

Bylaws of the Leisure World Community Corporation

ARTICLE I. IDENTIFICATION AND PURPOSES

Section 1. Identification. These Bylaws apply to the operation of the Leisure World Community Corporation (LWCC), established in Maryland as a non-stock membership organization under its Articles of Incorporation. The principal office of the Corporation is 3701 Rossmoor Boulevard, Silver Spring, Maryland 20906.

Section 2. Definitions. The term "Mutual" means a housing cooperative, homeowners' association, or condominium that is a member of the Leisure World Community Corporation; the term "unit owner" means the owner of a membership in a cooperative, homeowners' association, or of a housing unit in a condominium; and the term "Trustee" means the Trustee of the Leisure World of Maryland Trusts referred to in the Articles of Incorporation. Wherever the terms "he", "him", or "his" appear herein, they shall be read as "he/she," "him/her," and "his/hers," respectively. The terms "Board of Directors" and "Board," as they appear herein, are used interchangeably, and both refer to the "Leisure World Community Corporation Board of Directors." On June 27, 2006, the former terms "Councilor," "Councilors," and "Community Council" were changed to "Director," "Directors," and "Board of Directors," respectively, to conform with current and foreseeable usage and to be consistent with the Articles of Incorporation of the Leisure World Community Corporation.

Section 3. Purposes. The purposes of the Corporation are stated in Article Four of the Articles of Incorporation. To further those purposes, the Corporation shall, among other things

- (a) Establish an organization for the formulation and execution of policies and programs;
- (b) Issue rules for the use and preservation of facilities and property in Leisure World and for participation in activities managed by the Corporation, subject to such concurrence by governmental authorities or the Trustee, if other than LWCC, as may be necessary;
- (c) Inform the Trustee, if other than LWCC, Boards of Directors of the Mutuels, and unit owners about community developments, problems and needs, and recommend policies and programs for their consideration; and
- (d) Represent the Leisure World community before private and governmental bodies.

In all of its activities, the Corporation shall give special consideration to the communal nature of its functions and the interdependence of the welfare of the several Mutuals, and shall recognize the high importance of promoting a spirit of unity and a sense of equity and cooperation throughout the community.

ARTICLE II. CORPORATE ORGANIZATION

Section 1. The Board. The Corporation shall operate under the direction of a Board of Directors comprising Directors chosen by and representing each member of the Corporation, as provided in the Articles of Incorporation and these Bylaws.

Section 2. Officers of the Board. The officers of the Board are a Chairman, a Vice Chairman, an Executive Secretary, who shall also be Treasurer, and such other officers (but not more than two) as the Board determines to be desirable.

Section 3. Committees. The Board shall establish an Executive Committee and standing and other advisory committees in accordance with these Bylaws.

Section 4. Operating Officers and Staff. The Corporation may employ staff and designate officers (including, as necessary, a president, one or more vice presidents, a treasurer, and a secretary) to administer its affairs and promote its purposes in accordance with the decisions of the Board.

ARTICLE III. THE BOARD OF DIRECTORS

Section 1. Directors and Alternates. Each Mutual is entitled to select Directors, qualified under the provisions of Section 2 of this Article, to cast its votes and otherwise represent it on the Board of Directors. Each Mutual may also select Alternate Directors who, in accordance with Section 5 of this Article, may represent the Mutual when its Director is absent. Such selections shall be made in accordance with procedures established by the Mutual. A Mutual may select more than one alternate for each Director; if it does so, it shall specify in writing any conditions governing the service of the alternates, including their order of precedence.

Section 2. Qualifications of Directors. Any person who is a resident unit owner may serve as a Director, so long as he is not an employee of the Corporation or its subsidiaries, the Trustee, the community developer or one of its affiliates, or an organization that maintains a business office in the community. Each Mutual shall, except in compelling circumstances reported to the Board, appoint to the Board only a person who, at the time of appointment, is a director of a Mutual or has served as a director of a housing cooperative, homeowners' association, or condominium within the community, and ordinarily occupies his unit in the community for at least nine months a year. Any of the foregoing qualifications may be waived by a majority of votes cast, in accordance with Article VI, Section 7.

Section 3. Replacement of Directors. The successor to a Director shall take office following the receipt by the Executive Secretary of written notification from the Mutual the Director is to represent confirming the effective date of his appointment and his eligibility to serve.

Section 4. Term of Office; Removal. Nothing in these Bylaws prevents a Mutual from establishing a fixed term of office for, or from removing, its Director or Directors at any time. The Board, by an affirmative vote of two-thirds of the Directors, may recommend to a Mutual the removal of its Director for cause.

Section 5. Alternate Directors. The provisions of these Bylaws that are applicable to the selection, qualifications, replacement, removal, and other aspects of the position of Director equally apply to the position of Alternate Director. An Alternate Director, when serving in place of a Director, acquires the full status and powers of a Director under these Bylaws, but assumes no other position that may be held by the Director in whose place he serves.

ARTICLE IV. RESPONSIBILITIES OF THE BOARD

Section 1. Functions and Authority. The Board is responsible for furthering the purposes of the Corporation. To that end, it may perform all the functions of the Corporation under the provisions of any law, the Articles of Incorporation, and these Bylaws. The Board has the authority, among other things—

(a) As agreed with the Trustee, if other than LWCC, to manage, develop, and otherwise care for the real property and other assets of the Leisure World of Maryland Trusts, and to carry out other responsibilities of the Trustee;

(b) As agreed with the Mutual, to manage, develop, and otherwise care for the real property and other assets of the Mutual, and to carry out other responsibilities of the Mutual;

(c) To engage and organize a staff, define standards of performance and conduct, determine rates of compensation, establish programs of employee benefits, and otherwise maintain a system for the employment and termination of personnel;

(d) For its own account, or at the direction and for the account of the Trustee or a Mutual, to contract for construction, for the purchase or rental of materials, equipment, and other facilities, and for the acquisition of professional, technical, or any other necessary services, and to contract for the sale or lease of materials, equipment, and other facilities, and for the supply of services, surplus to current or prospective needs;

(e) To initiate, maintain, intervene in, settle, or appeal legal, equitable, or other governmental or judicial proceedings on behalf of members of the Corporation;

(f) To organize, establish facilities for, and administer programs of education and

recreation, as well as other programs that reflect the interests of Leisure World residents and are designed to promote their health and welfare;

(g) Subject to such concurrence of governmental authorities, the Trustee, if other than LWCC, and Mutuals as may be necessary, to issue rules on the use, conservation, and protection of property and facilities within the Leisure World community for which the Corporation has any responsibility, including measures that may be taken if such rules are violated;

(h) To establish from time to time fees and charges for services and facilities provided by the Corporation to the Trustee, if other than LWCC, the Mutuals, residents of the community, or guests; and

(i) Within any limitations agreed with the Trustee, if other than LWCC, or with any Mutual, to collect funds payable to the Corporation and to deposit, invest, or disburse them for any purpose that is consistent with the budget or is otherwise appropriate to the exercise of its responsibilities.

Section 2. Delegation of Authority. The Board may delegate in writing to an officer or other employee of the Corporation or any of its subsidiaries, or to an officer of the Board, or to the Executive Committee, any of its authority, except the amendment of Bylaws, the election or removal of officers of the Board or other members of the Executive Committee, or the making of a recommendation to a Mutual that it remove a Director, and may withdraw in writing any authority it has delegated.

ARTICLE V. OFFICERS OF THE BOARD

Section 1. Election. The officers of the Board, as provided for in Article II, Section 2, shall be elected by and from the Directors at the first meeting of the Board in each calendar year. If no candidate receives a majority of the votes cast, an election shall be decided by a runoff of the two candidates receiving the largest number of votes.

Section 2. Term of Office. An officer shall take office upon his election; his term shall end with the election of his successor.

Section 3. Removal. The Board, by an affirmative vote of two-thirds of the Directors, may remove an officer for cause, but only after he has been notified in writing of the charges against him and has been given a reasonable opportunity to reply in writing and appear before the Board.

Section 4. Replacement. When an office established pursuant to Article II, Section 2, is vacated before the term of its incumbent expires, the Board, at its next regular meeting or at a special meeting called for the purpose, shall elect a Director to complete the term.

Section 5. The Chairman. The Chairman of the Board is its chief executive

officer, as well as the Chairman of the Executive Committee. He shall preside at all meetings of the Board and the Executive Committee; appoint all committees (except the Executive Committee), subject to the approval of the Board; and have the powers usually vested in the principal officer of an organization that are consistent with these Bylaws and the decisions of the Board. He may attend any meeting of any committee.

Section 6. Vice Chairman. The Vice Chairman of the Board acts in place of the Chairman whenever the Chairman is absent or unable to act. He shall perform other duties assigned to him by the Chairman with the approval of the Board.

Section 7. Executive Secretary. The Executive Secretary is responsible for providing for the preparation and preservation of adequate records of the proceedings and activities of the Board, the Executive Committee, and other committees of the Board. He shall prepare or have prepared the minutes of the Board and the Executive Committee, and shall direct the distribution of their notices of meetings, agendas, and minutes. He shall also prepare or have prepared reports on the actions of the Board for the information of the Mutuels and the Leisure World community. The Executive Secretary acts in place of the Chairman whenever the Chairman and Vice Chairman are absent or unable to act. The Executive Secretary shall also be Treasurer.

ARTICLE VI. PROCEEDINGS OF THE BOARD

Section 1. Place of Meeting. Meetings of the Board shall be held at the principal office of the Corporation, unless, because of special circumstances, the Chairman or the Board determines that another site, which shall be reasonably convenient to Directors, must be selected.

Section 2. Agenda. The Chairman shall be responsible for preparing a written agenda for each meeting of the Board. The manner and timing of when agenda submissions are due and who may add items to the agenda will be determined by the Board as part of the current approved operating procedures.

Section 3. Frequency of Meetings. The Board shall meet at least once each month, except that the Board may decide, if no more than two Directors dissent, to omit a monthly meeting. The Chairman may call a special meeting at his own initiative and shall promptly convene a special meeting at the written request of three or more Directors. The purpose of a special meeting shall be stated in the notice of the meeting, and the business of the meeting shall be limited to its stated purpose.

Section 4. Participation in Meetings. Any resident or unit owner or other person entitled by law to attend a Board meeting may, as an observer, attend any such meeting other than a meeting lawfully closed, in whole or in part, by the Board. Participation of such residents, owners or others will be in accordance with the LWCC Board of Directors Open Forum Policy.

Section 5. Notice of Meetings; Waiver. The Executive Secretary shall arrange for

the distribution to Directors, at least 24 hours in advance of a Board meeting, whether regular or special, of a notice of the meeting, including its time and place and its agenda or purpose. In emergency circumstances, notice may be provided to Directors by telephone or email. Attendance by a Director at any Board meeting constitutes a waiver by him of the requirements of this section for that meeting.

Section 6. Quorum. A quorum of the Board means a majority of the Directors whose aggregate voting power exceeds one-half the aggregate voting power of all Directors in office, if a majority of the Mutuals are then represented. For the purposes of this section, a Mutual is considered to be represented if any Director appointed by that Mutual is present. If any meeting of the Board lacks a quorum, the Directors present may adjourn the meeting from time to time without repeating notice of its purpose.

Section 7. Voting. Except for actions under Article III, Section 4, and Article V, Section 3, when each Director shall have one vote, Directors may cast the number of votes provided for in the Articles of Incorporation. Unless otherwise specified in these Bylaws, a majority of the votes cast decides a question before the Board if that majority reflects the position of a majority of the Mutuals as expressed by the votes cast by Directors, proxy voting not being permitted. Whether a Mutual with more than one Director is considered to take an affirmative or a negative position on a question shall be determined by the majority vote of its Directors on that question; if the "yeas" and "nays" of its Directors are equal in number, the Mutual shall be considered to have abstained. Nothing in these Bylaws supersedes or modifies any of the voting provisions of the Trust Agreements referred to in the Articles of Incorporation.

Section 8. Action without a Meeting. The Board may decide a question by mail, telephone, email, or other form of special poll without a meeting if (a) the use of a special poll is authorized in advance at a meeting of the Board, or (b) the Chairman or the Executive Committee determines that a decision of the Board is urgently needed to protect important interests of the Corporation or the community and that sufficient time is not available to follow ordinary Board procedures. A special poll shall be conducted by or under the direction of the Executive Secretary or, in his absence, by or under the direction of the Chairman. The Executive Secretary or the Chairman shall promptly communicate to the Board and record in its minutes the results of a special poll and the reasons for its use.

Section 9. Rules of Procedure. All proceedings of the Board shall be recorded in the Corporation's minutes and, except as the Board may otherwise provide, shall be conducted in accordance with Robert's Rules of Order.

ARTICLE VII. EXECUTIVE COMMITTEE

Section 1. Functions. The Executive Committee shall prepare, coordinate, and otherwise facilitate the work of the Board. It shall make recommendations to the Board on the annual budget and may make recommendations on other matters requiring Board consideration; it shall investigate or otherwise act on matters as requested by the Board;

and it shall exercise such authority as is delegated to it by the Board.

Section 2. Membership. The Executive Committee comprises the elected officers of the Board and an additional number of Directors determined by the Board so as to constitute a committee with a total membership of at least five and not more than seven. The provisions of these Bylaws that apply to the term of office, removal, replacement, and other aspects of the position of an officer apply equally to members of the Executive Committee who are not officers.

Section 3. Election of Executive Committee Members. In addition to the officers of the Board, who are members of the Executive Committee, the remaining members of that committee shall be elected as follows:

(a) The LWCC Board will be open for nominations for the remaining “at-large” member positions on the Executive Committee. No seconds will be needed and no discussion will be entertained. Board members may vote for candidates who are nominated, or any other member of the LWCC Board. If a Board member is not present, votes for that person will not be counted unless he or she has previously sent the Leisure World General Manager a written statement that he or she is willing to serve if elected.

(b) Each member of the LWCC Board will cast a secret ballot for a number of candidates up to the number of positions to be filled, with each Director entitled to cast a number of votes equal to the number of units in his or her Mutual. (For example, if there are three remaining “at-large” positions on the Executive Committee to be filled, each LWCC Board member may vote for one, two, or three candidates, with each of the candidates he or she votes for receiving the number of votes equal to the number of units in that voter’s Mutual. A representative of a Mutual with 250 units may cast 250 votes for one candidate, or 250 votes for each of two or three candidates.)

(c) Mutuels with more than one member on the LWCC Board will have their votes divided equally among their representatives. (For example, if a Mutual has 250 units and two members on the LWCC Board, each of those representatives will be entitled to cast 125 votes. If a Mutual has 900 units and four LWCC Directors, each of those four Directors may cast 225 votes.)

(d) The candidates receiving the highest number of votes will be elected. (For example, if there are five candidates for three positions, and the candidates receive 100, 90, 80, 70, and 60 votes, for a total of 400 votes, the candidates who received 100, 90, and 80 votes will be elected.)

(e) If there is a tie that would affect who is elected, there will be a runoff election among those involved in the tie vote. (For example, if there are three positions open and five candidates receive 100, 100, 90, 80, and 70 votes, the first three will be elected. If they receive 100, 90, 80, 80, and 70 votes, the first two will be elected and there will be a runoff in which the only candidates will be the two who received 80 votes each in the first vote.)

Section 4. Meetings. The Executive Committee shall determine, in accordance with legal requirements, the time and place of its meetings and the persons who may attend. The Executive Secretary shall prepare or have prepared the minutes of Executive Committee meetings, a copy of which shall be made available promptly to each Director.

Section 5. Quorum; Voting. A majority of the members of the Executive Committee constitutes a quorum. Each member of the Executive Committee has one vote. A majority of the votes cast, but not less than three, decides a question before the Executive Committee.

ARTICLE VIII. COMMITTEES

Section 1. Standing Committees. The Board shall establish standing committees to advise and assist it, the corporate staff, and other instrumentalities of the community in carrying out their functions. The functions and operating rules of the standing committees shall be defined by the Board. The Board may abolish standing committees in the light of changing circumstances.

Section 2. Special Committees. The Board may establish special committees for purposes and for periods of time determined by the Board.

Section 3. Membership. Each standing committee shall include at least five voting members. In addition, it may include a non-voting Director who shall serve as a liaison officer between the Board and the committee. The Chairman of the Board, with the approval of the Board, shall appoint all committee members and shall designate committee chairmen and such other committee officers as he considers desirable. The Chairman of the Board may remove any committee member he appoints; he shall provide the Board, at its request, with the reasons for any such action. With the concurrence of the Chairman of the Board, the principal employee of the Corporation or of its subsidiary entities shall assign a member of the staff to participate, without a vote, in any or all aspects of the work of a committee.

ARTICLE IX. FINANCIAL ADMINISTRATION

Section 1. Fiscal Year. The fiscal year of the Corporation shall be the calendar year, unless the Board decides otherwise.

Section 2. Budget. The Board shall adopt an annual budget that is consistent with the requirements of these Bylaws and of any agreement to which the Corporation is a party. The budget shall be formulated in accordance with a plan and schedule devised by the staff and approved by the Board. The plan and schedule shall make provision for the earliest feasible consideration by the Board and the staff of the views of any Mutual on the level or quality of facilities and services that the Corporation should provide and on any other corporate policy affecting the budget. The budget shall identify not only the planned expenses of the individual departments and offices of the Corporation but also

planned allocations to and withdrawals from reserve accounts. It shall also show the Corporation's sources of income, including a detailed statement of all types of fees and charges to be payable to the Corporation. The Board may amend a budget at any time to meet unanticipated changes in income or expenses.

Section 3. Payments by Mutuals. The net expenses of the Corporation for a fiscal year shall be allocated among the Mutuals in an equitable manner. The method or methods used in determining such allocations shall be decided by the Board. Each Mutual shall pay to the Corporation for each month in a fiscal year, by a date decided by the Board, one-twelfth, or other fraction determined by the Board, of its allocation of expenses for that year.

Section 4. Delinquencies. If a Mutual fails to pay an allocated amount when due, the Board may impose a late charge, the rate of which may be as high as 110 percent of the rate of return received by the Corporation from its most profitable form of bank deposit or short-term investment, as determined by the Board. Whether or not the Board imposes a late charge, it may suspend the provision of any or all services and facilities to the Mutual and its unit owners so long as the Mutual fails to pay any allocated amount or late charge.

Section 5. Insurance. The Corporation shall obtain and maintain, to the extent required by law or reasonably available, casualty insurance, public liability insurance, workmen's compensation insurance, a legal expense indemnity endorsement or its equivalent for the protection of officers and other Directors and Alternates, and such other forms of insurance as the Board considers desirable. The Board shall decide the conditions or standards for the insurance it obtains.

Section 6. Books and Accounts. The Board may decide from time to time on the form, classifications, procedures, and other standards applicable to its books and accounts, including its accounting for inventories, which, in any case, shall be in accordance with generally accepted accounting principles, consistently applied.

Section 7. Auditing. At the close of each fiscal year, the books and accounts of the Corporation shall be audited by an independent certified public accountant. A copy of the audit shall be promptly furnished to each Mutual, along with an annual financial statement of the Corporation, including its balance sheet and a statement of its income disbursements.

Section 8. Inspection of Books. The books and accounts of the Corporation, all supporting vouchers, and all other records maintained by the Corporation shall be available during normal business hours to all Directors or other authorized representatives or agents of Mutuals, after reasonable notice.

Section 9. Execution of Corporate Documents; Seal. The Board shall decide on the conditions and procedures for the execution by corporate officers in behalf of the Corporation of contracts, notes, checks, or other corporate documents. It may also decide

on the provision, custody, and use of a corporate seal. Except as otherwise provided by the Board, no contract, note, check, or other document that would obligate the Corporation is valid without the signatures of two officers or employees of the Corporation empowered to sign the document.

Section 10. Compensation. No person may receive compensation for service performed as an officer or other Director or member of any committee. With the approval of the Board, a Director or other person may be reimbursed for expenses incurred in behalf of the Corporation or any of its instrumentalities.

ARTICLE X. LIABILITY AND INDEMNIFICATION

Section 1. Liability and Indemnification of Directors and Officers. The Corporation shall indemnify every officer or other Director and Alternate against any and all expenses, including counsel fees, reasonably incurred by or imposed on him in connection with any action, suit, or other proceeding, if approved by (including the settlement of any such suit or proceeding) the then incumbent Board, to which he may be made a party by reason of being or having been an officer or other Director or Alternate, whether or not he is an officer or other Director or Alternate at the time such expenses are incurred.

Officers and other Directors and Alternates are not liable to the Corporation or a Mutual for a mistake of judgment or for negligence, but that exclusion from liability does not apply to knowing or intentional misconduct or any other commission or omission of an act in bad faith. Officers and other Directors and Alternates have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Corporation, and the Corporation shall indemnify and forever hold them free and harmless against any and all liability to others on account of such contract or commitment. Any right to indemnification provided for in these Bylaws is in addition to any other rights to which an officer or other Director or Alternate, or a former officer or other Director or Alternate, is entitled.

Section 2. Disclosure of Interest. If any matter comes before the Board, in which a Director or a member of his family has a pecuniary or other interest (aside from an interest in a home in which he or the family member resides in Leisure World), he is obligated immediately to disclose that interest to the Board and to the Mutual he represents. His disclosure shall be recorded in the minutes. A Director's failure immediately to disclose such an interest constitutes misconduct.

Section 3. Common or Interested Directors. Directors shall perform their functions in good faith and shall employ their best efforts to promote the interests of the Corporation. No contract or other transaction between the Corporation and any corporation, firm, or association in which one or more of the Directors (or one or more of the members of the family of a Director) are directors, officers, or employees or are pecuniarily or otherwise interested, is either void or voidable because such Director or Directors are present at a meeting of the Board or any of its instrumentalities at which the contract or transaction is authorized or approved, or because his or their votes are counted

for such purpose if—

(a) The fact of the common directorate or interest has been disclosed to the Board, and the Board nonetheless authorizes or approves such contract or transaction; or

(b) The Board determines that the terms of the contract or transaction were commercially reasonable at the time the Board acted on it.

ARTICLE XI. AMENDMENTS

Section 1. Proposal to Amend. Any Director may propose an amendment to these Bylaws by depositing his proposal in writing with the Executive Secretary, who shall promptly provide each Director with a copy.

Section 2. Time of Voting. Except by unanimous consent of the Directors, no vote on a proposal to amend the Bylaws may be taken by the Board until at least thirty days after the text of the proposal has been mailed or otherwise provided to Directors.

Section 3. Adoption. An amendment of these Bylaws may be adopted by a resolution of the Board, approved by a vote in accordance with Article VI, Section 7.