

NORTH CARROLL FARMS HOMEOWNERS ASSOCIATION, INC.

Section 7

Copies of the proposed Articles of Incorporation and By-Laws of North Carroll Farms Homeowners Association, Inc. follow this sheet.

**ARTICLES OF INCORPORATION
OF
NORTH CARROLL FARMS HOMEOWNERS ASSOCIATION, INC.**

The undersigned subscriber, Michael H. Mannes, whose post office address is 343 North Charles Street, Baltimore, Maryland 21201, being at least eighteen (18) years of age, does hereby act as Incorporator with the intention of forming a corporation under and by virtue of the General Laws of the State of Maryland, and for such purpose hereby makes, executes, and adopts the following Articles of Incorporation:

ARTICLE I. The name of the Corporation shall be:

NORTH CARROLL FARMS HOMEOWNERS ASSOCIATION, INC.

ARTICLE II. The post office address of the principal place of business of the Corporation shall be located in Carroll County, State of Maryland, at 4219 Hanover Pike, Manchester, Maryland 21102.

ARTICLE III. The resident agent of the Corporation shall be Michael H. Mannes, whose address is 343 North Charles Street, Baltimore, Maryland 21201. Said resident agent is a citizen and actual resident of the State of Maryland.

ARTICLE IV. The Corporation does not contemplate pecuniary gain or profit to the Members thereof, and the specific purposes for which it is formed are to provide for the management, maintenance, preservation, and architectural control of the Common Areas to be acquired; and to promote the health and welfare of the Owners of the Lots; and for that purpose to:

A. Exercise all of the powers and privileges and to perform all of the duties and obligations of the Corporation as set forth in that certain Declaration of Covenants, Conditions and Restrictions for North Carroll Farms (hereinafter called the "**Declaration**") applicable to the Property and recorded or to be recorded in the Land Records of Carroll County, Maryland, by WOODHAVEN BUILDING AND DEVELOPMENT, INC., as the Declaration may be amended from time to time as therein provided, said Declaration and amendments being incorporated herein as if set forth at length;

B. Fix, levy, collect and enforce payment by any lawful means of all charges or assessments pursuant to the terms of the Declaration; to pay all expenses incident to the conduct of the business of the Corporation, including all licenses, taxes or governmental charges levied or imposed against the property of the Corporation;

C. Acquire (by gift, purchase or otherwise), own, hold, improve, build on, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Corporation;

D. Borrow money, and with the assent of two-thirds (2/3) of each class of Members, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

E. Dedicate, sell or transfer all or any part of the Common Areas, if any, to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless an instrument has been signed by two-thirds (2/3) of each class of Members, agreeing to such dedication, sale or transfer;

F. Participate in mergers and consolidations with other nonprofit corporations organized for the same purposes or annex additional residential property and Common Areas, if any, provided that any such merger, consolidation or annexation shall have the assent of two-thirds (2/3) of each class of Members; and

G. Have and to exercise any and all powers, rights and privileges which a corporation organized under the Non-Stock Corporation Law of the State of Maryland by law may own or hereafter have or exercise.

ARTICLE V. Every person or entity who is an Owner of a fee interest in any Lot which is, or becomes subject by that certain Declaration hereinabove referred to, or any amendments thereto, to assessment by the Corporation, including contract sellers, shall be a member of the Corporation. The foregoing is not intended to include persons, institutions or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Corporation.

ARTICLE VI. The Corporation shall have two classes of voting membership:

A. Class A Membership. Class A Members shall be all Owners, with the exception of the Declarant, and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

B. Class B Membership. The Class B Member(s) shall be the Declarant (as defined in the Declaration), and shall be entitled to three (3) votes for each Lot owned. The conversion of Class B Membership into Class A recited hereinafter shall not be construed to apply to nor to deprive the Declarant of any rights herein conferred on the Declarant. The Class B Membership shall cease and be converted to Class A Membership on the happening of either of the following events, whichever occurs earlier:

1. When the total votes outstanding in the Class A Membership equal the total votes outstanding in the Class B Membership; or

2. Seven (7) years from the date of recordation of the Declaration; PROVIDED, HOWEVER, that if the Declarant is delayed in the improvement and development of the Property on account of a sewer, water or building permit moratorium or any other cause or event beyond the Declarant's control, then the aforesaid seven (7) year period shall be extended by a period of time equal to the length of the delays or three (3) years, whichever is less.

ARTICLE VII. The Corporation shall have a lien on each Lot owned in order to secure payment of any sums which shall be due or become due from the holders thereof for any reason whatsoever. Owners shall be assessable as provided in the Declaration and By-Laws.

ARTICLE VIII. In the event any Class A Member sells, assigns, or otherwise transfers of record the fee interest in any Lot in which he holds the interest required for membership, such Member shall be deemed to have contemporaneously assigned the membership appurtenant to said Lot to the transferee of the Lot and delivered it to him for transfer on the books of the Corporation. The foregoing requirement shall not obtain in the event a Lot is transferred as aforesaid merely as security for the performance of an obligation.

ARTICLE IX.

A. The Corporation shall not be operated for profit. There shall be no distributions of gains, profits or dividends to any of the Members nor shall any part of the income of the Corporation be distributed to its Board of Directors or officers. In the event there are any excess receipts over disbursements as a result of performing services, such excess shall be applied against future expenses. The Corporation may pay compensation to its Members, directors and officers for services rendered, upon approval of sixty-six and two-thirds percent (66-2/3%) of the entire membership. The Corporation may pay compensation to the directors constituting the original Board of Directors, upon an affirmative vote of a majority of the original Board. Upon dissolution or final liquidation, the Corporation may make distribution to its Members as is permitted by the Court having jurisdiction thereof, and no such payment, benefit or distribution shall be deemed to be a dividend or distribution of income.

B. The Corporation shall issue no shares of stock of any kind or nature whatsoever. Membership in the Corporation and the transfer thereof, as well as the number of Members, shall be upon such terms and conditions as provided in the Declaration and By-Laws. The Members of the Corporation shall not be personally liable for the debts, liabilities or obligations of this

Corporation. The voting rights of the Members shall be as set forth in the Declaration and By-Laws.

ARTICLE X. The affairs of the Corporation shall be managed by a Board of Directors. The number of directors shall never be less than three (3) nor more than seven (7) and in no event shall be an even number. The number of directors constituting the original Board of Directors shall be three (3) and the names and addresses of the persons who are to serve until the first annual meeting of Members and until their successors are duly chosen and qualified are as follows:

<u>NAME</u>	<u>ADDRESS</u>
Martin K. P. Hill	4219 Hanover Pike Manchester, Maryland 21102
Robert Lacy	4219 Hanover Pike Manchester, Maryland 21102
James F. Piet	4219 Hanover Pike Manchester, Maryland 21102

The qualifications, powers, duties, and tenure of the directors and the manner by which they are to be chosen shall be as set forth in the By-Laws of the Corporation. Officers of this Corporation shall be elected by the Directors and shall serve as provided in the By-Laws. The number of Directors may be changed by amendment of the By-Laws of the Corporation.

ARTICLE XI. The internal affairs of the Corporation shall be regulated by duly adopted By-Laws. The By-Laws shall be made and adopted by the original Board of Directors of the Corporation.

ARTICLE XII. The Corporation reserves the right to amend, alter or repeal any provision contained in these Articles in the manner now or hereafter prescribed by statute for Amendment of Articles of Incorporation, except as herein provided, but only with the assent of two-thirds (2/3) of all Members. The Declarant, for the purpose of conforming to the requirements of any private or governmental lender or title insurance company, may amend these Articles of Incorporation at any time without the necessity of requesting approval from the Members or from any contract purchasers of Lots who would become Members upon transfer of the Lot to them.

ARTICLE XIII. In the event of dissolution of the Corporation, the assets of the Corporation, both real and personal, shall be dedicated to an appropriate public agency to be devoted to purposes as nearly as practicable to the same as those to which they were required to be devoted by the Corporation. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed, and assigned to any nonstock corporation, association, trust or other organization to be devoted to purposes

and uses that would most nearly reflect the purposes and uses to which they were required to be devoted by the Corporation. The Corporation shall not be dissolved without the prior written consent of at least two-thirds (2/3) of all Members.

ARTICLE XIV. In the event the Corporation (1) is consolidated with another corporation, or (2) is merged into another corporation, or (3) sells, leases, exchanges or otherwise transfers all or substantially all of its property and assets, no Member of this Corporation shall be entitled to demand or receive payment of any amount for his membership of or from this Corporation or the consolidated corporation, the Corporation surviving the merger or the transferee (each of which is hereafter in this Article referred to as the "successor") provided, however, that the successor shall be:

A. a corporation organized under and by virtue of the General Laws of the State of Maryland;

B. without capital stock and shall not be operated for profit; and

C. organized for the same general purposes as specified in Article IV of these Articles of Incorporation.

ARTICLE XV.

A. The Corporation shall indemnify every officer and director of the Corporation against any and all expenses, including counsel fees, reasonably incurred by or imposed upon any officer or director in connection with any action, suit or other proceeding (including settlement of any such suit or proceeding if approved by the then Directors) to which he may be made a party by reason of being or having been an officer or director at the time such expenses are incurred. The officers and directors of the Corporation shall not be liable to the Members of the Corporation for any mistake in judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. The officers and directors of the Corporation shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Corporation and the Corporation shall indemnify and forever hold each such officer and director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer or director of the Corporation, or former officer or director of the Corporation, may be entitled.

B. The directors shall exercise their powers and duties in good faith and with a view to the best interests of the Corporation. No contract or other transaction between the Corporation and one or more of its directors, or between the Corporation and any other corporation, firm or association in which one or more of the directors of this Corporation are directors and officers or are pecuniarily or otherwise interested is either void or voidable because such director or directors are present at the

meeting of the Board or any committee thereof which authorizes or approves the contract or transaction, or because his or their votes are counted for such purpose, if any of the conditions specified in any of the following paragraphs exist:

1. The fact that the common directorate or interest is disclosed or known to the Board of Directors or a majority thereof or noted in the Minutes, and the Board authorizes, approves, or ratifies such contract or transaction in good faith or by a vote sufficient for the purpose; or

2. The fact of the common directorate or interest is disclosed or known to the Members, or a majority thereof, and they approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose; or

3. The contract or transaction is commercially reasonable to the Corporation at the time it is authorized, ratified, approved or executed.

C. Common or interested directors may be counted in determining the presence of a quorum of any meeting of the Board or committee thereof which authorizes, approves or ratifies any contract or transaction, and may vote thereat to authorize any contract or transaction with like force and effect as if he were not a director or officer of such other corporation, or not so interested.

ARTICLE XVI. The Corporation shall exist perpetually.

ARTICLE XVII. Annexation of additional properties, mergers, consolidations, mortgaging of the Common Area, dissolution and amendment of these Articles requires prior approval of HUD/VA as long as there is a Class B membership.

ARTICLE XVIII. As used in these Articles of Incorporation, the terms "Common Area," "Declarant," "Member," "Property," and "Lot" shall have the same meaning as each is defined to have in the Declaration of Covenants, Conditions and Restrictions hereinabove referred to.

IN WITNESS WHEREOF, I have signed these Articles of Incorporation and acknowledge the same to be my act, this 9th day of May, 199 .

WITNESS:

Risa Katsubas

Michael H. Mannes (SEAL)
Michael H. Mannes

BY-LAWS
OF
NORTH CARROLL FARMS HOMEOWNERS ASSOCIATION, INC.

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BY-LAWS
OF
NORTH CARROLL FARMS HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

Section 1. Name and Location. The name of this Corporation is NORTH CARROLL FARMS HOMEOWNERS ASSOCIATION, INC. Its principal place of business and mailing address is 4219 Hanover Pike, Manchester, Maryland 21101. Said principal office may be changed by the Board of Directors at any time and from time to time. The Corporation is a non-profit, non-stock corporation organized under the laws of the State of Maryland. The Corporation may have such other offices within or without the State of Maryland as the Board of Directors or the Members may from time to time designate. The Corporation shall be the Association described in the Declaration, and for purposes of identification shall be hereinafter referred to in these By-Laws as the "Corporation."

Section 2. Applicability. These By-Laws and each provision thereof shall be applicable to all Lot Owners within this community known as North Carroll Farms Homeowners Association, Inc., situate in Carroll County, Maryland, and described in the Declaration.

ARTICLE II DEFINITIONS

Section 1. Declaration as used herein, means that certain Declaration of Covenants, Conditions and Restrictions for North Carroll Farms made the 9th day of January, 1997, by WOODHAVEN BUILDING AND DEVELOPMENT, INC., a Maryland corporation, recorded among the Land Records of Carroll County, Maryland, and any declaration amendatory or supplementary thereto.

Section 2. Other Definitions. Any other term used in these By-Laws shall have the same meaning as set forth in the Declaration except where said meaning is clearly inappropriate.

ARTICLE III MEMBERSHIP

Section 1. Members. Every person, group of persons, corporation, trust, firm, partnership, association or other legal entity, or any combination thereof, which owns or occupies a Lot within that portion of the Property subject to the Declaration shall be a member of the Corporation; PROVIDED, HOWEVER, that any person, group of persons, corporation, trust, firm, partnership, association or other legal entity, or any combination thereof, which holds such interest solely as security for the performance of any obligation shall not be a Member solely by reason of such interest.

Section 2. Classification of Members. Members of the Corporation shall be divided into classes as follows:

(a) Class A Members. With the exception of the Declarant (but subject to the provisions of this Section converting Class B to Class A membership), every person, group of persons, corporation, partnership, trust or other legal entity who is a record owner of a fee simple interest in any Lot which is or becomes subject to the Declaration shall be a Class A Member of the Corporation; PROVIDED, HOWEVER, that any such person, group of persons, corporation, partnership, trust, or other legal entity who holds such interest solely as security for the performance of an obligation shall not be a Member solely on account of such interest. Class A Members shall be entitled to one vote for each Lot in which they hold the interest required for membership. In the event that more than one person, group of persons, corporation, partnership, trust or other legal entity is the record owner of a fee simple interest in any Lot, then the vote for the membership appurtenant to such Lot shall be exercised as they among themselves determine in the manner provided hereinbelow, but (except as herein provided) no more than one vote shall be cast with respect to any Lot.

(b) Class B Members. The Class B Member shall be the Declarant (and/or such other persons to whom Declarant shall assign any Class B membership) and each Class B Member shall be entitled to three votes for each Lot which it owns. The conversion of Class B Membership into Class A recited hereinafter shall not be construed to apply to nor to deprive the Declarant of any rights herein conferred on the Declarant. PROVIDED, HOWEVER, that such Class B Membership shall lapse and become a nullity on either of the following events, whichever occurs first:

(i) when the total votes outstanding in the Class A Membership equals the total votes outstanding in the Class B Membership; or

(ii) seven (7) years from the date of recordation of the Declaration; PROVIDED, HOWEVER, that if the Declarant is delayed in the improvement and development of the Property on account of a sewer, water or building permit moratorium or any other cause or event beyond the Declarant's control, then the aforesaid seven (7) year period shall be extended by a period of time equal to the length of the delays or three (3) years, whichever is less.

Upon the lapse of all of the Class B memberships, as provided in this Article III, Declarant shall be a Class A Member of the Corporation as to each and every Lot in which Declarant holds the interest otherwise required for such Class A membership.

Section 3. Assignment of Membership. The Class A memberships, but not the Class B membership, shall be appurtenant to the Lot owned by a Member and may not be assigned except in conjunction with the Lot to which they are appurtenant. The Class B membership shall be freely assignable to any legal entity serving in capacity as a Declarant, hereunder as the same is defined in Article III, Section 2 herein.

Section 4. Liquidation Rights. In the event of any voluntary or involuntary dissolution of the Corporation, the assets of the Corporation shall be distributed to an appropriate public agency to be used for similar purposes to those for which this Corporation was created. In the event that such distribution is not accepted, such assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust or other organization operated for similar purposes.

Section 5. Method of Voting Membership Held by More Than One Person. In the event a membership is held by more than one person, that membership shall, nevertheless, be entitled to only one indivisible vote. The method of voting such membership shall be as described in Article IV, Section 7 of these By-Laws.

ARTICLE IV MEETING OF MEMBERS

Section 1. Place of Meeting. Meetings of the membership shall be held at the principal office or place of business of the Corporation or at such other suitable place convenient to the membership as may be designated by the Board of Directors.

Section 2. Annual Meetings. The first annual meeting of the Members of the Corporation shall be held at such time as the Board of Directors shall determine but shall be held, in any event, within one (1) year following the date of filing of the Articles of Incorporation with the State Department of Assessments and Taxation of Maryland. Thereafter, the annual meetings of the Members of the Corporation shall be held on such date as the Board of Directors may determine but not less than three nor more than five months after the last day of the Corporation's fiscal year. If the Board of Directors shall fail to set a date for the annual meeting, in any year, then such meeting for that year shall be held at 7:30 p.m. on the third Tuesday of April. At such meeting there shall be elected by ballot of the Members, a Board of Directors in accordance with the requirements of Article V, Section 4 of these By-Laws. The Members may also transact such other business of the Corporation as may properly come before them.

Section 3. Special Meetings. It shall be the duty of the President to call a special meeting of the Members as directed by resolution of the Board of Directors or upon a petition signed by Members representing at least twenty-five percent (25%) of the total membership entitled to vote having been presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

Section 4. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each meeting or special meeting, stating the purpose thereof as well as time and place where it is to be held, to each Member of record, at his address as it appears on the membership books of the Corporation, or if no address appears, at his last known place of address, at least ten (10) but

not more than ninety (90) days prior to such meeting. Service may also be accomplished by the delivery of any such notice to the Member at his Lot or last known address. Attendance by a Member at any meeting of the members shall be a waiver of notice by him of the time, place and purpose thereof.

Section 5. Quorum. The presence, either in person or by proxy, of Members entitled to cast one-tenth (1/10) of the votes of each class of Members shall be requisite for, and shall constitute a quorum for the transaction of business at all meetings of Members unless a greater number is provided by the Articles of Incorporation, the Declaration or these By-Laws.

Section 6. Adjourned Meetings. If any meeting of Members cannot be organized because a quorum has not attended, the Members who are present, either in person or by proxy, may, except as otherwise provided by law, adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called.

Section 7. Voting. Subject to Article III, Section 2(b), at every meeting of the Members, each of the Members shall have the right to cast one (1) vote for each membership which he owns on each question. The vote of the Members representing fifty-one percent (51%) of the membership present and voting at the meeting, in person or by proxy, shall be necessary to decide any question brought before such meeting, unless the question is one upon which, by express provision of statute or of the Articles of Incorporation, or of the Declaration or of these By-Laws, a different vote is required, in which case such express provision shall govern and control. The vote for any membership which is owned by more than one person may be exercised by any of them present at any meeting unless any objection or protest by any other owner of such membership is noted at such meeting. In the event all of the co-owners of any membership who are present at any meeting of the members are unable to agree on the manner in which the vote for such membership shall be cast on any question, then such vote shall not be counted for purposes of deciding that question. In the event that the membership is owned by a corporation, then the vote for any such membership shall be cast by a person designated in a certificate and attested by the secretary or an assistant secretary of such corporation and filed with the Secretary of the Corporation prior to the meeting. The vote for any membership which is owned by a trust or partnership may be exercised by any trustee or partner thereof, as the case may be and, unless any objection or protest by any other such trustee or partner is noted at such meeting, the Chairman of such meeting shall have no duty to inquire as to the authority of the person casting such vote or votes. No Member shall be eligible to vote, either in person or by proxy, or to be elected to the Board of Directors if the books or management accounts show such Member to be more than sixty (60) days delinquent in any payment due the Corporation. No vote may be divided into fractional votes on any question.

Section 8. Proxies. A Member may appoint any other Member or the Declarant as his proxy. Any proxy must be in writing and must be filed with the Secretary in a form approved by the Board of Directors before the appointed time of each meeting. Unless limited by its terms or by statute, any proxy shall continue until revoked by a written notice of revocation filed with the Secretary, by the death of the Member, or by conveyance of the Lot to which the membership is appurtenant.

Section 9. Rights of Mortgagees. Any institutional mortgagee of any Lot who desires notice of the annual and special meetings of the Members shall notify the Secretary to that effect by registered mail, return receipt requested. Any such notice shall contain the name and post office address of such institutional mortgagee and the name of the person to whom notice of the annual and special meetings of the Members should be addressed. The Secretary of the Corporation shall maintain a roster of all institutional mortgagees from whom such notices are received and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each annual or special meeting of the Members to each such institutional mortgagee, in the same manner, and subject to the same requirements and limitations as are provided in Section 4 of this Article for notice to the Members. Any such institutional mortgagee shall be entitled to designate a representative to attend any annual or special meeting of the Members and such representative may participate in the discussion at any such meeting and may, upon his request to the Chairman in advance of the meeting, address the Members present at any such meeting. Such representatives shall have no voting rights at any such meeting.

Section 10. Order of Business. The order of business at regularly scheduled meetings of the members shall be as follows:

- (a) Roll call and certification of proxies;
- (b) Proof of notice of meeting or waiver of notice;
- (c) Reading of minutes of preceding meeting;
- (d) Reports of officers, if any;
- (e) Reports of committees, if any;
- (f) Election or appointment of inspectors of election;
- (g) Election of Directors;
- (h) Unfinished business; and
- (i) New business.

In the case of a special meeting, items (a) and (b) shall be applicable and thereafter the agenda shall consist of the items specified in the notice of the meeting.

ARTICLE V DIRECTORS

Section 1. Number. The affairs of the Corporation shall be managed by a Board of Directors initially consisting of three (3) natural persons who need not be Members of the Corporation, and

who shall be designated by the Declarant and who shall hold office until the election of their successors at the first annual meeting of the Members of the Corporation. The names of the initial members of the board of directors are: Martin K. P. Hill, Robert Lacy, and James F. Piet.

Commencing with the first annual meeting of the Corporation, the Board shall consist of an uneven number of not less than three (3) nor more than seven (7) Members who shall be elected by the Members of the Corporation. All directors must be natural persons. Prior to the lapse of the Class B memberships as provided for in the Articles of Incorporation and the Declaration, the number of directors shall be determined from time to time by a vote of the initial directors named by the Declarant; thereafter, the number of directors shall be determined by a vote of the Members at the annual meeting of Members and the number of directors may be changed by a vote of the Members at any subsequent annual or special meeting of the Members; PROVIDED, HOWEVER, that (a) the limitations of this Section shall continue to apply; and (b) no such change shall operate to curtail or extend the term of any incumbent director.

Section 2. Powers and Duties. The Board shall have all the powers and duties necessary for the administration of the affairs of the Corporation and may do all such acts and things, as are not by law or by these By-Laws, directed to be exercised and done by the Members. The powers and duties of the Board shall include, but not be limited to, the following:

To provide for the:

(a) care and upkeep of the Common Areas and the improvements thereon in a manner consistent with the law, the provisions of these By-Laws, and the Declaration;

(b) establishment and collection of assessments and/or carrying charges from the members and for the assessments and/or enforcement of liens therefor in a manner consistent with law and the provisions of these By-Laws and the Declaration;

(c) designation, hiring, and/or dismissal of personnel necessary for the good working order of the Corporation, for the proper care of the Common Areas, and to provide services for the Corporation in a manner consistent with law and the provisions of these By-Laws and the Declaration; and

(d) promulgation and enforcement of such rules as may be deemed proper respecting the use, occupancy and maintenance of the Common Areas and the Lots as are designated to prevent unreasonable interference with the use and occupancy of the Common Areas and Lots by the Members, all of which shall be consistent with law and the provisions of these By-Laws, the Articles of Incorporation, and the Declaration.

Section 3. Budget. The Board of Directors, with the assistance of counsel, shall prepare and adopt a budget for each

annual assessment period which shall include estimates of the funds required by the Corporation to meet its annual expenses for that period and shall include reasonable reserves for repair and replacement. The budget herein required to be prepared and adopted by the Board of Directors shall be in a format consistent with the classification of the accounts of the Corporation, and shall provide for sufficient estimates, on a consistent periodic basis, to permit comparison to and of deviations from the various periodic reports of the actual results of operation and the actual financial condition of the Corporation, on both a current basis and for prior corresponding periods, all in accordance with generally accepted accounting practices, consistently applied. Copies of the budget shall be available for examination by the Members and by their duly authorized agents and attorneys, and by the institutional holder of any first mortgage on any Lot in the project and by their duly authorized agents and attorneys, during normal business hours, for purposes reasonably related to their respective interests, and upon reasonable notice.

Section 4. Term of Office. At the first annual meeting of the Members, the Members shall elect one (1) director for a term of one (1) year, one (1) director for a term of two (2) years, and one (1) director for a term of three (3) years. At the expiration of the initial term of office of each respective director, his successors shall be elected to serve a term of three (3) years. In the alternative, the membership may, by resolution duly made and adopted at the first annual meeting of Members, or any subsequent annual meeting, resolve to fix the term for each Director elected at any such meeting at one (1) year. Directors shall hold office until their successors have been elected and hold their first regular meeting.

Section 5. Vacancies. Vacancies in the Board caused by any reason other than the removal of a Director through normal annual elections as herein provided shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; each person so elected shall be a Director until a successor is elected by the Members at the next annual meeting.

Section 6. Removal. After the first annual meeting of the Corporation, any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Corporation. Prior to the first annual meeting of the Corporation, any director may be removed from the Board, with or without cause, by the Declarant.

Section 7. Compensation. No Director shall receive compensation for any service he may render to the Corporation, unless approved by a vote of two-thirds (2/3) of the Members. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 8. Organizational Meeting. The first meeting of a newly elected Board shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the

meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, provided a majority of the entire Board shall be present.

Section 9. Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined by a majority of the Directors, but at least two (2) such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director and all members, personally or by mail, telephone or telegraph, at least six (6) days prior to the day named for such meeting.

Section 10. Special Meetings. Special meetings of the Board may be called by the President of the Board on three (3) days' notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place, as hereinabove provided, and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least one-third (1/3) of the Directors.

Section 11. Waiver of Notice. Before or at any meeting of the Board, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be waiver of notice by him of the time, place and purpose thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business which may properly come before the Board at such meeting may be transacted.

Section 12. Quorum. At all meetings of the Board, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present and voting at a meeting at which a quorum is present shall be the acts of the Board. If at any meeting of the Board there be less than a quorum present, the majority of those present, may adjourn the meeting from time to time. At any such meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 13. Action Without Meeting. Any action by the Board required or permitted to be taken at any meeting may be taken without a meeting if all of the Members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors.

Section 14. Fidelity Bonds. The Board shall require that all officers and employees of the Corporation handling or responsible for association, corporate or trust funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Corporation.

ARTICLE VI OFFICERS

Section 1. Designation. The principal officers of the Corporation shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Board and none of whom shall be related by marriage or otherwise. Prior to the first annual meeting of Members, the officers of the Corporation need not be Members of the Corporation. Thereafter, all officers of the Corporation shall be Members of the Corporation.

Section 2. Election of Officers. The officers of the Corporation shall be elected annually by the Board at the organizational meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the Members of the Board, any officer may be removed either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or any special meeting of the Board called for such purpose.

Section 4. President. The President shall be the chief executive officer of the Corporation. He shall preside at all meetings of the Members and of the Board. He shall have all of the general powers and duties which are usually vested in the office of president of a corporation, including but not limited to the power to appoint committees from among the membership from time to time as he may, in his discretion, decide is appropriate to assist in the conduct of the affairs of the Corporation.

Section 5. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be delegated to him by the Board of Directors.

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Members of the Corporation; he shall have custody of the seal of the Corporation; he shall have charge of the membership transfer books and of such other books and papers as the Board may direct; and he shall, in general, perform all the duties incident to the office of Secretary.

Section 7. Treasurer. The Treasurer shall have responsibility for association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Corporation. He shall be responsible for the deposit of all moneys and other valuable effects in the name, and to the credit, of the Corporation, in such depositories as may from time to time be designated by the Board.

ARTICLE VII LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1. Liability and Indemnification of Officers and Directors. The Corporation shall indemnify every officer and director of the Corporation against any and all expenses, including counsel fees reasonably incurred by or imposed upon any officer or director in connection with any action, suit or other proceeding (including the settlement of any such suit or proceeding if approved by the then Board of the Corporation) to which he may be made a party by reason of being or having been an officer or director of the Corporation whether or not such person is an officer or director at the time such expenses are incurred. The officers and directors of the Corporation shall not be liable to the Members of the Corporation for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The officers and directors of the Corporation shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Corporation (except to the extent that such officers or directors may also be owners of Lots) and the Corporation shall indemnify and forever hold each such officer and director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer or director of the Corporation, or former officer or director of the Corporation may be entitled.

Section 2. Common or Interested Directors. The Directors shall exercise their powers and duties in good faith and with a view to the best interests of the Corporation. No contract or other transaction between the Corporation and one or more of its Directors, or between the Corporation and any corporation, firm or association (including the Declarant) in which one or more of the Directors of this Corporation are directors or officers or are pecuniarily or otherwise interested, is either void or voidable because such Director or Directors are present at the meeting of the Board or any committee thereof which authorizes or approves the contract for such purposes, if any of the conditions specified in any of the following subparagraphs exist:

(a) The fact of the common directorate or interest is disclosed or known to the Board or a majority thereof or noted in the Minutes, and the Board authorizes, approves, or ratifies such contract or transaction in good faith by a vote sufficient for the purpose;

(b) The fact of the common directorate or interest is disclosed or known to the Members, or a majority thereof, and they approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose; or

(c) The contract or transaction is commercially reasonable to the Corporation at the time it is authorized, ratified, approved or executed.

Common or interested Directors may be counted in determining the presence of a quorum at any meeting of the Board or committee thereof which authorizes, approves or ratifies any contract or transaction, and may vote thereat to authorize any contract or transaction with like force and effect as if he were not such a director or officer of such corporation or not so interested.

ARTICLE VIII MANAGEMENT

Section 1. Management and Common Expenses. The Corporation, acting by and through its Board, shall manage, operate and maintain the Common Areas and, for the benefit of the Lots and the owners thereof, shall enforce the provisions hereof and shall pay out of the common expense fund hereinelsewhere provided for, the following:

(a) The cost of providing water, sewer, garbage and trash collection, electrical and other necessary utility services for the Common Areas;

(b) The cost of directors and officers liability, fire, and extended liability insurance for the Common Areas and the cost of such other insurance as the Corporation may effect, or deem appropriate;

(c) The cost of the services of a person or firm to manage the project together with the services of such other personnel as the Board shall consider necessary for the operation of the project;

(d) The cost of providing such legal and accounting services as may be considered necessary to the operation of the Corporation;

(e) The cost of painting, maintaining, replacing, repairing and landscaping the Common Areas and such furnishings and equipment as the Board shall determine are necessary and proper, and the Board shall have the exclusive right and duty to acquire the same; PROVIDED, HOWEVER, that nothing herein contained shall require the Corporation to paint, repair or otherwise maintain any Lot or any fixtures, appliances or equipment located therein, the maintenance of each Lot being the sole responsibility of the Owner or occupant thereof; and

(f) The cost of any and all other materials, supplies, labor, services, maintenance, repairs, taxes, assessments or the like, which the Corporation is required to secure or pay for by law, or otherwise, or which in the discretion of the Board shall be necessary or proper for the operation of the Corporation and its property.

Section 2. Easements for Utilities and Related Purposes. The Corporation is authorized and empowered to grant (and shall from time to time grant) such licenses, easements and/or

rights-of-way for sewer lines, water lines, electrical cables, telephone cables, television and other communications cables, internal and external wiring and antennae, gas lines, storm drains, underground conduits and/or such other purposes related to the provision of public utilities and other common services to the Property or any part thereof as may be considered necessary, appropriate or desirable by the Board for the orderly maintenance, preservation and enjoyment of the Property or for the preservation of the health, safety, convenience and/or welfare of the owners of the Lots or the Declarant. Said easements, licenses and rights-of-way shall be granted by vote of the Board of Directors of the Corporation and the Members shall not be required to approve such grants.

Section 3. Limitation of Liability. The Corporation shall not be liable for any failure of utilities or other services to be obtained by the Corporation or paid out of the common expense fund, or for injury or damage to person or property caused by the elements or by the Owner of any Lot, or any other person, or flow from any portion of the Property owned and/or maintained by the Corporation or from any wire, pipe, drain, conduit, appliance or equipment. The Corporation shall not be liable to the Owner of any Lot for loss or damage, by theft or otherwise, of articles which may be stored upon any of the Common Areas. No diminution or abatement of common expense assessments, as hereinelsewhere provided, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Common Areas, or to any Lot or from any action taken by the Corporation to comply with any law, ordinance or with the order or directive of any municipal or other governmental authority.

Section 4. Fiscal Year. The fiscal year of the Corporation shall be determined by the Board of Directors.

Section 5. Books and Accounts. Books and accounts of the Corporation shall be kept under the direction of the Treasurer in accordance with good accounting practices. The same shall include books with detailed accounts, in chronological order, of receipts and of the expenditures affecting the project and its administration and shall specify the maintenance and repair expenses of the Common Areas and services, and of any other expenses incurred. The amount of any assessment required for payment of any capital expenditures of the Corporation shall be credited upon the books of the Corporation to the "Paid-in-Surplus" account as a capital contribution by the members.

Section 6. Auditing. At the close of each fiscal year, the books and records of the Corporation shall be audited by an independent Certified Public Accountant whose report shall be prepared and certified in accordance with generally accepted auditing standards. Based upon such report, the Corporation shall furnish its Members with an annual financial statement, including the income and disbursements of the Corporation.

Section 7. Inspection of Books. The books and accounts or the Corporation, and vouchers accrediting the entries made

thereupon, shall be available for examination by the Members of the Corporation, attorneys representing any of the Members, and to the institutional holder of any first mortgage on any Lot and/or its duly authorized agents or attorneys, during normal business hours and for purposes reasonably related to their interests as Members.

Section 8. Execution of Corporation Documents. With the prior authorization of the Board, all notes and contracts shall be executed on behalf of the Corporation by either the President or Vice President, and all checks shall be executed on behalf of the Corporation by such officers, agents or other persons as are from time to time authorized by the Board of Directors.

ARTICLE IX USE RESTRICTIONS

Section 1. Residential Use. All Lots shall be used for private, residential purposes exclusively, except for such temporary non-residential uses as may from time to time be authorized by the Board of Directors and the Zoning Ordinances of Carroll County. Nothing in this Section, or hereinelsewhere, shall be construed to prohibit the Declarant from the use of any Lots which Declarant owns for promotional or display purposes as "model houses" or from leasing any Lot(s) which Declarant owns.

Section 2. Leasing. No Lot within the project, with the exception of leases entered into by Declarant, shall be rented for transient or hotel purposes, or in any event for an initial period of less than twelve (12) months. No portion of any Lot, other than the entire Lot, shall be leased for any period. Any Owner of any Lot who shall lease such Lot shall promptly, following the execution of any such lease, forward a conformed copy thereof to the Board. Any such lease shall contain a provision to the effect that the rights of the tenant to use and occupy the Lot shall be subject and subordinate in all respects to the provisions of the Declaration and these By-Laws and to such rules relating to the use of the Common Areas or other rules as the Board may from time to time promulgate. The provisions of this Section shall not apply to any institutional mortgagee of any Lot who comes into possession of the Lot as a result of a foreclosure sale or as a result of a proceeding in lieu of foreclosure.

Section 3. Rule-Making Authority. Set forth in the Declaration are various specific restrictions on the use to which any Owner or Occupant may put his Lot and/or the Common Areas. The Corporation, acting by vote of its Board, shall have the right to promulgate rules implementing and supplementing said restrictions and such rules shall have the same force and effect as if they were incorporated into the Declaration. Except where immediate implementation is necessary to prevent injury to the health, safety or welfare of persons or to prevent damage or waste to any portion of the Property, such rules shall be published to the Community for not less than thirty (30) days after their promulgation prior to becoming effective and during that time there shall be a hearing scheduled by the Board for obtaining comments from the members.

ARTICLE X DESTRUCTION AND DAMAGE

Section 1. Use of Insurance Proceeds. In the event of damage or destruction of any portion or all of the Common Areas by fire or other casualty, the same shall be promptly repaired or reconstructed in substantial conformity with the original plans and specifications with the proceeds of insurance available for that purpose, if any.

Section 2. Proceeds Insufficient. In the event that the proceeds of insurance are not sufficient to repair damage or destruction of the Common Areas by fire or other casualty, or in the event such damage or destruction is caused by any casualty not herein required to be insured against, then the repair or reconstruction of the damaged Common Areas shall be accomplished promptly by the Corporation at its common expense. The ratable share of the expense of such repairs or reconstruction may be assessed and the lien for the same shall have all the priorities provided for in the Declaration.

ARTICLE XI ARCHITECTURAL STANDARDS

Each Owner of a Lot in the Corporation (other than the Declarant during the course of construction on the Property) by virtue of his acceptance of a warranty deed and the Declaration of Covenants, Conditions and Restrictions (and particularly Article VI thereof), acknowledges the necessity of maintaining the physical appearance and image of the entire residential community as a quality residential community, and additionally that the success of the Declarant in selling the remaining portions of the community is closely related to the physical appearance and image of the completed portions of the community. Except for the rehabilitation and renovation of the Lots situate within the community by the Developer and any improvements to any Lot or to the Common Areas accomplished concurrently with said construction, and except for purposes of proper maintenance and repair or as otherwise in these By-Laws provided, it shall be prohibited to install, erect, attach, place, build, alter, plant, remove or construct any structures or other additions to a Lot, or to any building on a Lot, including but not limited to any awnings, hot tubs, greenhouses, gazebos, patios, balconies, sundecks, porches, covers over patios/balconies/sundecks and porches, solar collecting devices, privacy enclosure walls or retaining walls; or to make any changes or alterations (including alterations in color) within any Lot which will alter the structural integrity or appearance of a building or a Lot, or otherwise affect the property, interest or welfare of any other Lot owner, or impair any easement, until the complete plans and specifications, showing the location, nature, shape, dimensions, material, color, type of construction and/or any other proposed form of change including without limitation, any other information specified by the Board (or its designated committee) shall have been submitted to and approved in writing as to safety, the effect of any such alterations on the costs of maintaining and insuring the property, and harmony of design, color

and location in relation to surrounding structures and topography by the Board, or by an Architectural Committee designated by it.

ARTICLE XII AMENDMENT AND APPROVALS

Section 1. Amendments by Members. These By-Laws may be amended by the affirmative vote of Members representing sixty-six and two-thirds percent (66-2/3%) or more of the votes of each class of Members at any meeting of the Members duly called for such purpose.

Section 2. Amendments by Declarant. During the period in which the Declarant owns a Class B membership, the Declarant reserves the right to unilaterally amend these By-Laws to meet the requirements of the Federal Housing Administration, Veteran's Administration, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, title insurance company or any other governmental or quasi-governmental agency, or to meet the requirements of any mortgage lender; PROVIDED, HOWEVER, that any such amendment shall not materially adversely affect the substantive rights hereunder of any Member other than Declarant. Any such amendment shall be distributed to all Members.

Section 3. FHA/VA Approval. Notwithstanding anything herein contained to the contrary, as long as there is a Class B membership, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration: annexation of additional properties, dedication of Common Areas, and amendment of these By-Laws. HUD/VA has the right to veto amendments to these By-Laws while there is a Class B membership.

ARTICLE XIII MORTGAGES - NOTICES

Section 1. Notice to Board of Directors. Any owner of any Lot in the Corporation who mortgages such Lot shall promptly notify the Board of Directors of the name and address of his mortgagee. The Board of Directors shall maintain suitable records pertaining to such mortgages.

Section 2. Consents. Any provision of these By-Laws to the contrary notwithstanding, the Corporation shall not, nor shall the Members, except by consent of two-thirds (2/3) thereof exclusive of the Declarant or the consent of two-thirds (2/3) of all first mortgagees of record, materially modify or amend the provisions of these By-laws.

Section 3. Definition. As used in this Article, the term "mortgagee" shall mean any mortgagee, and shall not be limited to institutional mortgagees, and the term "Mortgage" shall include a deed of trust. As used generally in these By-Laws, the term "institutional holder" or "institutional mortgagee" shall include

banks, trust companies, insurance companies, savings and loan associations, pension funds and any corporation, including a corporation of, or affiliated with, the United States Government, or any agency thereof.

ARTICLE XIV INTERPRETATION - MISCELLANEOUS

Section 1. Conflict. These By-Laws are subordinate and subject in all respects to the provisions of the Declaration. All of the terms hereof, except where clearly repugnant to the content, shall have the same meaning as in the Declaration. In the event of any conflict between these By-Laws and the Declaration, the provisions of the Declaration shall control. The provisions of the Declaration are incorporated herein by reference.

Section 2. Notices. Unless another type of notice is hereinelsewhere specifically provided for, any and all notices called for in the Declaration and in these By-Laws shall be given in writing.

Section 3. Severability. In the event any provision or provisions or these By-Laws shall be determined to be invalid, void or unenforceable, such determination shall not render invalid, void or unenforceable any other provisions hereof which can be given effect.

Section 4. Waiver. No restoration, condition, obligation or provision of these By-Laws shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

Section 5. Captions. The captions and headings contained in these By-Laws are for convenience only and are not a part of these By-Laws and are not intended in any way to limit or enlarge the terms and provisions of these By-Laws.

Section 6. Gender, Etc. Whenever in these By-Laws the context so requires, the singular number shall include the plural and the converse; and the use of any gender shall be deemed to include all genders.

IN WITNESS WHEREOF, we, being all of the Directors of the North Carroll Farms Homeowners Association, Inc., have hereunto set our hands this 9th day of January, 1997.

CERTIFICATION

I, the undersigned, do hereby certify:

1. That I am the duly elected and acting Secretary of the North Carroll Farms Homeowners Association, Inc., and;

2. That the foregoing By-Laws constitute the original By-Laws of said Corporation, as duly adopted at a meeting of the Board of Directors thereof, held on the 9th day of January, 1997.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Corporation this 9th day of January, 1997.

Robert Long
Secretary