

ARTICLES OF INCORPORATION

STONEHURST TOWNHOME ASSOCIATION, INC.

THIS IS TO CERTIFY:

FIRST: The undersigned, Rachel M. Hess, whose post office address is 20 Crossroads Drive, Suite 215, Owings Mills, MD 21117, being at least eighteen years of age, is hereby forming a nonstock corporation under and by virtue of the general laws of the State of Maryland.

SECOND: The name of the corporation (which is hereinafter called the "Corporation") is

STONEHURST TOWNHOME ASSOCIATION, INC.

THIRD: The purposes for which the Corporation are formed are as follows:

To organize and operate a real estate management association exclusively to provide for the acquisition, construction, management, maintenance, care and preservation of the open spaces, common area and facilities within those certain tracts of property described in paragraph (a) of this Article Third, and to promote the recreation, health, safety and welfare of the residents within the said described property, and any addition thereto as may hereafter be brought within the jurisdiction of this Corporation, no part of the net earnings of which is to inure to the benefit of, or be distributable to, any director, officer, or member of the Corporation, or any other individual, so that no pecuniary gain or profit to the members thereof is contemplated, and for such general purposes, and limited to those purposes, the Corporation shall have the following powers:

(a) To acquire, own, hold, preserve, develop, improve, build upon, manage, operate and maintain open space tracts or areas and common or recreational areas, property, facilities and real estate, whether fee simple or leasehold, and whether improved or unimproved, all designed for the common use, benefit, enjoyment, recreation, health, safety and welfare of the record owner or owners of each lot now or hereafter laid out or established within that parcel of land located in Anne Arundel County, Maryland.

As of the date hereof, the aforesaid parcel includes those residential lots, open spaces and common areas as is more particularly described in Exhibit A to the Declaration of Covenants, Conditions and Restrictions hereinafter called the "Declaration" made by Stonehurst Development LLC and recorded or intended to be recorded among the Land Records of Anne Arundel County, as the same may hereafter from time to time be amended, or extended to any additional properties, said Declaration, made a part hereof, by reference thereto, as fully, and to the same extent as though incorporated herein, being applicable to the Community (as

hereinafter defined) and such additions thereto as may hereafter be brought within the jurisdiction of the Corporation. The aforesaid lots, open spaces and common areas are hereinabove and hereinafter referred to collectively as the "Community."

(b) To exercise all the powers, rights and privileges and to perform all the duties and obligations of the Corporation, as the same are set forth in the Declaration.

(c) To establish, fix, make, impose, levy, collect and enforce payment of, by any lawful means all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other 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.

(d) To purchase, lease, option, or otherwise acquire, own, hold, preserve, develop, improve, build upon, manage, operate, maintain, convey, sell, exchange, rent, lease, dedicate for public use, or in any manner transfer or dispose of any real or personal property in connection with the affairs of the Corporation.

(e) To borrow or to raise money for any of the purposes of the Corporation, and to issue bonds, debentures, notes, or other obligations of any nature, and in any manner permitted by law, for money so borrowed or in payment for property purchased, or for any other lawful consideration, and, upon authorization of two-thirds (2/3) of the Class A Members in the Corporation (except the Declarant if the Declarant is a Class A Member) to secure the payment of the money borrowed and of the interest thereon, by mortgage upon, or pledge or conveyance or assignment in trust of, the whole or any part of the property of the Corporation.

(f) To dedicate, sell or otherwise transfer all or any part of the common areas, property and facilities of the Corporation to any public agency, authority or utility for such purpose and subject to such conditions as may be agreed upon by the Members, provided, however, that no such dedication, sale or transfer shall be effective unless approved in writing by two-thirds (2/3) of the Class A Members in the Corporation (except the Declarant if the Declarant is a Class A Member) agreeing to such dedication, sale or transfer.

(g) To participate in mergers and consolidations with other nonprofit organizations, organized for the same purpose, provided that any such merger or consolidation shall have the assent of two-thirds (2/3) of the Members of each class of the Membership in the Corporation, voting separately thereon.

(h) To annex to the Community, at any time, and from time to time, other and additional residential property, open space and common area, provided that any annexation of such other additional residential property, open space and common area shall have the assent of two-thirds (2/3) of

each Class of Members of the Corporation, voting separately thereon.

(i) To have and to exercise any and all powers, rights and privileges which a corporation organized under the Nonstock Corporation Law of the State of Maryland by law may now or hereafter have or exercise.

The Corporation is formed under the articles, conditions and provisions expressed herein and in the general laws of this State. In no event, however, shall the Corporation: (i) carry on any propaganda or otherwise attempt to influence any legislation or any public administrative action; (ii) participate or intervene in any political campaign on behalf of any candidate for public office, by any means, including the publication or distribution of any statement for or against any candidate; (iii) carry on any activity not permitted to be carried on by a corporation exempt from Federal Income Tax under Section 501(c) or 528 of the Internal Revenue Code of 1986, as amended to date, or corresponding provision of any future United States Internal Revenue law; or (iv) invest in or use any property in such a manner as to jeopardize the exemption of the Corporation from taxation under the aforesaid Section 501(c) or 528 of the Internal Revenue Code of 1986, as now in force or hereafter amended.

FOURTH: The post office address of the principal office of the Corporation in this State is c/o MRA Property Management, Inc., 42 N. Main Street, Suite 200, Bel Air, Maryland 21014. The name of the resident agent of the Corporation in this State is Rachel M. Hess, Esquire, whose post office address is 20 Crossroads Drive, Suite 215, Owings Mills, Maryland 21117. Said resident agent is a citizen of the State of Maryland and actually resides therein.

FIFTH: The Corporation is not authorized to issue any capital stock. Each record owner, as hereinafter defined, of a lot now or hereafter laid out or established in the Community, or in any part of such additional property that may be brought within the jurisdiction of the Corporation shall be a Member of the Corporation. Each Member shall be designated either a Class A Member or a Class B Member. A description of each class of Membership, with the voting rights and powers of each class, is as follows:

(a) Class A Member: Except for the Declarant and Builder (as such terms are defined in the Declaration), who shall initially be the Class B Members, a Class A Member shall be a record owner holding title to one or more lots laid out in the Community, or in any part of such additional property that may be brought within the jurisdiction of the Corporation. Each Class A Member shall be entitled to one (1) vote per lot, for each such lot owned by such Member, in all proceedings in which action shall be taken by Members of the Corporation.

(b) Class B Members: The Class B Members shall be the Declarant and Builder. The Class B Members shall be entitled to three (3) votes per lot, for each such lot owned by such Members, in all proceedings in which the action shall be taken by Members of the Corporation.

(c) Conversion: The Class B Membership shall be converted to a Class A Membership upon the earlier to occur of (i) December 31, 2004; or (ii) at such time as the total number of votes entitled to be cast by Class A Members of the Corporation equals or exceeds the total number of votes entitled to be cast by the Class B Members of the Corporation. After such conversion, if additional property is made subject to the Declaration then the Class B Membership of the Class B Members shall be reinstated until December 31, 2008, or such earlier time as the total number of votes entitled to be cast by Class A Members again equals or exceeds the total number of votes entitled to be cast by the Class B Members.

The term "record owner," as used in these Articles, means and includes the person, firm, corporation, trustee, or legal entity, or the combination thereof, including contract sellers, holding the record title to a lot in the Community or located on any part of such additional property that may be brought within the jurisdiction of the Corporation and subjected by covenants of record to a lien for charges and assessments levied by the Corporation, as said lot is now or may from time to time hereafter be created or established, either in his, her, or its own name, or as joint tenants, tenants in common, tenants by the entirety, or tenancy in co-partnership, if the lot is held in such real property tenancy or partnership relationship.

If more than one (1) person, firm, corporation, trustee, or other legal entity, or any combination thereof, hold the record title to any one lot, whether in a real property tenancy, partnership relationship, or otherwise, all of same, as a unit, and not otherwise, shall be deemed a single record owner and shall be or become a single Member of the Corporation by virtue of ownership of such lot. The term "record owner," however, shall not include any contract purchaser, nor the owner of any redeemable ground rent issuing out of any lot, nor shall it include any mortgagee, trustee or other grantee named in any mortgage, deed of trust or other security instrument covering any lot, designed solely for the purpose of securing performance of an obligation or payment of a debt. Membership in the Corporation shall be appurtenant to and may not be separated from ownership of any lot which is subject to assessment by the Corporation. Conversely, every owner of a lot which is subject to assessment by the Corporation shall become and be a Member of the Corporation.

If any single Membership in the Corporation is comprised of two (2) or more persons, firms, corporations, trustees or other legal entities, or any combination thereof, then each constituent may cast such portion of the vote of the Member as shall equal his, her or its proportionate interest in the lot or lots held by said Member, provided, however, that if only one (1) votes, he, she or it may cast the entire vote of the Member and such act shall bind all.

SIXTH: The affairs of the Association shall be managed during the Development Period by a Board of two (2) directors, which number may be increased or decreased pursuant to the By-Laws of the Corporation, but

shall never be less than three (3) nor more than nine (9) after the Development Period has expired. The names of the directors who shall act until the first annual meeting or until their successors are duly chosen and qualified are Bryon Krane and Bonnie Covey. No Director need be a Member of the Corporation.

From and after the first annual meeting of Members, the term of office of the Directors shall be staggered. At the first annual meeting, the Members shall elect one-third (1/3) of the directors for a term of one (1) year, one-third (1/3) of the directors for a term of two (2) years and one-third of the directors for a term of (3) three years; and at each annual meeting thereafter the Members shall elect one-third of the total number of directors for a term of three (3) years.

SEVENTH: The duration of the Corporation shall be perpetual. The Corporation, however, may be dissolved under and in accordance with the laws of the State of Maryland, provided such dissolution first be authorized, in writing, signed by not less than two-thirds (2/3) of the Members of the Corporation, or, if there be more than one class of Members, then by not less than two thirds (2/3) of each class of Members of the Corporation, computed separately. Upon any dissolution of the Corporation, after discharge of all corporate liabilities, the Board of Directors shall dispose of all assets of the Corporation, by dedication thereof to any appropriate public agency to be used for purposes similar to those for which the Corporation was formed. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned, if practicable, to any nonprofit corporation, association, trust or other organization as shall at the time qualify as an organization or organizations exempt from taxation under Sections 501(c) or 528 of the Internal Revenue Code of 1986, as amended, or the corresponding provision of any future United States Internal Revenue law, as the Board of Directors may determine, preferably to a semi-public agency, to be used in furthering, facilitating or effectuating purposes similar to those for which the Corporation was formed.

EIGHTH: Amendment of these Articles shall require the assent of two-thirds (2/3) of the entire Membership, provided, however, that the Federal Housing Administration, the Veterans Administration or the Department of Housing and Urban Development (collectively the "Federal Agencies"), or any successor agencies thereto, shall have the right to veto amendments while there is a Class B Membership if any such agency or any successor agencies thereto have approved the Community, or any part thereof, or any Lot, for federal financing by one of the Federal Agencies.

NINTH: As long as there are any Class B Members, if any of the Federal Agencies or any successor agencies thereto, whether public or private, approve the Community or any part thereof or any lot therein for federally approved mortgage financing, the following actions will require the prior approval of the Federal Agencies: annexation of additional properties; mergers and consolidations; mortgaging of or dedication of any of the Common Area; dissolution; and amendment of these Articles.

TENTH: No director or officer of the Corporation shall be liable to the Corporation or to its Members for money damages except (a) to the extent that it is proved that such director or officer actually received an improper benefit or profit in money, property or services, for the amount of the benefit or profit in money, property or services actually received, or (b) to the extent that a judgment or other final adjudication adverse to such director or officer is entered in a proceeding based on a finding in the proceeding that such director's or officer's action, or failure to act, was (i) the result of active and deliberate dishonesty or (ii) intentionally wrongful, willful or malicious and, in each such case, was material to the cause of action adjudicated in the proceeding.

ELEVENTH: Each officer and director of the Association, in consideration of his or her services, shall be indemnified by the Association to the extent permitted by law against expenses and liabilities reasonably incurred by him or her in connection with the defense of any action, suit or proceeding, civil or criminal, to which he or she may be a party by reason of being or having been a director or officer of the Association. The foregoing right to indemnification shall be exclusive of any other rights to which the director or officer or person may be entitled by law or agreement or vote of the Members or otherwise.

IN WITNESS WHEREOF, I have signed these Articles of Incorporation and acknowledged the same to be my act on this ____ day of _____, 199__.

WITNESS:

Rachel M. Hess

CONSENT TO SERVE AS
RESIDENT AGENT:

Rachel M. Hess

COMMON AREA DEED

THIS COMMON AREA DEED (this "Deed") is made this _____ of _____, 199__, by STONEHURST DEVELOPMENT LLC, a Maryland limited liability company ("the Developer"), and STONEHURST TOWNHOME ASSOCIATION, INC., a Maryland nonstock corporation ("the Association").

WITNESSETH, THAT IN CONSIDERATION of the premises (the actual consideration paid or to be paid for the within conveyance being \$0.00), and for other consideration, the receipt and adequacy of which are hereby acknowledged, the Developer hereby grants and conveys unto the Association, and its successors and assigns, in fee simple, all of that land in Anne Arundel County, Maryland, which is described in Exhibit A hereto,

TOGETHER WITH any and all improvements thereon and any and all rights, alleys, ways, waters, privileges, appurtenances and advantages, to the same belonging or in any way appertaining (all of which land, improvements and appurtenances are referred to collectively as "the Property"),

TO HAVE AND TO HOLD the Property unto and to the proper use and benefit of the Association and its successors and assigns, in fee simple, subject to the operation and effect of any and all instruments and matters of record.

WITHOUT LIMITING THE GENERALITY of the foregoing provisions of this Common Area Deed, the Developer and the Association hereby acknowledge to and agree with each other, for themselves and their respective heirs, personal representatives, successors and assigns, that (i) the title to the Property being conveyed to the Association by this Deed is encumbered by, and is being conveyed subject to, that certain Second Amended and Restated Declaration of Covenants, Conditions and Restrictions (hereinafter, as amended, referred to as "the Declaration") dated _____, and recorded among the Land Records of Anne Arundel County, Maryland, in Liber _____ at folio _____ et seq.; made by the Developer; (2) the Declaration constitutes, and has been so recorded as part of, a general plan or scheme of development and use for all of that real property in Anne Arundel County which is hereinafter referred to as "the Community", as from time to time constituted, including the Property (but not for any real property not within the Community, as from time to time constituted); (3) the provisions of the Declaration are and shall be covenants which run with, bind on, benefit and burden the title to both the Property, the Common Area and the rest of the Community, as fully as if such provisions were set forth at length in this Common Area Deed (and for that purpose such provisions are hereby incorporated herein be reference); (4) the Property is part of the "Common Area", as that term is defined therein; and (5) the Developer and the Association shall, by their execution and delivery of this Common Area Deed, be bound by the Declaration (including, but not limited to, the provisions thereof requiring the Association and its successors and assigns as owner of the Property to use it in accordance with the Declaration).

THE DEVELOPER HEREBY COVENANTS that it will warrant specially the title to the Property which is hereby granted, and will execute such further assurances thereof as may be requisite, subject to the operation and effect of any and all instruments and matters of record or in fact on the date on which this Common Area Deed is recorded among the Land Records of Anne Arundel County.

IN WITNESS WHEREOF, each party hereto has executed and ensealed this Deed or caused it to be executed and ensealed on its behalf by its duly authorized representatives, the day and year first above written.

WITNESS/ATTEST:

STONEHURST DEVELOPMENT LLC
a Maryland limited liability company

_____ (SEAL)

- Developer -

INC.

STONEHURST TOWNHOME ASSOCIATION,

_____ (SEAL)
Bryon Krane, President

- Association -

STATE OF MARYLAND: COUNTY OF _____: TO WIT:

I HEREBY CERTIFY that on this _____ day of _____, 19____, before me, a Notary Public for the State and County aforesaid, Maryland, personally appeared _____, known to me or satisfactorily proven to be the person whose name is subscribed to the foregoing instrument, who acknowledged that he is the _____ of STONEHURST DEVELOPMENT LLC, a Maryland limited liability company and the entity named therein as "the Developer"; that he has been duly authorized to execute, and has executed, such instrument on its behalf for the purposes therein set forth, and that the same is its act and deed.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, the day and year first above written.

Notary Public

My commission expires on _____.

STATE OF MARYLAND: COUNTY OF _____: TO WIT:

I HEREBY CERTIFY that on this ____ day of _____, 19____, before me, a Notary Public for the State and County aforesaid, Maryland, personally appeared Bryon Krane, known to me or satisfactorily proven to be the person whose name is subscribed to the foregoing instrument, who acknowledged that he is the President of Stonehurst Townhome Association, Inc., a Maryland nonstock corporation and the entity named therein as "the Association"; that he has been duly authorized to execute, and has executed, such instrument on its behalf for the purposes therein set forth, and that the same is its act and deed.

IN WITNESS WHEREOF, I have set my hand and Notarial Seal, the day and year first above written.

Notary Public

My commission expires on _____.

ATTORNEY CERTIFICATION

THE UNDERSIGNED, an attorney admitted to practice before the Court of Appeals of Maryland, hereby certifies that the above instrument was prepared by me or under my supervision.

Rachel M. Hess, Attorney-at-Law

COMMON AREA DEED

between

STONEHURST DEVELOPMENT LLC

and

STONEHURST TOWNHOME ASSOCIATION, INC.

EXHIBIT A

Description of the Common Area

The Common Area contains _____ acres of land, more or less, as described more fully on the attached _____ (____) page Description prepared by _____.

AFTER RECORDATION, PLEASE RETURN TO:

KANTOR & WINEGRAD
Rachel M. Hess, Esquire
20 Crossroads Drive, Suite 215
Owings Mills, Maryland 21117

BY-LAWS

STONEHURST TOWNHOME ASSOCIATION, INC.

ARTICLE I
NAME AND LOCATION

The name of the corporation is STONEHURST TOWNHOME ASSOCIATION, INC., hereinafter referred to as the "Association". The principal office of the Association shall be located at c/o MRA Property Management, Inc., 42 N. Main Street, Suite 200, Bel Air, Maryland 21014, but meetings of members and Directors may be held at such places within the State of Maryland as may be designated by the Board of Directors.

ARTICLE II
DEFINITIONS

Section 1. "Association" shall mean and refer to Stonehurst Townhome Association, Inc., its successors and assigns.

Section 2. "Common Area" shall mean all real property owned, leased or licensed by the Association for the common use, benefit and enjoyment of the Owners.

Section 3. "Declarant" shall mean and refer to Stonehurst Development LLC and any successors or assigns thereof to whom it shall expressly (i) convey or otherwise transfer all of its right, title and interest in the Properties, or the last thereof, as an entirety, without reservation of any kind; or (ii) transfer, set over or assign any or all its right, title and interest under the Declaration, or any amendment or modification thereof.

Section 4. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions dated _____, applicable to the Properties and heretofore recorded among the Land Records of Anne Arundel County, Maryland, in Liber _____, folio _____, et seq. and any additions, amendments or modifications thereto.

Section 5. "Lot" shall mean and refer to any plot of land subject to assessment by the Association, and shown upon any recorded subdivision map or plat of the Properties, with the exception of the Common Area.

Section 6. "Member" or "Members" shall mean and refer to those persons entitled to membership in the Association, as provided in the Declaration.

Section 7. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple or leasehold title to any Lot which is a part of the Properties, including contract sellers, but excluding ground rent owners and those having such interest merely as security for the performance of an obligation or payment of a debt.

Section 8. "Properties" shall mean and refer to that certain real property in Anne Arundel County (the "County") described in the Declaration of Covenants, Conditions and Restrictions referred to in Article II, Section 4 hereof, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 9. Any other terms used herein shall have the meanings given to them in the Declaration.

ARTICLE III
MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within one (1) year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held on the same day of the same month of each year thereafter, at a time and place within the State of Maryland selected by the Board of Directors of the Association. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held on the first day following which is not a legal holiday. *Annual DC*

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of the Members who are (i) entitled to vote one-fourth (1/4) of all of the votes of the Class A membership, or (ii) entitled to vote one-fourth (1/4) of all of the votes of the Class B membership.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days but not more than sixty (60) days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of Members or of proxies entitled to cast one-tenth (1/10) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, these By-Laws or applicable law. If, however, such quorum shall not be present or

represented at any meeting, the Members entitled to vote at the meeting shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 5. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot.

ARTICLE IV
BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed initially by a Board of two (2) Directors during the Development Period, who need not be Members of the Association, and after the Development Period by a Board of three (3) Directors; however, a majority of the entire Board of Directors is authorized to increase the number of Directors to a maximum of nine (9).

Section 2. Term of Office. From and after the first annual meeting of the Members, the term of office of the Directors shall be staggered. At the first annual meeting the Members shall elect one-third (1/3) of the Directors for a term of one (1) year, one-third (1/3) of the Directors for a term of two (2) years, and one-third (1/3) of the Directors for a term of three (3) years; and at each annual meeting thereafter the Members shall elect one-third (1/3) of the total number of Directors for a term of three (3) years. Steve 12/8-12/11 Erin -12/9-12/12 Roger-12/10-12/13 Meggan-12/9?

Section 3. Removal. Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation or removal of a Director, his or her successors shall be selected by the remaining members of the Board and shall serve for the unexpired term of his or her predecessor.

Section 4. Compensation. No Director shall receive compensation for any service he or she may render to the Association. However, any Director may be reimbursed for actual expenses incurred in the performance of his or her duties.

Section 5. Action Taken Without A Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could take under Maryland law at a closed meeting by obtaining the written approval of all the Directors. Any action so approved shall have the same effect as though taken at a closed meeting of the Directors.

ARTICLE V
NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Association. The Nominating Committee shall be appointed by the President of the Association prior to each annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies. Nominations may be made from among Members or non-members of the Association.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VI MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held at least annually, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two (2) Directors, after not less than three (3) days notice to each Director.

Section 3. Quorum. A majority of the number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII POWERS, RIGHTS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have the power to:

(a) adopt and publish rules and regulations governing the use of the Common Area, including any improvements and amenities located thereon, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) suspend the voting rights and right to use of any recreational facilities located on any Common Area of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended, after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations or any provisions of the Declaration;

(c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, or the Declaration;

(d) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

(e) employ a manager, independent contractor, or such other individuals, entities or employees as they deem necessary and to prescribe their duties.

Section 2. Specific Right of Inspection of The Board of Directors

Every Director of the Association will have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The foregoing right of inspection includes a right to make extracts and copies of documents.

Section 3. Duties. It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such a statement is requested in writing by one-fourth (1/4) of the Class A Members or of the Class B Members who are entitled to vote;

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) as more fully provided in the Declaration, to:

(1) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period;

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period;

(3) foreclose the lien against any Lots for which assessments are not paid within thirty (30) days after the due date thereof or to bring an action at law against the Owner personally obligated to pay the same;

(d) issue, or cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain adequate liability and hazard insurance on property owned by the Association;

(f) cause all officers or employees having fiscal responsibilities to be bonded as it may deem appropriate; and

(g) cause to be maintained the Common Area and any other areas shown on the Plat that may be owned by governmental entities who are not maintaining such areas.

Sign?
Stop

ARTICLE VIII OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of this Association shall be a President and Vice-President, who shall at all times be members of the Board of Directors, a Secretary, and a Treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors, and thereafter at the meeting of the Board of Directors following each annual meeting of the Members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless any officer shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any

time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaced.

Section 7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one (1) of any of the other offices except in the case of offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

(a) President. The President shall preside at all meetings of the Members and of the Board of Directors and shall see that orders and resolutions of the Board are carried out. The President shall have the authority to sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

(b) Vice-President. The Vice-President shall act in the place and stead of the President in the event of the President's absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required by the Board. The Vice-President shall likewise have the authority to sign all leases, mortgages, deeds and other written instruments.

(c) Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as required by the Board.

(d) Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all books of account; cause an annual audit of the Association's books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Members.

ARTICLE IX
INDEMNIFICATION OF OFFICERS AND DIRECTORS

Each officer and Director of the Association, in consideration of his or her services, shall be indemnified by the Association to the extent permitted by law against expenses and liabilities reasonably incurred by him or her in connection with the defense of any action, suit or proceeding, civil or criminal, to which he or she may be a party by reason of being or having been a Director or officer of the Association. The foregoing right to indemnification shall be exclusive of any other rights to which the Director or officer or person may be entitled by law or agreement or vote of the Members or otherwise.

ARTICLE X
COMMITTEES

The Association shall appoint an Architectural Committee, as provided in the Declaration; and a Nominating Committee, as provided in these By-Laws. In addition, the Board of Directors shall appoint such other committees as deemed appropriate in carrying out its purpose.

ARTICLE XI
BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member. The Declaration, the Articles of Incorporation and the By-Laws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XII
ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the lot against which the assessment is made. Any assessments or portions thereof which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of twelve percent (12%) per annum, and shall be subject to a late charge of Ten Dollars (\$10.00) per month until paid or ten percent (10%) of the Assessment, whichever is greater, and the Association may declare the entire balance of the assessment immediately due and payable. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the Lot, and interest, costs and reasonable attorneys' fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessment provided for herein by non-use of the Common Area or abandonment of the Owner's Lot.

ARTICLE XIII
AMENDMENTS

Section 1. These By-Laws may be amended, at a regular or special meeting of the Members, by a vote of two-thirds (2/3) of a quorum of Members present in person or by proxy, except that the Federal Housing Administration or the Veterans Administration or the Department of Housing and Urban Development, or any successor agencies thereto, shall have the right to veto amendments while there is a Class B membership if any such agency or any successor agencies thereto have approved the Properties, any part thereof, or any Lot, for federal mortgage financing.

Section 2. 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.

ARTICLE XIV
MISCELLANEOUS

The fiscal year of the Association shall be determined by the Board in its discretion.

IN WITNESS WHEREOF, we, being all of the Directors of Stonehurst Townhome Association, Inc., have hereunto set our hands this ____ day of _____, 1998.

Bryon Krane

Bonnie Covey

CERTIFICATION

I, THE UNDERSIGNED, do hereby certify that I am the duly elected and acting Secretary of Stonehurst Townhome Association, Inc., a Maryland corporation, and that the foregoing By-Laws constitute the original By-Laws of said Corporation, as duly adopted by unanimous written consent of the Board of Directors thereof on this ____ day of _____, 199__.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of the Corporation this ____ day of _____, 199__.

Gene Asher, Secretary (SEAL)