

### Drum Point Covenants

1. The parties hereto agree that no dock or boat house shall be constructed extending unto or over the waters, lakes, canals, creeks, bay or Patuxent River or any of the waters within or adjacent to Drum Point Beach, until plans and specifications have been submitted to and approved in writing by Drum Point Corporation, it being strictly understood and agrees that the Drum Point Corporation shall not be liable for any accidents resulting from the use of lakes, lagoons, canals, creeks, bay and rivers for navigation, anchorage or swimming purposes.
2. That the said land shall be used for residential purposes only and no part of such premises shall be used for a hospital, asylum, cemetery, a place of burial, a factory, manufactory, or any business or trade whatsoever.
3. That no building or addition thereto, or any fences or other structure shall be erected without the written approval of THE DRUM POINT CORPORATION, and such building or addition shall be constructed in accordance with plans and specifications submitted to THE DRUM POINT CORPORATION, and in accordance with the building codes of Calvert County.
4. That no tent or other structure or trailer intended for temporary living quarters shall be permitted.
5. That the land used for any dwelling shall consist of not less than one residential lot; that no dwelling including porches or bay windows attached thereto shall be built within twenty-five (25) feet of the front line of any lot nor within fifteen (15) feet of the outside lines of corner lots not within five (5) feet of the side lines of an abutting lot in said subdivision; that ever dwelling shall have inside toilets connected with septic tank
6. That an easement over the five (5) feet width adjoining for public utility purposes is reserved by THE DRUM POINT CORPORATION, and the right is reserved to go upon vacant lots, cut grass and weeds or plant and cultivate flowers and shrubbery.
7. That no trees shall be cut and no excavations shall be made on the premises except for the purpose of building thereon and at the time when the building operations are commenced and no earth or sand shall be removed from said premises except as a part of such excavations.
8. That no fence, signs, or billboard or advertising matter of any kind whatsoever shall be placed on said premises without the consent in writing of the grantor. In the event that any signs are placed on said premises, without the written consent of the grantor, the grantor reserves the right to remove said signs without notice.
9. The grantees further covenant to pay the grantor, its successors or agents, on March 1st following the date of this contract, the sum of TEN DOLLARS (\$10.00) for each and every lot hereby purchased to be used by said grantor in the construction, maintenance and repair of streets in the subdivision; and a like amount on the 1st day of March in each subsequent year thereafter, perpetually, so long as there are any privately owner roads to maintain.
10. No water supply and sewage disposal system shall be started on any lot without first obtaining a construction permit from the Calvert County Heath Department.
11. No boats shall be anchored of shore in the canals or lagoons and when not in use, shall be moored as closely adjacent to the bank as safety allows, in order that navigation of the waterways shall not be impeded. The canals and lagoons shall be used and navigated by no one who is not an owner, lessee or occupant of a lot fronting on said canal or guest or member of the family of such owner lessee, or occupant or other persons authorized by the Drum Point Corporation.
12. Each dwelling in this section shall have a deep well, 150 feet deep or more, extending into the confined ground water table.
13. That all of the above restrictions shall remain in force until July 1, 1967, and shall then automatically successively renew for each ten year period thereafter unless the owners of a majority of the subdivided lots in the said subdivision of THE DRUM POINT CORPORATION, at least six months prior to any such renewal date, agree in writing to a change in, or an abrogation of, any of the above restrictions and record such writing so amending the aforesaid covenants and restrictions among the Land Records of Calvert County, Maryland.
14. The above covenants, conditions and restrictions shall run with and bind the land hereby conveyed.

**DB**

**DRUM POINT PROPERTY OWNERS ASSOCIATION, INC.  
RESTATEMENT AND AMENDMENT TO ARTICLES OF INCORPORATION**

The Drum Point Property Owners Association, Inc. a Maryland non-stock, not-for-profit corporation and homeowners association having its principal office in Calvert County, Maryland, (hereinafter referred to as the Corporation), hereby certifies to the State Department of Assessments and Taxation of Maryland, that:

FIRST: WHEREAS, We, the undersigned subscribers, being the duly elected and constituted Board of Directors of the Corporation, all being of full legal age, do, under and by virtue of the Public General Laws of the State of Maryland, and authorized in accordance with Article EIGHTH of the "Drum Point Property Owners Association, Inc. Articles of Incorporation" dated 6 June 1972, duly adopted a resolution in favor of this Restatement and Amendment To Articles of Incorporation, and declare that said Restatement and Amendment was advisable and directed that it be submitted for action thereon by the members of the Corporation at a special meeting held on September 29, 2005, and,

WHEREAS, Notice setting forth the said Restatement and Amendment to the Articles of Incorporation", and stating the purpose of the meeting of the members of the Corporation (there being no stockholders) to take action thereon, was given, as required by law, to all members of the Corporation. The Restatement and Amendment of the Articles of Incorporation", as herein set forth was approved by the members of the Corporation by mail ballot and by the affirmative vote of two-thirds of all the votes entitled to be cast thereon.

NOW THEREFORE, the Restatement and Amendment to the Articles of Incorporation is as follows:

SECOND: That the name of the corporation (which is hereinafter called the Corporation) shall remain and is DRUM POINT PROPERTY OWNERS ASSOCIATION, INC.

THIRD: The purposes for which the Corporation was originally formed and the purposes for which this charter is herein restated and amended, and the business and objects to be carried on and promoted by the Corporation, and powers of the Corporation generally, are as follows:

To organize, operate and sustain a private not-for-profit, non-stock, civic and social welfare association for the purpose of developing, promoting and protecting social, economic, cultural, recreational, and environmental conditions within the subdivision known as Drum Point Beach subdivision, Calvert County, in the State of Maryland; and to maintain, use, and enjoy such association for the social, cultural, educational, moral and civil improvement and pleasure of its members, and the inhabitants and property owners of the subdivision known as Drum Point Beach; appropriate to protect and enforce the rights and privileges of its members, and the inhabitants and property owners of the subdivision known as Drum Point Beach; and to promote the health and welfare of the residents and property owners of the subdivision known as Drum Point Beach; and in connection with such general purposes and for the fulfillment thereof;

- (a) To purchase, lease, hypothecate, receive, take and hold by gift, grant, devise, or bequest, both real and personal property in trust and otherwise.
- (b) To care for, use, operate, improve, develop, sell, lease, convey, or otherwise dispose of such property.
- (c) To invest and reinvest funds available to it for investment.

**DRUM POINT PROPERTY OWNERS ASSOCIATION, INC.  
RESTATEMENT AND AMENDMENT TO ARTICLES OF INCORPORATION**

- (d) To solicit and accept contributions and aid from individuals, partnerships, organizations, corporations, municipalities, and from the State of Maryland and the United States of America; and to apply for, receive on behalf, and administer for the benefit of, the Corporation, any federal, state, or local governmental funds or other benefits, or to participate in any federal, state, or local government programs, for which the Corporation may be eligible to apply for, receive, administer and/or otherwise participate in; and to apply for, receive benefits from, and/or otherwise participate in the application for, creation of, and continued operation of, a special taxing district, pursuant to and in accordance with Sections 4-101 – 4-104 of the Public Laws of Calvert County, as may be amended from time to time.
- (e) To hold, operate and carry on such fairs, carnivals, theatrical performances, bazaars, dinners, etc., and other activities as are usually held by such organizations for the purpose of raising money.
- (f) To provide for the use, improvement, maintenance, operation, and repair of the Common Ownership Areas located within the Drum Point subdivision, including any improvements and amenities located thereon; and to establish and enforce rules and regulations for the use of such Common Ownership Areas, including but not limited to roads, rights of way, recreation areas, and any improvements or amenities located thereon.
- (g) To collect, manage, administer, invest and expend, on behalf of the Corporation, the fees, dues, assessments and other funds paid to or otherwise donated to the Corporation, including but not limited to fees required to be paid by lot owners pursuant to Covenants recorded in the Land Records for Calvert County, Maryland; and Association assessments and/or dues lawfully authorized and lawfully levied in accordance with the Corporation's By-Laws; and to distribute proportionately among the lot owners the costs of the use, improvement, maintenance and repair of the Common Ownership Areas including any improvements and amenities located thereon, so long as such distribution of costs is not in conflict with provisions of the Corporation's Covenants, Restrictions And Conditions and the Bylaws recorded in the Land Records for Calvert County, Maryland at Liber \_\_\_\_\_, Folio \_\_\_\_\_, and/or any special tax district created pursuant to Sections 4-101 - 4-104 of the Public Local Laws of Calvert County, as may be amended from time to time, or any other applicable laws.
- (h) To perform all such lawful acts which it may be empowered to perform as a homeowner's association pursuant to Maryland Code Annotated, Real Property, Title 11-B, et. seq., commonly known as "The Maryland Homeowners Association Act", as may be amended from time to time.
- (i) Notwithstanding any other provision in this certificate, the Corporation shall not conduct or carry on any activity not permitted to an organization exempt under Section 501 (c) (4) of the Internal Revenue Code, as its regulations now exist or as they may hereafter be amended, or by an organization, contributions to which are deductible under Section 170 (c) (2) of the Internal Revenue Code as its regulations now exist or as they may hereafter be amended.

CUST ID: 0001790379  
WORK ORDER: 0001233417  
DATE: 05-25-2006 01:30 PM  
AMT. PAID: \$100.00

**DRUM POINT PROPERTY OWNERS ASSOCIATION, INC.  
RESTATEMENT AND AMENDMENT TO ARTICLES OF INCORPORATION**

- (j) To do all and everything necessary, suitable and proper for the accomplishment of the foregoing objects and purposes, either alone or in association with other corporations, firms, or individuals; to do all other acts or things incidental or appurtenant to the object aforesaid, and to perform all other acts and to exercise all powers permitted by law.
- (k) No part of the net earnings of the Corporation shall inure to the benefit of any member, officer, or director of the Corporation, or any private individual (except reasonable compensation may be paid for services rendered to or for the Corporation affecting one or more of its purposes), and no member, officer, or director of the Corporation, or any private individual shall be entitled to share in the distribution of any of the Corporate assets or dissolution of the Corporation.
- (l) Upon dissolution of the Corporation, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the Corporation, dispose of all the assets of the Corporation exclusively for the purposes of the Corporation in such manner, or to such organizations as shall at the time qualify as exempt organizations under Section 501(c)(4) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Revenue Law, as the Board of Directors shall determine.

FOURTH: That the post office address and principal address of the Corporation shall be 401 Lake Drive, Lusby, Maryland 20657. The resident agent of the Corporation shall be Thomas M. Pelagatti, Esq., 306 Merrimac Court, Prince Frederick, Maryland 20678, and said resident agent is an adult citizen of this State and actually resides herein. ✓

FIFTH: The Corporation shall have no capital stock and pay no dividends or salaries to its officers and/or to members of the Board of Directors.

SIXTH: The Corporation shall be governed by a Board of Directors of not less than three (3) directors. The names of the Directors currently serving as of the date of this Amendment are the subscribers herein and who shall act until their successors are duly chosen and qualified in accordance with the Corporation's Bylaws.

SEVENTH: The duration of the Corporation shall be perpetual.

EIGHTH: The following provisions are hereby adopted for the purpose of defining, limiting, and regulating the powers of the Board of Directors of the Corporation:

- (a) The Board of Directors shall adopt the Bylaws of the Corporation. Amendments to the Bylaws of the Corporation shall be made in accordance with the provisions pertaining thereto contained in the Corporation's Bylaws.
- (b) All books and records kept by and on behalf of the Corporation, except such books and records which may be exempted from examination and copying pursuant to Maryland Code, Real Property, Title 11B (commonly known as "The Maryland Homeowners Association Act") shall be made available for examination and copying by lot owner(s) of a lot(s) located within the Drum Point subdivision, the lot owner(s) mortgagees, and the lot owner(s) respective duly authorized agents and attorneys, during normal business hours and after reasonable notice. The Corporation may charge reasonable charges for copies of such books and records.

STATE OF MARYLAND

I hereby certify that this is a true and complete copy of the page document on file in this office. DATED: 7-31-06

STATE DEPARTMENT OF ASSESSMENTS AND TAXATION

BY: [Signature], Custodian

This stamp replaces our previous certification system. Effective: 6/95

**DRUM POINT PROPERTY OWNERS ASSOCIATION, INC.  
RESTATEMENT AND AMENDMENT TO ARTICLES OF INCORPORATION**

(c) The Corporation reserves the right from time to time to make any amendment to its charter (Articles of Incorporation), which may now or hereafter be authorized by law, including any amendments; but no such amendment shall be valid unless it shall have been authorized by a majority of the Board of Directors of the Corporation by a vote at a meeting of the Board of Directors called in accordance with the By-Laws of the Corporation.

IN WITNESS WHEREOF, we, the undersigned subscribers and members of the Corporation's Board of Directors, being duly authorized by the Corporation, have executed and subscribed this Restatement and Amendment to Articles of Incorporation on this 2 day of MAY, 2006.

**OFFICERS:**

President, John Gray

*John Gray*

Vice President, Carol Weinberg

*Carol Weinberg*

Secretary, Rich Haag

*Rich Haag*

Treasurer, Max Munger

*Max Munger*

Director, John McCall

*John McCall*

Director, Craig Sellers

*Craig Sellers*

Director, Dawn Jaeger

*Dawn Jaeger*

Director, Dan Stallings

*Dan Stallings*

Director, Dennis Baker

*Dennis Baker*

STATE OF MARYLAND, COUNTY OF CALVERT, to wit:

I HEREBY CERTIFY that on this 2 day of MAY, 2006, before me, a Notary Public in and for the State of Maryland, County of Calvert, the above signed personally appeared and made oath in due form that the matters and facts contained herein are true to the best of their knowledge, information, and belief and is their true act.

WITNESS MY HAND AND NOTARIAL SEAL.

*[Signature]*  
Notary Public

My commission expires: 10/28/09



# CORPORATE CHARTER APPROVAL SHEET

**\*\* KEEP WITH DOCUMENT \*\***

DOCUMENT CODE 13 BUSINESS CODE 04  
# D00399592



ID # D00399592 ACK # 1000361993280928  
LIBER: B00978 FOLIO: 0135 PAGES: 0005  
DRUM POINT PROPERTY OWNERS' ASSOCIATION  
, INC.

Close \_\_\_\_\_ Stock \_\_\_\_\_ Nonstock \_\_\_\_\_

P.A. \_\_\_\_\_ Religious \_\_\_\_\_

Merging (Transferor) \_\_\_\_\_

Surviving (Transferee) \_\_\_\_\_

05/25/2006 AT 01:30 P WO # 0001233417

New Name \_\_\_\_\_

### FEES REMITTED

Base Fee: 100  
Org. & Cap. Fee: \_\_\_\_\_  
Expedite Fee: \_\_\_\_\_  
Penalty: \_\_\_\_\_  
State Recordation Tax: \_\_\_\_\_  
State Transfer Tax: \_\_\_\_\_  
Certified Copies \_\_\_\_\_  
Copy Fee: \_\_\_\_\_  
Certificates \_\_\_\_\_  
Certificate of Status Fee: \_\_\_\_\_  
Personal Property Filings: \_\_\_\_\_  
Other: \_\_\_\_\_  
TOTAL FEES: 100

Change of Name  
 Change of Principal Office  
 Change of Resident Agent  
 Change of Resident Agent Address  
 Resignation of Resident Agent  
 Designation of Resident Agent  
and Resident Agent's Address  
 Change of Business Code  
 Adoption of Assumed Name  
 Other Change(s)

Credit Card \_\_\_\_\_ Check  Cash \_\_\_\_\_

Documents on \_\_\_\_\_ Checks \_\_\_\_\_

Approved By: 02

Keyed By: \_\_\_\_\_

COMMENT(S):

Code \_\_\_\_\_

Attention: \_\_\_\_\_

Mall to Address: \_\_\_\_\_

LAW OFFICES CORINNE G ROSEN, ESQ.  
PO BOX 493  
ROCKVILLE MD 20848-0493

CUST ID: 0001790379  
WORK ORDER: 0001233417  
DATE: 05-25-2006 01:30 PM  
AMT. PAID: \$100.00

# DRUM POINT PROPERTY OWNERS ASSOCIATION, INCORPORATED

AMENDED BYLAWS - (approved June 28, 2006)

## DEFINITIONS

“**Terms**” which have a specific meaning in these bylaws are shown in quotes and bolded at the point of definition. All other usages of that term are presumed to have that same meaning throughout the document.

## ARTICLE I – NAME AND LOCATION

The name of the corporation is Drum Point Property Owners Association, Inc. The corporation is a Maryland non-stock corporation and is a qualified tax exempt civic and social welfare association pursuant to Internal Revenue Code 501 (c ) (4). The corporation (hereinafter referred to as “**the Association**”), is a homeowners association pursuant to Maryland Code Annotated, Real Property Article, Title 11 B. The Association's Declaration of Covenants, Conditions and Restrictions (hereinafter referred to as “**Covenants**”), to which the lots located within the Drum Point subdivision are subject, is on file at the Calvert County Circuit Court Depository, and is recorded among the Land Records of Calvert County, Maryland. The “**principal office**” of the Association is located at 401 Lake Drive, Lusby, Maryland 20657.

## ARTICLE II – CHARTERED PURPOSE

The “**purpose(s)**” for which the Drum Point Property Owners Association, Inc. exists and operates are as follows:

- 1) Promote the general welfare of the property owners and protect the environmental conditions within the Drum Point Subdivision.
- 2) Represent the interests of the community to government officials and agencies and solicit contributions and aid from any individuals, businesses, organizations, local, regional, state and national governments.
- 3) Enforce the applicable Covenants recorded in the property deeds. Nothing in these Bylaws shall be construed to nullify or change the existing property Covenants. In the event of a conflict between the Covenants and the Bylaws, the Covenants shall control. In the event of a conflict between the Articles of Incorporation and the Bylaws, the Articles of Incorporation shall control.
- 4) Collect, manage, administer and invest the financial resources acquired from the applicable Covenants as recorded in the property owner's deeds and from Association dues and all other approved income sources or activities.
- 5) Purchase, lease, receive, take and hold by gift, grant or bequest, both real and personal property in trust or otherwise and sell, lease, convey or otherwise dispose of such property.
- 6) Administer, construct, improve, maintain, repair and protect the roads, lakes, beaches, recreational areas and other common properties.
- 7) Encourage social, cultural, and recreational activities and promote the health and welfare of the property owners, residents and guests.
- 8) Preserve and protect open spaces, wildlife, trees, plants and waterways within the community.
- 9) Provide periodical information through publications, hearings and meetings to inform the property owners of all actions with the above named officials and agencies and the preceding activities and responsibilities as described.
- 10) Provide a mechanism for the acceptance of tax deductible donations to the Association.

# DRUM POINT PROPERTY OWNERS ASSOCIATION, INCORPORATED

AMENDED BYLAWS - (approved June 28, 2006)

## ARTICLE III - MEMBERSHIP - PROPERTY OWNER

- 1) All person(s) or entities who are the recorded owners or joint owners of a deeded property in the Drum Point subdivision are members of DPPOA and are individually subject to the Covenants, Bylaws and association rules which may be promulgated thereunder. All owners and joint owners and their immediate families are invited to attend all DPPOA events and activities.
- 2) For the purposes of membership and voting in this Association, only one (1) such recorded joint owner or entity, acting as the collective of all the joint recorded owners, shall represent such property(s) as the "**Property Owner**". To clarify, no matter how many properties are so owned, such property owner shall pay only one membership and have only one vote.
- 3) Property owners are either deemed to be "in good standing" or "not in good standing". "**In good standing**" means all dues, fees and assessments for all properties owned are paid up-to-date as outlined in these Bylaws, the binding Covenants and as otherwise approved. All unpaid property owners are considered "**not in good standing**".
- 4) Unless otherwise stated herein, "property owner(s)" shall specifically mean property owner(s) who are in good standing. Property owner(s) "**regardless of standing**" refers to all property owners in Drum Point including those "not in good standing".
- 5) In order to serve as an officer, director or committee member, or to vote in association matters, a property owner must be in good standing.

## ARTICLE IV - DUES, FEES AND ASSESSMENTS

- 1) Association dues and assessments may be required for the necessary expenses of the Association which are not available from Covenant fees.
- 2) The amount of dues or assessments shall be recommended annually by the Board and included within the budgeting process. Upon approval by the property owners, dues and assessments are billed annually and are due with the individual covenant fees.
- 3) Covenant fees are billed and due as defined in the recorded property deed Covenant Restrictions and Conditions.
- 4) Unpaid Covenant fees, dues and assessments are delinquent 60 days after billing.

## ARTICLE V - VOTING

- 1) Except as otherwise specified, to "**vote**" on Association matters, whether the vote is cast at any duly called membership meeting or by any official ballot, a property owner must be "in good standing".
- 2) A property owner is entitled to only one vote regardless of the number of properties owned.
- 3) There shall be no "proxy" voting.
- 4) The Association shall not have any vote based upon its deeded residential lots and common areas.
- 5) Deed holders of areas not designated for residential purposes are not entitled a vote.
- 6) The Board shall decide if voting will be at a duly called membership meeting or by mail ballot.
- 7) For duly called membership meetings, a method of assuring an accurate quorum and vote counting will be adopted. Counting of hands or voice estimates shall not be used for tallying votes.
- 8) For duly called membership meetings, "**absentee ballots**" will be made available to property owners who declare they cannot attend announced meetings. Absentee ballots will be available from the principle office after a voting issue is announced and will be marked and

## DRUM POINT PROPERTY OWNERS ASSOCIATION, INCORPORATED

AMENDED BYLAWS - (approved June 28, 2006)

returned as per mail ballots and count toward the quorum at a meeting.

- 9) Mail ballots shall have a minimum of fifteen (15) days to be returned. The word "BALLOT" and the maximum return date shall be clearly shown on all ballots.
- 10) Unsigned, unsealed or late returned ballots shall not be counted.
- 11) Except as otherwise specified, either at a duly called membership meeting or by any ballot, a majority of the votes cast shall carry.
- 12) Results of all voting will be announced at the next duly called membership meetings or by subsequent publication.

### ARTICLE VI - MEETINGS

- 1) All meetings, including meetings of the Board or a committee thereof, shall be open to attendance and comment by all residents and property owners regardless of standing. Closed Board and committee meetings are permitted under certain conditions as outlined in the Maryland Homeowners Association Act Title 11 B.
- 2) "**General membership meetings**" shall be held in March, June, September and December.
- 3) The June meeting shall be called the "**annual meeting**", the exact time and place of each meeting to be determined by the Board.
- 4) "**Special membership meetings**" may be called by the Board or by written petition delivered to the principal office, signed by either fifty (50) property owners or twenty percent (20%) of the property owners, whichever is less. The meeting must be for a single specific agenda topic or purpose and must be held not more than 30 days after its agenda is announced. Such meeting will be scheduled immediately preceding or following and on the same date and location as the next regularly scheduled general membership meeting, unless the Board, in its sole discretion, deems it necessary to schedule such meeting on a different date or location.
- 5) A property owner may request an item be placed upon an agenda for any General, Board or Committee meeting by contacting the office..
- 6) An announcement and an agenda for each general or special meeting shall be included in a regular mailing to all property owners regardless of standing, at least fifteen (15) days before such meeting. Sufficient information shall be provided so property owners will be knowledgeable of the items that will be discussed or voted upon.
- 7) Schedules, agendas and minutes for all Board, General or Special membership and Committee meetings shall be made available upon request.
- 8) A "**meeting quorum**" for the transaction of business at any duly called membership meeting shall be thirty-five (35) individual property owners signed in at any time during the meeting. Per Article V, Absentee ballots shall count toward the quorum at such a meeting
- 9) The rules in the latest edition of Robert's Rules of Order (10th Edition Revised OCT 2000 or its update) shall govern the Association in all cases to which they are applicable and are not inconsistent with these bylaws, any special rules of order adopted by the Association, and any federal, state or county laws.

### ARTICLE VII - CONDUCT OF BUSINESS

- 1) Concerns of the Association shall be reviewed, discussed and voted on as specified in these bylaws.
- 2) Day-to-day business of the Association shall be conducted by the Board and the committees in their areas of responsibility.

# DRUM POINT PROPERTY OWNERS ASSOCIATION, INCORPORATED

AMENDED BYLAWS - (approved June 28, 2006)

- 3) Permanent committees are: finance, planning and roads. Other committees shall be appointed by the Board as it deems necessary to carry on the responsibilities of the Association. The BOD may take a motion from the floor to establish committees at any time. Committee members may be removed from their position on the Committee, with or without cause, by a majority vote of the Board.
- 4) At least one Board member shall serve and vote in all committees (excepting any election committees). The Board may appoint any committee member as the chairperson.
- 5) All committees shall provide inputs to the newsletter and be included on the agenda at all meetings.

## ARTICLE VIII - BOARD OF DIRECTORS

- 1) The Association shall be managed by a "**Board of Directors (BOD)**" composed of nine property owners, of which, five (5) shall constitute a quorum.
- 2) Meetings of the Board shall be held at least monthly. Additional meetings may be called by the president or upon request from three Directors.
- 3) Terms of office for the Directors are three years each, with three Directors being elected each year. The term of office shall begin on July 1st and end on June 30th.
- 4) The newly elected Board shall, as soon as possible after the Annual meeting, by majority vote of the Board, select the officers to serve for the next year.
- 5) The "**Officers**" shall be, but not limited to, a President, Vice President, Secretary and Treasurer. No person shall serve more than three consecutive years as President.
- 6) Any officer may be removed from his or her position as an officer, with or without cause, by a majority vote of the Board, but such removal shall not affect that persons status as a director.
- 7) The President, with approval of the Board, may select a property owner to temporarily fill vacancies that occur on the Board. All appointed Directors who desire to continue serving on the Board must be placed on the mail ballot for the next scheduled election of the Board of Directors.
- 8) No Director shall receive compensation for any service they may render to the Association. However, any Director may be reimbursed for their reasonable and customary expenses incurred in the performance of their duties.

## ARTICLE IX - ELECTION OF THE BOARD OF DIRECTORS

- 1) At the December membership meeting, the Board shall appoint a nominating committee of at least (3) three property owners. Those appointed shall reflect, where possible, the different sections of the subdivision. No current Board member shall be appointed to the committee.
- 2) At the March membership meeting, the nominating committee shall present a slate of candidates for election to the Board. Nominations may be made from the floor. All nominees must be property owners in good standing and must agree to serve if elected. Nominations shall be closed after all candidates have been named.
- 3) The number of candidates should at least equal the number of vacancies that need to be filled. If there is no more than one candidate for each vacancy, a motion from the floor can be accepted to forgo a ballot providing the candidates agree to who will serve in each vacancy.
- 4) The nominating committee shall send a ballot to each property owner.
- 5) The ballot will be sent at least fifteen (15) days before the annual meeting .
- 6) A committee of at least (3) three property owners shall be appointed to tally the ballots at the annual meeting. No current Board member, a candidate or a member of the nominating committee shall be a teller.
- 7) Election of property owners to the Board shall be on the basis of votes cast. High three

# DRUM POINT PROPERTY OWNERS ASSOCIATION, INCORPORATED

AMENDED BYLAWS - (approved June 28, 2006)

shall serve three-year terms, the next highest to fill any vacancies in descending order.

- 8) The newly elected Directors shall be announced at the annual meeting.

## ARTICLE X - REMOVAL OF DIRECTORS

- 1) Any officer may be removed from his or her position as an officer, with or without cause, by a majority vote of the Board, but such removal shall not affect that persons status as a director.
- 2) A Director shall be removed from office by the Board:
  - a) for non-payment of dues, fees or assessments that are delinquent or
  - b) for an unexcused absence from three consecutive general membership meetings or regular meetings of the Board.
- 3) In addition, a Director shall be removed from office for cause, provided that:
  - a) the complaint shall be presented in writing to the Board and is signed by a property owner.
  - b) an agenda, scheduled for the next general membership meeting, specifically cites the Director removal action.
  - c) the accused Director shall have a right of response at such meeting.
  - d) a majority of the property owners at such meeting vote to submit the removal action to a mail ballot, and the majority of those votes cast by mail ballot are in favor of the removal of the subject Director.

## ARTICLE XI - FINANCIAL MANAGEMENT

- 1) For Purposes of financial accounting, the fiscal year shall begin July 1 and end June 30 of the following year.
- 2) The Board with the help of the financial committee shall prepare a proposed annual budget for the upcoming fiscal year.
- 3) The proposed budget must be sent to property owners at least fifteen (15) days before the annual meeting. At the meeting, the budget will be presented for property owner approval.
- 4) Billing shall be in accordance with the individual Covenants or other directives and will include all currently approved dues, fees or assessments in the total amount.
- 5) Income, funds collected, donations and grants shall be disbursed by the Board in strict compliance with the approved budget, or as otherwise outlined in these bylaws.
- 6) The Board may not exceed each annual budget expense category by more than fifteen percent (15%).
- 7) Exceptions and amendments to the budget shall require property owner approval.
- 8) The purchase, transfer or encumbrance of deeded property or of dedicated common property shall require property owner approval.
- 9) The Association shall engage the services of a certified public accountant (CPA) to assure compliance with federal and state tax laws.
- 10) The treasurer shall annually or upon request provide all property owners regardless of standing a current financial report showing assets, income, debts, expenditures and balances. Expenditures must be displayed against specific budget items.
- 11) All persons authorized to execute financial instruments, i.e., check signatures, shall be required to give bond which shall be payable from funds of the Association.

## ARTICLE XII - AUDITS

Before June 1st of each year, the finance committee with Board approval shall arrange for a CPA who does not own property in Drum Point to perform a fiscal audit of the financial records of the

# **DRUM POINT PROPERTY OWNERS ASSOCIATION, INCORPORATED**

AMENDED BYLAWS - (approved June 28, 2006)

Association in accordance with AICPA practices. An annual audit summary shall be provided to the property owners at the September membership meeting.

## **ARTICLE XIII - USE OF COMMON AREAS**

- 1) All property owners regardless of standing who use the common areas, amenities or community services must have DPPOA vehicle decals. Vehicles not displaying a current decal shall be subject to towing at the property owners expense.
- 2) Guests using the common areas must adhere to policies, rules and regulations as established by DPPOA.

## **ARTICLE XIV - INSURANCE AND INDEMNIFICATION**

- 1) The Board, on behalf of the Association, shall procure and maintain adequate and appropriate directors' and officers' liability insurance; fire and extended coverage insurance on property and improvements thereon owned by the Association; and general liability coverage, public liability coverage, and worker's compensation insurance coverage.
- 2) The Association shall indemnify every officer, director, and duly appointed committee member of the Association against any and all expenses, including counsel fees, reasonably incurred by or imposed upon an officer, director or duly appointed committee member in connection with any action, suit or other proceeding to which he or she may be made a party by reason of being or having been an officer, director, or duly appointed committee member of the Association. The officers', directors', and duly appointed committee members shall not be liable to property owners/members of the Association for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith.
- 3) The Association shall defend directors', officers', and duly appointed committee members in connection with any action, suit, or other proceeding for such acts and omissions arising within the scope of the duties carried out by such directors, officers, and duly appointed committee members with regards to any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith, and shall indemnify them individually or collectively to the extent that such costs of defense, including reasonable attorneys fees, and/or damages are not covered by directors and officers liability insurance or other insurance maintained by the Association.

## **ARTICLE XV - AMENDMENT TO BYLAWS**

The bylaws of this Association shall be amended if approved by a majority of those votes cast by mail ballot or by 2/3 of the votes cast at a duly called membership meeting, provided that all proposed changes are submitted to the property owners in writing at least fifteen (15) days prior to the vote.

## **ARTICLE XVI - DISSOLUTION**

In the event of dissolution of the Association, the Board shall after paying or making provision for the payment of the liabilities of the Association, dispose of all the assets of the Association exclusively for the purposes of the Association in such manner, or to such organizations as shall at the time qualify as exempt organizations under Section 501 (c) (4) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Revenue Law), as the Board shall determine.

**DRUM POINT PROPERTY OWNERS ASSOCIATION, INCORPORATED**

AMENDED BYLAWS - (approved June 28, 2006)

**ARTICLE XVII - BOOKS AND RECORDS**

All books and records kept by and on behalf of the Corporation, except such books and records which may be exempted from examination and copying pursuant to Maryland Code, Real Property, Title 11B (commonly known as "The Maryland Homeowners' Association Act") shall be made available for examination and copying by lot owner(s) of a lot(s) located within the Drum Point subdivision, the lot owner(s) mortgagees, and the lot owner(s) respective duly authorized agents and attorneys during normal business hours and after reasonable notice. The Corporation may charge reasonable charges for copies of such books and records as may be requested to be copied.

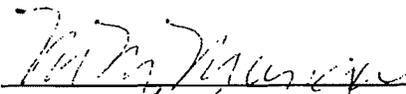
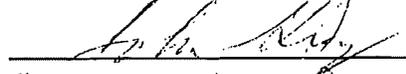
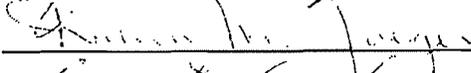
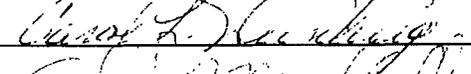
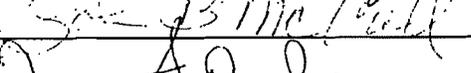
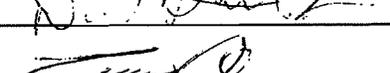
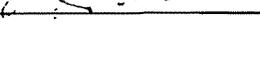
**ARTICLE XVIII - SEVERABILITY**

In the event that any provision or provisions of these Bylaws shall be deemed to be invalid, void, or unenforceable, such determination shall not render invalid, void, or unenforceable any other provisions hereof which can be given effect.

**ARTICLE XIX - CERTIFICATION**

These bylaws, as adopted and ratified by the property owners, shall supersede entirely all previous bylaws of the Association. IN WITNESS WHEREOF, we, the undersigned subscribers, duly authorized agents of and constituting a majority of the Board of Directors of Drum Point Property Owners Association, Inc. have signed this Amendment to Association Bylaws.

**OFFICERS:**

President	<u></u>	Date <u>7/7/06</u>
Vice President	<u></u>	Date <u>7/7/06</u>
Secretary	<u></u>	Date <u>7/7/06</u>
Treasurer	<u></u>	Date <u>7/7/06</u>
Director	<u></u>	Date <u>7/7/06</u>
Director	<u></u>	Date <u>7/7/06</u>
Director	<u></u>	Date <u>7/7/06</u>
Director	<u></u>	Date <u>7.18.06</u>
Director	<u></u>	Date <u>7.18.06</u>

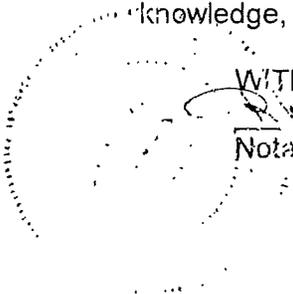
**DRUM POINT PROPERTY OWNERS ASSOCIATION, INCORPORATED**

AMENDED BYLAWS - (approved June 28, 2006)

STATE OF MARYLAND, COUNTY OF CALVERT, to wit:

I HEREBY CERTIFY that on this 7th day of July, 2006, before me, a Notary Public in and for the State of Maryland, County of Calvert, the above signed personally appeared and made oath in due form that the matters and facts contained herein are true to the best of their knowledge, information, and belief and is their true act.

WITNESS MY HAND AND NOTARIAL SEAL.

 Russ White  
Notary Public

My commission expires: 10/28/09

ROAD CONSTRUCTION AGREEMENT

THIS AGREEMENT, made this 27<sup>th</sup> day of Sept, 1994, by and between the Board of County Commissioners of Calvert County, Maryland (the "County"), and Drum Point Property Owners Association (DPPOA) is entered into pursuant to the provisions of the Calvert County Road Ordinance pertaining to privately maintained roads in subdivisions.

WITNESSETH:

WHEREAS, Section 5.5 of the Calvert County Road Ordinance provides that under certain specified conditions a homeowner association may enter into a road construction agreement with the County allowing maintenance and/or construction by the homeowner association of an unpaved or paved road meeting certain standards specified by the County; and

WHEREAS, DPPOA represents the property owners of Drum Point subdivision, and by a deed from Drum Point Road and Community Services, Inc., recorded in the Land Records of Calvert County on August 3, 1993, at Liber A.B.F. No. 683, folio 266, DPPOA became the grantee of certain interests in recorded covenants, deeds and documents affecting property in Drum Point. As a result of this action, DPPOA is a homeowner association for these purposes as defined by said ordinance, and having met said specified conditions, DPPOA desires to enter into a road construction agreement with the County; and

WHEREAS, the County hereby acknowledges that the conditions of Section 5.5 have been met by DPPOA and further acknowledges its willingness to allow DPPOA to maintain the roads within the Drum Point subdivision.

NOW, THEREFORE, in consideration of the premises, mutual covenants and obligations herein set forth, the parties hereto agree as follows:

ROAD MAINTENANCE (EXISTING ROADS)

1. The County will issue a grading permit to the DPPOA allowing drainage and maintenance construction in the existing serviceable roadways within the platted portions of Drum Point subdivision upon receipt and approval of an application to the County requesting approval. The application will include a work specification plan outlining the sediment control practices to be applied, the road typical sections, if applicable, and description of the intended road project.

2. DPPOA shall maintain existing surfaced roads to their present level of maintenance and widths, which are hereby deemed a serviceable road by the County Public Works Department, and newly constructed roadways within the Drum Point subdivision to the minimum standard, meeting the County's definition of a serviceable road, including snow removal.

3. DPPOA acknowledges that the County will not accept maintenance of said roadways until such time as all property owners are notified by DPPOA and have given their approval in accordance

with applicable covenants, and said roadways will meet all County specifications (including paving) or have been completed as a road construction district created under the authority of Section 155A, Article 25, of the Annotated Code of Maryland.

#### NEW ROADWAYS

1. The County may issue grading permits to developers and/or builders, with the approval of DPPOA, to construct new roadways within the platted portions of the Drum Point subdivision when the new roadways are being funded by the developers and/or builders. The developers and/or builders shall submit plans and all other documents as required by the County for new roadways meeting current County standards. Construction shall be inspected and approved by the County using the same criteria for new roadways being accepted into the County road system.

2. Upon completion of said permitted work, DPPOA will be allowed to maintain the new roadways as set forth in the work specification or plan.

3. All new road construction on platted roadways within the Drum Point subdivision will be done in accordance with County standards with respect to both engineering and construction. Upon completion of construction, the work will be inspected by the County for compliance with the approved plans. After County inspection and approval, DPPOA will maintain the new roads (including snow removal) consistent with the other existing roadways in the subdivision.

4. The County shall provide inspection services for the construction of new roadways, the same as required for County roads, and shall make good faith efforts to coordinate its inspections with representatives of DPPOA.

#### HOME BUILDING AND GRADING PERMITS

1. In accordance with existing ordinances and policies of the County, the following criteria will be used in consideration of the issuance of building permits in Drum Point subdivision:

a. The County may issue a permit in Drum Point for any construction other than a new residence or road construction without the approval of DPPOA.

b. The County will only issue building permits for new residences on existing roads which are deemed serviceable by the County Engineering Department with the prior approval of DPPOA, provided that if the County does not receive notice of approval or disapproval of the permit from DPPOA within seven (7) calendar days after DPPOA receives a copy of the building permit application package which is complete to County standards, the permit may be issued by the County if it otherwise meets County criteria. In order to facilitate processing of application by both parties, DPPOA will stamp incoming applications with the date, time and acknowledgment of receipt and will provide a copy of the application with said information to the applicant on request. The County

may rely on the indicated date for purposes of calculating the above time period, but if an applicant alleges to the County that DPPOA failed or refused to give the applicant a stamped copy, the County may act independently to confirm receipt by DPPOA and shall not withhold its own approval unreasonably.

c. The County will only issue building permits for new residences on roads requiring improvements after the applicant has received approval of the permit package from DPPOA. At issuance of the building permit for a new residence to be serviced by a new roadway, the serviceable roadway (12 feet in width and surfaced with 4 inches of gravel) will be required to service the property during construction of the residence. As a condition of issuance of a use and occupancy permit for the residence by the County, the new roadway shall be brought up to the County's standard typical section, including the paving requirement, by DPPOA or its agents.

2. The County will make reasonable efforts to notify DPPOA of a Builder/Owner's request for a use and occupancy permit so that a DPPOA representative may accompany the inspectors to assure that the approved site plan, driveway entrance, grading and elevations have been faithfully followed and constructed.

#### SUSPENSION FOR INSOLVENCY

The County's obligations under this agreement are suspended if

DPPOA becomes insolvent. For purposes of this agreement, insolvent means that DPPOA has debts which exceed the fair value of its assets, or alternatively, that DPPOA is unable to meet its debts as they mature in the ordinary course of its business.

INDEMNIFICATION

DPPOA agrees to indemnify and hold the County harmless for any loss or liability, including reasonable attorney and other costs incurred in defending any claim for loss or liability, incurred as a result of any act or omission of DPPOA pursuant to this agreement.

RIGHT TO ENFORCE COVENANTS

This agreement is not intended to supersede, preempt or otherwise affect in any way any existing or future rights DPPOA or property owners may have to enforce covenants pertaining to lands in Drum Point subdivision.

IN WITNESS WHEREOF, the parties have executed this agreement on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST:

BOARD OF COUNTY COMMISSIONERS  
OF CALVERT COUNTY, MARYLAND

May J. Watson

BY: Regina R. Micks

DRUM POINT PROPERTY OWNERS  
ASSOCIATION

Ann E. Cooper

BY: James J. Williams



**CALVERT COUNTY  
OFFICE OF THE COUNTY ATTORNEY**

COURTHOUSE - 175 MAIN STREET  
PRINCE FREDERICK, MARYLAND 20678

(410)535-6323

(301)855-9053

FAX (410)414-3241

Maryland Relay Number for Impaired Hearing or Speech  
1-800-735-2258 Statewide Toll Free

EMANUEL DEMEDIS  
County Attorney

PAMELA REID LUCAS  
Associate County Attorney

PEGGY L. WELCH, Paralegal

BOARD OF COUNTY COMMISSIONERS

Gerald W. Clark  
Linda L. Kelley  
Wilson H. Parran  
Susan Shaw  
Barbara A. Stinnett

November 30, 2007

Max Munger, President  
Drum Point Property Owners' Association  
401 Lake Drive  
Lusby, Maryland 20657

RE: State Highway User Revenues

*Max*  
Dear ~~Mr.~~ Munger:

Enclosed for your records is a copy of the Deed of Public Access Easement and Agreement which was duly recorded among the Land Records of Calvert County, Maryland on November 28, 2007, in Liber KPS 3088, folio 500.

Very truly yours,

*Emanuel Demedis*  
Emanuel Demedis

Enclosure

DEED OF PUBLIC ACCESS EASEMENT  
AND AGREEMENT

This Deed of Public Access Easement and Agreement ("Agreement"), made this 19th day of November, 2007, by and between the Drum Point Property Owners' Association, a non-profit corporation of the State of Maryland, hereinafter called "Grantor", and Board of County Commissioners of Calvert County, Maryland, hereinafter called "Grantee."

LR IMPROVE SU 0.00  
RECORDING FEE 0.00

WHEREAS, Grantor is a non-profit corporation of the State of Maryland, which, by virtue of a deed recorded among the land records of Calvert County, Maryland, at Liber 683 folio 266, is the fee simple owner of the roads and rights-of-way for said roads in all sections of the subdivision known as Drum Point in the First Election District of Calvert County, Maryland; and

TOTAL 0.00  
Res#0101 Rcf#599999

WHEREAS, the general purpose of Grantor, as set forth in the various declarations of conditions, covenants, restrictions, and easements as recorded among the Land Records of Calvert County, Maryland, is to exist as the entity delegated and assigned the powers and duty of maintaining and administering the community properties and facilities, including roads, and administering and enforcing the covenants and restrictions, and collecting and disbursing the assessments and charges created under such covenants; and

KPS SES BIK#1419  
Nov 28, 2007 12:21 PM

WHEREAS, various subdivision plats were recorded among the plat records of Calvert County Maryland, for the purpose of establishing lots and a network of roads within the Drum Point Subdivision; and

WHEREAS, pursuant to Title 8, Subtitle 4 of the Transportation Article of the Annotated Code of Maryland, the State Highway Administration maintains a Gasoline and Motor Vehicle Revenue Account from which funds, called "State Highway User Revenues" (SHUR), are allocated to the various political subdivisions of the state, including Calvert County, for the purpose, among other things, of maintaining county roads.

WHEREAS, Section 8-101(g) of the Transportation Article of the Annotated Code of Maryland, defines "county road" as: ". . .any public highway: (1) The title to which or the easement for the use of which, is vested in a public body or governmental agency; and (2) That is not a State highway or located in Baltimore City."

WHEREAS, to financially assist Grantor in maintaining the roads, Grantor has requested that Grantee include in its inventory of public roads of Calvert County for the purpose of calculating Grantee's share of the state highway user revenues, various roads within the Drum Point Subdivision that meet the criteria established by the Grantee and the State Highway Administration and to remit to Grantor the portion of Grantee's SHUR that Grantee may determine should reasonably be remitted to Grantor.

Now, therefore, this Deed of Public Access Easement and Agreement witnesseth:

The Grantor does hereby grant to Grantee, its successors and assigns, for the purpose of general free public use, an easement and right-of-way over, across and through all those roads, portions of roads and rights-of-way as more particularly set forth in Exhibit A, attached hereto and made a part hereof, without restrictive gates, prohibitive signs, or regulations other than restrictions based on size, weight or class of registration, said roads and rights-of-way encompassing certain of the roads presently existing within the Drum Point Subdivision and owned by the Grantor (the "Roads").

To have and to hold the easement and right-of-way unto the Grantee for use by the general public as public ways in connection with the public roads system of Calvert County, Maryland, subject to paragraph 8 below.

Grantor and Grantee hereby agree that:

1. Grantor is and shall remain responsible for the maintenance of all those roads set forth in Exhibit A as required by the declarations, whether or not SHUR funds are received.

2. Grantor and Grantee incorporate by reference herein the Criteria for Public Easement Roads and Use of State Highway User Revenues in Exhibit B, attached hereto and made a part hereof, which criteria may be subject to change in the future as stated therein.

3. Grantee has no obligation to provide funds to Grantor, other than as contemplated by the terms of this Agreement and pursuant to the procedures and formula set forth in Exhibit B, attached hereto and made a part hereof.

4. The easement herein granted by Grantor to Grantee shall not confer upon Grantee any right to place utilities in the rights-of-way of the roads or confer any other rights to Grantee.

5. Nothing in this document shall be construed to mean that the Grantee is in any way obligated to accept ownership of and/or responsibility for the maintenance of the roads or roadbeds described in attached Exhibit A.

6. The Grantor shall not claim or attempt to claim any SHUR, as provided for in Title 8, Subtitle 4 of the Transportation Article of the Annotated Code of Maryland, to which it believes it may be entitled other than as provided in this grant of easement.

7. The Grantor hereby indemnifies and holds the county harmless from all liability associated with the maintenance of the association roads included in the Grantee's road inventory report and the expenditure of the SHUR.

8. This Public Access Easement and Agreement shall terminate on June 30, 2009, and shall bind the Grantor, its successors and assigns.

The Grantor warrants specially said easement and it will execute such further assurances thereof as the Grantee may request.

In witness whereof, the parties hereto have executed this Deed of Public Access Easement and Agreement as of the date and year first herein written.

~~Grantee~~

Grantor: Drum Point Property Owners' Association

by: Max Munger  
Max Munger, President

Grantee: Board of County Commissioners of Calvert County

by: Wilson H. Parran  
Wilson H. Parran President

STATE OF MARYLAND, COUNTY OF CALVERT, to wit:

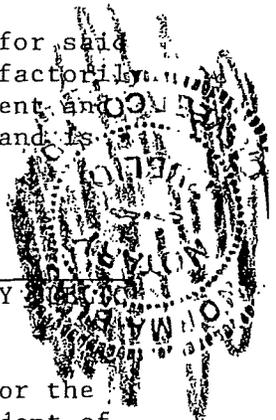
On this 28<sup>TH</sup> day of November, 2007, before me, a Notary Public in and for said State and County, personally appeared Max Munger, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes stated therein and is duly authorized to so do on behalf of the Grantor.

IN WITNESS WHEREOF, I hereunto set my hand and seal.

My Commission Expires: 10/1/2010

Norma Burr

NOTARY



STATE OF MAYLAND, CALVERT COUNTY, to wit:

On this 27th day of November, 2007, before me, a Notary Public in and for the State and County aforesaid, personally appeared Wilson H. Parran, President of the Board of County Commissioners of Calvert County, Maryland, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same for the purposes stated therein and is duly authorized to so do on behalf of the Grantee.

IN WITNESS WHEREOF, I hereunto set my hand and seal.

My Commission Expires: 10/1/2010

Norma Burr

NOTARY PUBLIC



## DRUM POINT

DRUM POINT			
Anchor Drive	Johnson Drive	Seagull Lane	
Bay Drive	Lake Drive	Ships Way	
Bay View Drive	Lake Lane	Skyview Lane	
Beech Drive	Lake Place	Surf Drive	
Blue Jay Drive	Lake Terrace	Valerie Lane	
Buckler Drive	Lakeview Drive – Near Lake Charming	Vista Drive	
Calvert Court	Lake View Drive – Bay View Dr to Bay Dr	Walnut Terrace	
Calvert Drive	Laurel Way	Walsh Lane	
Calvert Terrace	Leason Cove Drive	Valerie Lane	
Captain's Way	Lessin Drive – River View Dr to end		
Cardinal Drive	Lessin Drive – Walsh Lane to end		
Chestnut Drive	Lessin Drive – Barreda Blvd Westerly to end		
Court David	Lessin Drive – Barreda Blvd to Huron Dr		
Cove Drive	Marine Drive		
Cove Lane	Marine Terrace		
Cree Drive	McMichaels Drive		
Deer Court	Mill Creek Drive		
Deer Drive	Mills Creek Drive		
Deer Lane	Mohawk Drive		
Delaware Drive	Noni's Way		
Dogwood Drive	Oak Drive		
Dove Court	Ottawa Drive		
Eagle Drive	Overlook Drive		
Elkins Lane	Park Lane		
Gray Drive	Parran Drive		
Grover Lane	Pilot Way		
Harbor Drive	Pine Place		
Hilltop Road	Pine Lane		
Holly Way	Raine Road		
Huron Drive	River Terrace		
Iris Lane	River View Drive – Rousby Hall Southerly to Overlook Dr		
Iroquois Way	Riverview Drive – Rousby Hall Rd Northerly to end		
John Hansen Drive	Sachem Drive		
Johnson Court	River Terrace		

## Exhibit B

### CRITERIA FOR PUBLIC EASEMENT ROADS AND CONDITIONS OF USE OF STATE HIGHWAY USER REVENUES

#### Definitions

As used in this document, the following terms have the meanings indicated.

1. Association. A homeowners association that has applied for and been granted a special taxing district by the County.
2. County. The Board of County Commissioners of Calvert County or such agency of the Calvert County government as the sense of the use of the term shall imply.
3. County Allocation. The amount of highway user revenues that the County would have received without inclusion of any public easement roads in the County's Road Inventory Report.
4. County Road. A thoroughfare owned and maintained by the County that is included in the County Road Inventory Report.
5. County Road Improvement Report. A list of County roads and public easement roads that the SHA has approved for determining the County's portion of HUR.
6. HUR. Highway user revenues as defined in Subtitle 4 of Title 8 of the *Transportation Article* of the *Annotated Code of Maryland*.
7. Public Easement Road. A road owned and maintained by an association that is included in the County's Road Inventory Report.
8. SHA. The State Highway Administration of the State of Maryland.

#### Road Acceptance Criteria

The following criteria must be met before privately owned roads will be added to county road inventory.

1. The road must be owned and maintained by an association.

2. The roads submitted for inclusion in the County's Road Inventory Report must meet the minimum requirements of the SHA and must be located within the boundaries of a special taxing district created by the County.

3. An easement for public use of the road must be offered to and accepted by the County.

4. Before a road shall be accepted as a public easement road, the association shall provide to the County a certificate of title issued by an attorney authorized to practice in the State of Maryland certifying that the association has clear and marketable title to the roadbed over which the easement will be granted; or, if the title is not clear and marketable, the name of the entities having an interest in the property and the nature of the interest.

### **Conditions for Use of HUR**

1. Provided all criteria are satisfied, the County shall disburse to an association a portion of the county's HUR. The amount to be distributed to the association shall be determined as follows:

a. Calculate the amount of HUR the County would have received without including the private easement roads in the County Road Improvement Report;

b. Calculate the amount of HUR the County will receive with the private easement roads included in the County Road Improvement Report;

c. Subtract the amount determined in subparagraph a from the amount determined in subparagraph b and distribute the difference to the associations on a pro-rata basis.

The pro rata distribution shall be based on the ratio that the mileage of public easement roads within a particular special taxing district bears to the mileage of all public easement roads within all special taxing districts. Attached Schedule 1 is an example of how the amount of HUR that could be available for distribution to associations will be calculated. This attachment is for illustrative purposes only and is not to be construed as an indication of actual disbursements to be made to an association.

2. To the extent the State forwards HUR to the County for the maintenance of the association's public easement roads, the HUR shall be passed through to the association by the County, as set forth in paragraph 1 above, less any County expenses relating in any way to the administration and processing of the HUR requests and disbursements from the HUR, including but not limited to inspections, verifications, and audits.

3. An association's portion of the County's HUR shall be distributed to the association within two weeks of receipt of the HUR by the County.

4. The association shall use HUR in accordance with Section 8-408 of the *Transportation Article* of the *Annotated Code of Maryland*, as amended from time to time.

5. On or before June 15<sup>th</sup> of each year, an association that receives HUR shall provide a statement to the Calvert County Department of Finance and Budget identifying the intended uses of the HUR for the next fiscal year and certifying that the HUR shall be put to those uses. All uses identified in the statement shall be limited to those listed in Section 8-408 of the *Transportation Article* of the *Annotated Code of Maryland*, as amended from time to time.

6. An association that receives the HUR from the County shall execute a written agreement to indemnify and hold the county harmless from all liability associated with the maintenance of the association roads included in the County's Road Inventory Report and the expenditure of the HUR.

7. Any employee of an association receiving HUR who shall have access to the HUR must be bonded or insured against fraud and dishonesty. Bonding shall be in place prior to the distribution of HUR and shall be in an amount not less than the amount the association is projected to receive. The association shall be identified as the insured in the bond.

8. Lists of roads and related deeds of easement that an association wishes to be accepted as a public easement road must be submitted to the Calvert County Department of Public Works by September 1 each year to be eligible for consideration for HUR for the following fiscal year.

9. The association shall complete and submit to the County by September 30 of each year, Part 12 of the Uniform Financial Report—Local Highway Finance Report Department of Transportation, provide all other necessary information regarding its public easement roads in the format(s) specified by SHA and the county and comply with all State requirements concerning the use of HUR.

10. Any HUR provided to the association shall not be substituted for any existing obligations of the association to fund roadway maintenance.

11. The association shall have an annual audit conducted of the financial records of the association with respect to the association's use of HUR. The auditor shall provide to the County by October 30<sup>th</sup> of each year a certification that the HUR were used in compliance with the certification previously issued by the association. The County shall have the right to review the financial records of the association pertaining

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to HUR if, in the County's sole discretion, it deems that such a review is necessary. The association shall present its financial records to the County within three business days of a request made to it by the County.





## **FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2018 AND 2017**

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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## Independent Auditor's Report

To the Board of Directors  
Drum Point Property Owners' Association, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Drum Point Property Owners' Association, Inc., which comprise the balance sheets as of June 30, 2018 and 2017, and the statements of revenue, expenses, and changes in fund balances and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

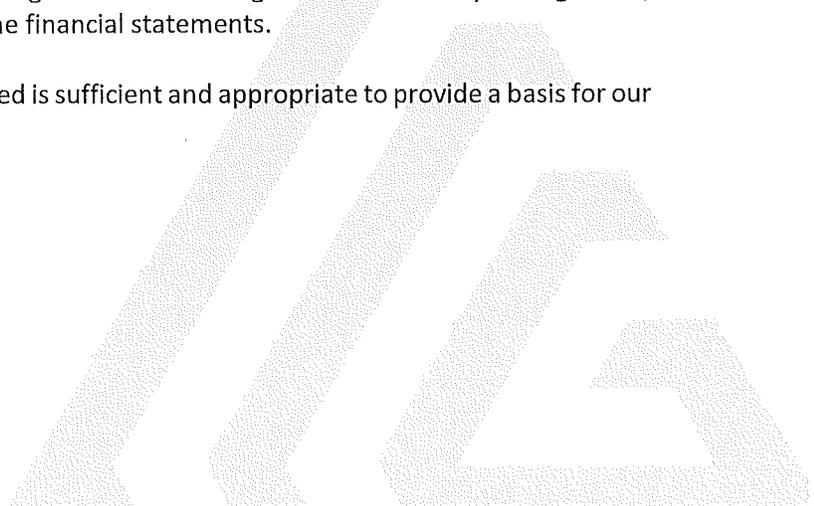
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Drum Point Property Owners' Association, Inc. as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements (unaudited) on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Alta CPA Group, LLC*

September 19, 2018

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
BALANCE SHEETS  
JUNE 30, 2018 AND 2017

	2018		2017	
	Operating Fund	Special Tax District Fund	Operating Fund	Special Tax District Fund
	Total	Total	Total	Total
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 443,915	\$ 50,068	\$ 422,371	\$ 25,969
Road Bonds - Cash	21,500	-	16,500	-
Owner Assessments Receivable, Net Of Allowance for Doubtful Accounts of \$37,422 and \$28,742 for Years Ended 2018 and 2017, Respectively	72,868	-	57,060	-
Total Current Assets	<u>538,283</u>	<u>50,068</u>	<u>495,931</u>	<u>25,969</u>
Fixed Assets:				
Land	91,320	-	91,320	-
Building	81,180	-	81,180	-
Equipment	3,200	-	3,200	-
Less: Accumulated Depreciation	<u>(32,622)</u>	<u>-</u>	<u>(29,525)</u>	<u>-</u>
Total Fixed Assets	<u>143,078</u>	<u>-</u>	<u>146,175</u>	<u>-</u>
Total Assets	<u>\$ 681,361</u>	<u>\$ 50,068</u>	<u>\$ 642,106</u>	<u>\$ 25,969</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities:				
Accounts Payable and Accrued Expenses	\$ 4,608	\$ -	\$ 7,288	\$ -
Road Bonds Payable	21,500	-	16,500	-
Deferred Revenue	144,186	50,068	148,501	25,969
Total Current Liabilities	<u>170,294</u>	<u>50,068</u>	<u>172,289</u>	<u>25,969</u>
Total Liabilities	170,294	50,068	172,289	25,969
Net Assets:				
Reserve	31,896	-	19,058	-
Unrestricted Net Assets	479,171	-	450,759	-
Total Unrestricted Net Assets	<u>511,067</u>	<u>-</u>	<u>469,817</u>	<u>-</u>
Total Liabilities and Net Assets	<u>\$ 681,361</u>	<u>\$ 50,068</u>	<u>\$ 642,106</u>	<u>\$ 25,969</u>
				<u>\$ 668,075</u>
				<u>\$ 668,075</u>

See independent auditor's report and accompanying notes to financial statements.

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018

	Operating Fund	Special Tax District Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUE</b>			
Owners' Assessments	\$ 64,073	\$ 142,146	\$ 206,219
Road Fees	149,800	-	149,800
SHUR Funds	14,185	-	14,185
Interest Income	517	-	517
Miscellaneous Income	138	-	138
Total Revenue	<u>228,713</u>	<u>142,146</u>	<u>370,859</u>
<b>EXPENSES</b>			
Operating:			
Accounting	812	3,500	4,312
Bad Debt	8,680	-	8,680
Beach Security	7,665	-	7,665
Depreciation	3,097	-	3,097
Electric	3,200	-	3,200
Events	1,206	-	1,206
Insurance	3,582	973	4,555
Legal	2,700	-	2,700
Office Expense	6,808	-	6,808
Newsletter	721	-	721
Staff	56,638	-	56,638
Supplies	1,713	-	1,713
Taxes	2,117	-	2,117
Telephone	1,358	-	1,358
Total Operating Expenses	<u>100,297</u>	<u>4,473</u>	<u>104,770</u>
Replacement:			
Common Area Repairs and Maintenance	20,407	-	20,407
Road Repair	1,070	-	1,070
Snow Removal	48,607	3,540	52,147
Other Capital Projects and Improvements	17,082	134,133	151,215
Total Replacement Expenses	<u>87,166</u>	<u>137,673</u>	<u>224,839</u>
Total Expenses	<u>187,463</u>	<u>142,146</u>	<u>329,609</u>
Change in Net Assets	41,250	-	41,250
Unrestricted Net Assets, Beginning of Year	<u>469,817</u>	<u>-</u>	<u>469,817</u>
Unrestricted Net Assets, End of Year	<u>\$ 511,067</u>	<u>\$ -</u>	<u>\$ 511,067</u>

See independent auditor's report and accompanying notes to financial statements.

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017

	Operating Fund	Special Tax District Fund	Total
<b>REVENUE</b>			
Owners' Assessments	\$ 64,050	\$ 136,229	\$ 200,279
Road Fees	147,690	-	147,690
SHUR Funds	8,149	-	8,149
Interest Income	16	-	16
Miscellaneous Income	203	-	203
Total Revenue	220,108	136,229	356,337
<b>EXPENSES</b>			
Operating:			
Accounting	1,633	4,624	6,257
Bad Debt	28,742	-	28,742
Beach Security	7,186	-	7,186
Depreciation	3,097	-	3,097
Electric	3,158	-	3,158
Events	820	-	820
Insurance	3,240	1,189	4,429
Legal	4,837	-	4,837
Office Expense	10,791	-	10,791
Newsletter	707	-	707
Staff	58,970	-	58,970
Supplies	959	-	959
Taxes	2,068	-	2,068
Telephone	1,229	-	1,229
Total Operating Expenses	127,437	5,813	133,250
Replacement:			
Common Area Repairs and Maintenance	13,847	1,450	15,297
Road Repair	1,105	121	1,226
Snow Removal	15,925	6,693	22,618
Other Capital Projects and Improvements	18,070	122,152	140,222
Total Replacement Expenses	48,947	130,416	179,363
Total Expenses	176,384	136,229	312,613
Change in Net Assets	43,724	-	43,724
Unrestricted Net Assets, Beginning of Year	426,093	-	426,093
Unrestricted Net Assets, End of Year	\$ 469,817	\$ -	\$ 469,817

See independent auditor's report and accompanying notes to financial statements.

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Operating Fund	Special Tax District Fund	Total	Operating Fund	Special Tax District Fund	Total
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Change in Net Assets	\$ 41,250	-	\$ 41,250	\$ 43,724	-	\$ 43,724
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:						
Bad Debt Expense	8,680	-	8,680	28,742	-	28,742
Depreciation Expense	3,097	-	3,097	3,097	-	3,097
(Increase) Decrease in Operating Assets:						
Owner Assessments Receivable	(24,488)	-	(24,488)	(21,880)	-	(21,880)
Grant Receivable	-	-	-	-	23,118	23,118
Increase (Decrease) in Operating Liabilities:						
Road Bonds Payable	5,000	-	5,000	(7,500)	-	(7,500)
Accounts Payable and Accrued Expenses	(2,680)	-	(2,680)	5,595	-	5,595
Owner Assessments Deferred Revenue	(4,315)	-	(4,315)	5,754	-	5,754
Special Tax District Deferred Revenue	-	24,099	24,099	-	(24,136)	(24,136)
Net Cash Provided (Used) by Operating Activities	<u>26,544</u>	<u>24,099</u>	<u>50,643</u>	<u>57,532</u>	<u>(1,018)</u>	<u>56,514</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Redemption of Certificate of Deposit	-	-	-	12,777	-	12,777
Net Cash Provided by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,777</u>	<u>-</u>	<u>12,777</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Net Increase (Decrease) in Cash and Cash Equivalents	<u>26,544</u>	<u>24,099</u>	<u>50,643</u>	<u>70,309</u>	<u>(1,018)</u>	<u>69,291</u>
Cash and Cash Equivalents at Beginning of Year	438,871	25,969	464,840	368,562	26,987	395,549
Cash and Cash Equivalents at End of Year	<u>\$ 465,415</u>	<u>\$ 50,068</u>	<u>\$ 515,483</u>	<u>\$ 438,871</u>	<u>\$ 25,969</u>	<u>\$ 464,840</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>						
Cash Paid During the Year for:						
Income Taxes	-	-	-	-	-	-
Interest	-	-	-	-	-	-

See independent auditor's report and accompanying notes to financial statements.

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Drum Point Property Owners' Association, Inc., (the Association) is a common interest real estate organization incorporated in the State of Maryland, created for the benefit of property owners who live in the subdivision known as Drum Point located in Calvert County, Maryland. It has as its purpose the general upkeep and maintenance of the common elements of the development with an emphasis on maintenance of the community infrastructure as well as the social, economic, cultural, recreational and environmental conditions within the Drum Point subdivision.

The community includes approximately 1,615 lots and seventeen miles of developed roads.

On January 4, 1996, the Board of Directors of the Association approved a measure to petition the Calvert County Commissioners to establish a special taxing district, under Section 4-101 through 4-104, Title 4, of the Annotated Code of Maryland. The petition was facilitated to alleviate funding shortfalls incurred based on the Association's current assessments. On June 18, 1996, the Board of County Commissioners of Calvert County approved the petition establishing a special taxing district within the community known as Drum Point. Taxes will be levied on property owners in the subdivision by Calvert County. These tax monies will be disbursed to the Drum Point Property Owners' Association, Inc., to facilitate capital improvements and repair to the infrastructure of the community known as Drum Point.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the financial statements reflect all significant receivables, payables and other liabilities.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

- Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.
- Special Tax District Fund - This fund is used to accumulate and disburse financial resources designated for future major repairs and replacements and certain administrative expenses. Funds are being accumulated within this fund as taxes levied by Calvert County are collected on behalf of the Association. Revenues within the special tax district fund are recognized when funds are expended.

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the statements of cash flows, the Association considers cash on deposit, cash on hand, money market funds, and certificates of deposits with original maturities less than three months (if any) to be cash equivalents. Any penalties for early withdrawal would not have a material effect on the financial statements.

Road Bonds Cash and Road Bonds Payable

The balance in Road Bonds-Cash is the security for the Road Bonds Payable account. When construction is performed by builders or developers on lots within the community, a cash bond is required to be posted to offset any possible road damage. When construction is completed, the cash road bond is released to the builder or developer.

Cash Concentrations

The Association maintains its cash accounts primarily with banks located in Maryland. The total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. The Association had no balances in excess of FDIC insured limits at June 30, 2018.

Owner Assessments Receivable

The annual budget and owners' assessments are determined by the Board of Directors to provide for current operating funds. Owners' assessments are billed to members of the community on an annual basis. Excess operating funds, if any, are accumulated for future board designated expenditures. The Association provides for losses on assessments receivable using the allowance method, based on historical collection rates.

Allowance for Doubtful Accounts

Accounts within this allowance are to be written off pending the Board's decision to pursue additional collection efforts and the related costs associated therewith. Collections on accounts previously written off are included in income as received.

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Equipment is recorded at cost if purchased, or fair market value at time of donation if donated. Acquisition of property and equipment with a useful life of one year or greater and cost or fair market value of \$1,000 or more is capitalized. The costs of maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation is calculated using the straight line method over the estimated useful lives of the assets as follows:

Building	40 Years
Equipment	3 Years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is recognized in income for the period.

Tax Status

The Association is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code, except on net income, if any, from unrelated business activities, and is classified as an organization that is not a private foundation.

The Association's informational return is subject to examination by the Internal Revenue Service and the State of Maryland, generally for the three years after it is filed.

Interest Income

Interest income resulting from time deposits and loans, except for interest earned on special tax district advances, is allocated to the operating fund.

Subsequent Events

The Association evaluated subsequent events through the date that the financial statements were available to be issued. The Association is not aware of any significant events that occurred subsequent to the balance sheet date but prior to September 19, 2018 that would have a material impact on the financial statements.

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2 - LAND AND BUILDING

The Association holds title to land acquired in an agreement with Drum Point Project, Inc. The value of this land at the time of transfer was \$49,500. The Association also owns non-buildable lots which are shown at zero value. The non-buildable lots consist of lots owned by the Association that will not pass a percolation test. Even though the county has assessed a small value on these lots, they currently have no resale value. Gains on the sale of such land, if any, will be recognized to the extent of value received.

During the year ended June 30, 2005, the Association purchased property for \$123,000. Of this amount, \$41,820 is the value of the land and \$81,180 is the value of the building.

NOTE 3 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

Special tax district funds (as more fully described in Note 1) are to be expended for designated major repairs and replacements and certain administrative expenses. The amount of unexpended funds aggregated \$50,068 and \$25,969 as of June 30, 2018 and 2017, respectively.

The Board of Directors conducted a Level Two – Update level study in 2012 to estimate the replacement costs of the common property components. The Association is awaiting additional receipt of special tax assessments for such major repairs and replacements of these components based on the study's estimated current replacement costs. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated within the special tax district fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available. During the years ended June 30, 2018 and 2017, the Board reserved \$0 and \$0, respectively, of operating funds for future replacement costs.

NOTE 4- OPERATING LEASE

The Association entered into a copier lease on July 27, 2012. The monthly lease payment was \$123 for 60 months. In March 2016, the lease was terminated, and the Association entered into a new copier lease. The monthly lease minimum payment is \$152 for 60 months. The minimum future rental payments required under non-cancelable operating leases as of June 30, 2018 are:

2019	\$ 1,824
2020	1,824
2021	<u>1,368</u>
Total	\$ <u>5,016</u>

Rent expense was \$2,231 and \$2,072 for the years ended June 30, 2018 and 2017, respectively.

SUPPLEMENTARY INFORMATION

DRUM POINT PROPERTY OWNERS' ASSOCIATION, INC.  
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS  
 AND REPLACEMENTS (UNAUDITED)  
 JUNE 30, 2018

The Board of Directors conducted a study in 2012, with the help of engineers, to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on estimated replacement costs at the time of the study. Funding requirements do not take into account the effects of inflation or interest on amounts funded for future major repairs and replacements.

<u>Component</u>	<u>Estimated Useful Lives (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>% of Total Cost</u>	<u>Replacement Reserve Balance at June 30, 2018</u>
Roadway	0 - 16	\$ 1,646,490	85%	\$ ---
Causeways	9	128,000	7%	---
Swales	4	75,000	4%	---
Common Elements	0 - 14	81,800	4%	---
Unclassified		---	---	<u>31,896</u>
Total		\$ <u>1,931,290</u>	<u>100%</u>	\$ <u>31,896</u>

## DPPOA FY18-22 SPECIAL TAX DISTRICT AGREEMENT

THIS AGREEMENT (the "Agreement") is made this 27<sup>th</sup> day of June, 2017, by and between the County Commissioners of Calvert County, Maryland (hereinafter, the "County"), and the Drum Point Property Owners Association (hereinafter, the "DPPOA").

1. By Resolution 37-04 enacted on September 14, 2004, the County created the Drum Point Special Taxing District (hereinafter, the "District"). By Resolution 24-09 enacted on June 23, 2009, the County amended the District, setting the annual assessment and extending the District through June 30, 2012. By Resolution 43-12 enacted on June 26, 2012 the County amended the District, setting the annual assessment and extending the District through June 30, 2016. By Resolution 22-16 enacted on June 30, 2016, the County amended the District, setting the annual assessment and extending the District through June 30, 2017. By Resolution 29-17 enacted on June 27, 2016, the County amended the District, setting the annual assessment and extending the District through June 30, 2022.
2. Funds received pursuant to Resolution 29-17 and not expended or committed on or prior to June 30, 2017 shall be carried forward such that said funds become available for expenditure in accordance with this Agreement.
3. The DPPOA is to administer the works and finances of the District pursuant to this agreement.

**NOW, THEREFORE**, the parties agree as follows:

### I. GENERAL

1. The funds collected for the District shall be maintained in an unrestricted liability account by the Department of Finance and Budget ("Finance"). The District expenditures shall be divided into three categories: Administration, Routine Operations and Capital Improvements, each with a separate budget and bank account.
2. The Administration Budget shall be as set forth in Exhibit A, which is incorporated herein by reference and shall include only those expenses related to the annual audit and fees associated with STD bank accounts. The Routine Operations budget shall be as set forth in Exhibit B hereto, which is incorporated herein by reference and shall include all expenditures pertaining to general and recurring maintenance of DPPOA roads and infrastructure related to roads. The Capital Improvements Budget shall be as set forth in Exhibit C, which is incorporated herein by reference and shall include the capital improvements projects undertaken by the District set forth therein. The District shall submit all requests for budget adjustment to any line item set forth in Exhibits A, through C, inclusive, to the Calvert County Department of Finance and Budget for the approval of the County in accordance with laws, regulations, policies and procedures applicable to County departments.
3. The District fiscal year shall begin on July 1 and terminate on June 30 of the following calendar year.
4. The DPPOA has purchased improved real property that it uses as its headquarters. In no event shall any District funds be used to pay any debt associated with the purchase of this headquarters or the acquisition or procurement of any interest in any real property except as specifically set forth in an approved budget as a separate line item.

5. Not later than October 15 of each year, DPPOA shall have an annual audit of each account performed by an independent auditing firm. The independent auditor's report shall state whether or not the receipts, deposits and disbursements of tax funds were in accordance with approved appropriations set forth in Exhibits A through C hereof and state and local law. DPPOA may satisfy this requirement by submitting to the County by October 15 each year an annual audit acceptable to the County Department of Finance and Budget performed of DPPOA finances, which audit is required by DPPOA bylaws.
6. During the term of the District, the DPPOA may request the County to approve projects regarding amenities other than roads and infrastructure related to roads following the procedures required in Title 4 of the Public Local Laws of Calvert County, including but not limited to, convening a public hearing on the request.
7. Finance will provide a detailed statement to DPPOA ending each month showing the Accounts Receivable and collections for the previous month.

## **II. ADMINISTRATION AND ROUTINE OPERATIONS**

1. The general administration of the District shall be carried on by the DPPOA and shall include all activities and expenditures necessary for the proper execution and operation of the District.
2. The DPPOA shall provide for the routine maintenance of the DPPOA roads, assets and related infrastructure in accordance with Exhibit B.
3. Each quarter beginning on July 1, 2017, the DPPOA shall submit to Finance, a request for funds needed to finance the Administration and Routine Operations accounts of the District, not to exceed Thirty Thousand Dollars (\$30,000.00). The request shall include vouchers for the latest quarter. Finance shall review the draw request and verify that sufficient funds are available to meet the request. Upon verification that funds are available and that the expenditure is consistent with the approved budget, Finance shall pay over to the DPPOA an amount equal to the request into an account designated by DPPOA.
4. If a payment or payments will become due in a quarter and the amount of the payment or payments combined with all other anticipated quarterly expenses will exceed the amount held by DPPOA, Finance may approve a quarterly distribution in an amount sufficient to cover the anticipated payment or payments. Notwithstanding the above, the amounts distributed to the DPPOA for Administration Budget, Exhibit A hereto, and Routine Operations Budget, Exhibit B hereto, in any fiscal year shall not exceed the annual amount for any specific budget line item for that fiscal year as shown in Exhibits A and B, as may be amended upon the request of DPPOA and approved by the County in accordance with Section 1.2, above.

## **III. CAPITAL IMPROVEMENTS**

1. The Capital Improvements to be undertaken by the DPPOA for the District are as set forth on Exhibit C hereto. The Calvert County Department of Public Works ("Public Works") shall provide the DPPOA examples of written specifications of standards and such other assistance as appropriate prior to the issuance of bids or contracts for all Capital Improvement projects set forth on Exhibit C hereto.
2. Before the DPPOA enters into a contract for any work or commits itself financially in any other way, the DPPOA shall certify that the proposed project is set forth in Exhibit C hereto and

request that Finance verify that there are sufficient funds in the Capital Improvements Budget to pay for the project, including a contingency of 10% if none is included in the budget for the project. Once Finance has verified the funds are available and DPPOA has entered into a contract, the Calvert County Department of Finance and Budget shall restrict the funds needed for that project, including a contingency of 10% if none is included in the budget for the project. Funds restricted for one project may not be used for any other project. If there are any restricted funds remaining at the conclusion of a contract, after all expenses associated with the contract and the project have been paid, those remaining funds shall be returned to the unrestricted liability account.

3. Each project undertaken by the DPPOA shall include an inspection schedule approved by Public Works. At the end of each phase of a project that is to be constricted and paid for in phases, an inspector from Public Works shall inspect the work as promptly as practicable, to determine that it has been completed according to contract plans and specifications or require DPPOA to have a qualified person certify the same. If the work has been performed according to contract plans and specifications, the inspector shall approve the work and shall note the approval on a copy of the inspection schedule. Upon such inspection and approval, work shall be allowed to progress to the next phase and invoices submitted to Finance for distribution of funds to DPPOA for payment.
4. In the event that work in one phase has been performed prior to the inspection and approval of work performed in a previous phase, the inspector may require the DPPOA and its contractor to return all or part of the project to a condition that will allow the inspector to properly inspect the work performed in the previous phase. Notice of this provision shall be included in each bid solicitation issued by the DPPOA and each contract entered into by the DPPOA.
5. Upon completion, final inspection and approval of a project, the DPPOA shall submit a written request to Finance for final disbursement of funds sufficient to cover the previously unpaid cost of the work. The request shall include a copy of the inspection schedule indicating that all required inspections have been completed and a certification signed by the inspector and a representative of the DPPOA.

#### **IV. CONTRACTING PROVISIONS**

All contractual work to be performed by the District shall be conducted through a competitive bidding process which shall include, at a minimum, the following:

1. Contracts for the purchase of supplies or services involving \$15,000.00 or more shall be by formal bidding procedures. The bids shall be opened and the contract awarded at a meeting of the DPPOA which has been properly advertised and is open to the public. The contract shall be awarded to the lowest responsible bidder meeting contract specifications. A project may not be subdivided to avoid the requirements of this section.
2. The DPPOA shall invite proposals for all contracts subject to this section by publishing a notice in at least two County newspapers for at least two consecutive weeks. The notice shall state that in not less than three weeks the DPPOA will meet in a meeting open to the public to receive bids for the described purchase or contract, state the time and place of the meeting, and reserve the right to reject any and all bids.
3. Prior to the letting of any Capital Improvements contract, the Drum Point Property Owners'

Association shall submit appropriate documentation and a request for approval to Public Works. Public Works shall review the request and approve or disapprove the project based on the requirements set forth in this agreement within two weeks of their request. In addition, before the contract is executed, the expenditure must be approved by Finance. Within ten days of receiving the request to approve the contract, Finance shall make a decision on the expenditure.

4. In determining the lowest responsible bidder, in addition to considering the price, the DPPOA shall consider:
  - a. The ability, capacity and skill of the bidder to perform the contract or provide the service required;
  - b. Whether the bidder can perform the contract or provide the service promptly, or within the time specified, without delay or interference;
  - c. The character, integrity, reputation, judgment, experience and efficiency of the bidder; and
  - d. Any other information that may have a bearing on the decision to award the contract.
5. If a contract is not awarded to the lowest bidder in price, the reasons for the decision shall be stated in the minutes of the meeting in which the contract is awarded.
6. Contracts for professional services such as those of attorneys, architects, engineers, accountants, consultants, and others possessing a similar high degree of technical skill and expertise, and emergency services, including but not limited to snow removal, need not be let by competitive bid, provided that, to the extent appropriate for the particular service to be provided, a documented attempt is made to secure competitive proposals for these services.
7. If the DPPOA receives no bids or only one bid for an item, the DPPOA may reject the one bid, provided it has so reserved the right, and negotiate a contract for the desired item or service. In the case of a rejected bid, the contract price shall be less than the rejected bid.

#### V. MISCELLANEOUS

1. Notwithstanding any other provisions of this Agreement, the County's obligation to fund the District shall never exceed the amount of funds collected through the special tax assessment. Interest shall accrue for the DPPOA on funds held by the County Treasurer at a rate equal to the money market rate earned by the County on average amounts collected.
2. If during the term of the District any property subject to the special tax is purchased at tax sale by the DPPOA, the DPPOA shall receive as a credit toward the amount payable at the tax sale, the amount of the special tax. If a property is not purchased and the County initiates action to foreclose the right of redemption, the County shall not be required to pay to the DPPOA the amount of the special tax assessed against the property. County shall mail notice to DPPOA of all properties within the Special Taxing District that become subject to tax sale by the County.
3. If the County determines in its sole and absolute discretion that the DPPOA is not properly administering the District or violates the terms, conditions or provisions of this Agreement, the County may take such action that it deems necessary to correct the situation, including, but not limited to:
  - a. Suspension of the tax district;

- b. Assumption of the day-to-day control of the tax district and capital improvements program in accordance with DPPOA's budget;
  - c. Appointment of a third-party to oversee the tax district in accordance with DPPOA's budget; or
  - d. Criminal or civil prosecution of offending parties.
4. Any person or firm who shall have access to the DPPOA funds collected or expended in the tax district shall post a bond with the County in the amount of \$100,000.00 insuring against financial loss due to theft, malfeasance, misfeasance, and misappropriation of funds or any other mismanagement of funds.
  5. This Agreement contains the entire agreement between the parties regarding the subject matter of this Agreement. There are no promises, agreements, conditions, undertakings, warranties or representations, oral or written, express or implied, between them, relating to this subject matter, other than as herein set forth. This Agreement is intended by the parties to be an integration of all prior or contemporaneous promises, agreements, conditions, negotiations and undertakings between them relating to this subject matter. This Agreement may not be modified orally or in any other manner than by an agreement in writing signed by all the parties or their respective successors in interest. This Agreement may be executed in several counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.
  6. This Agreement shall be construed, interpreted and enforced according to the internal laws of the State of Maryland, without regard to principals of conflict of laws.
  7. By entering into this contract, the County and its "employees," as defined in the Local Government Tort Claims Act §5-301 et seq. of the *Courts and Judicial Proceedings Article* of the Maryland Annotated Code, do not waive sovereign immunity, do not waive any defenses and do not waive any limitations of liability as may be provided for by law. No provision of this Agreement modifies and/or waives any provision of the Local Government Tort Claims Act.
  8. It is specifically agreed between the parties executing this Agreement that it is not intended by any of the provisions of this Agreement to create in the public or any member thereof, third party beneficiary status in connection with the performance of the obligations herein without the written consent of the County and notwithstanding its concurrence in or approval of the award of any contract or subcontract or the solicitation thereof in fulfilling the obligations of the Agreement.
  9. No elected official, appointed official, employee, servant, agent or law enforcement officer shall be held personally liable under this Agreement and any extension or renewals thereof because of its enforcement or attempted enforcement provided they are acting within the course and scope of their employment or governmental duties and responsibilities.
  10. The County's financial obligations, if any, under this Agreement are contingent upon sufficient appropriations and authorization being made by the County for the performance of this Agreement. The County's decision as to where sufficient appropriations are available shall be accepted by the other party or parties to this Agreement, and shall be final.

11. In the event any portion of this Agreement is found to be unconstitutional, illegal, null or void, by a court of competent jurisdiction, it is the intent of the County to sever only the invalid portion or provision, and that the remainder of the Agreement shall be enforceable and valid, unless deletion of the invalid portion would defeat the clear purpose of the Agreement, or unless deletion of the invalid portion would produce a result inconsistent with the purpose and intent of the County in entering into this Agreement.
12. DPPOA agrees to defend and hold the County harmless from and against any and all injury, loss, damage, liability and claims, costs or expenses, including reasonable attorney's fees and court costs, arising directly or indirectly out of DPPOA's activities under or pursuant to this Agreement or execution thereof.
13. This Agreement may not be assigned without the prior written consent of the County.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by a duly authorized representative by their hands and seals, intending to be so bound, as of the day and year first above written.

**ATTEST:**

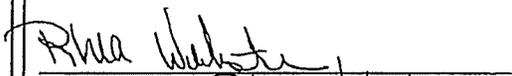
**BOARD OF COUNTY COMMISSIONERS OF  
CALVERT COUNTY, MARYLAND**

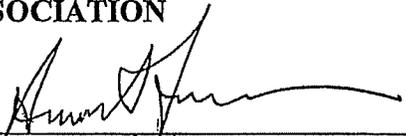
  
 \_\_\_\_\_  
 Maureen Frederick, Clerk

By:  \_\_\_\_\_ (SEAL)  
 Tom Hejl, President

**ATTEST:**

**DRUM POINT PROPERTY OWNERS'  
ASSOCIATION**

  
 \_\_\_\_\_  
 Printed Name: Rhea Webster  
 Title: Manager, DPPOA

By:  \_\_\_\_\_ (SEAL)  
 Printed Name: Anthony Spalkauskas  
 Title: President, Board of Directors DPPOA

Approved for form and legal sufficiency by:

  
 \_\_\_\_\_  
 John B. Norris, III, County Attorney

DPPOA STD 111 - Administrative Budget - Exhibit A							
	STD Fee	115					
	Income		148,971				
			FY 2018 Budget	FY 2019 Budget	FY 2020 Budget	FY 2021 Budget	FY 2022
Administrative Expense							
	Bank Fees		200	200	200	200	200
	CPA and Audits		4,500	4,500	4,500	4,500	4,500
	Total		4,700	4,700	4,700	4,700	4,700
	Administrative Percentage		3.15%	3.15%	3.15%	3.15%	3.15%

<b>DPPOA STD VI - O&amp;M Budget - Exhibit B</b>							
	<b>STD Fee</b>	<b>115</b>					
	<b>Income</b>	<b>148,971</b>					
			<b>FY 2018 Budget</b>	<b>FY 2019 Budget</b>	<b>FY 2020</b>	<b>FY 2021 Budget</b>	<b>FY 2022 Budget</b>
<b>Operations and Maintenance Expense</b>							
	<b>Street Lighting</b>		925	925	925	925	925
	<b>SNOW RemovalStorm Cleanup</b>		18,000	18,000	18,000	18,000	18,000
	<b>Road Repairs</b>		<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
	<b>ROW Mowing</b>		1,000	1,000	1,000	1,000	1,000
	<b>Contingency O&amp;M</b>		500	500	500	500	500
	<b>O&amp;M Other</b>		500	500	500	500	500
	<b>Total</b>		<b>21,925</b>	<b>21,925</b>	<b>21,925</b>	<b>21,925</b>	<b>21,925</b>
	<b>O&amp;M Percentage</b>		<b>14.72%</b>	<b>14.72%</b>	<b>14.72%</b>	<b>14.72%</b>	<b>14.72%</b>

