. The Corporation shall have and it is hereby irrevocably given the right to sell said shares of stock in the event of a default

by the Stockholder in the payment of any stock or sums due and owing by the Stockholder to the Corporation pursuant to any provision of these Bylaws and the Occupancy Agreement and the continuance of any such default for a period of thirty (30) days after written notice from the Corporation to the Stockholder (and to its Secured Party) specifying such default, or upon termination of the Occupancy Agreement. Said shares of stock may be sold by the Corporation, at public or private sale, for cash or upon such terms of credit as the Corporation may seem reasonable and proper, upon not less than five (5) days written notice by the Corporation to the Stockholder of the time and place of said sale. At any such sale, the Corporation or its agents may bid for and purchase such shares of stock. The aforesaid lien is hereby expressly made subordinate to the lien of any prior recorded mortgage or deed of trust in the Property or any portion thereof, and the first lien or security interest on shares in favor of a lender except for the amount of the proportionate share of Carrying Charges for a Unit which becomes due and payable from and after the date on which such lender takes possession of the Unit, accepts a conveyance of any interest therein or in the shares (other than as security), or sells by public or private sale the shares or Occupancy Agreement. This provision shall be amended, changed, modified, or rescinded without the prior written consent of the lenders.

Any subsequent transferee, assignee or holder of the shares, whether through judicial proceeding, private or public sale, or otherwise, shall be subject to all the provisions of these Bylaws, the Occupancy Agreement, the House Rules and Board Policies.

ARTICLE XV

Rights of Lenders and Other Secured Parties

SECTION 1. Prior Written Approval: Each of the following actions shall require the prior written approval of the Secured Party who has provided written notice of its Security Interest to the Corporation in accordance with these Bylaws:

1. Any change in the allocation of shares among the Stockholders; and/or
2. Any amendment to this Article XV or to any other provision in these Bylaws or the Occupancy Agreement, which expressly grants rights to the holders of such security interests or assignments.

SECTION 2. Miscellaneous:

1. Upon written request, any Secured Party shall be entitled to:
 - (a) Inspect the books and records relating to the Property during normal business hours, upon reasonable notice;
 - (b) Receive a copy of any annual financial statement of the Corporation concurrently with its distribution to the Stockholders;
 - (c) Receive written notice of annual and special meetings of the Stockholders of the Corporation, and shall be permitted to designate a representative to attend all such meetings;

(d) Receive notice of any default in the obligations hereunder or under the Occupancy Agreement or House Rules and Board Policies, Stockholder or Stockholders owning shares encumbered by such Security Interest or assignment, not cured within thirty (30) days, or such shorter time period as any be required by one or more of the Agencies as herein described below, after notice of such default has been sent to such Stockholder by the Chief Executive Officer or the Board of Directors;

(e) Receive notice of any amendment to these Bylaws;

(f) Receive timely written notice in the event of any damage to the Unit occupied by the Stockholder whose shares are encumbered by a Security Interest, or of any part of the common areas in excess of the amount specified in such Secured Party's written request, which in no event shall be less than Fifty Thousand Dollars (\$50,000); provided, however, the Corporation shall have no obligation to provide the aforesaid notice unless said damage has been reported to the Corporation, and shall have no liability to Secured Party if it has acted in good faith in its attempt to comply with this provision; and

(g) Receive timely written notice in the event of any damage to the Unit occupied by the Stockholder whose shares are encumbered by a Security Interest or any portion thereof or the common areas or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding, or is otherwise sought to be acquired by a condemning authority.

However, the Corporation's failure to provide any of the foregoing to a Secured Party who has so requested same shall not affect the validity of any action decision which is related to the foregoing excepting Section 2 (1) (d), nor shall the Corporation have any liability on account of its failure to so provide.

2. When notice is given to any lender hereunder, the Corporation shall also give such notice to the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Corporation, the Federal National Mortgage Association, the Veterans Administration, the Federal Housing Administration, the Government National Mortgage Association, or any other public or private secondary mortgage market entity participating in purchasing or guaranteeing liens in shares, or any private mortgage insurance company insuring any such liens, if the Corporation has notice of such participation (herein referred to as "Agencies").

3. Any Secured Party that exercises its rights pursuant to its security instruments shall pay the Carrying Charges for the respective Unit, which becomes due and payable from and after the date on which the said Secured Party takes possession of the Unit, accepts the transfer or assignment of any interest therein, or any shares.

ARTICLE XVI

Condemnation, Dissolution and Liquidation

SECTION 1. Condemnation Proceedings: Whenever the State, a political subdivision or any other corporation, agency or authority having the power of eminent domain shall seek to

acquire any of the Property, such authority may conduct negotiations with the Board of Directors as representatives of all Stockholders, and the Board of Directors may execute and deliver the appropriate conveyance for all agreed consideration. The Board of Directors shall allocate such consideration, whether received through negotiation or condemnation, to the repair, replacement or restoration of the Property and then to the Unit, which is the subject of such condemnation as determined by a special committee, established for such purpose. The committee shall be structured in such a manner to provide fair and adequate representation for the Corporation and those Stockholders whose Units are sought to be condemned by the authorities. Subject to the foregoing provision of this Section 1, in any condemnation preceding the Stockholders, respectively, and their respective Secured Party(s), if any, shall be entitled to seek and have their just damages for the taking of their Units as allowed by law, including severance damage, if any.

SECTION 2. Dissolution: The Corporation shall be dissolved in the event of the condemnation of all or substantially the entire Property, or in the event of the destruction of all or substantially the entire Property and the decision of the Stockholders not to rebuild the Property. The Corporation may not otherwise be dissolved except upon voluntary proceedings for dissolution and upon a resolution adopted by seventy-five percent of the outstanding shares voted in person or in writing.

SECTION 3. Distribution of Assets on Dissolution: After payment of all costs and expenses incident to any dissolution and liquidation, and payment or adequate provision for all debts, liabilities and obligations of the Corporation, including the payment of the Property Indebtedness, the remaining property and assets of the Corporation shall be distributed to the Stockholders in the following order of priority:

(a) First, on the basis of the respective Stockholders Values computed in the manner set forth in Article VII hereof, until each Stockholder shall have recovered the Stockholder Transfer Value of his or her shares;

(b) Second, any Additional Capital Contribution made by a Stockholder shall then be returned; and

(c) Lastly, any amount remaining in the hands of the Corporation (or any liquidation trustee) after the foregoing shall be apportioned among the Stockholders based on their shares.

Notwithstanding any other provision in these Bylaws contained, no Stockholder shall be entitled (either conditionally or unconditionally) to receive any distribution not out of earnings and profits of the Corporation within the meaning of Section 216 (b) (1) (c) of the Internal Revenue Code of 1986, as amended, except upon a complete or partial liquidation of the Corporation.

ARTICLE XVII

Miscellaneous

SECTION 1. Amendment: These Bylaws should be reviewed every two to three years. These Bylaws may be amended, enlarged or diminished either at any Stockholders' meeting called for such purpose or at an annual meeting by vote of two-thirds of the Unit Votes cast either in

person or by proxy, provided that the proposed amendment or the substance thereof shall have been inserted in the notice of the meeting or that all of the Stockholders be present in person or by proxy. Notwithstanding the foregoing, the Board of Directors shall have the right, without the consent of the Stockholders, to amend, modify or alter these Bylaws, the Occupancy Agreement, the House Rules and the Articles of Incorporation to conform to the requirements of any lender, mortgagee or Secured Party which shall include one or more of the Agencies; provided that no such amendment, modification or alteration shall change the number of shares of the Corporation. The Corporation shall give notice to all Stockholders of any amendments so adopted.

SECTION 2. Notice: All notices, demands, bills, statements and these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by mail, postage prepaid:

1. If to a Stockholder, at the address which the Stockholder shall designate in writing and filed with the Secretary; or

2. If to the Corporation, to the Board of Directors and/or the Chief Executive Officer, at the principal office of the Chief Executive Officer or at such other address as shall be designated by notice in writing to the Stockholders pursuant to this Section. If shares are owned by more than one person, each such person who so designates an address in writing to the Secretary shall be entitled to receive all notices hereunder.

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

SECTION 4. Gender: The use of the masculine gender in these Bylaws shall be deemed to include the feminine and neuter genders, and the use of the singular shall be deemed to include plural, and vice-versa, whenever the context so requires.

**Approved and adopted, as amended, by the stockholders of RETIREMENT
COMMUNITY OF EASTON, INC., at the Special Stockholder meeting held on the 7th day
of November, 2022.**