

BYLAWS

APPLEGATE NORTH HOMEOWNERS' ASSOCIATION, INC.

ARTICLE I NAME AND LOCATION

The name of the corporation is APPLEGATE NORTH HOMEOWNERS' ASSOCIATION, INC., hereinafter referred to as the "Association."

ARTICLE II DEFINITIONS

Section 1. "Association" shall mean and refer to Applegate North Homeowners' Association, Inc., its successors and assigns.

Section 2. "Property" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions and Restrictions referred to in Article II, Section 7 hereof, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 3. "Common Area" shall mean all real property and improvements owned, leased or licensed by the Association for the common use, benefit and enjoyment of the Owners. Common Area may from time to time include an interest held by lease, license or easement as well as estates in fee simple.

Section 4. "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 Property, with the exception of the Common Area.

Section 5. "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 Property, including contract-sellers, but excluding ground-rent owners, contract-purchasers and those having such interest merely as security for the performance of an obligation or payment of a debt.

Section 6. "Declarant" shall mean and refer to Ft. Smallwood Properties, LLC, a Maryland limited liability company, and any successors or assigns thereof to whom Ft. Smallwood Properties, LLC shall expressly transfer, set over or assign any or all of its right, title and interest as the "Declarant" under the Declaration.

Section 7. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Property and recorded among the Land Records of Anne Arundel County, Maryland in Book 10152, page 517, and any additions, amendments or modifications thereto.

Section 8. "Member" or "Members" shall mean and refer to those persons entitled to membership in the Association, as provided in the Declaration.

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 in the same month of each year thereafter, at a date, 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 Saturday, Sunday or a legal holiday, the meeting will be held on the first day following which is not a Saturday, Sunday or a legal holiday.

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. No notice of the time, place or purpose of any meeting of Members need be given to any Member who attends in person, or by proxy, or who, in writing, executed and filed with the records of the meeting, either before or after the holding of the meeting, waives such notice. The record date for determining the Members entitled to vote at any meeting of the Members shall be the date established in this Section 3 for determining the Members entitled to notice 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, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, and may call another meeting, by a majority vote of the Members present at such meeting in person or by proxy, with notice as set forth above being sent to all Members not less than five (5) days nor more than thirty (30) days in advance of the meeting, and the Members present at such meeting in person or by proxy shall constitute the requisite quorum.

Section 5. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies (other than the proxy given by each Builder to the Declarant pursuant to the provisions of the Articles of Incorporation for the Association) shall be in writing and filed with the Secretary. Every proxy (other than the proxy given by each Builder to the Declarant pursuant to the provisions of the Articles of Incorporation for the Association) shall be revocable and shall automatically cease upon conveyance by the Member of legal title to its Lot (other than as security for a loan).

Section 6. Voting. A majority of the votes cast (the votes cast by all classes of Members being combined) at a meeting of Members duly called and at which a quorum is present shall be sufficient to approve any matter which may properly come before the meeting, unless (1) a greater number or percentage of votes, and/or (2) the separate computation of the votes of each class, is required by the Articles of Incorporation, by the Declaration, by another provision of these Bylaws, or by applicable law.

Section 7. Action Taken Without a Meeting. The Members shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of a majority of the Members; provided notice of such action was provided to all Members as aforesaid. Any action so approved shall have the same effect as though taken at a meeting of the Members.

ARTICLE IV BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

Section 1. Number. The affairs of the Association shall be managed initially by a Board of three (3) directors, who need not be Members of the Association. After all Class B memberships have ceased, each director shall be (a) a Member, either in its own name, or as a joint tenant, tenant in common, tenant by the entirety, or copartner, if its Lot is held in a real property tenancy or partnership relationship, or (b) the spouse of a Member, or (c) an officer, employee or agent of a corporate, partnership, trust or other entity which is a Member of the Association. For each membership, there shall be no limit as to the number of joint tenants, tenants in common or tenants by the entirety, copartners, officers or agents of the Member who may serve as directors at the same time. A majority of the Board of Directors or a majority vote of the Members at a meeting of the membership may increase the number of Directors to a maximum of five (5).

Section 2. Term of Office. The directors appointed by the Declarant shall, unless they should die, resign or be removed by the Declarant, serve successive one (1) year terms until their successors are elected and qualified. At the first annual meeting of the Members following the termination of the Class B membership, the Members shall elect two thirds (2/3) of the number of directors for a term of one (1) year and one third (1/3) of the number directors for a term of two (2) years. At the expiration of the initial term (not including any term of office commencing prior to the annual meeting of the Members held as aforesaid) and any subsequent term of office of each director, its successor shall be elected by the Members at an annual meeting to serve for a term of two (2) years. Each director elected as provided in this Section 2 may, if reelected, succeed itself, and shall hold office until its successor shall be elected and

qualified, or until such director shall die, resign, cease to qualify, or be removed.

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 present and voting. In the event of death, resignation or removal of a director, his or her successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his or her predecessor. Removal of any director under the provisions of this Section shall, ipso facto, terminate the right of such director to hold any executive office of the Association. Every director who is an officer, director, employee or agent of the Declarant shall be conclusively deemed to have resigned from his or her position as a director, upon termination of such director's relationship with the Declarant.

Section 4. Vacancies. If any director shall die or resign, or shall cease to qualify for directorship under Section 1 of this Article IV, or if the Members of the Association shall remove any director without appointing another in its place, a majority of the remaining directors, although such majority is less than a quorum, may elect a successor (the "replacement director") to hold office until the next succeeding annual meeting of the Association, and until the replacement director's successor shall be elected and qualified, or until the replacement director shall die, resign, cease to qualify, or be removed. Vacancies in the Board of Directors created by an increase in the number of directors may be filled by the Declarant prior to the termination of the Class B membership, and thereafter, by the vote of a majority of the votes of the Members of the Association present and voting at an annual meeting of the Association, and (except for Directors appointed by the Declarant which shall be governed by the provisions of Section 2) the director so elected to fill any such vacancy shall hold office until the second (2nd) succeeding annual meeting of the Association, and until its successor shall be elected and qualified, or until such director shall die, resign, cease to qualify, or be removed.

Section 5. 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.

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 by any Member at or prior to any annual meeting. Each nomination made prior to the annual meeting shall be submitted in writing to the Secretary of the Association. 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 and shall serve until the close of the annual meeting or until their successors are appointed. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but in any event not less than the number of vacancies, from among Members or non-members of the Association, and shall submit its nominations to the Secretary of the Association. The decision of a majority of the members of the Nominating Committee shall be reported as the decision of the Nominating

Committee.

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 and Special Meetings. Within seven (7) days after each annual meeting of the Members, the Board of Directors shall meet at such time and place as shall be fixed by the Members at said annual meeting, in which case no notice to the directors shall be necessary, or if no time and place was fixed for such meeting at the annual meeting of the Members, then the Board shall meet within seven (7) days following the day of such annual meeting, at such time, date and place as may be fixed by a majority of the directors. In addition to the foregoing meeting, regular meetings of the Board of Directors shall be held at such other date, time and place as may be fixed from time to time by a majority of the directors. Special meetings of the Board of Directors may be called by the President of the Association or by a majority of the directors, either by vote or in writing. Notice of the place, day and hour of every regular and special meeting shall be given to each director (a) in writing, either mailed to each director, postage prepaid, not later than the fifth (5th) day before the day set for the meeting, or (b) delivered personally not later than the day before the date set for the meeting, or (c) by telecopy or telephone not later than the day before the date set for the meeting. No notice of the time or place of the meeting need be given to any director who, in writing, executed and filed with the records of the meeting, either before or after the holding of the meeting, waives such notice, or, in fact, attends the meeting.

Section 2. 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.

Section 3. Telephone Meetings. Unless a Board meeting is required by state law to be open to all Members of the Association, Members of the Board may participate in the meeting by means of a conference telephone or similar communications equipment, if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 4. 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 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 meeting of the directors.

Section 5. Open Meetings. Except as provided in Section 6, all meetings of the Board and of any committee of the Board shall be open to all Members and their agents, but

Members other than directors may not participate in any discussion or deliberation unless expressly so authorized by a majority of a quorum of the Board.

Section 6. Closed Sessions.

(a) The Board or any committee of the Board may, with approval of a majority of a quorum, convene in closed session for the following purposes:

- (i) Discussion of a matter pertaining to employees and personnel;
- (ii) Protection of the privacy or reputation of individuals in matters not related to the Associations' business;
- (iii) Consultation with legal counsel;
- (iv) Consultation with staff personnel, consultants, attorneys, or other persons in connection with pending or potential litigation;
- (v) Investigative proceedings concerning possible or actual criminal misconduct;
- (vi) Consideration of the terms or conditions of a business transaction in the negotiation stage if the disclosure could adversely affect the economic interests of the Association;
- (vii) Compliance with a specific constitutional, statutory, or judicially imposed requirement protecting particular proceedings or matters from public disclosure; or
- (viii) On an individually recorded affirmative vote of two-thirds of the Board of Directors or committee members present, some other exceptional reason so compelling as to override the general public policy in favor of open meetings.

(b) If a meeting is held in closed session under this Section:

- (i) An action may not be taken and a matter may not be discussed if it is not permitted by enumerated clauses (i) through (viii) of subsection (a) of this Section; and
- (ii) A statement of the time, place, and purpose of the closed meeting, the record of the vote of each director or committee member by which the meeting was closed, and the authority under this Section for closing the meeting shall be included in the minutes of the next meeting of the Board of Directors or the committee, as the case may be.

Section 7. Notice of Meetings. At least annually, the Secretary shall give to each Member of the Association written notice of the place, day and hour of all regularly scheduled open meetings of the Board of Directors. The notice shall be delivered in person or sent by mail, postage prepaid, at least twenty (20) days before the next regularly scheduled meeting of the

Board of Directors.

Section 8. Open Meetings. Except as provided in Section 6, all meetings of the Board and of any committee of the Board shall be open to all Members and their agents, but Members other than directors may not participate in any discussion or deliberation unless expressly so authorized by a majority of a quorum of the Board.

ARTICLE VII
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall, subject to the provisions of the Declaration, the Articles of Incorporation and applicable law, 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; including the imposition of monetary fines, by majority vote of the Board, after notice and a hearing. Prior to reaching a decision to impose any penalty provided herein for breach of any provisions hereof, of any rules enacted hereunder or any covenants, conditions or restrictions contained in the Declaration, the Board shall send written notice to the Owner specifying the nature of the infraction and shall provide an opportunity to the Owner for a hearing before the Board regarding such infraction and the penalty to be imposed. Said notice shall be given at least fifteen (15) days prior to said hearing. If the Board determines that said infraction has occurred, it may impose a penalty to become effective not less than five (5) days after said hearing. Any such determination of the Board shall be final. Notwithstanding anything to the contrary herein contained, neither the Board nor the Association shall have the power to cause a forfeiture or abridgement of an Owner's right to the full use of its Lot, including access thereto over and across the Common Area.

(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 any violation of the Declaration, any architectural guidelines or any other published rules and regulations;

(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 Bylaws, 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;

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

(f) enforce the provisions of the Declaration, the Articles of Incorporation and these Bylaws by appropriate means, including, without limitation, the expenditure of funds of the Association, the employment of legal counsel, the commencement of legal and/or equitable actions and the settlement of same. Each Member and Owner hereby vests in and irrevocably delegates to the Board or its duly authorized representative, the right and power to so act. If legal counsel is retained or legal action is instituted by the Board, any settlement prior to judgment or any judgment rendered in any such action shall include costs of collection, court costs, and reasonable attorneys' fees;

(g) in accordance with the provisions of the Articles of Incorporation and the Declaration, grant and convey easements, licenses for use and rights-of-way, to any third party where necessary in, on, over and through the Common Area for the benefit of the Owners;

(h) to the extent permitted by law, to participate in mergers and consolidations with other nonprofit corporations organized for the same purposes as the Association;

(i) in accordance with the provisions of the Articles of Incorporation and the Declaration, dedicate in fee simple or in any lesser estate or grant easements over any of its real property to any governmental body or agency, public authority, private or public utility company, or other service companies, for public use or in connection with providing services to the Property;

(j) delegate its powers under the Declaration, these Bylaws or the Articles of Incorporation to committees, officers, employees or a manager;

(k) in accordance with the provisions of the Declaration, enter upon any Lot or Common Area for the purpose of enforcing any of the provisions of the Declaration, or for the purpose of maintaining the Common Area, or for the purpose of maintaining any slopes located on any Lots;

(l) acquire and hold real property by lease or purchase for offices or other Common Area that may be necessary or convenient for the management of the Common Area, the administration of the affairs of the Association or for the benefit of the Members and Owners;

(m) acquire and hold, as trustee for the benefit of its Members, tangible and intangible personal property and to dispose of the same by sale or otherwise;

(n) establish and maintain a working capital and reserve funds in amounts to be determined by the Board; and

(o) borrow money as needed for the administration of the Association and its functions, and to pledge personal and real property assets of the Association as security for such loan, as provided in the Articles of Incorporation.

Section 2. 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 the Association, and to see that their duties are properly performed;

(c) determine, notify owners of, collect and enforce annual and special assessments as provided in the Declaration;

(d) issue, or cause an appropriate officer to issue, upon written 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 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;

(g) cause the Common Area to be maintained, repaired, replaced and landscaped as needed;

(h) establish and cause to be maintained, out of annual assessments, a working capital and reasonable reserve funds for the periodic maintenance, repair and replacement of improvements, if any, in and on the Common Area;

(i) accept any Common Area and improvements situated thereon conveyed by the Declarant, and maintain, operate, and otherwise manage all of the facilities situated on the Common Area, and all personal property acquired by the Association;

(j) pay any real and personal property taxes and assessments and other charges assessed against the Common Area unless the same are separately assessed to the Owners;

(k) obtain utility services necessary or desirable, for the benefit of the Common Area, including, but not limited to, water, gas, electricity, telephone, refuse collection, sewage disposal and other services;

(l) adopt, amend, and repeal such rules and regulations as it deems reasonable. A copy of the rules and regulations, as they may from time to time be adopted, amended or repealed, shall be delivered to each Owner in the same manner established in the Declaration for the delivering of notices. Upon such delivery, said rules shall have the same force and effect as if they were set forth in and were part of the Declaration. The rules as adopted, amended or repealed, shall be available at the principal office of the Association to each Owner and

Mortgagee upon request or at such other place as may be designated by the Board. In the event of any conflict between any such rules and any other provisions of the Declaration, the Articles of Incorporation or these Bylaws, the provisions of the rules shall be deemed to be superseded by the provisions of the Declaration, the Articles of Incorporation or the Bylaws to the extent of any such inconsistency; and

(m) pay any amount necessary to discharge any lien or encumbrance upon the Common Area, or any other property or interest of the Association.

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. If there are less than four (4) members of the Board of Directors then the positions of Secretary and Treasurer may be combined.

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. Every officer who is an officer, director, employee or agent of the Declarant shall be deemed conclusively to have resigned from all offices that he or she holds upon the termination of such officer's relationship with the Declarant.

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.

(b) Vice-President. The Vice-President shall act in the place and stead of the President, in the event of his 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 or shall cause to be received and deposited in appropriate bank accounts all monies of the Association and shall cause such funds to be disbursed as directed by resolution of the Board of Directors; may co-sign checks or promissory notes of the Association; shall keep or cause to be kept all books of account; cause an annual audit of the Association's books to be made by an independent accountant at the completion of each fiscal year or by an authorized officer of the Association who certifies that the annual statement was prepared without audit from the books and records of the Association; and shall prepare or cause to be prepared 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.

Section 9. Contracts, Agreements and Other Instruments. No deed, deed of trust, mortgage, lease, bond, bill of sale, assignment, contract, agreement, promissory note, check, or any other instrument or document intended to bind the Association shall be valid or binding unless signed (a) by the President or Vice President and the Treasurer of the Association, or (b) by the manager of the Association (except that the manager shall not have the authority to execute deeds, deeds of trust, mortgages, leases or promissory notes on behalf of the Association).

ARTICLE IX COMMITTEES

The Board of Directors of the Association shall appoint an Architectural Review Committee as provided in the Declaration; and the President of the Association shall appoint a Nominating Committee, as provided in these Bylaws. In addition, the Board of Directors shall appoint such other committees as deemed appropriate in carrying out its purpose. Any member of any committee who is an officer, director, employee or agent of the Declarant shall be deemed

to have resigned from his or her position as a member of such committee upon termination of such members' relationship with the Declarant.

ARTICLE X BOOKS AND RECORDS

Section 1. Inspection and Maintenance. The Board of Directors shall keep the books of the Association, with detailed accounts in chronological order, noting all receipts and expenditures affecting the Property and its administration, and specifying the maintenance and repair expenses of the Common Area and any other expenses incurred. A separate account shall be maintained for each Lot, showing the amount of each assessment of against such Lot, the date or dates same may be due, the amount paid thereon, and the unpaid balance thereof. Upon any sale or other transfer of a Lot, the new Owner or its agent shall provide to the Association, to the extent available, the name and forwarding address of the prior Owner, the name and address of the new Owner, the date of settlement, and the proportionate amounts of any outstanding assessment assumed by each of the parties to the transaction, and all such information shall be recorded in the assessment account which is maintained for such Lot. The books, together with all bills, statements and vouchers accrediting the entries made thereupon, all other records kept by the Board, and copies of the Declaration, the Articles of Incorporation, these Bylaws and any other rules, regulations or architectural guidelines shall be available for examination and copying by any Owner and any Mortgagee of a Lot, and the duly authorized agents or attorneys of any such Owner or Mortgagee, during normal business hours and after reasonable notice at the principal office of the Association, or at the offices of any manager employed by the Association, where copies may be purchased at reasonable cost. All books and records of the Association shall be kept in accordance with good accounting practices on a consistent basis. An outside review shall be made with respect to any fiscal year of the Association at the election of the Board of Directors or upon the written request of any Class B Member or of Class A Members holding at least one fourth (1/4) of the votes held by all Class A Members, and the cost of such review shall be a common expense. If no outside review is made on behalf of the Association as above provided, any Mortgagee shall have the right to obtain an outside review or audit at its own expense. Promptly after the close of each fiscal year, an annual report of the receipts and expenditures of the Association, certified by an independent accountant (if an outside audit was obtained on behalf of the Association) or otherwise by the Treasurer, shall be rendered by the Board of Directors free of charge to each Owner, and to any Mortgagee, within a reasonable time after receipt of a written request therefor from such Mortgagee. In addition to keeping the foregoing financial books and records, the Board of Directors shall keep detailed records of its actions, minutes of its meetings, and minutes of meetings of the Association.

Section 2. Withholding from Inspection. Notwithstanding the foregoing, books and records kept by or on behalf of the Association may be withheld from public inspection to the extent such books and records concern:

- (a) personnel records;
- (b) an individual's medical records;

- (c) records relating to business transactions that are currently in negotiation;
- (d) the written advice of legal counsel; or
- (e) an individual's financial records.

Section 3. Homeowners Association Depository. The Association shall from time to time deposit such records and other information, and all amendments thereto, as may be required by the Maryland Homeowners Association Act with such officials and in such places as the Act may require.

ARTICLE XI WORKING CAPITAL AND RESERVE FUNDS

Section 1. Creation and Investment of Funds. The Board of Directors shall establish and maintain a working capital fund consisting of the initial capital contributions made by the Owners. From and after such time as the collection of annual assessments is commenced, the Board of Directors shall establish and maintain a reasonable repair and replacement reserve fund (if appropriate), and reserve funds for such other purposes, if any, as it deems appropriate. Such working capital and reserves shall be deposited in one or more segregated accounts and may be invested in (a) obligations fully guaranteed as to principal by the Federal Deposit Insurance Corporation (including, but not limited to, the Bank Insurance Fund and the Savings Association Insurance Fund), or any successor thereof, and/or (b) money market funds distributed by New York Stock Exchange member firms.

Section 2. Working Capital Fund. The working capital fund shall be used to provide the cash needed to pay the start-up costs and initial operating expenses incurred by the Association. The working capital fee shall be charged only once with respect to each Lot. The working capital fee for each Lot shall become due on the date the Declarant transfers legal title to such Lot to any other person or entity, unless the Declarant transfers legal title to such Lot to a Builder, in which case, the working capital fee for such Lot shall become due on the date the Builder transfers legal title to such Lot to any other person or entity other than another Builder. If the Declarant or any Builder has previously paid the working capital contribution for any Lot, the Declarant or such Builder, as applicable, may obtain the amount paid by the Owner as a reimbursement for such payment. If any money remains in the working capital fund after the first annual meeting held after the Class B membership ceases to exist, the Board of Directors, at an open meeting, (a) shall determine how to use the unexpended balance of the working capital fund, and (b) may determine how to use any sums paid into the working capital fund in the future with respect to Lots not theretofore sold by the Declarant or any Builder.

Section 3. Repair and Replacement Reserve Fund. The repair and replacement reserve fund, if any, shall be used for the maintenance, repair, and replacement of the Common Area and any improvements thereon for which the Association is responsible, provided, however, that such reserve may be used for such other purposes as are approved by Owners having a majority of the votes appurtenant to all Lots.

Section 4. Contributions to Capital. All funds assessed for payment into, or otherwise credited to, any working capital or reserve fund shall be deemed contributions to the capital of the Association made or to be made by the Owners, and same shall be shown on the balance sheet and other financial records of the Association as "paid-in-surplus", or its equivalent, to the end and intent that none of the working capital or reserve funds received or retained by the Association shall be considered as income for tax purposes.

ARTICLE XII CORPORATE SEAL

Whenever the Association is required to place its corporate seal to any document, the word "(SEAL)" shall be placed adjacent to the signature of the person who executes such document on the Association's behalf; and such word, placed in such manner, shall constitute the Association's corporate seal; and the Association shall have no other seal.

ARTICLE XIII ADOPTION OF RULES AND REGULATIONS

Section 1. Authorization. Subject to the provisions of this Article. (a) the Association, acting through the Board of Directors, may adopt reasonable rules and regulations for the use, operation and maintenance of the Common Area and any buildings and other improvements now or hereafter located thereon or therein, and (b) the Association, acting through the Board of Directors or Architectural Review Committee, may adopt reasonable rules and regulations to govern the making of improvements, additions, and alterations to and upon the Lots and the structures thereon by the Owners thereof, as provided in Article III of the Declaration.

Section 2. Notice. The Board of Directors or the Architectural Review Committee, as applicable, shall mail written notice to each of the Members of the Association setting forth the proposed rule or regulation at least twenty (20) days prior to its adoption. Such notices shall be mailed to the address of each Member as shown on the most current membership roster of the Association.

Section 3. Adoption: Referendum. The adoption or amendment of rules and regulations shall require the vote of two-thirds (2/3) of the directors or Architectural Review Committee Members present. However, Members equal to not less than twenty percent (20%) of the total Members of the Association may petition a referendum on a rule or regulation by filing a written petition with the Board of Directors within twenty (20) days after the mailing of a notice of adoption. Upon verifying that the requirements of this Section have been met, the rule or regulation shall be suspended pending the results of the referendum. The rule or regulation shall be submitted to a majority vote of the Members present at a meeting called for this purpose within sixty (60) days after the petition has been verified.

Section 4. Modification or Repeal. Any rule or regulation adopted by the Board of Directors or Architectural Review Committee pursuant to the procedure set forth in this Article XIII may be modified or repealed by the Board of Directors or Architectural Review

Committee, as applicable, pursuant to the same procedure.

ARTICLE XIV
AMENDMENTS

Section 1. These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of two-thirds (2/3) of the votes of the Members present in person or by proxy at which the vote is taken, provided the requisite quorum is present at such meeting, however, these By-Laws may not be amended so as to modify, impair or revoke any right or privilege reserved for the benefit of the Declarant, or so as to impose on the Declarant any obligation which is not also imposed on all Owners, without the prior written consent of the Declarant. Notwithstanding the foregoing, the Federal National Mortgage Association, the Federal Housing Administration or the Veterans' Administration, or any successor agencies thereto, shall have the right to veto amendments while there is a Class B membership if either agency or any successor agencies thereto have approved the Property, any part thereof, or any Lot, for federal mortgage loan financing.

Section 2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE XV
FISCAL YEAR

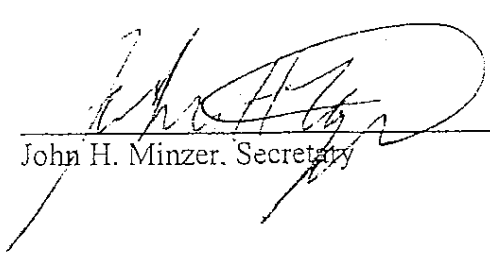
The fiscal year of the Association shall begin on the first (1st) day of January and end on the thirty-first (31st) day of December of every year, except that the first fiscal year of the Association shall begin on the date of its incorporation.

CERTIFICATION

I, THE UNDERSIGNED, do hereby certify:

THAT I am the duly elected and acting secretary of Applegate North Homeowners' Association, Inc., a Maryland corporation, and that the foregoing Bylaws constitute the original Bylaws of the Association, as duly adopted by unanimous written consent of the Board of Directors thereof on the 7th day of February, 2001.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of the Association this 7th day of February, 2001.



John H. Minzer, Secretary

(SEAL)