

BY-LAWS
OF
LAUREL BRANCH HOME OWNERS ASSOCIATION, INC.

ARTICLE I. MEMBERS

Section 1.01 Annual Meeting. The Association shall hold an annual meeting of the members each year for election of directors, and the transaction of any business within the powers of the Association. Such annual meeting shall be held on a day in the month of May and at a time to be designated by the Association Board from time to time. If the Association Board does not designate a date and time for the annual meeting, then such meeting shall be held on the first day of May which is not a Sunday or legal holiday in the State of Maryland, at 8:00 p.m. Any business of the Association may be transacted at an annual meeting without being specially designated in the notice of such meeting, except such business as is specifically required by statute, the Laurel Branch Declaration or by the Articles of Incorporation to be stated in the notice. Failure to hold an annual meeting at the designated time shall not, however, invalidate the corporate existence or affect otherwise valid corporate acts.

Section 1.02 Special Meeting. At any time in the interval between annual meetings, special meetings of the members may be called by the President, by the Manager of the Association, or by a majority of the Association Board. In addition, the Manager of the Association, in his capacity as Secretary, shall call a special meeting of the members on the written request of members entitled to cast at least twenty-five (25%) percent of all the votes of the Class A Membership.

Section 1.03 Place of Meetings. All meetings shall be held at the principal office of the Association in the Laurel

Branch Subdivision, or at such other place within the State of Maryland as is designed by the Board of Directors from time to time.

Section 1.04 Notice of Meetings. Unless otherwise specified in the Declaration, not less than fifteen days nor more than thirty days before the date of every meeting of the members, the Manager shall give to each member entitled to vote at such meeting written or printed notice stating the time and place of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, either by mail or by delivering it to him personally or by leaving it at his residence or usual place of business. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the member at his Post Office address as it appears on the records of the Association, with postage thereon prepaid. Notwithstanding the foregoing provision, a waiver of notice in writing, signed by the member or members entitled to such notice and filed with the records of the meeting, whether before or after the holding thereof, or actual attendance at the meeting in person or by proxy, shall be deemed equivalent to the giving of such notice to such persons. Any meeting of members, annual or special, may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by announcement.

Section 1.05 Quorum. Unless otherwise provided in the Articles of Incorporation or Laurel Branch Declaration, at any meeting of members the presence in person or by proxy of members entitled to cast ten percent (10%) of all of the votes of each class of membership entitled to be cast shall constitute a quorum, but this section shall not affect any requirement under the Laurel Branch Declaration, statute or under the Articles of Incorporation of the Association for the vote necessary for the

adoption of any measure. In the absence of a quorum the members present in person, by majority vote and without notice other than by announcement, may adjourn the meeting from time to time until a quorum shall attend. In addition, at such a meeting where a quorum of members is not present in person, a majority of the members present may call a further meeting of Members, in accordance with the provisions of the Annotated Code of Maryland, Corporations and Associations, Section 5-206, or other applicable law; and at such further meeting the members present in person or by proxy entitled to cast five percent (5%) of all the votes of each class of membership entitled to be cast shall constitute a quorum and the members by majority vote may take any action, including, without limitation, the election of directors, which might have been taken at the original meeting had a sufficient number of members been present.

Section 1.06 Votes Required. A majority of the votes cast at a meeting of members duly called and at which a quorum is present shall be sufficient to take or authorize action upon any matter which may properly come before the meeting, unless more than a majority of votes cast is required by statute or by the Articles of Incorporation or the Laurel Branch Declaration. Class A members, shall be entitled to one vote on each matter submitted to a vote at a meeting of members, and Class B Member(s) shall have three (3) votes for each lot owned within the Laurel Branch Subdivision as set forth in ARTICLE SEVENTH of the Articles of Incorporation.

Section 1.07. Votes to be Cast in Person. Except as specified in Paragraph 7 or 8 of ARTICLE SEVENTH of the Articles of Incorporation, no member shall be entitled to assign his right to vote, by power of attorney, by proxy or otherwise, and no vote shall be valid unless cast in person by the individual member

Section 1.08 List of Members. At each meeting of

members a full, true and complete list in alphabetical order of all members entitled to vote at such meeting, certifying the number of votes to which each such member is entitled, shall be furnished by the President or by the Association Manager. The method employed in determining the names and addresses of members entitled to vote and the number of votes which may be cast by each of them shall have been approved by resolution of the Association Board.

Section 1.09 Members. The qualifications for membership shall be as stated in the Articles of Incorporation of the Association.

Section 1.10 Voting by Mail. Notwithstanding any other provision of these By-Laws, any vote to be taken of the members upon a stated proposal or for the election of directors may be taken by mail, and the number of votes necessary for passage of the proposal or election as a director shall be the same as if the vote were taken at a meeting.

ARTICLE II. ASSOCIATION BOARD

Section 2.01 Powers. The business and affairs of the Association shall be managed by a Board of Directors, referred to in these By-Laws as the "Association Board". The Association Board may exercise all the powers of the Association, except such as are, by statute or the Articles of Incorporation or these By-Laws, conferred upon or reserved to the members. The Association Board shall keep full and fair accounts of its transactions.

Section 2.02 Number and Election of Directors. Until the first annual meeting of members or until successors are duly elected and qualify, the Association Board shall consist of the persons named as directors in the Articles of Incorporation. At the first annual meeting of members and at each annual meeting thereafter, the members shall elect five (5) directors to hold

office until the next meeting or until their successors are elected and qualify. At any meeting of members, duly called and at which a quorum is present, the members may, by the affirmative vote of the majority of members, thereon, remove any director or directors from office with or without cause, and may elect a successory or successors to fill any resulting vacancies for the unexpired terms of removed directors.

All ballots cast by the members for the purpose of electing or removing any director or directors shall be secret and unsigned. The Association Board shall, from time to time, adopt by resolution a procedure for such balloting which, to the extent practicable,

1. shall assure that no member casts more votes than he is entitled to cast under the Articles of Incorporation of the Laurel Branch Declaration and these By-Laws; and

2. shall assure the privacy of each member with respect to whether his vote is cast for or against the election or removal of any particular directors or candidates; and

3. shall assure the impartiality of the process by which votes are counted.

This paragraph shall not require ballots to be stored or retained following a vote, but the Association Board may, if it deems it necessary or advisable, adopt by resolution a procedure for such storage or retention for reasonable periods.

Section 2.03 Vacancies. Any vacancy occurring in the Association Board for any cause except removal by the members may be filled by a majority of the remaining directors, although such majority is less than a quorum. A director elected by the Association Board to fill a vacancy shall hold office until the next annual meeting of members or until his successor is elected and qualifies.

Section 2.04 Action by the Board of Directors.

A. Regular Meetings. Except as permitted by this

Section, all actions, matters or resolutions approved or disapproved by the Association Board shall be by vote of the Directors taken at a regular meeting. Regular meetings of the Association Board may be called by the President of the Association or by a majority of the Directors.

B. Emergency Meetings or Action by the Board of Directors. In the event of an emergency requiring immediate action by the Board of Directors, the Board of Directors may act by unanimous written consent without a meeting or at an emergency meeting called by any officer of the Association or by any two Directors.

C. Time and Place of Meeting. Each meeting of the Association Board shall be held at such time and at such place within the State of Maryland as the person or persons calling the meeting may designate.

Section 2.05 Open Meeting.

Meetings to be Open to Members. All regular and emergency meetings of the Association Board shall be open to all members of the Association. The directors, upon the affirmative vote of a majority of the directors present at a meeting, may meet in executive session to discuss any action, matter or resolution before the Association Board but any vote on such action, matter or resolution shall be taken at an open meeting.

Section 2.06 Notice of Meetings to Directors. Except as provided in Section 2.04, notice of the place, day and hour of every regular and special meeting shall be given to each director two days (or more) before the meeting, by delivering the same to leaving the same at his residence or usual place of business, or, in the alternative, by mailing such notice three days (or more) before the meeting, postage prepaid, and addressed to him at his last known post office address, as shown upon the records of the Association. Unless required by these By-Laws or by resolution of the Association Board, no notice of any meeting of the

Association Board need state the business to be transacted thereat. No notice of any meeting of the Association Board need be given to any director who actually attends, or to any director who, in writing executed and filed with the records of the meeting either before or after the holding thereof, waives such notice. Any meeting of the Association Board, regular or special, may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by announcement.

Section 2.07 Quorum. At all meetings of the Association Board a majority of the entire Association Board shall constitute a quorum for the transaction of business. Except in cases in which it is by statute, by the Articles of Incorporation or by these By-Laws otherwise provided, the vote of a majority of such quorum at a duly constituted meeting shall be sufficient to elect and pass any measure. In the absence of a quorum, the directors present, by majority vote and without notice other than by announcement, may adjourn the meeting from time to time until a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 2.08 Compensation. Directors as such shall not receive any compensation for their services. A director who serves the Association in any other capacity, however, may receive compensation therefor.

Section 2.09 Rules and Regulations. The Association Board shall adopt reasonable rules and regulations regarding the administration, interpretation, and enforcement of the provisions of the Laurel Branch Declaration, consistent with the best interests of the property owners and other members, the laws of the State of Maryland, the Articles of Incorporation and the high quality of the community.

ARTICLE III. COMMITTEES

Section 3.01 Committees. The Association Board may by resolution provide for an Executive Committee and for such other standing or special committees as it deems desirable, and discontinue the same at its pleasure. Each such committee shall consist of two or more directors and shall have such powers and perform such duties, not inconsistent with law, as may be assigned to it by the Association Board, except that only the full Association Board shall have the power to recommend to the members any action which requires membership approval.

ARTICLE IV. OFFICERS

Section 4.01 President. The Association Board shall in each year elect a President of the Board from among the Directors. The President shall preside at all meetings of the Association Board and meeting of members at which he shall be present and shall exercise such powers and duties as are usually performed by such an officer, including but not limited to the execution of checks, deeds, mortgages, deeds of trust, easements rights of way, leases and other corporate documents. He shall also exercise those additional powers and duties as are from time to time assigned to him by the Association Board.

Section 4.02 Manager. The Association Board shall in each year elect one person (who need not be a member of the Association) to serve as the Manager of the Association. The Manager of the Association shall, ex officio, be the Secretary and the Treasurer of the Association. The manager shall generally advise the Association in the conduct and operation of its affairs. In the absence of the President, the Manager shall preside at all meetings of the members and of the Association Board at which he shall be present; he shall have general charge

and supervision of the business of the Association; he may sign and execute, bonds, contracts or other instruments, except in cases in which the signing and execution thereof shall have been expressly delegated by the members or the Association Board or express provision of the Articles of Incorporation or of these By-Laws to some other officer or agent of the Association; and he shall perform such other duties as, from time to time, may be assigned to him by the Association Board.

As Secretary of the Corporation, the Manager shall keep the minutes of meetings of the members and of the Association Board, in books provided for the purpose; he shall see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; he shall be custodian of the records of the Association; he shall see that the corporate seal of the Association is affixed to all documents the execution of which, on behalf of the Association, under its seal, is duly authorized, and when the corporate seal is so affixed he may attest the same; and he shall, in general, perform all duties incident to the office of Secretary of a corporation.

As Treasurer of the Association, the Manager shall have charge of and be responsible for all funds, receipts, and disbursements of the Association, and shall deposit, or cause to be deposited, in the name of the Association, all monies or other valuable effects in such banks, trust companies or other depositories as shall, from time to time be selected by the Association Board; he shall render to the Association Board whenever requested, an account of the financial condition of the Association, and, in general, he shall perform all the duties incident to the office of Treasurer of a Corporation.

The Manager shall serve at the pleasure of the Association Board and any vacancy in such office by reason of

death, removal, resignation or otherwise shall be filled by the Association Board.

Section 4.03 Additional Executive Officers. The Association Board shall choose one or more Vice-Presidents (who shall perform such duties and have such responsibilities as (i) are expressly assigned to them by these By-Laws or (ii) are customary for the Vice-President of a corporation and are not expressly delegated by these By-Laws or by the members or by resolution of the Association Board to the President or Manager or some other officer) and may choose one or more assistant managers, one or more assistant secretaries and one or more assistant treasurers, none of whom need be a director, but all of whom shall be members of the Association. Any two or more of the offices mentioned in this Article IV may be held by the same person; but no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument be required by statute, by the Articles of Incorporation, by these By-Laws or by resolution of the Association Board to be executed, acknowledged or verified by any two or more officers. In the event of a vacancy in any office provided for in this Section 4.03 by reason of death, removal, resignation or otherwise, the Association Board may either fill the vacancy or, except for the office of President, abolish such office.

The assistant officers, if any, described in this Section 4.03 shall have such duties as may from time to time be assigned to them by the Association Board or by the Manager.

Section 4.04 Compensation. None of the officers of the Association (other than the Manager or assistant managers) shall be compensated by the Association for services rendered in the capacity of such office. Any such officers (other than the Manager or assistance managers) who serve the Association in any other capacity, however, may receive compensation therefor. The Manager and any assistant managers may receive such compensation

as may be determined from time to time by resolution of the Association Board.

Section 4.05 Removal. Any officer or agent of the Association may be removed by the Association Board whenever, in its judgment, the best interests of the Association will be served thereby, with or without cause.

ARTICLE V. FINANCE

Section 5.01 Checks, Drafts, Etc. All checks, drafts, and orders for the payment of money, notes and other evidences of indebtedness, issued in the name of the Association, shall unless otherwise provided by resolution of the Association Board, be signed by the Manager and counter signed by the President of the Association.

Section 5.02 Annual Reports. The Manager shall prepare annually a full and correct statement of the affairs of the Association, including a balance sheet and a financial statement of operations for the preceding calendar year, which shall be submitted at the annual meeting of the members and filed within twenty (20) days thereafter at the principal office of the Association.

Section 5.03 Fiscal Year. The fiscal year of the Association shall be the twelve calendar months period ending December 31st of each year, unless otherwise provided by the Association Board.

Section 5.04 Use of Funds. The Association shall apply any and all funds and property received by it from any source to the following:

(i) The payment of all principal and interest, when due, on all loans borrowed by the Association, to the extent required under any agreement with noteholders;

(ii) The costs and expenses of the Association; and
(iii) The benefit of the Property and the members of the Association by devoting funds to the acquisition, construction, reconstruction, alteration, enlargement, replacement, repair, maintenance, or operation of the common areas and improvements thereon.

Section 5.05 Assessment of Annual Charge. As soon as may be practical in each year, the Association shall send a written bill to each owner, as defined in Article Sixth of the Articles of Incorporation stating:

(i) The amount of the Annual Charge; and
(ii) That unless the Owner shall pay the Annual Charge within thirty (30) days following the date of receipt of the bill the same shall be deemed delinquent and will bear interest as provided in the Laurel Branch Declaration.

If an Owner shall fail to pay the Annual Charge within ninety (90) days following receipt of the bill therefor, in addition to the right to sue the Owner for a personal judgment, the Association shall have the right to enforce the lien imposed in the Laurel Branch Declaration to the same extent, including a foreclosure sale and deficiency decree and subject to the same procedures (to the extent the appropriate court will accept jurisdiction) as in the case of mortgages under applicable law, and the amount due by such Owner shall include the Annual Charge as well as the cost of such proceedings, including a reasonable attorney's fee, and interest as set forth in the Laurel Branch Declaration. If in any case the appropriate court refuses jurisdiction of the enforcement of said Lien, the Association shall have the right

to sell the property at a public sale after giving notice to the Owner by registered mail to the last known address of the Owner at least thirty (30) days prior to such sale.

The Association Board shall have the right to adopt procedures for the purpose of making assessments for purposes of the Annual Charge, and the billing and collection of the Annual Charge, provided that the same are not inconsistent with the provisions of the Laurel Branch Declaration.

Upon written demand by an Owner, the Association shall within a reasonable period of time issue and furnish to such Owner a written certificate stating that all Annual Charges (including interest and costs, if any) have been paid with respect to any specified Lot and the permanent improvements thereon as of the date of such certificate, or if all Annual Charges have not been paid, setting forth the amount of such Annual Charges (including interest and costs, if any) due and payable as of such date. The Association may make a reasonable charge for the issuance of such certificates which must be paid at the time that the request for such certificate is made. Any such certificate, when duly issued as herein provided, shall be conclusive and binding with regard to any matter therein stated as between the Association and any bona fide purchaser of, or lender on, the Lot in question.

Section 5.06 Borrowing by the Association. In order to secure the repayment of any and all sums borrowed by the Association from time to time, the Association Board may:

(i) assign and pledge revenues received, and to be received, by it under any provision of the Laurel Branch Declaration;

(ii) enter into agreements with noteholders with respect to the collection and disbursements of funds, including, but not limited to, agreements wherein the Association covenants

(a) to assess the Annual Charges on a given day in each year and, subject to the limitation as to the amount of Annual Charges specified in the Laurel Branch Declaration, to assess the same at a particular rate or rates,

(b) to establish sinking funds and/or other security deposits;

(c) to apply funds received by the Association to the payment of all principal and interest, when due, on such loans, or to apply the same to such purpose after providing for costs of collection;

(d) to provide for the custody and safeguarding of all funds received by the Association.

The amount, terms, rate or rates of all borrowing and the provisions of all agreements with noteholders shall be subject to the decision of the Association Board; provided, however, that, so long as the Declarant controls the Association Board,

(i) the amount of the loans and the schedule of repayment of any borrowing shall be such as will assure that such amount of loans and repayments will not at any time impair the ability of the Association to carry out its functions in a satisfactory manner.

Section 5.07 Carryover of Unused Funds. The Association shall not be obligated to spend in any calendar year all the sums collected in such year by way of Annual Charges, or otherwise, and may carry forward, as surplus, any balance remaining; nor shall the Association be obligated to apply any such surpluses to the reduction of the amount of the Annual Charges in the succeeding year, but may carry forward from year to year such surplus as the Association Board in its absolute discretion may determine to be desirable for the greater financial security of the Association and the effectuation of its absolute discretion. The Association Board may determine to be desirable for the greater financial security of the Association and the effectuation of its purposes.

ARTICLE VI. CERTIFICATES OF MEMBERSHIP

Section 6.01 Certificates of Membership. The Association Board may provide for the issuance of certificates evidencing membership in the Association, which shall be in such

form as may be determined by the Association Board. The name and address of each member and the date of issuance of his certificate shall be entered on the records of the Association. If any certificate shall become lost, mutilated or destroyed, a new certificate may be issued therefor upon such terms and conditions as the Association Board may determine or prescribe.

ARTICLE VII SUNDRY PROVISIONS

Section 7.01 Seal. The Association Board shall provide a suitable seal, bearing the name of the Association, which shall be in the charge of the Manager. The Association Board may authorize one or more duplicate seals and provide for the custody thereof.

Section 7.02 Voting Upon Shares in Other Corporations. Any shares in other corporations or associations, which may from time to time be held by the Association, may be voted at any meeting of the shareholders thereof by the Manager or an assistant manager of the Association or by proxy or proxies appointed by the Manager or an assistant manager of the Association. The Association Board, however, may by resolution appoint some other person or persons to vote such shares, in which case such person or persons shall be entitled to vote such shares upon the production of a certified copy of such resolution.

Section 7.03 Amendments. These By-Laws may be amended, at a regular or special meeting of the members, by a vote of a majority of a quorum of members present in person or by proxy, except that the Federal Housing Administration or the Veterans Administration shall have the right to veto amendments while there is Class B membership.

Section 7.04 Conflicts. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of any conflict between

the Declaration and these By-Laws, the Declaration shall control.

Section 7.06 Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end of the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

Section 7.07 Definitions. Except where otherwise expressly provided, all terms used in these By-Laws shall have the meanings defined for them in the Articles of Incorporation or the Laurel Branch Declaration.

IN WITNESS WHEREOF, we, being all of the directors of the Association, have hereunto set our hands this _____ day of _____, 1979.

WITNESS:

CERTIFICATION

I, the undersigned, do certify that:

I am the duly elected and acting secretary of the _____, a Maryland Corporation, and that

The foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the _____ day of _____, 1979.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this _____ day of _____, 1979.

Secretary