

**THE AMENDED AND RESTATED BYLAWS
OF THE
COVE CREEK CLUB, INC.**

May 19, 2012

THESE AMENDED AND RESTATED bylaws are made this 19th day of May 2012. They include addition of the word condominium in the definition of Private Lot, revisions to the Budget and Budget Process and Reserve Funds provisions voted on by the affirmative vote of the majority of all Membership votes eligible to be cast in a Membership meeting. These Bylaws are intended and do hereby supersede, restate and replace the Bylaws of Cove Creek Club, Inc. and all previous amendments and supplements made thereto.

**Charles R. Work, President
The Cove Creek Club, Inc.**

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ARTICLE ONE - GENERAL CONSIDERATIONS AND DEFINITIONS

1.1. Definitions.

The following words when used in the Bylaws shall have the following meanings:

- a. “Declaration of Covenants” (Declaration) shall mean and refer to the Amended Declaration of Covenants, Conditions and Restrictions applicable to The Cove Creek Club.
- b. “Corporation” shall mean and refer to The Cove Creek Club, Inc., a non-stock, not-for-profit Corporation organized and existing under the laws of the State of Maryland.
- c. “Cove Creek Club, Inc.” shall mean and refer to the corporate entity as established in the Articles of Incorporation.
- d. “Cove Creek Club” shall mean and refer to all such existing properties as are subject to this Amended Declaration.
- e. “Community Properties” shall mean and refer to those areas of land shown on any recorded subdivision plat of The Cove Creek Club, including improvements heretofore or hereafter made thereon, designated on the face of said plat or plats as intended to be owned and/or maintained by The Cove Creek Club, Inc.
- f. “Private Lot” shall mean and refer to any plot of land shown upon any recorded subdivision plat of The Cove Creek Club or condominium within The Cove Creek Club, except Community Properties.
- g. “Owner” shall mean and refer to the owner(s) of record of each Private Lot situated within The Cove Creek Club but, notwithstanding any applicable theory of the mortgage, shall not mean or refer to the mortgagee unless and until such mortgagee has acquired title pursuant to foreclosure or any procedure in lieu of foreclosure.
- h. “Member” shall mean and refer to a member of The Cove Creek Club, Inc.
- i. “Membership” shall mean and refer to all Members of the Cove Creek Club, Inc.

1.2. Office.

The principal office of the Corporation shall be located at 114 North Creek Court, Stevensville, Maryland 21666.

ARTICLE TWO - MEMBERSHIP AND VOTING RIGHTS

2.1. Membership.

Every individual person who is a record Owner of a fee or undivided fee interest in any Private Lot located within The Cove Creek Club, shall automatically be a Member of The Cove Creek Club, Inc., provided that any such person who holds such interest merely as security for the performance of an obligation shall not be a Member. The Owner shall file a current copy of the portion of the deed indicating the Owner's name(s) of the Private Lot with the Secretary. If the Owner is a corporation, trust, partnership, association or any other legal entity other than natural persons acting as individuals, then such Owners shall register the names of no more than two individuals with the Secretary and only such registered individuals are considered Members.

2.2. Voting Rights.

Members in good standing shall be entitled to one vote for each Private Lot in which they hold the interests required for Membership under Section 2.1 of this Article. When more than one person or entity holds such interest or interests in any Private Lot, the one vote for such Private Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast per Private Lot. In the event that all co-owners are unable to agree on the manner in which to cast the vote, then such vote shall not be counted. Voting rights are contingent upon the Member being a Member in good standing on the date the votes are officially counted for any issue or for any election.

2.3. Quorum.

A quorum required for any action of the Members shall be the presence, or valid proxy thereof, at a Membership meeting of at least thirty percent (30%) of all Membership votes eligible to be cast.

2.4. Voting Margin Required For Action Or Inaction.

When a quorum is present, a simple majority of eligible votes present in person or by proxy at a duly called regular or special meeting of the Membership shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the Declaration of Covenants, the Articles of Incorporation, the Bylaws, or pursuant to controlling Maryland law, a different vote is required.

2.5. Proxies.

Any Member in good standing entitled to vote may do so by written proxy. To be valid, the proxy must be filed with the Secretary before the vote is taken on the issue at hand and the proxy must be on an authorized form. The authorized form shall be maintained and made available to the Membership by the Secretary. No proxy shall be revocable except by written notice to the Secretary. A proxy shall be automatically revoked if the Member who has given such proxy is in attendance at the meeting.

A proxy may be instructed (directed how to vote) or uninstructed (leaving how to vote to the proxy holder's discretion). Proxies shall be in writing, dated, signed by the Member, and shall be void after eleven (11) months. Proxies shall be granted for the specific action requested to be voted on and are not valid for any other purposes or actions.

Only Members in good standing may hold proxies. A Member may hold no more than three proxies from other Members.

ARTICLE THREE - MEMBERSHIP MEETINGS

3.1. Meetings.

The Membership shall meet regularly at least twice per year and at such other times (“Special Meetings”) as are deemed necessary by the Board of Directors. Special Meetings of the Members may be called for any purpose at any time by the President, Vice-President, by any two or more members of the Board of Directors, or upon written request of the Members as stated in this section. Except as otherwise provided for herein, all Membership meetings shall be generally conducted according to procedures set forth in Robert’s Rules of Order.

Members wishing to convene a Special Meeting shall present a petition, signed by Members representing at least thirty percent (30%) of all Membership votes eligible to be cast, to the Secretary who shall forward the petition to the President. The petition shall contain, in reasonably specific language, the purpose of the meeting and the agenda items proposed for the meeting. It shall then be the duty of the President to call the Special Membership meeting on the petitioned agenda items and such other business as the Board may deem necessary.

The President shall schedule such requested Special Meetings on a Saturday not less than thirty calendar days nor more than sixty calendar days after a valid petition from the Members is delivered to the Secretary.

3.2. Notices of Meetings.

The Secretary shall mail notices of any Membership meeting to each Member. The mailings shall be by internal Cove Creek Club office mail or by first-class mail, postage prepaid. Such notice shall be mailed not less than fifteen business days prior to the meeting and shall state the date, time and place of the meeting and the items scheduled to be on the agenda. In the event of a Special Meeting, or when otherwise required, the notice shall contain the purpose or purposes for which the meeting is called.

3.3. Adjourned Meetings.

In the event that a meeting cannot be convened because of failure of a quorum, a majority of those Members present in person or by proxy may vote to reschedule the meeting at a time and place convenient to the Members. Any such rescheduled meeting shall be subject to the notice provisions contained in Section 3.2 of the Bylaws, but shall be convened with a quorum of at least twenty percent of all Membership votes eligible to be cast in person or by proxy.

3.4. Order of Business.

Generally, the order of business at all Membership meetings shall be as follows:

1. Recitation of proof of notice or waiver of notice of meeting;

2. Establishment of proof of quorum;
3. Reading of minutes of preceding meeting, if requested;
4. Reports of officers and committees, as appropriate;
5. Election of Directors, if applicable;
6. Old or unfinished business;
7. New business (new business concerning The Cove Creek Club, Inc. may be raised for consideration and discussion by any Member in good standing); and
8. In the case of a Special Meeting, a recitation of the method by which the meeting was called, and its purpose.

ARTICLE FOUR - BOARD OF DIRECTORS

4.1. Responsibilities.

Collectively, the Members shall have the responsibility of conducting the business of The Cove Creek Club, Inc. through a Board of Directors comprised of five Directors who shall be elected by the Members. All members of the Board shall be Members of the Corporation. No more than one person from the same household or family shall serve as a Director at the same time.

4.2. Powers and Duties.

The Board shall have the powers and duties necessary for the administration of the affairs of The Cove Creek Club, Inc. and for the operation and maintenance of the Community Properties, including but not limited to the powers given to the Board in the Declaration of Covenants and the Articles of Incorporation. The Board may do all such acts and exercise such discretion that are not otherwise restricted by or reserved to the Members by the Declaration of Covenants and the Bylaws.

The Board shall act in the best interests of The Cove Creek Club, Inc. While the Board is vested with broad powers to carry out its intended function, the Board is also vested with broad discretion in determining whether or not to exercise its powers on a particular occasion. The failure of the Board to act or to exercise any power which it may have shall not constitute a waiver of its right to exercise that or another power in a subsequent instance. Subject to the discretionary language of this paragraph, and further subject to any specific restrictions on powers as may be otherwise set forth in the Declaration of Covenants or the Bylaws, the Board shall:

- a. Enforce the covenants, conditions, restrictions, uses, limitations, obligations and all other provisions set forth in the Declaration of Covenants and the Bylaws.
- b. Establish, make and enforce compliance with the designations, rules, conditions, restrictions, limitations and all other provisions necessary for the orderly

operation, use and maintenance of the Community Properties and the personal conduct of all Members and their guests. Such rules, procedures and policies shall be in writing and maintained as a permanent record of the Cove Creek Club, Inc. in its office, and made available for review by Members.

- c. Keep in good order, condition and repair the Community Properties and all common items used in the enjoyment of the Community Properties.
- d. Establish and collect annual and special assessments.
- e. Collect delinquent assessments by suit or otherwise and to enjoin or seek damages from a Member, as provided in the Declaration of Covenants and the Bylaws.
- f. Establish and collect reasonable fees for the use of certain Community Properties.
- g. Protect and defend the Community Properties from loss and damage by suit or otherwise.
- h. Meet at least quarterly.
- i. Borrow funds, in accordance with the Declaration of Covenants and the Bylaws, in order to pay for any required expenditure or outlay; to execute all such instruments evidencing such indebtedness that shall be the obligation of all of the Owners in the same proportion as their interest in The Cove Creek Club, Inc.
- j. Send a written notice of all assessments and charges to the Membership at least thirty days in advance of the due date for payment.
- k. Appoint and remove for any reason all officers, agents, and employees of the Corporation, prescribe their duties, fix their compensation, and require of them such security or fidelity bond as it may deem expedient
- l. Supervise all officers, agents and employees of the Corporation and see that their duties are properly performed.
- m. Obtain professional services necessary for the maintenance and operation of The Cove Creek Club, Inc.
- n. Enter into leases or contracts to procure services.
- o. Procure and maintain adequate liability insurance covering the Corporation, its Directors, officers, agents and employees, and to procure and maintain adequate hazard insurance on such of the Corporation's real and personal properties as deemed appropriate by the Board.
- p. Keep in a timely fashion a complete record of all its acts and corporate affairs. Records of the Corporation include documents such as:

- (1) A complete set of up to date corporate documents;
 - (2) Copies of all rules and procedures adopted by the Corporation and the Board;
 - (3) Copies of all orders and resolutions passed by the Board;
 - (4) Copies of all Corporation contracts;
 - (5) Rules, resolutions, regulations, policies and standing procedures of The Cove Creek Club, Inc.;
 - (6) Minutes of all regular Board meetings, excluding closed sessions according to Section 4.8.
- q. Prepare and provide an annual report for the Membership on the management and operation of the Corporation. The report shall address matters such as the financial status, pending significant issues, employee performance, and condition of facilities and properties of the Corporation.
- r. Suspend the enjoyment rights of any Member for any period during which any assessment or other funds due to The Cove Creek Club, Inc. are delinquent, and for such other reasonable period as it considers appropriate for any infraction of its published rules and regulations.
- s. In general, carry on the administration of The Cove Creek Club, Inc. and to do all of those things, necessary and reasonable, in order to carry out the common, joint and shared aspects of The Cove Creek Club, Inc.

4.3. Elections And Terms Of Office.

Elections for Directors shall occur at the spring Membership meeting of The Cove Creek Club, Inc. The terms of the office of the Directors shall be three years or until their successors have been elected.

The terms of office and elections thereof shall be on a rotational basis of a three year cycle: two Directors the first year, two the second year, and one in the third year. No Director shall hold office for more than two consecutive full terms, not including partial terms created by vacancies.

4.4. Vacancies.

Less than three vacancies on the Board of Directors shall be filled by a majority vote of the remaining Directors. Any such Director so elected shall hold office for the remaining term(s) of the vacated position(s).

Should three or more vacancies occur simultaneously for any reason:

- a. The remaining Director(s) shall constitute a quorum of the Board of Directors until the vacant positions are filled by an election at a Special Meeting of the Membership for the terms remaining of the vacant position.
- b. The election at the Special Meeting of the Members shall occur within 45 days of when the vacancies occurred and in accordance with election process provided for in Section 7.3.
- c. Should all Director positions become simultaneously vacant due to any reason, then the Chairpersons of the Standing Committees shall serve as the interim Board of Directors until the election and Special Meeting of the Membership occurs to fill the vacancies.

If a Director incurs three consecutive unexcused absences from Board Of Directors meetings without good cause, that Director's position shall be deemed vacant and the Board shall proceed according to this Article to fill the vacancy. For purposes of this Article, a majority of the Board shall have the right to determine the reasonableness of a requested excused absence.

4.5. Removal of Directors.

At any regular or Special Membership meeting duly called, a Director may be removed by a vote of a majority of all Membership votes eligible to be cast. Vacated positions will be filled as provided for in Section 4.4.

No Director shall be removed without at least fifteen business days written notice from the Secretary to the Director of the intention of the Members to vote on the issue of removal. Any Director up for removal shall have the opportunity to be heard at this Membership meeting before the vote on removal is taken. If more than one Director is up for removal at the meeting the vote on removal shall occur separately for each Director facing removal.

4.6. Meetings of the Board.

Meetings of the Board shall be of two types: regular Board meetings and closed session Board meetings. A quorum of the Board shall consist of a majority of the Board. An act of a majority of the Directors participating at a meeting at which a quorum of the Board is represented shall be the act of the Board of Directors. To the extent possible, regular Board meetings shall be conducted in the evenings or at other times that would not be considered normal working hours.

4.7. Regular Board Meetings.

The Board shall hold regular meetings at least quarterly to conduct the business of The Cove Creek Club, Inc. The President shall provide three days written or oral notice to the Board members of such meetings. The Board shall post reasonable notice to the Membership of regular Board meetings. The regular Board meetings shall be open to all Members and the agenda shall provide an opportunity for Members to ask questions and/or provide comments to the Board.

4.8. Closed Session Meetings of the Board.

No meeting of the Board may be held in closed session except for the following purposes:

- a. Discussion of matters pertaining to employees and personnel;
- b. Protection of the privacy or reputation of individuals in matters not related to The Cove Creek Club, Inc.;
- c. Consultation with legal counsel;
- d. Consultation with staff personnel, consultants, attorneys, or other persons in connection with potential or pending litigation;
- e. Investigative proceedings concerning possible or actual criminal misconduct;
- f. Consideration of the terms or conditions of a business transaction in the negotiation stage if the disclosure could adversely affect the economic interest of The Cove Creek Club, Inc.;
- g. Compliance with a specific constitutional, statutory, or judicially imposed requirement protecting particular proceedings or matters from public disclosure; or
- h. On an individually recorded affirmative vote of two-thirds of the Board members present, for some other exceptional reason so compelling as to override the general policy in favor of open Board meetings.

If a meeting is held in closed session under the above provisions of this Article:

- a. An action may not be taken and a matter may not be discussed if it is not permitted by this Article;
- i. A statement of the time, place, and purpose of any closed meeting, the record of the vote of each Board member by which any meeting was closed, and the authority under this Article for closing any meeting shall be included in the minutes of the next regular meeting of the Board of Directors; and
- j. To the extent deemed reasonable and appropriate by the Board, decisions made in any closed meeting shall be recorded in the minutes of the next regular meeting.

4.9. Director Compensation and Expenses.

No Director shall be entitled to receive compensation as a result of being a Director or for performing any responsibility to the Corporation. Directors shall be entitled to reimbursement for any reasonable expenses incurred on behalf of, and for the benefit of, the Corporation. However, in the event a Director reasonably anticipates that such expenses will exceed \$200. such expenditure must be pre-approved by the unanimous consent of the remaining Directors.

ARTICLE FIVE - OFFICERS

5.1. Designation of Officers.

The officers of The Cove Creek Club, Inc. shall be the President, Vice President, Secretary and Treasurer and such other officers as the Board may deem appropriate to create by resolution. The officers shall be elected by a majority vote of the Directors and shall serve until their successor is selected and assumes office. Officers serve at the pleasure of the Board and may be removed by the Board with or without cause. All officers must be Members of The Cove Creek Club, Inc. All powers and duties of the officers shall be consistent with and subject to the Articles of Incorporation, the Declaration of Covenants and the Bylaws.

5.2. President.

The President shall be the chief executive officer of The Cove Creek Club, Inc. The President shall have all the general powers and duties normally vested in the President of a corporation. The President shall preside over all meetings of Directors and all meetings of the Membership, and shall see that orders and resolutions of the Board are carried out and shall sign corporate documents of the Corporation as determined by the Board. The President must be a Director.

5.3. Vice President.

The Vice President shall acquire and perform all of the powers and duties of the President in the absence of the President and shall perform such other duties as may be assigned. The Vice President must be a Director.

5.4. Secretary (Corporate).

The corporate Secretary shall perform all duties incident to the office of the Secretary of a Board of Directors, perform all duties prescribed for the Secretary in the Bylaws and the Declaration of Covenants and record the votes and maintain the minutes of all proceedings of the Board in a book to be kept for that purpose. The Secretary shall sign all certificates of Membership. The Secretary shall maintain and keep the records of the Corporation, including those records identified in section 4.2 (p) hereof, and shall record in an appropriate book the names of all Members of the Corporation together with their addresses as registered by the Members. The Secretary shall produce such records as may be requested by a Member pursuant to Article Nine of the Bylaws. Administrative tasks, such as recording of minutes of meetings and distribution of documents, may be assigned to assistants such as a recording secretary or office staff by the Secretary, other officers, and members of the Board of Directors.

5.5. Treasurer.

The Treasurer shall oversee The Cove Creek Club Inc. funds and securities and shall ensure that full and accurate accounts of receipts and disbursements are kept of funds belonging to the

Corporation and that deposits of all monies and other valuable effects are made in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall research and recommend investment of corporate assets. The Treasurer shall render to the President and the Board of Directors at its regular meetings, or when the Board of Directors so requires, an accounting of all his or her transactions of the Corporation and the financial condition of the Corporation.

5.6. Financial Authority.

Distribution of funds, including issuance of checks and any other financial transactions shall be approved and signed according to procedures adopted by the Board.

5.7. Other Duties.

In addition to the duties specified above in this Section, each officer shall perform other duties as the Board of Directors may, by resolution, determine.

ARTICLE SIX - OBLIGATIONS OF THE OWNERS

6.1. Assessments.

All Owners are obligated to pay the assessments imposed by The Cove Creek Club, Inc. in accordance with the Declaration of Covenants and the Bylaws. A Member shall be deemed to be in good standing and entitled to vote at any meeting of the Membership, within the meaning of the Bylaws, only if all assessments or other financial obligations made or levied against the Member and the Private Lot owned by the Member are not delinquent as defined in Section 6.6 of this Article.

6.2. Annual Assessments.

Annual assessments are to be paid no later than quarterly and are due on the first day of the first month of each quarter.

Effective beginning with the proposed annual assessment for 2006, a proposed annual assessment per Private Lot for an upcoming budget year that incurs an increase greater than four percent (4%) of the current collected (invoiced) annual assessment shall be subject to the following provisions:

1. If the increase exceeds the current rate of inflation, the increase shall not be effective until approved by two-thirds of a quorum of the Membership.
2. The current rate of inflation is to be calculated using the most recent July-to-July annual change of the Consumer Price Index, All Urban Consumers, Not Seasonally Adjusted, All Items, Washington D.C.– Baltimore Area as published by the Bureau of Labor Statistics.

The inflation rate used to determine the amount of a potential annual assessment increase shall only be computed using the most recent, single year-to-year basis of the percent of change from

the current year's July consumer price index (specified in this Section) compared to the previous year's July index. Cumulative increases of any form or indexes and inflation rates from earlier time periods shall not be considered or applied to the computation.

6.3. Special Assessments.

Article IV Section 4.5 of the Declaration of Covenants provides for and defines Special Assessments of The Cove Creek Club, Inc. Except for Special Assessments imposed on individual Members by the Board of Directors after notice of a hearing, the amount and the terms of payment of the Special Assessment by the Members are subject to the approval of two-thirds of a quorum, which votes shall be cast by written ballot. The votes are to be tallied at a Membership meeting duly called for the purposes of addressing the Special Assessment.

6.4. Capital Contribution.

There is hereby imposed a Capital Contribution of 1.5 times the Annual Assessment in effect at the date of settlement which shall be applicable to all subsequent sales of Lots within the Cove Creek Club effective January 1, 2009, and which shall be due and payable to the Cove Creek Club by the purchaser of a Lot at settlement. Each purchaser of a Lot, by acceptance of a Deed therefore, shall be deemed to covenant and agree to pay to the Cove Creek Club such Capital Contribution to assist with funding the operation of the Cove Creek Club. Such Capital Contribution shall be in addition to other Assessments, both Annual and Special, and shall not be considered an advance payment of Assessments. If unpaid, the Capital Contribution shall be collectable in the same manner as other Assessments levied by the Cove Creek Club.

The following conveyances shall be exempt from payment of the Capital Contribution fee:

- (a) by a co-owner to any person who was a co-owner immediately prior to such conveyance;
- (b) to an owner's spouse, father or mother, son or daughter, or grandchild;
- (c) to the owner's estate, surviving spouse, or other heirs resulting from the death of an owner;
- (d) to a trustee or the owner's spouse, without a change in occupancy, solely for estate planning or tax reasons;
- (e) to the Cove Creek Club, Inc. pursuant to a final judgment of foreclosure or deed in lieu of foreclosure.

Provided, however, that upon a resale that occurs following an exempt sale described in (a), (b), (c), (d) or (e) above, the Capital Contribution shall be due and payable.

6.5. Compliance.

Each Member shall comply strictly with the provisions of the Articles of Incorporation and the Declaration of Covenants, the Bylaws, and other rules and regulations of the Corporation.

6.6. Member Registration.

Each Member shall register his/her address with the Secretary and notices of meetings shall be mailed to such address.

6.7. Delinquency.

Any annual assessment, special assessment or other financial obligations by the Member to the Corporation that is not paid by the due date shall be deemed delinquent.

6.8. Interest and Late Charges.

Unless otherwise determined by the Board, interest shall accrue on any delinquency as defined in Section 6.7 at the maximum rate permitted by Maryland law or any other rate set by the Board of Directors per year for any obligation not paid within 30 days after the date of delinquency and the obligation shall bear interest from the date of delinquency. In addition, a late charge of one tenth of the total amount of any delinquency may be imposed provided the charge may not be imposed more than once for the same delinquency.

ARTICLE SEVEN - OPERATIONS OF THE COVE CREEK CLUB, INC.

7.1. Committees.

The standing committees of the Corporation shall be:

- The Nominating Committee,
- The Election Committee,
- The Budget and Finance Committee,
- The Audit Committee, and
- The Architectural Control Committee.

The Board may appoint such other committees as is deems desirable. All committees shall consist of a chairperson and two or more members that may include a member of the Board of Directors.

The Board shall appoint the chair of all committees and the Board may either appoint other committee members thereof or leave such appointments to the committee chair.

The chairpersons of any standing committee shall not be an officer or Director nor shall they be in the same family or household of any officer or Director.

The chairperson of each committee must be a Member of The Cove Creek Club, Inc. Other than the chair, members of the committees may be either Members or non-Members of the Corporation.

It shall be the duty of each committee to solicit and receive suggestions from the Members of the Corporation on any matter involving Corporation functions, duties, and activities within its field

of responsibility. It shall handle suggestions, as it deems appropriate, or refer them to such other committee, officer or Director.

Committee chairs and members shall serve at the discretion of the Board of Directors. The Board shall establish a policy concerning tenure of committee chairs and members following principles designed to both maximize the use of talents available among the Membership, and the participation of as many Members as practical in the operation of the Corporation.

To the extent reasonable, Committee meetings shall be open to all Members and reasonable posted notice thereof provided to the Members. Committees may assemble among themselves in working sessions.

7.2. The Nominating Committee and the Process of Nominating Directors.

Nominations for election to the Board of Directors shall be solicited and made by the Nominating Committee except when a vacancy exists pursuant to Section 4.4 and 4.5 of the Bylaws.

The Nominating Committee shall consist of three or more Members. The members of the Nominating Committee shall be established at least ninety days prior to the election and serve until their successors are appointed. Nominating Committee members, including the chairperson, may serve no more than three consecutive years.

At least seventy-five days prior to the election, the Nominating Committee shall advise the membership of the procedure for Members to file a notice of candidacy with the Nominating Committee. Such notice shall include a standard set of information about the candidate.

At least thirty-five days before the election, the Nominating Committee shall provide the Election Committee the names of all Members who filed a notice of candidacy and any other Members the committee identified to be on the ballot for the election, but no fewer than the number of vacancies that are to be filled.

At any time between thirty and seven days prior to the election, the Nominating Committee shall make available to the Membership information about the candidates through a variety of mechanisms, such as a forum for the candidates to address the Membership to present themselves and their positions on issues, and to provide question and answer sessions between the candidates and the Members.

7.3. The Election Process.

Elections to the Board, except for those elections or appointments of Directors made as provided by Section 4.5 of the Bylaws, shall be made by secret, signed written ballot that shall:

- a. Describe the vacancies to be filled;
- b. Set forth the names of all candidates for such vacancies;

- c. Contain one or more spaces for a write-in vote by the Members for each vacancy; and
- d. Be mailed to the Members at least thirty days in advance of the date set forth therein for a return (which shall be a date and time not later than the day of the regular or Special Meeting called for elections). The mailings shall be by internal Cove Creek Club office mail or by uncertified mail, postage prepaid

The persons receiving the largest numbers of votes shall be elected. Cumulative voting shall not be permitted.

The Election Committee shall consist of three Members who shall be responsible for maintaining the safekeeping of the ballots once collected by the Secretary or such other officer of the Corporation deemed responsible. The Committee shall follow such verification procedures as may be adopted by the Board regarding votes cast, eligibility, genuineness of signatures, validity of proxies and such other matters that will insure a fair election.

7.4. Budget and Budget Process.

The Board of Directors and the Treasurer shall have the principal responsibility of formulating the annual budget addressing the financial matters of the Corporation, including providing quarterly financial projections for the current budget year and supervising periodic analysis of the reserve funds.

The Corporation shall establish and maintain three separate reserve funds: for operations, for maintenance and for capital improvements. The reserve funds are the Operations Reserve, the Maintenance Reserve, and the Capital Improvement Reserve. Such reserves shall be deemed to be common expenses of the Corporation.

Initially, the three reserve funds shall be funded by the existing Capital Reserve Fund which they replace.

Each budget year annual assessments, Special Assessment income and all other income are applied to the overall budget as income. Expenditures to the Reserves are Distributions from Income. Remaining income is allocated to Operating Expenses.

The Operating Committees and/or Directors shall submit Maintenance and/or Capital Improvement project proposals to the Treasurer for the upcoming year no later than August 10th of each year. The Treasurer, with input from the Budget Committee, the Long Range Planning Committee and the Operating Committees shall then recommend to the Board of Directors the projects, their descriptions and costs thereof to be considered as Maintenance Reserve or Capital Improvement Reserve projects.

The Board of Directors and the Treasurer shall then consider the proposals and develop the Maintenance Reserve and Capital Improvement Reserve budgets and target level of the Maintenance Reserve for the upcoming year based on proposals that the Board considers prudent to include in the annual budget.

Any year end surpluses from Operating Expenses shall be carried forward to the following year's budget as income to help offset the upcoming year's budget funding. Any year end surpluses in any of the three reserves shall also be carried forward to the following year's budget as income.

Distributions (funds) for projects not approved by the Membership shall be de-allocated from Distributions from Income in the budget.

The budget presented shall contain the maximum amount of assessments (dues) for the budget year with the understanding that the final amount of assessments may be lower dependent on reserve projects approved or disapproved by the Membership.

The Membership shall approve the following budgetary issues by an affirmative vote of a majority of a quorum at the fall Membership meeting:

A line item vote on all proposed Capital Improvement projects;

A line item vote on all proposed Maintenance Reserve projects over \$10,000;

The target level of the Maintenance Reserve: and

The overall budget.

The Membership shall approve an annual Distribution of Income to the Capital Improvement Reserve greater than 5% of annual assessment income of the proposed budget by an affirmative vote of two-thirds (2/3) of a quorum.

The Board shall also satisfy the following requirements before presenting the budget and related items to the Membership:

- a. The Board shall provide to the Membership, at least 15 business days prior to the Fall Membership meeting copies of the budget, including current year budget projections.
- b. The Board shall accept for consideration written Member suggestions for the budget in order to revise the budget as may be appropriate and to make the final budget available to the Membership during the Fall Membership Meeting. The written Member suggestions shall be due to the Board no later than 5 business days prior to the Fall Membership Meeting.

7.5. The Audit Committee.

As directed by the Board of Directors, the Audit Committee shall conduct an annual reconciliation and review of the Corporation's accounting books, and a spot review of selected financial transactions throughout the year and present the results of these reviews to the Board and to the Members. The Audit Committee shall supervise a financial review by an independent

certified accountant every three years and present the results to the Board and to the Membership.

7.6. The Architectural Control Committee.

The Architectural Control Committee (ACC) also shall serve as an advisory resource and encourage, promote and enforce the recommendations and guidelines defined in the current edition of the Cove Creek Design Guide. The responsibilities and procedures of the Architectural Control Committee are set forth in Article V and Article VI of the Declaration of Covenants.

7.7. Contractual Policies.

The Cove Creek Club Inc., under the direction of the Board, may enter into any contract to perform the business of The Cove Creek Club, Inc. provided, however, that no contract whose life cycle expenditure is greater than \$5,000 may be approved or entered into unless:

- a. A description of the proposed contractual terms, including the intended Scope of Work has been written, is on file, and is used to solicit bid(s),
- b. Three bids are obtained, or
- c. A written waiver of (b) above or a sole source justification is filed with and approved by the Board.

7.8. Employees.

The Board may hire employees consistent with funds available in the annual budgets. The Corporation shall prepare and maintain position descriptions that include a description of the job, salary, benefits, supervisor, and other information as appropriate for each position.

The Board shall obtain the unanimous consent of all Directors to employ any person:

- a. Who is a Member of the Corporation.
- b. Who has a family or household member currently employed by the Corporation.

The Board shall not employ:

- a. Any person who is a family or household member of a Director or officer
- b. A Member in any position that provides employees benefits.

7.9. Debt.

The total accumulated debt by the Corporation at any time may not exceed 50% of the then current total annual assessments without approval of an affirmative vote of a majority of all Membership votes eligible to be cast at a Membership meeting, as defined under Section 2.3. Debt is defined and limited in this section to mean any secured or unsecured loans, on

Community Property. Debt does not include payables incurred in the course of normal business, including, but not limited to, contracts for services and/or maintenance.

7.10 Reserve Funds.

7.10.1 Operations Reserve.

The Corporation shall establish and maintain an Operations Reserve for the purpose of prudent provision for unanticipated operating expense contingencies.

The Operations Reserve balance shall be established each year by the Board of Directors on the recommendation of the Treasurer. Such balance shall be adequate to cover any unanticipated operating costs incurred by the Corporation, but shall not exceed seven percent (7%) of the total operating costs of the proposed annual budget.

The Operations Reserve shall be funded by a distribution of a portion of the annual income.

7.10.2 Maintenance Reserve.

The Corporation shall establish and maintain a Maintenance Reserve for the purpose of effecting the maintenance and replacement of the real and personal property of the Corporation. Expenditures may also be made for non-recurring critical operating expenses not able to be provided for from the Operating Reserve.

The Board of Directors shall establish an annual target level equal to or greater than seventy percent (70%) of the proposed budget operating expenses and in doing so consider the recommendations of target levels from the Treasurer, the Long Range Planning Committee and the Finance Committee.

If the end-of-year balance falls below the target level, Distributions of Income to the fund shall be adjusted for the next fiscal year to bring the balance to the target level to the extent reasonably possible. If the end-of-year balance falls sufficiently below the level to require more than one year to bring the balance up to the target level, the Board of Directors shall establish a plan that will bring the balance up to the target level in a reasonable period of time.

Funds approved by the Membership for Maintenance Reserve projects may only be used for those specific projects.

Maintenance projects whose total cost is less than \$5,000 are considered operating costs and not considered for funding from the Maintenance Reserve.

7.10.3 Capital Improvement Reserve.

The Corporation shall establish and maintain a Capital Improvement Reserve for the purpose of effecting upgrades, improvements and additions to the Community Properties and facilities.

The portion of annual assessment income allocated to funding the Capital Improvement Reserve may not exceed five percent (5%) of the total annual assessment income of the proposed budget without the affirmative vote of two-thirds (2/3) of a quorum of the Membership at any duly called regular or special meeting of the Membership.

The Capital Improvement Reserve balance shall be established each year by the Board of Directors on the recommendation of the Treasurer. Funds approved for Capital Improvement Reserve projects by the Membership may only be used for those specific projects.

Any debt incurred for purposes of capital improvement must be serviced by funds available from the Capital Improvement Reserve.

Capital Improvement projects whose total cost is less than \$5,000 are considered operating costs and not considered for funding from the Capital Improvement Reserve.

7.11 Communication.

The Board shall provide to all Members an oral or written report, at least quarterly, covering the activities of the Corporation including the issues addressed or being addressed by the Board, decisions of the Board, resolutions, committee reports and summaries of Board and Membership meetings.

7.12 Community Property.

7.12.1. Subdivision of Community Real Property.

The Cove Creek Club, Inc. shall have the right to subdivide or sell Community Properties subject to the following conditions precedent:

- a. That written notice of the proposed action, providing the relevant terms thereof is sent to every Member at least 30 days prior to a required vote for such action; and
- b. That any such proposed action be approved by a vote of two-thirds of all Membership votes eligible to be cast.

7.12.2. Sale of Community Real Property.

The Cove Creek Club, Inc. shall have to right to sell Community Real Properties subject to the following conditions precedent:

- a. That written notice of the proposed sale providing the relevant terms of the sale is sent to every Member at least 30 days prior to a required vote for such actions. The notice shall include the selling price, the appraised value, and the terms of the sale; and

- b. That any such proposed sale be approved by a vote of two-thirds of all Membership votes eligible to be cast.

7.12.3. Dedication or Transfer or Community Property.

The Cove Creek Club, Inc. shall have the right to dedicate or transfer all or any part of the Community Properties to any public agency or authority subject to such conditions as may be agreed to by the Members, and further subject to the following conditions precedent:

- a. That written notice of the proposed action providing the relevant terms thereof is sent to every Member at least 30 days prior to a required vote for such action; and
- b. That any such proposed action be approved by a vote of two-thirds of all Membership votes eligible to be cast.

7.12.4 Easements and Rights of Way of Community Property.

The Cove Creek Club, Inc., through its Board of Directors, shall have the right to grant easements and rights of way to utility companies, public agencies or authorities, as the Board shall deem necessary.

7.12.5 Use of Community Property and Facilities.

The Cove Creek Club, Inc., shall not allow non-members (other than legitimate guests as defined by Corporation policy) the right of general, regular use of the golf course, marina, breezeway, or other community facilities, except for non-recurring use beneficial to the Corporation. Such non-recurring use must be approved by the Board or by a vote of two-thirds of a quorum at a regular or Special Meeting of the Membership, held after written notice providing the relevant terms of the proposed use is sent to every Member at least 30 days prior to the meeting.

ARTICLE EIGHT - AMENDMENTS TO THE BYLAWS

8.1. Amendments

The Bylaws may be amended by the affirmative vote of a majority of all Membership votes eligible to be cast, which shall be cast at a regular or Special Meeting of the Membership.

Amendments to the Bylaws may be proposed by the Board of Directors or by any Member in good standing. A description of any proposed amendment, including any properly submitted and voted upon amendments thereto, shall be set forth in a written notice distributed by the Secretary to the Membership at least thirty days prior to the Membership meeting at which such proposed amendment is to be voted upon.

ARTICLE NINE - GENERAL PROVISIONS

9.1. Review of Records and Books

The financial records, books, and other records, of the Corporation shall at all times, during business hours, be subject to the inspection of any Member. Any Member shall be allowed to have copies of any of the corporate records. To the extent reasonable, records shall be produced no later than three business days following a request from a Member to review. The Secretary may determine to apply a reasonable charge for copies produced as determined by the volume of copies requested by the Member.

9.2. Indemnification of Directors or Officers.

The Corporation shall indemnify its Directors, officers, and others subject to the following provisions:

- a. To the maximum extent permitted by the laws of the State of Maryland, and subject to compliance with any procedures and other requirements prescribed by said laws, any person who is, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he (i) is or was a Director or officer of the Corporation or of a predecessor of the Corporation, or (ii) is or was a Director or officer of the Corporation or of a predecessor of the Corporation and is or was serving at the request of the Corporation as a Director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan, shall be indemnified by the Corporation against judgments, penalties, fines, settlements and reasonable expenses, including attorneys' fees, actually and necessarily incurred by him in connection with such action, suit or proceeding, or in connection with any appeal therein (which reasonable expenses may be paid or reimbursed in advance of final disposition of any such suit, action or proceeding) except in relation to matters as to which he shall be adjudged or determined in such claim, action, suit or proceeding to have acted in bad faith and outside the scope of his authority or to have acted in a grossly negligent manner or with willful misconduct.
- b. To the maximum extent permitted by the laws of the State of Maryland, and subject to compliance with any procedures and other requirements prescribed by said laws, any person who is, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he (i) is or was an employee or agent of the Corporation or of a predecessor of the Corporation, or (ii) is or was an employee or agent of the Corporation or of a predecessor the Corporation and is or was serving at the request of the Corporation as a Director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan, may (but need not) be indemnified by the Corporation against judgments,

penalties, fines, settlements and reasonable expenses, including attorneys' fees, actually and necessarily incurred by him in connection with such action, suit or proceeding, or in connection with any appeal therein (which reasonable expenses may be paid or reimbursed in advance of final disposition of any such suit, action or proceeding) except in relation to matters as to which he shall be adjudged or determined in such claim, action, suit or proceeding to have acted in bad faith and outside the scope of his authority or to have acted in a grossly negligent manner or with willful misconduct.

- c. To the extent permitted by the laws of the State of Maryland, the Corporation, or a subsidiary or an affiliate of the Corporation, may (but need not) purchase and maintain insurance or similar protection, including, but not limited to, a trust fund, letter of credit or surety bond, on behalf of any person who is or was a Director, officer, employee, or agent of the Corporation, or who, while a Director, officer, employee or agent of the Corporation, is or was serving at the request of the Corporation as a Director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, or agent of another foreign or domestic corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan against any liability asserted against and incurred by such person in any such capacity or arising out of such person's position except in relation to matters as to which he shall be adjusted or determined in such claim, action, suit or proceeding to have acted in bad faith and outside the scope of his authority or to have acted in a grossly negligent manner or with willful misconduct, whether or not the Corporation would have the power to indemnify against liability under the provisions of this Section.
- d. Neither the amendment or repeal of this Article, nor the adoption or amendment of any other provisions of the Bylaws or Articles of Incorporation of the Corporation inconsistent with this Article, shall apply to or affect in any respect the applicability of this Article with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.
- e. The foregoing right of indemnification and advancement of expenses shall not be deemed exclusive of any other rights to which any officer, Director, employee or agent of the Corporation may be entitled apart from the provisions of this Article.

9.3. Order of Precedence.

In the event of a conflict between Maryland Law, the Declaration of Covenants, the Articles of Incorporation and the Bylaws, Maryland Law, the Declaration of Covenants, the Articles of Incorporation and the Bylaws shall control (in that order).

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