

**DERWOOD STATION SOUTH
HOMEOWNERS ASSOCIATION, INC.**

ARTICLES OF INCORPORATION

DISC: MAGRUD

File No. 10270-018

THE DERWOOD STATION SOUTH HOMEOWNERS ASSOCIATION, INC.

ARTICLES OF INCORPORATION

THIS IS TO CERTIFY:

That I, Barry M. Fitzpatrick, whose post office address is 342 Hungerford Court, Rockville, Maryland 20850, being at least eighteen (18) years of age, do hereby declare myself as incorporator with the intention of forming a corporation under and by virtue of the General Laws of the State of Maryland, and for such purpose do hereby make, execute and adopt the following Articles of Incorporation:

ARTICLE I. The name of this Corporation shall be:

THE DERWOOD STATION SOUTH HOMEOWNERS ASSOCIATION, INC.

ARTICLE II. The period of existence and duration of the life of this Corporation shall be perpetual.

ARTICLE III. The principal office for the transaction of business of this Corporation shall initially be located in the County of Montgomery, State of Maryland, at:

622 Hungerford Drive - Suite 26
Rockville, Maryland 20850

The following named person shall be designated as the statutory resident agent of this Corporation, said resident agent being a citizen and an adult resident of the State of Maryland:

Walter H. Magruder, Jr.
622 Hungerford Drive - Suite 26
Rockville, Maryland 20850

ARTICLE IV. The general purposes for which this Corporation is formed, and the business or objects to be carried on and promoted by it, are as follows:

MILES & STOCKBRIDGE
(Rockville)

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(a) to organize and operate a corporation, no part of the net earnings of which is to inure to the benefit of any member of this Corporation or to any other individual; and

(b) pursuant to and in a manner consistent with a certain Declaration relating thereto and heretofore recorded among the Land Records for Montgomery County, Maryland, to acquire and to own and to provide for the maintenance, operation and management of certain open spaces and other common areas and community facilities located within a certain residential community in Montgomery County, Maryland, known as "Derwood Station - South" (hereinafter sometimes referred to as the "project") and to perform certain other functions with respect to the residential and other property located therein; and

(c) to engage in, conduct and carry on any other lawful purposes or business and to do any other thing that, in the judgment of the Board of Directors of this Corporation, may be deemed to be calculated, directly or indirectly, to effectuate or facilitate the transaction of the non-profit purposes or business of this Corporation, or any of them, or any part thereof, or to enhance the value of its property, business or rights; and

(d) to conduct any business and to do anything permitted by the provisions of Section 2-103 of the Corporations and Associations Article, Annotated Code of Maryland (1975 Repl. Vol.), as amended from time to time.

For the general purposes aforesaid, and limited to those purposes, this Corporation shall have the following powers:

(a) to construct, improve and maintain, operate and to buy, own, sell, convey, assign, mortgage or lease any real estate and any personal property necessary or incident to the furtherance of the business of this Corporation; and

(b) to borrow money and issue evidence of indebtedness in furtherance of any or all of the objects of the business of this Corporation, to secure the same by mortgage, deed of trust, pledge, or other lien; and

(c) to enter into any kind of activity, and to perform and carry out contracts of any kind necessary to, or in conjunction with, or incidental to the accomplishment of the non-profit purposes of this Corporation; and

(d) to make patronage refunds to members as provided for in the By-Laws of this Corporation; and

(e) insofar as permitted by law, to do any other thing that in the judgment of the Board of Directors, will promote the business of this Corporation or the common benefit of its members; and to exercise the powers set out in the Declaration hereinabove referred to and the By-Laws of this Corporation and to do every other act not inconsistent with law which may be appropriate to promote and attain the purposes set forth in the Declaration hereinabove referred to and the By-Laws of this Corporation; and, in general, to do everything necessary, proper, advisable or convenient for the accomplishment of the foregoing purposes, and to do all other things incidental to them or connected with them that are not forbidden by law or by these Articles of Incorporation.

The foregoing enumeration of specific powers shall not be deemed to limit or restrict in any manner the general powers of this Corporation, and the enjoyment of the exercise thereof, as conferred by the General Laws of the State of Maryland. The provisions of subparagraphs (a) through (e), both inclusive, of this Article shall not be construed as purposes, but shall be construed as independent powers and the matters expressed in each such provision shall not, unless otherwise expressly provided, be limited by reference to, or inference from any other provision of this Article. The enumeration of specific powers shall not be

construed as limiting or restricting in any manner either the meaning of general terms used in any of such provisions or the scope of the general powers of the Corporation; nor shall the expression of one thing in any of those provisions be deemed to exclude another not specifically expressed, although it be of like nature.

This Corporation may carry out its purposes and exercise its powers in any State, territory, district or possession of the United States, or in any foreign country, to the extent that these purposes and powers are not forbidden by the law of such State, territory, district or possession of the United States, or by such foreign country; and this Corporation may limit the purpose or purposes that it proposes to carry out or the powers it proposes to exercise in any application to do business in any such State, territory, district or possession of the United States, or any such foreign country.

ARTICLE V. This Corporation shall be without capital stock and will not be operated for profit. This Corporation does not contemplate the distribution of gains, profits or dividends to any of its members. The members of this Corporation shall not be personally liable for the debts, liabilities or obligations of this Corporation.

ARTICLE VI. This Corporation shall have two (2) classes of voting membership which shall be known as "Class A" and "Class B":

(a) There shall be 231 Class A memberships. With the exception of the Declarant, every person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who is a record owner of a fee interest in any lot which is part of the premises described in Article II of the Declaration, or which otherwise becomes subject by the covenants set forth in the Declaration to assessment by this Corporation, shall be a Class A member of this Corporation; provided, however,

that any such person, group of persons, corporation, partnership, trust or other legal entity who holds such interest solely as security for the performance of an obligation shall not be a Class A member solely on account of such interest. Each Class A member shall be entitled to one (1) vote for each lot in which such member holds the interest required for Class A membership.

(b) There shall be 693 Class B memberships. The Class B member shall be the Declarant, its nominee or nominees, and shall include every person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who shall obtain any Class B membership by specific assignment from the Declarant. Each Class B member shall be entitled to one (1) vote for each Class B membership which it holds. Each Class B membership shall lapse and become a nullity on the first to happen of the following events:

- (i) thirty (30) days following the date on which the total authorized, issued and outstanding Class A memberships equal 150; or
- (ii) on January 1, 1989; or
- (iii) upon surrender of said Class B memberships by the then holders thereof for cancellation on the books of the Corporation.

Upon the lapse or surrender of the Class B memberships as provided for in this Article, the Declarant shall thereafter remain a Class A member of this Corporation as to each and every lot from time to time subject to the terms and provisions of the Declaration in which the Declarant then holds the interest otherwise required for Class A membership.

The members of this Corporation shall have no preemptive rights, as such members, to acquire any memberships of this Corporation that may at any time be issued by this Corporation except as may be specifically provided in this Article.

The property, voting and other rights and privileges of membership, the liability of each Class A member for assessment by this Corporation, and the method of collection thereof, shall be as set forth in the Declaration hereinabove referred to and in the By-Laws of this Corporation.

ARTICLE VII. To the extent permitted by law, this Corporation shall have a lien on the outstanding Class A memberships in order to secure payment of any sums which shall be due or become due to this Corporation from the holder thereof for any reason whatsoever.

ARTICLE VIII. In the event any Class A member of this Corporation sells, assigns or otherwise transfers of record the fee interest in any lot in which he holds the interest required for Class A membership, such Class A member shall, at the same time, assign the Class A membership in this Corporation appurtenant to such lot to the transferee of the lot and deliver it to him for transfer on the books of this Corporation. The foregoing requirement shall not obtain in the event a lot is transferred as aforesaid solely as security for the performance of an obligation. Except as provided in this Article, Class A membership shall not be transferable.

ARTICLE IX. The number of Directors of this Corporation shall be an uneven number of not less than three (3) and the names and post office addresses of the Directors who shall act as such until the first annual meeting, or until such time as their successors are duly chosen and qualified are:

<u>Name</u>	<u>Address</u>
Walter H. Magruder, Jr.	622 Hungerford Drive - Suite 26 Rockville, Maryland 20850
Kenneth S. Kasnett	622 Hungerford Drive - Suite 26 Rockville, Maryland 20850
Bernard L. Crown, Jr.	622 Hungerford Drive - Suite 26 Rockville, Maryland 20850

The qualifications, powers, duties and tenure of the office of Director and the manner by which Directors are to be chosen shall be as prescribed and set forth in the By-Laws of this Corporation. Officers of this Corporation shall be elected and shall serve as provided for in the By-Laws.

ARTICLE X. This Corporation shall indemnify every person who is or was an officer or Director of this Corporation and who was, is or is threatened to be made a named defendant or respondent in any threatened, pending or completed action, suit or proceeding by reason of service in that capacity, whether civil, criminal, administrative or investigative, if that person (i) acted in good faith; and (ii) reasonably believed (a) in the case of conduct in that person's official capacity, that the conduct was in the best interests of this Corporation; and (b) in all other cases that the conduct was at least not opposed to the best interests of this Corporation; and (iii) in the case of any criminal proceeding, had no reasonable cause to believe that the conduct was unlawful.

The indemnification provided for in this Article is against judgments, penalties, fines, settlements and reasonable expenses actually incurred in connection with any such threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative; provided, however, that if any such action, suit or proceeding was one by or in the right of this Corporation, indemnification shall be made only against reasonable expenses and shall not be made in respect of any proceeding in which the person otherwise entitled to indemnity pursuant to the provisions of this Article shall have been adjudged to be liable to this Corporation. The termination of any such action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, creates a rebuttable presumption that the person otherwise entitled to indemnify did not meet the requisite standard of conduct set forth in this Article.

A person who is or was an officer or Director of this Corporation is not indemnified under the provisions of this Article in respect of any threatened, pending or completed action, suit or proceeding charging improper personal benefit to that person, whether or not involving action in that person's official capacity, in which the person was adjudged to be liable on the basis that personal benefit was improperly received.

The provisions of this Article are intended to provide every person who is or was an officer or Director of this Corporation and who was, is or is threatened to be made a named defendant or respondent in any threatened, pending or completed action, suit or proceeding by reason of service in that capacity, with indemnification to the extent permitted in Section 2-418(b) of Title 2, Corporations and Associations Article, Annotated Code of Maryland (1975 Repl. Vol.) as from time to time amended or superceded.

Indemnification under this Article may not be made by this Corporation unless authorized in the specific case after a determination has been made that indemnification is permissible because the person who is or was an officer or Director of this Corporation has met the standard of conduct set forth in this Article. Such determination shall be made in the manner provided in Section 2-418(e) of Title 2, Corporations and Associations Article, Annotated Code of Maryland (1975 Repl. Vol.) as from time to time amended or superceded.

Reasonable expenses incurred by any person who is or was an officer or Director of this corporation and who is a party to any threatened, pending or completed action, suit or proceeding by reason of service in that capacity, may be paid or reimbursed by this Corporation in advance of the final disposition of that proceeding, after a determination that the fact then known to those making the determination would not preclude indemnification under this Article, upon receipt by this Corporation of:

(a) a written affirmation by that person of that person's good faith belief that the standard of conduct necessary for indemnification by this Corporation as authorized in this Article has been met; and

(b) a written undertaking by or on behalf of that person to repay the amount if it shall ultimately be determined that the standard of conduct necessary for indemnification by this Corporation as authorized in this Article has not been met. The undertaking required by this subparagraph (b) shall be an unlimited general obligation of the person making it but need not be secured and may be accepted without reference to financial ability to make the repayment.

Determination and authorization of payments under this Article shall be in the manner specified in Section 2-418(e) of Title 2, Corporations and Associations Article, Annotated Code of Maryland (1975 Repl. Vol.) as from time to time amended or superceded.

The officers and Directors of this Corporation shall not be liable to this Corporation for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The officers and Directors of this Corporation shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of this Corporation except to the extent that such officers or Directors may also be Class A members of this Corporation, and this Corporation shall indemnify and forever hold each such officer and Director free and harmless against any and all liability to others on account of any such contract or commitment, except as aforesaid.

The provisions of this Article do not limit the power of this Corporation to pay or reimburse expenses incurred by any person who is an officer or Director of this Corporation in connection with an appearance as a witness in any proceeding by reason of service in that capacity, or otherwise involving this Corporation, when that person has not been made a named defendant or respondent in the proceeding. Any right to indemnification provided for in this Article shall be in addition to, and not exclusive of, any other rights to which any person who is or was an officer or Director of this Corporation may be entitled by law, or otherwise.

This Corporation may purchase and maintain insurance on behalf of any person who is or was an officer or Director of this Corporation against any liability asserted against and incurred by such person in any such capacity or arising out of such person's position, whether or not this Corporation would have the power to indemnify against such liability pursuant to the provisions of this Article, or otherwise.

Any indemnification of, or advance of expenses to, any person in accordance with the provisions of this Article, if arising out of a proceeding by or in the right of this Corporation, shall be reported in writing to the members of this Corporation with notice of the next annual meeting of members of this Corporation or prior to the next annual meeting of members.

ARTICLE XI. The Directors shall exercise their powers and duties in good faith and with a view to the interests of this Corporation and the condominium. A contract or other transaction between this Corporation and any of its Directors, or between this Corporation and any corporation, firm or other entity in which any of its Directors is a director or has a material financial interest is not void or voidable solely because of the common directorship or interest, or because the Director is present at the meeting of the Board of Directors which authorizes, approves or ratifies the

contract or transaction, or because the vote of the Director was counted for the authorization, approval or ratification of the contract or transaction, if any of the following conditions exist:

(a) the fact of the common directorship or interest is disclosed or known to the Board of Directors and the Board of Directors authorizes, approves or ratifies the contract or transaction by the affirmative vote of a majority of disinterested Directors, even if the disinterested Directors constitute less than a quorum; or

(b) the fact of the common directorship or interest is disclosed or known to the members of this Corporation entitled to vote, and the contract or transaction is authorized, approved or ratified by a majority of the votes cast by the members entitled to vote other than the votes appurtenant to memberships owned by the interested Director or corporation, firm or other entity; or

(c) the contract or transaction is fair and reasonable to this Corporation at the time it was authorized, approved or ratified.

Common or interested Directors or the votes which they are entitled to cast or which are entitled to be cast by an interested corporation, firm or other entity, may be counted in determining the presence of a quorum at a meeting of the Board of Directors or at a meeting of the unit owners, as the circumstances may require, at which the contract or transaction is authorized, approved or ratified.

If a contract or transaction is not authorized, approved or ratified in the manner provided for in subparagraphs (a) or (b) of this Article, the person asserting the validity of the contract or transaction bears the burden of proving that the contract or transaction was fair and reasonable to this Corporation at the time it was authorized, approved or ratified.

This Article does not apply to the fixing by the Board of Directors of reasonable compensation for a Director, whether as a Director or in any other capacity.

ARTICLE XII. Subject to the limitations set forth in the Declaration hereinabove referred to and in the By-Laws of this Corporation, this Corporation reserves the right to amend, alter or repeal any provision contained in these Articles of Incorporation in the manner now or hereafter prescribed by statute for the amendment of Articles of Incorporation.

ARTICLE XIII. As used in these Articles of Incorporation, the expression "Declarant" shall mean and refer to the Declarant, whether one or more, named in a certain Declaration dated the _____ day of _____, 1983, and recorded the _____ day of _____, 1983, in Liber _____ at folio _____, among the Land Records for Montgomery County, Maryland, and its successors and assigns to the extent that any of the rights, reservations, easements, interests, exemptions, privileges or powers of the Declarant are specifically assigned or transferred to any such successor or assign by instrument in writing. As used in these Articles of Incorporation, the expression "Declaration" shall mean and refer to the Declaration hereinabove in this Article identified, as from time to time amended and supplemented. Unless it is plainly evident from the context that a different meaning is intended, all other terms used herein shall have the same meaning as they are defined to have in the Declaration.

IN WITNESS WHEREOF, I have signed these Articles of Incorporation this _____ day of _____, 1983.

WITNESS:

Brenda K. Smith

Barry M. Fitzpatrick

(SEAL)

STATE OF MARYLAND)
) ss:
COUNTY OF MONTGOMERY)

BE IT REMEMBERED, that on this _____ day of _____, 1983, personally appeared before me, a Notary Public in and for the State and County aforesaid, BARRY M. FITZPATRICK, party to the foregoing Articles of Incorporation, known personally to me as such, and I have first made known to him the contents of said Articles of Incorporation, he did acknowledge that he signed, sealed and delivered the same as his voluntary act and deed, and he acknowledged the facts therein stated to be true as set forth.

GIVEN under my hand the year and day first above written.

Brenda K. Smith - Notary Public

My Commission expires: July 1, 1986.