

# Amended and Restated By-Laws

Ocean Pines Association, Inc.

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*Revised August 9, 2008*  
*Amended May 14, 2021 & May 24, 2022*

OCEAN PINES ASSOCIATION, INC.

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Note: The By-laws are subject to laws of the State of Maryland, the Declarations of Restrictions, and the Articles of Incorporation (Charter). Maryland laws governing corporations and Homeowners Associations take precedence over the Declarations of Restrictions, the Charter, and the By-laws. The Declarations of Restrictions take precedence over the Charter and the By-laws. The Charter takes precedence over the By-laws. In case of conflict, the document having the higher precedence controls.

A complete revision of the August, 2000 By-laws as amended from time to time was adopted by the members of the Ocean Pines Association Inc. by referendum on August 9, 2008.

Article V, Section 5.13(d)(1) of the By-laws was amended by referendum on May 14, 2021. Twenty-eight amendments to the By-laws were approved by referendum in May 2022.

**AMENDED AND RESTATED BY-LAWS OF  
OCEAN PINES ASSOCIATION, INC.**

As used in the By-laws:

Section 1.01. "Association" refers to the Ocean Pines Association, Inc., a Maryland Corporation.

Section 1.02. "Subdivision" refers to the subdivision known as Ocean Pines, the plats of which are recorded in the land records of Worcester County, Maryland.

Section 1.03. "Declarations of Restrictions" refers to the covenants, conditions, and restrictions and all other provisions therein set forth in the Declarations of Restrictions applicable to the various sections of the Subdivision, as amended.

Section 1.04. "Charter" refers to the current Articles of Incorporation of the Association, as amended or restated.

Section 1.05. "Book of Resolutions" refers to the compilation of policy and administrative Resolutions adopted by the Board of Directors.

Section 1.06. "Board of Directors" or "Board" refers to the board established under Article V of the By-laws to manage the affairs and business of the Association.

Section 1.07. "Member" refers to the owner of a residential lot, condominium unit, single-family attached dwelling, or other real property in the Subdivision, as specified in the Declarations of Restrictions or Charter, which confers voting privileges on the owner. It does not include associate members.

Section 1.08. "Associate member" refers to a person entitled to use the facilities and amenities of the Association but who does not have the privilege of voting.

Section 1.09. "Seal" refers to the Seal of the Association, a disk inscribed with the name of the corporation and the year and the State in which it is incorporated.

Section 1.10. "Annual charge" refers to the amount levied by the Board of Directors against individual parcels of real property, condominium units, and other real property based on the category of the property, such as waterfront, non-waterfront, or estate lot, in accordance with the provisions of the Declaration of Restrictions applicable to that property.

Section 1.11. "Owner of record" refers to the individual(s) listed on the deed recorded in the Land Records of Worcester County as the owner of property (grantee/party in second part) within the Subdivision to which votes are attributable. If a trust is listed on the deed recorded in the Land Records of Worcester County as the owner of the property within the Subdivision, then the owner of record shall be the trustee(s) or co-trustees of the trust who is/are listed on the recorded deed to such property.

Section 1.12. "Eligible to vote" refers to a member who has paid the annual charges and interest levied under Section 5.14(a) and has not had the right to vote suspended under Section 5.13(e).

## ARTICLE II

### Purpose and Membership

Section 2.01. Purpose. The Ocean Pines Association has been formed to further and promote the community welfare of the real property owners and residents of the Subdivision of Ocean Pines, Maryland. The By-laws of the Association provide the framework establishing the procedures and responsibilities to exercise the powers and functions of the Association granted by the laws of the State of Maryland, the Declarations of Restrictions, and the Charter.

Section 2.02. Membership. Membership in the Association is vested in the owners of real property in the Subdivision, pursuant to the Declarations of Restrictions and the Charter. Associate memberships, which do not include voting rights, may also be established. The Board of Directors may issue a card or document to be used as a means of identifying members or associate members.

Section 2.03. Privileges of Membership. Members and associate members, their guests, and family members residing with the members or associate members shall have the privilege of using the recreational facilities and other amenities owned by the Association and the areas designated as parks or pedestrian easements in the Subdivision plats; subject to the rules and regulations, including fees, adopted by the Board of Directors.

Section 2.04. Membership Roster. Every member is responsible for providing the Association, in writing, the lot number(s) of property owned and the member's current mailing address. In addition, a member may also provide an e-mail address, a web page, or a telephone number.

## ARTICLE III

### Voting

Section 3.01. Voting Rights. The voting rights of a member shall be as described in the Charter and enumerated in this Section.

(a) A member shall be entitled to one vote for each numbered residential lot, condominium unit, or single-family attached dwelling in the Subdivision that is owned by the member, or as otherwise provided in the Declarations of Restrictions or Charter. Members owning commercial property in the Subdivision shall be entitled to vote as provided in applicable Declarations of Restrictions or the Charter. A member may vote for positions on the Board of Directors and for each proposal submitted on a referendum.

(b) A member may vote in person or as provided in Section 3.03 on any proposals submitted to the members for a vote at the annual meeting or a special meeting of the members.

(c) Payment of the annual charge levied by the Board of Directors is a prerequisite to the right to vote. No member may vote if, thirty-five (35) days prior to the voting deadline, the member has failed to pay the annual charge, including any assessed interest levied by the Association. The voting rights of a member may also be suspended during any period the member is in continuing violation of the Declarations of Restrictions after the existence of the violation has been declared by the Board of Directors.

Section 3.02. Method of Voting. Votes shall be cast as described in this Section.

(a) If a residential lot, condominium unit, or single-family attached dwelling is owned by one person, the vote attributable thereto shall be cast by that person.

(b) If a residential lot, condominium unit, or single-family attached dwelling is owned by more than one person, the vote attributable thereto shall be deemed properly cast if cast by any one of the owners.

(c) If a residential lot, condominium unit, or single-family attached dwelling is owned by a legal entity, the vote attributable thereto shall be deemed properly cast if cast by any officer of the legal entity.

(d) Votes attributable to real property other than a residential lot, condominium unit, or single-family attached dwelling, as provided in the Declarations of Restrictions, if applicable, or the Charter, shall be deemed properly cast if cast by any owner or by any officer of a legal entity that owns the property.

Section 3.03. Proxies. Proxy voting is limited to those issues included in the notice of the annual or a special meeting of members. The notice shall include an explanation of the issues and the rationale for the requested action. If the issue has been raised by a petition, the explanation and rationale shall be written by the petitioners and the notice shall include a statement of position by the Board of Directors.



(a) Proxy voting is the means by which any member entitled to vote at a meeting may vote without attending the meeting by signing a form designating an individual to cast the member's vote. Each proxy shall be revocable and valid only with respect to the specified meeting and issue(s). Attendance at the meeting of a member entitled to cast a vote shall revoke the proxy.

(b) When the notice of a meeting of the members contains issues subject to proxy voting, proxy forms and return envelopes shall be included with the notice of the meeting. Proxies shall be returned to the Secretary of the Association in the envelope provided not later than five (5) calendar days prior to the meeting. Proxies not returned in the envelope provided are not valid.

(c) The Secretary shall confirm that the member is eligible to vote and valid proxies are delivered to the Elections Committee no later than forty-eight (48) hours prior to the beginning of the meeting. The Elections Committee shall deliver the proxies to the proxy holders in attendance at the meeting.

Section 3.04 Balloting. Voting for Directors and on referendum issues shall be done by ballots cast by members eligible to vote. Ballots for election of Directors shall contain the names of all eligible candidates under Section 5.02. Voting procedures shall be established by a Board of Directors' Resolution.

Section 3.05. Voting at Meetings. In order to constitute part of the required quorum under Section 4.05 and be able to vote at a meeting, members must register before the start of the meeting. Elections Committee members shall require identification and verify that the member is eligible to vote. Cards shall be issued to members indicating the number of votes they may cast. Proxies and voting cards shall be tallied for each issue contained in the notice of the meeting that is called for a vote. Voting cards only shall be used for motions arising during the meeting. Votes are tallied by members of the Elections Committee and reported to the presiding officer. Unless otherwise specified in the By-laws, approval of any issue presented requires a majority affirmative vote of the total votes cast.

## ARTICLE IV

### Meetings, Petitions, and Referendums

Section 4.01. Place of Meeting. The Board of Directors may designate any place within Worcester County in the State of Maryland as the place for the annual or a special meeting of the members of the Association.

Section 4.02. Annual Meeting. The annual meeting of the members of the Association shall be held on the second Saturday in August each year. Failure to hold the annual meeting at the designated time shall not cause any forfeiture of the Charter, or dissolution of the Association.

(a) At the annual meeting there shall be a validation of the election of Directors as described in Section 5.03 and the transaction of such other business as may properly come before the meeting. Issues not contained in the notice of the meeting, as provided in Section 4.07, shall not be binding on the Association or the Board of Directors.

(b) If the annual meeting of the members is not held on the day designated in the notice of the meeting due to lack of a quorum or for any other reason, the Board of Directors shall hold a special meeting of the Board to receive the voting results from the Elections Committee and validate the election of Directors.

Section 4.03. Special Meetings. A special meeting of the members of the Association may be called by the President, by a majority of the Board of Directors, or upon a written petition signed by members representing the number of votes required under Section 4.07(c)(3).

Section 4.04. Notice of Meetings. At the direction of the President or the Board of Directors, the Secretary shall provide written notice of the annual or a special meeting of the members to all members not less than fifteen (15) nor more than fifty (50) days prior to the meeting.

(a) The notice shall specify the date, place, time, and purpose(s) of the meeting. The notice of the annual meeting shall include election materials and ballots for electing members to the Board of Directors, as provided in Section 5.03, and, if appropriate, proxies as provided in Section 3.03.

(b) Adequate notice of a meeting shall be deemed to have been given to any member if mailed or sent electronically to the address designated by the member(s) or entities for this purpose. In the case of properties owned by entities or those with multiple owners in common, the Association will not be responsible for determining who is authorized to provide this information.

Section 4.05. Quorum. The presence (in person, by proxy, or by attorney-in-fact) of members collectively eligible to cast at least one hundred (100) votes shall be requisite for and shall constitute a quorum for the transaction of business at all meetings of members.

Section 4.06. Conduct of Meetings. Robert's Rules of Order, as they may be revised from time to time, shall be used to regulate and govern the conduct of all official meetings of the members of the Association to the extent they are not inconsistent with the Charter or By-laws. The Board of

Directors may adopt Resolutions governing the conduct of particular meetings provided they are in accordance with the Charter and By-laws and the principles of Robert's Rules of Order.

Section 4.07. Petitions. A petition may be used to propose action requiring a referendum, to call for a special meeting of the members, to include an issue for consideration by the members in the notice of the annual meeting of the members, or to request action by the Board of Directors.

(a) Petitions must contain a specific question, proposal, or action suitable for an affirmative or negative response. The petition must be in a format prescribed by a Resolution adopted by the Board of Directors. The petition shall identify the person(s) who will represent the petitioners and contain the lot number or address of the property in the Subdivision owned by each member signing the petition. Each member signing the petition must be eligible to vote when the petition is filed. Notarization or self-authentication of the member's signature shall not be required. If more than one person is authorized to cast a vote under Section 3.02, only one of those persons may sign the petition. Within ten (10) calendar days after a petition is filed, the Secretary shall certify in writing to the Board of Directors that the petition meets the requirements of this Section or file a public report with the Board of Directors specifying the basis for rejecting the petition.

(b) Petitions to include an issue in the notice of the annual meeting of the members must be filed not later than sixty (60) days prior to the date of the annual meeting.

(c) Petitions must contain the number of signatures specified in this section when they are filed with the Secretary.

(1) To request action by the Board of Directors not requiring a referendum or to have an issue included in the notice of the annual meeting of the members, a petition requires signatures of members who are eligible to vote representing at least one hundred (100) votes as referenced in Section 3.01(a).

(2) For issues for referendum under Section 4.08, removal of a Director under Section 5.12(a), or for amendments to the By-laws under Section 11.01, a petition requires signatures of members who are eligible to vote representing at least ten percent (10%) of the votes in the Association as referenced in Section 3.01(a).

(3) To call a special meeting of members under Section 4.03, a petition requires signatures of members who are eligible to vote representing at least fifteen percent (15%) of the votes in the Association as referenced in Section 3.01(a).

Section 4.08. Referendum Issues. The Board of Directors may propose action that requires approval of the members by a referendum or a referendum may be initiated by a petition. Referendums are required by Sections 5.13(c), (d), (f), and 11.02. Where differing from the provisions of this Section, the provisions of Section 5.12(a) govern a referendum to remove a Director.

(a) If the Board of Directors initiates a referendum to approve proposed action, the Board shall hold a public hearing on the proposal. Notice of the hearing shall be provided to the members at least fifteen (15) days prior to the hearing by mail or in a publication distributed

by the Association to the members. The notice shall contain a description of the proposed action. The Board may modify or withdraw the proposal after the hearing. Voting on the referendum may be by separate ballot or included on the ballot for election of Directors. Information containing, at a minimum, the action to be voted on and an explanation of the effect of the proposal, if adopted, shall be included with the ballot.

(b) If action appropriate for submission to the members on a referendum is initiated by a valid petition, the petition must contain a specific question, proposal, or action suitable for an affirmative or negative response on a ballot. The Board of Directors shall hold a public hearing on the proposal within sixty (60) days after a valid petition is filed. Notice of the hearing and a copy of the proposal in the petition shall be provided to the members at least fifteen (15) days prior to the hearing by mail or in a publication distributed by the Association to the members. Referendum ballots shall be distributed to all members eligible to vote not later than thirty (30) days following the hearing. Information containing, at a minimum, a copy of the proposal in the petition, a brief explanation of the proposal written by the petitioners, and a statement of position by the Board of Directors shall be included with the ballot.

(c) Any proposal presented in a standalone referendum must receive a minimum of total votes cast, for and against, equal in number to 40% of the total votes eligible to be cast to become effective.

(d) Any proposal presented in a referendum requires a majority affirmative vote of the total votes cast in order to become effective. A question, proposal, or action not adopted may not be resubmitted by petition within one year of the previous submission.

## ARTICLE V

### The Board of Directors

Section 5.01. Number, Term of Office, and Qualifications. The affairs and business of the Association shall be managed by a Board of seven (7) Directors, each of whom shall be an owner of record of property within the Subdivision eligible to vote. The terms of the Directors shall be for three (3) years and until their respective successors are duly selected. No member of the Board of Directors may at the same time be an employee of the Association. Additional qualifications for candidacy and election to the Board of Directors shall be governed by Section 5.02(a) of these By-laws.

Section 5.02. Candidates for Election. The eligibility requirements for election to the Board of Directors are as provided in this Section.

(a) Eligibility. All candidates must be one of the owners of record of real property in the Subdivision on the first day of January of the year in which the election is to be held and eligible to vote under Section 3.01(c).

No individual shall be a candidate for election as a Director of the Association if he or she is an incumbent Director completing a second consecutive elected full term of office or has a familial relationship through marriage, parentage or is a sibling of any other member currently serving on the Board.

No individual may be a candidate for election as a director if they are a plaintiff in an active lawsuit in a Maryland or Federal court, including on appeal, in which the Association or any of the Association's Directors, named in their capacity as a Director, is/are named as a defendant; nor may the candidate be named as defendant in a active lawsuit in a Maryland or Federal court in which the Association is the plaintiff, including on appeal.

No individual may be a candidate for election as a Director if he or she is an employee of the Association as of the date the candidate's application is submitted for consideration by the Secretary.

No individual may be a candidate for election to the Board of Directors if the person has been convicted of a felony and not fully completed all terms of their sentencing, including probation and other restitution requirements within five (5) years of May 1st of the year in which the election is to be held.

No corporate entity (including but not limited to a corporation, limited liability company, partnership, association or joint venture) that is listed as the owner of record may have an individual be a candidate for election to the Board of Directors. Notwithstanding, the previous sentence does not apply to a trustee or co-trustee of a trust that may own property within the Subdivision.

In addition to the requirements contained in Section 3.01(c) of these By-laws, any candidate for the Board of Directors shall have paid the annual charge for that year, including any assessed interest, by May 15th of the year of the election.

(b) Search Committee. Not later than March 1<sup>st</sup> each year the President shall, subject to confirmation by the Board of Directors, appoint a Search Committee of not less than three (3) nor more than five (5) members of the Association eligible to vote. The Committee shall solicit members to become candidates for election to the Board of Directors. The lack of a Search Committee or the Search Committee's inability to acquire at least two (2) or more candidates than the number of vacancies will not affect the validity of the election. The Committee shall submit a list of candidates to the Secretary not later than May 15<sup>th</sup>.

(c) Candidate Applications. Each individual who desires to be a candidate for election to the Board of Directors shall complete an application form provided and defined in Resolution M-09. The candidate must list their full legal name (first, middle and last, including any prefix or suffix) and provide all supporting documentation requested by the application form. The form shall be submitted to the Secretary or Assistant Secretary not later than May 10<sup>th</sup> and shall state that, to the best of their knowledge, the candidate meets the requirements of paragraph (a) of this Section and is willing to serve as Director if elected. At the candidate's option, the candidate application form may include the candidate's experience, past participation in Association governance, and reasons for becoming a candidate.

(d) The Secretary shall make reasonable efforts to verify that the Association's records as of May 15<sup>th</sup> support each candidate's eligibility and shall submit a list of eligible candidates to the Elections Committee not later than June 1<sup>st</sup>.

If at any time after May 15, and prior to certification of the election of Directors, the Secretary determines, based on further information that comes to light, a candidate does not meet the qualifications to be a candidate for election to the Board of Directors, based on the criteria in Section 5.02(a), the Secretary will deem that candidate to be ineligible to be elected to the Board of Directors. In such a situation, the Association, within three (3) business days of the Secretary's determination, will publish public notice of such ineligibility determination and basis for the determination.

If the election ballots are not printed at the time of the Secretary's ineligibility determination, the ineligible candidate's name will be removed from the ballot prior to distribution to the members. If the election ballots are printed with the ineligible candidate's name, the ineligible candidate's name will remain on the ballot, the election balloting will continue and all votes tallied and recorded. Votes for the ineligible candidate will not be counted towards determining the candidates who are to be elected. The procedure contained in this paragraph will also be followed if any candidate dies, ceases to be the owner of record of real property within the Subdivision, or withdraws from the election.

The Secretary of the Association, in consultation with legal counsel, Association staff, and/or public records is solely responsible for determining eligibility of a candidate for election to the Board of Directors.

(e) Additional Candidates. If the number of candidates on the list submitted to the Elections Committee is less than two more than the number of vacancies to be filled, the Board of Directors shall attempt to solicit sufficient candidates to bring the total number to at least two more than the number of vacancies to be filled. The additional candidates' applications shall be submitted to the Secretary before the ballots are submitted for printing under Section 5.03.

(f) Lack of Eligible Candidates. If, for any reason, the number of eligible candidates available for election to the Board of Directors becomes less than the number of positions to be filled by the election, then the number of positions to be filled by the election shall be reduced to the number of candidates remaining. Any vacancy remaining after the election shall be filled as provided in Section 5.04(c).

Section 5.03. Elections. Elections shall be conducted as provided in this Section.

(a) An Elections Committee shall be appointed as provided in Section 10.02. The Elections Committee shall assist the Secretary in the preparation of election materials.

(b) The election materials shall be submitted to the Secretary for printing no later than the first Friday in July. The Secretary shall ensure the election materials have been mailed to all members eligible to vote with the notice of the annual meeting required by Section 4.04.

(c) The Elections Committee shall supervise the printing of ballots, the mailing of the election materials to members eligible to vote, and the procedures for safeguarding and tabulating returned ballots.

(d) The election shall fill only those vacant positions included on the ballot. Those candidates receiving the higher numbers of votes shall be elected to three-year terms and those receiving lower numbers of votes shall be elected to serve for the remainder of any unexpired terms in descending order of votes received.

(e) The Board of Directors shall resolve any request for a recount of the votes. The Chairperson of the Elections Committee shall resolve any final tie vote necessary to determine the results of the election. Tie votes shall be resolved by "chance" at the annual meeting.

Section 5.04. Vacancies on the Board of Directors. Vacancies shall be filled as provided in this Section.

(a) Any vacancies occurring on the Board of Directors ninety (90) days or more before the annual meeting of the members under Section 4.02 shall be filled by a majority vote of the remaining Directors within thirty (30) days. Each member so appointed shall serve as a Director until the next annual meeting. A successor shall be elected by the members to complete any remaining portion of the unexpired term. Appointed directors shall be

Owners of Record as of January 1 of the year in which they are appointed and otherwise shall meet the same qualifications as set forth in Section 5.02(a).

(b) In the event a vacancy occurs on the Board of Directors within ninety (90) days prior to the annual meeting but before the ballots have been submitted to the Secretary for printing under Section 5.03, a majority of the remaining Directors may appoint a replacement to serve until the next annual meeting. If the vacancy is not for an expiring term, the vacancy shall be included on the ballots.

(c) In the event a vacancy occurs after the ballots have been submitted to the Secretary for printing under Section 5.03 or because the election under Section 5.03 failed to fill all vacancies on the Board of Directors, the vacancy shall be filled by a majority vote of the Board of Directors as it exists after the election. The vacancy shall be filled no later than thirty (30) days after the Board's organization meeting. Each appointed Director shall serve until the next annual meeting.

Section 5.05. Organization Meeting. The Board of Directors shall hold an organization meeting no later than two (2) weeks after the annual meeting of the members of the Association for the election of officers and the consideration of any other business that may be properly brought before the meeting. Failure to hold the organization meeting at the designated time shall not cause any forfeiture of the Charter or dissolution of the Association.

Section 5.06. Regular and Special Meetings. Whenever possible, meetings of the Board of Directors shall be held within the Subdivision. The Board of Directors shall establish at the organization meeting of the Directors a schedule of at least six (6) regular Board meetings to be held during the coming year. Special meetings of the Board of Directors may be called at any time by the President and shall be called on the written request of any two Directors.

Section 5.07. Open Meetings. All meetings of the Board of Directors shall be open to all members of the Association or their agents except, when appropriate, meetings or a part thereof may be closed as permitted under the provisions of Title 11B - of the Real Property Article of The Annotated Code of Maryland - The Maryland Homeowners Association Act.

Section 5.08. Notice of Meetings. Notice of the organization, a regular, or a special meeting of the Board of Directors shall state the date, time, place, and purpose(s) of the meeting.

(a) Notice of each Board meeting shall be given to each Director personally or by mail, telephone, or electronic means at least three (3) days prior to the meeting. A Director waives notice if he or she is present at the meeting or signs a waiver of notice that is filed with the minutes of the meeting.

(b) Notice of each Board meeting shall be posted at the Association's office and, when practicable, shall be provided to media sources having a general circulation in the Subdivision and made available to members by electronic and other means.

Section 5.09. Quorum. A majority of the entire Board of Directors shall be necessary to constitute a quorum except the filling of vacancies shall require a majority of the remaining Directors for a quorum. The act of a majority of the Directors present at a meeting at which a



quorum is present shall be the act of the Board of Directors except as specified in the Charter and in Sections 5.04, 5.12(b), 5.13(a), 6.03, 8.03, 8.04(a), and 8.06 of the By-laws.

Section 5.10. Informal Action. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting as specified in Article 2-408(c) of the Corporations and Associations Article of the Maryland Code ~~if a unanimous written consent to take action without a meeting is signed by each Director.~~ The consent to an action under this Section 5.1 shall be reported at the next regular meeting of the Board of Directors and filed with the minutes of the next Board meeting.

Section 5.11. Compensation. Members of the Board of Directors and officers of the Association shall not be compensated for services in connection with these positions except as set forth in this Section. The Board of Directors may authorize reimbursement for necessary expenses in connection with service on behalf of the Association. Members of the Board of Directors shall be provided with a "Family Membership" for all amenities offered by the Association.

Section 5.12. Resignation and Removal. A Director's position on the Board of Directors may be terminated as provided in this Section.

(a) A Director may be removed from the Board of Directors by a referendum initiated by a petition under Section 4.07.

(1) A single petition may seek the removal of only one Director. A petition to remove a Director is not valid if filed less than one hundred eighty (180) days before the expiration of the Director's term of office.

(2) If a petition to remove a Director is filed more than one hundred eighty (180) days prior to the annual meeting of members, a public hearing on the petition shall be held within sixty (60) days. If the petition is filed less than one hundred eighty (180) days prior to the annual meeting, the public hearing may be held at any time up to sixty (60) days prior to that meeting and the ballots for the referendum may be mailed to the members with the ballots for the election of Directors under Section 5.03.

(3) The petition shall contain the basis for removal. The Director subject to the removal action shall be permitted to submit statements to be included in the notice of the public hearing on the petition and with the referendum ballots. A statement of position by the Board of Directors shall not be required.

(4) Affirmative votes equal to a majority of the total votes that could be cast in the referendum are required to remove a Director.

(b) A Director may be removed for cause by a two-thirds (2/3) vote of the entire Board of Directors provided the Director is notified of the proposed action and granted an opportunity for a hearing at a regular or special meeting of the Board of Directors prior to final action.

(c) As used in this Section, "cause" includes (but is not limited to) absence from three (3) consecutive regular meetings of the Board without sufficient justification, if the Director

has been convicted of a felony and has not fully completed all terms of their sentencing within five (5) years of May 1st of the year in which the candidate is elected, being more than sixty (60) days delinquent in payment of any charges due the Association, or as provided in any Resolutions adopted by the Board which govern a Director's conduct.

(d) Any Director may resign at any time by giving written notice to the Board, the President, or the Secretary of the Association. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5.13. Powers. The powers of the Board of Directors shall include (but not be limited to) those set forth in this Section. Any power of the Board of Directors enumerated in this Section shall be exercised only in accordance with the limitations set forth herein.

(a) The Board may adopt and publish rules and regulations governing the use of those parts of the Subdivision that are or will be owned by or are otherwise under control of the Association. The affirmative vote of two-thirds (2/3) of the entire Board of Directors shall be necessary to grant any easement or variances on Association property.

(b) The Board may exercise for the Association all the powers and duties of the Association whose exercise is not reserved or committed to the membership of the Association by the By-laws or the Charter.

(c) The Board may sell, mortgage, encumber, develop or donate any of the Association's real or personal property or assets, with the affirmative vote of two-thirds (2/3) of the entire Board of Directors, but in the event the value of any such transaction exceeds ten percent (10%) of the current income derived from annual charges, it shall require approval of the members by a referendum.

(d) The Board may undertake capital expenditures for the replacement, renovation, or repair of existing facilities and the acquisition of new facilities or land and may include in any annual charge amounts to fund these capital expenditures.

a. If the total estimated cost, capitalized in accordance with generally accepted accounting principles, of any single capital expenditure exceeds One Million Dollars (\$1,000,000.00), the proposed single capital expenditure SHALL require approval of the members by a referendum.

b. If the Board is undertaking a planned replacement, renovation, or repair of existing facilities or the acquisition of new facilities or land that will be accomplished in phases, "single capital expenditure" refers to the current phase, provided the Association is under no contractual obligation to undertake successive phases.

c. A referendum is not required for emergency repair of existing facilities.

(e) The Board may suspend the right of a member to vote or to use any of the parks, amenities, or recreational facilities owned or controlled by the Association during any period the member has failed to pay the annual charges levied by the Association or is in

continuing violation of the Declarations of Restrictions after the existence of the violation has been declared by the Board.

(f) The Board may borrow money, but in the event that any transaction would increase the total of all outstanding debt of the Association to an amount exceeding fifty percent (50%) of the current income derived from annual charges, it shall require approval of the members by a referendum.

(g) The Board may do any and all lawful things and acts that it deems to be for the benefit of Ocean Pines and the members and residents thereof or advisable, proper, or convenient for the promotion of the interests of said members and residents with regard to health, safety, education, culture, recreation, comfort, and convenience.

(h) The Board may establish and enforce policies, including fees, and procedures for the Environmental Control Committee (Architectural Review Committee).

Section 5.14. Duties. The duties of the Board of Directors shall include (but not be limited to) those set forth in this Section.

(a) The Board shall approve a budget for the ensuing year at least forty-five (45) days prior to the beginning of the fiscal year and determine the amount of the annual charge to be levied against each member of the Association pursuant to the provisions in the Declarations of Restrictions and the Charter. If the annual charge is not established by the Board prior to that time, the current annual charge shall be the charge levied for the following fiscal year.

(b) The Board shall employ, enter into a contract with, delegate authority to, and supervise a General Manager or a professional community management firm to administer, manage, and conduct the operations of the Association.

(c) The Board shall adopt, publish, and enforce rules, regulations, and fees governing the use and enjoyment of waterways, parks, pedestrian easements, recreational facilities, and other amenities that are owned by or under the control of the Association.

(d) The Board shall establish rates of compensation, employee benefits, conditions for employment, grievance procedures, and other personnel policies for all employees of the Association and periodically review and, if appropriate, revise all job descriptions and personnel policies.

(e) The Board shall establish the limits and guidelines applicable to the execution of checks, contracts, and purchases made by the officers of the Association, Board of Directors, and the General Manager or management firm in the applicable financial policy and procedures manuals.

(f) The Board shall designate depositories for Association funds and designate those officers, agents, and employees who shall have the authority to withdraw funds from such accounts on behalf of the Association in the applicable financial policy and procedures manuals.

(g) The Board shall employ independent auditors and require such reports and audits as necessary to accurately reflect the financial condition of the Association. An annual audit of all accounts of the Association including departmental financial activities shall be required.

(h) The Board shall ensure adequate insurance to protect the Association, its employees, its personal and real properties, the Board of Directors, and officers of the Association is procured and maintained. The insurance coverage shall be reviewed annually.

(i) The Board shall ensure adequate fidelity bonds, or equivalent insurance, in favor of the Association against acts of dishonesty for all Directors, officers, and employees of the Association handling or otherwise responsible for the funds of the Association is procured and maintained. Premiums for such coverage shall be paid by the Association.

(j) The Board shall appoint such committees as are prescribed in the Charter and Article X of the By-laws.

(k) The Board shall establish procedures for the adoption and publication of Board Resolutions to be included in the Book of Resolutions and make such records available for inspection by members of the Association.

(l) The Board shall consider a petition submitted under Section 4.07, and certified as valid by the Secretary, at a meeting of the Board within sixty (60) days of the petition being filed.

Section 5.15 Conduct of Meetings. Robert's Rules of Order, as they may be revised from time to time, shall be used to regulate and govern the conduct of all official meetings of the Board to the extent that they are not inconsistent with the Charter, By-laws, or Resolutions of the Association.

## ARTICLE VI

### The Officers of the Association

Section 6.01. Enumeration of Officers. The officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, and, in addition, one or more Assistant Secretaries and one or more Assistant Treasurers. No person may serve as President, Vice President, or Secretary unless that person is a member of the Board of Directors.

Section 6.02. Election of Officers and Term of Office. The officers shall be elected annually by the Board of Directors at their organization meeting. Each officer shall hold office until his or her successor shall have been elected or until his or her death, resignation, or removal.

Section 6.03. Resignation and Removal. An officer may be removed for cause at any time by a majority vote of the entire Board of Directors at a special meeting of the Board of Directors called for the purpose of considering the removal. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein. If the Secretary intends to be a candidate for re-election to the Board of Directors in a given year, the Secretary shall resign as Secretary no later than upon filing of their candidate application. The Board of Directors will then elect a new Secretary. The acceptance of such resignation shall not be necessary to make it effective. Removal or resignation from office does not mean removal or resignation from the Board.

Section 6.04. Vacancies. A vacancy in any office shall be filled for the unexpired portion of the term by a person elected by the Board of Directors at the next regular meeting of the Board or at a special meeting called for that purpose.

Section 6.05. Multiple Offices. No person holding the office of President, Vice President, Secretary, or Treasurer may at the same time hold any other office of the Association.

Section 6.06. Duties. The duties of the officers shall include (but not be limited to) those set forth in this Section.

(a) President. The President shall perform all duties incident to the office of President and other duties assigned by the Board of Directors. These duties shall include:

- (1) acting as Chairman at all meetings of the Board of Directors;
- (2) ensuring orders and Resolutions of the Board are carried out;
- (3) signing all leases, mortgages, and deeds;
- (4) signing promissory notes and such checks and contracts as specified by the Board under Section 5.14(e) and Article VIII of the By-laws; and
- (5) directing the General Manager or management firm to implement actions or programs specified by the Board.

(b) Vice President. The Vice President shall temporarily act in the place and stead of the President in the event of his or her absence, inability, or refusal to act, and shall perform other duties assigned by the Board of Directors or delegated by the President.

(c) Secretary. The Secretary shall perform all duties incident to the office of Secretary and other duties assigned by the Board of Directors, and be responsible for:

- (1) the keeping of the minutes of all meetings of the Board of Directors and the members of the Association;
- (2) the maintenance of the Book of Resolutions;
- (3) the functions associated with elections and referendums as outlined in Sections 3.03, 4.04, 4.07, 5.02, and 5.03, and in applicable Resolutions adopted by the Board;
- (4) the maintenance of a roster of all members of the Association, the properties owned, and the addresses registered by the members; and
- (5) the affixing of the Seal of the Association to documents when required.

(d) Treasurer. The Treasurer is the chief financial officer of the Association and shall perform all duties incident to the office of Treasurer and other duties assigned by the Board of Directors, and shall exercise oversight over:

- (1) the keeping of the complete books and records showing the financial condition of the Association and its departments;
- (2) the maintenance of a record of each member's account with the Association;
- (3) the depositing of all Association funds in the name of the Association in such banks or other depositories as approved by the Board of Directors;
- (4) the collecting and disbursing of the funds of the Association as prescribed by the Board of Directors; and
- (5) the preparation of an account of the financial condition of the Association, when requested.

(e) Assistant Secretary. An Assistant Secretary shall perform the duties assigned by the Board of Directors and assist the Secretary.

(f) Assistant Treasurer. An Assistant Treasurer shall perform the duties assigned by the Board of Directors and assist the Treasurer.

## ARTICLE VII

### Corporate Books and Records

Section 7.01. Maintenance. Except as otherwise provided by the laws of the State of Maryland, the books and records of the Association shall be kept at such place or places as the custodian thereof selects within the State of Maryland. All such books and records or copies thereof shall be made available on request to members of the Association or their agents at any reasonable time.

Section 7.02. Charges for Review and Copying. The Board of Directors may establish a reasonable charge for reviewing or copying the books and records of the Association.

## ARTICLE VIII

### Finance

Section 8.01. Fiscal Year. The fiscal year of the Association shall begin on the first day of May in each year and end on the last day of April in the next calendar year.

Section 8.02. Sources of Financial Support. The Association shall be financed by:

- (a) The annual charge established by the Board of Directors under Section 5.14(a) and such other charges or fees authorized by the Charter and the By-laws;
- (b) Funds derived from the operation of amenities, including memberships;
- (c) Gifts and bequests to the Association, restricted or unrestricted, accepted by the Board of Directors;
- (d) Public or private grants to the Association, restricted or unrestricted; and
- (e) Federal, State, or Worcester County funds available to the Association.

Section 8.03. Reserves. The Board of Directors, with the advice of the Budget and Finance Advisory Committee, shall establish by Resolution such financial Reserve accounts as it deems appropriate for the protection and future growth of the Association. Each Resolution establishing a Reserve shall state how it is to be funded and shall specify policy for use of the funds. Annual funding projections shall give consideration to anticipated expenditures in current and future fiscal years. Each Reserve account shall appear in the annual budget of the Association and on the financial statement as an appropriated fund. Reserve funds shall not be expended or transferred for purposes other than those for which the fund was established unless approved by a two-thirds majority vote of the entire Board at a regular or special meeting after notice of the proposed expenditure or transfer.

Section 8.04. Budget. A budget shall be adopted for the fiscal year as provided in Sections 5.14 (a) and 9.04.

- (a) The Board of Directors shall have the authority to amend the budget at any time during the fiscal year by a majority vote of the entire Board.
- (b) The General Manager, or management firm, may make transfers of budgeted items within a department and make other transfers of budgeted items as authorized by guidelines and limits established in the financial policy and financial procedures manuals by the Board of Directors.

Section 8.05. Execution of Checks. Association checks shall, unless otherwise ordered by the Board of Directors or required by law, be signed by the Treasurer, an Assistant Treasurer, or a Director, subject to the limits and guidelines established by the Board of Directors under Section 5.14(e).

Section 8.06. Execution of Promissory Notes. The execution of every promissory note of the Association requires the approval of a majority of the entire Board of Directors. Unless



otherwise ordered by the Board of Directors or required by law, promissory notes shall be signed by the President.

Section 8.07. Execution of Contracts. Except as provided in Section 9.05, contracts to which the Association shall be a party shall be executed in its name by the President or Vice President and attested to by the Secretary or an Assistant Secretary, subject to the limits and guidelines established by the Board under Section 5.14(e). The Secretary or an Assistant Secretary may, when appropriate, affix the Seal of the Association to such contract.

Section 8.08. Annual Reporting. There shall be prepared annually a full and correct statement of the affairs of the Association, including a balance sheet and a financial statement of operations for the preceding fiscal year. The statement shall be prepared by the firm of auditors designated by the Board of Directors and shall be submitted to the Board as close to the end of the fiscal year as practicable, but at least two weeks prior to the annual meeting. A summary report shall be presented at the annual meeting of the members. The complete report shall be filed at the Association's principal office.

## ARTICLE IX

### Association Administration and Operations

Section 9.01. General Manager. A General Manager shall be employed by and serve at the pleasure of the Board of Directors. He or she shall be the chief administrative officer of the Association and shall be responsible for the operational management of the Association. The General Manager's tenure shall continue until he or she is removed by the Board or the position is vacated. Compensation and other conditions of employment shall be established by the Board. In lieu of a General Manager, the Board may contract with a professional community management firm. If a management firm is utilized, the firm shall carry out the functions of, and have the authority of, a General Manager as provided in the By-laws.

Section 9.02. General Manager's Responsibilities. Subject only to the direction of the Board of Directors; the provisions of the Charter and By-laws; all applicable laws; and the constraints of the budget, the General Manager shall be responsible for the proper administration and management of the day-to-day operations of the Association. The responsibilities of the General Manager include (but are not limited to) those set forth in this Section.

(a) The General Manager serves as manager of the Association including all departments and units and shall organize, consolidate or combine offices, positions, departments, or units as necessary for efficient operations.

(b) The General Manager serves as the chief personnel officer of the Association with discretion to appoint, promote, demote, discipline, or discharge employees of the Association in accordance with the personnel policies and procedures established by the Board of Directors under Section 5.14(d). Any new position established must be approved by the Board or provided for in the annual budget.

(c) The General Manager shall maintain personnel policy procedures manuals, review annually all benefit programs, wage schedules, training programs, classification schedules, personnel policies, including grievance procedures, and make recommendations to the Board of Directors.

(d) The General Manager shall advise the Board of Directors of the financial conditions and future needs of the Association and, subject to the limits and guidelines established by the Board under Section 5.14(e), sign checks, drafts, and other obligations of the Association.

(e) The General Manager shall attend the meetings of the Board of Directors, make recommendations to the Board, and take part in the discussion of matters coming before the Board.

(f) The General Manager shall enforce all rules and regulations of the Association and investigate all complaints in relation to the administration and operations of the Association. He or she shall see that all permits and privileges granted by the Association are faithfully and fully observed.

Section 9.03. Board and Association Staff Relationships. Individual members of the Board of Directors shall not give orders to any employee of the Association and, except for routine

administrative services and inquiries, shall deal with employees through the General Manager. The President of the Association shall be the liaison between the Board and the General Manager.

Section 9.04. Annual Budget. The General Manager shall prepare a proposed annual budget and submit it to the Board of Directors not less than ninety (90) days prior to the beginning of the fiscal year. The budget shall provide a financial plan for the ensuing year and shall contain estimates of anticipated income and expenditures. The proposed budget shall be reviewed by the Budget and Finance Advisory Committee, and the Board of Directors shall hold a public hearing prior to final approval of the budget by the Board.

Section 9.05. Purchasing and Contracts. All purchases and contracts for services or supplies for the Association shall, to the fullest extent practicable, be made by open competitive procedures. The General Manager may make purchases or enter into contracts within the limits and guidelines established by the Board of Directors under Section 5.14 (e). Any purchase or contract in excess of the established limits or guidelines must have prior approval by the Board of Directors.

Section 9.06. Temporary Absence of General Manager. In the event of an absence of the General Manager, not to exceed a period of fifteen (15) consecutive working days, the General Manager may appoint a staff member to assume the duties of the General Manager. Written notification of the appointment shall be furnished to the Board of Directors. In the event the General Manager shall not be available for more than fifteen (15) consecutive working days or in the event the General Manager resigns or is removed from office, the Board of Directors may authorize the President of the Association, any other Director, or any other person to assume the duties of the General Manager on a temporary basis.

## ARTICLE X

### Committees and Advisory Bodies

Section 10.01. Establishment. The Board of Directors shall establish committees prescribed in the Charter or By-laws, define their primary duties, and determine their size. The Board may also establish other committees by Resolution and any ad hoc advisory bodies it deems appropriate. Resolutions establishing committees other than the committees prescribed in the Charter or By-laws may provide for their termination.

Section 10.02. Appointments. Chairpersons and members shall be members of the Association eligible to vote and shall be appointed or reappointed by the President, with the consent of the Board of Directors. No one employed by the Association shall be eligible to serve as a voting member of a committee or ad hoc advisory body. Each chairperson shall recommend persons to serve and shall report to the President the non-participation of appointed members. Any member may be reappointed to serve on the same or a new committee or advisory body. Members may be appointed at any time to fill vacancies so the committee or advisory body may operate at its authorized size. The chairpersons and Board of Directors shall make every effort to obtain representatives from as many sections of the Subdivision as possible and, when appropriate, advertise vacancies through official Association media.

Section 10.03. Length of Terms and Removal. The Board of Directors shall establish term lengths to provide for an appropriate balance between continuity of experience and opportunity for others to serve their community. All members serve at the pleasure of the Board and may be removed by the Board, with or without cause, at any time. The Board shall ascertain from time to time whether all committees and ad hoc advisory bodies are functioning and fulfilling their assigned responsibilities. Ad hoc advisory bodies shall terminate upon completion of their assigned task, as determined by the Board of Directors.

Section 10.04. Compensation. No person appointed to a committee or ad hoc advisory body created by the Board of Directors shall be compensated for services in connection with such position. They may be reimbursed for necessary expenses in connection with their service in accordance with policy established by the Board of Directors.

Section 10.05. Relationships with Association Staff. Chairpersons or individual members shall not give orders to the General Manager or any other employee of the Association. They may, however, request routine administrative assistance and necessary office supplies. The President of the Association shall provide all instructions and directions to the General Manager concerning support of committee and ad hoc advisory body activities.

Section 10.06. Committee Meetings. All meetings held by any committee duly established by the Board of Directors shall be open to all members of the Association or their agents except, when appropriate, meetings or a part thereof may be closed as permitted by the provisions of Title 11B of the Real Property Article of Annotated Code of Maryland - The Maryland Homeowners Association Act.

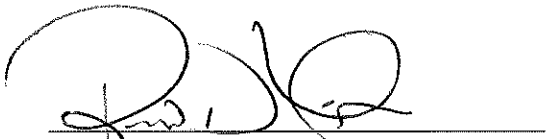
Section 10.07. Conduct of Meetings. When appropriate, Robert's Rules of Order, as they may be revised from time to time, shall be used as guidance for the conduct of committee meetings and advisory body meetings, to the extent they are not inconsistent with the Charter, By-laws, or Resolutions.

ARTICLE XI

Amendments

Section 11.01. Proposal of Amendments. Amendments to the By-laws may be proposed by the Board of Directors or by a petition filed under Section 4.07(c).

Section 11.02. Approval of Amendments. Amendments to the By-laws, whether proposed by the Board or by petition, require approval of the members by a referendum.

A handwritten signature in black ink, appearing to read 'Richard D Farr', is written over a horizontal line.

Richard D Farr, Secretary