

MISSISSIPPI

OF RANKIN

BY-LAWS
LAURELWOOD HOMEOWNER ASSOCIATION, INC.

ARTICLE I
GENERAL

SECTION 1. ASSOCIATION NAME. The name of the corporation is LAURELWOOD HOMEOWNER ASSOCIATION, INC. and its duration is perpetual. The Developer is the creator of Laurelwood, Part 4A & 4B and the Incorporator of Laurelwood Homeowner Association, Inc.

SECTION 2. THE PROPERTY. The property located in Rankin County, Mississippi, and more particularly described in the Laurelwood Plats of Part 4A & 4B, recorded at Cabinet B Slide 280 and Slide 281, respectively, in the records of said county, and any subsequent Expansion Properties and Annexed Properties, as defined in the Declaration, shall be a residential subdivision development known as "Laurelwood".

SECTION 3. PERFORMANCE. The Association has been organized to perform the functions described herein except for those to be performed by others as set forth herein. The Association is charged with the duties and has the powers prescribed by law and set forth in the Articles, By-laws and Declaration. Neither the Articles nor the By-laws shall, for any reason be amended or otherwise changed or interpreted so as to be inconsistent with the Declaration.

ARTICLE II

DEFINITIONS

Unless the context otherwise specifies or requires, the definitions as set out in the Declaration as well as the terms further defined in Article II hereunder shall, for all purposes of these By-Laws, have the meaning specified.

SECTION 1. "Articles" shall mean the Articles of Incorporation of the Laurelwood Homeowner Association, Inc. (the Association), which are filed in the Office of the Secretary of State of the State of Mississippi, a true copy of which is on file at the principal office of the Corporation, together with such amendments to the Articles as may from time to time be properly made.

SECTION 2. "Board" shall mean the Board of Directors of the Association.

SECTION 3. "By-laws" shall mean this instrument as it may be amended from time to time pursuant to the provisions of this instrument.

SECTION 4. "Fiscal Year" shall mean the calendar year, unless changed or modified by the Board of Directors of the Association.

SECTION 5. "Improvement" shall include buildings, outbuildings, garages, carports, driveways, fences, walls, stairs, deck, poles, signs, tennis courts, and all structures of every type and kind.

SECTION 6. "Person" shall mean an individual, corporation, unincorporated association, partnership, joint venture, trustee, conservator, administrator, or any entity which has the right to hold title to real property.

SECTION 7. "Property" shall mean the land, buildings and all other improvements thereon (excluding individual residences) and the Common Areas held by the Association, or areas concerning which easements have been granted to the Association and all other rights, easements and appurtenances belonging thereto and all other property, real, personal or mixed, intended for use in connection therewith, except that property granted to each Lot Owner in his individual deed and concerning which no easement has been reserved by the Developer either conveyed or to be conveyed to the Association.

SECTION 8 "Laurelwood Rules and Regulations" shall mean the rules and regulations adopted by the Association's Board of Directors pursuant to the Declaration, any supplementary Declarations and these By-laws, as they may be amended from time to time.

ARTICLE III

THE LAURELWOOD HOMEOWNER ASSOCIATION, INC.

SECTION 1. OWNERS OF THE ASSOCIATION. The Association is an organization owned by the Owners of Lots in Laurelwood Part 4A & 4B and used by them to manage and regulate the Subdivision. Each Owner shall have the same proportion of interest in the Association as the number of Lots owned by him bears to the total number of Lots in the Subdivision.

SECTION 2. MEMBERS OF THE ASSOCIATION. Each Owner, upon becoming a Lot Owner, and by virtue of being such an owner, and for so long as he is such an owner, shall be deemed a Member of the Association. Upon becoming a Member of the Association, the rights, duties, privileges, immunities and liabilities of being an Owner, as a Member of the Association, shall be those set forth in and shall be

exercised in accordance with the Declaration, the Articles of Incorporation, these By-laws and the Rules and Regulations as the foregoing may be amended or adopted by the Association. There shall be no other qualification for membership except as set forth above.

SECTION 3. OFFICE OF LAURELWOOD HOMEOWNER ASSOCIATION, INC. The office of the Laurelwood Homeowner Association, Inc. shall be located in Rankin County, Mississippi, or such other location as may be selected from time to time by the Board and of which the Owners and listed mortgagees have been given written notice.

SECTION 4. PURPOSE OF ASSOCIATION. The purposes for which the Association is organized are to:

- A. Own real property.
- B. Accept from the Developer certain land and improvements thereon to be held in trust for the equal use and benefit of each Member.
- C. Engage, without profit to its Members, in such activities as may provide beneficial services and promote the health, safety, welfare and common good of the Owners residing in those certain tracts of property described herein, and in such additional property as may be brought within the jurisdiction of this Association in the manner as provided in the Governing Documents.
- D. Exercise all the powers and privileges and to perform all of the duties and obligations of the Association as defined and set forth in the Declaration applicable to the property, including without limitation, the establishment and enforcement of payment of Common Expenses and Assessments pursuant to the terms of such Declaration.

E. Provide for the maintenance, preservation and operation of the Common Areas and improvements thereon within the Development for the benefit of the Owners.

F. Acquire by gift, purchase or otherwise, own, hold, improve, build upon, operate, maintain, convey, sell, lease as lessor or lessee, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association.

G. Acting through its Board of Directors, to employ such persons or to enter into any contracts necessary to the performance of accomplishment of any or all purposes of the Association for such compensation as the Board of Directors may consider in the best interest of the Association.

H. This Association shall have all corporate powers enumerated in Mississippi corporation law. Additionally, the Association shall do those acts necessary or proper to accomplish the purposes expressed or implied herein or which may be incidental.

SECTION 5. PROVISIONS OF BY-LAW APPLICABLE. The provisions of these By-laws are applicable to the Laurelwood Part 4 A & B and to the use and occupancy thereof. The provisions of these By-laws shall automatically become applicable to any property which may be added to the Laurelwood Part 4 A & B by act of the Developer or of the Association in accordance with the Declaration.

SECTION 6. BY-LAWS APPLICABLE TO PRESENT AND FUTURE OWNERS. All present and future owners, mortgages, lessees, and occupants of residents and their employees, and any other person(s) who may use the facilities of Laurelwood Part 4A & 4B in any manner, are subject to

these By-laws, the Rules and Regulations, all covenants, agreements, restrictions, easements and Declaration of record, and any supplementary declarations. The acceptance of a deed or conveyance or the entering into a lease or the act of occupancy of a residence shall constitute an agreement that all of the Governing Documents, restrictions and conditions, as they may be amended from time to time, are accepted, ratified and will be complied with.

SECTION 7. DOCUMENTS AVAILABLE FOR REVIEW. Copies of these By-laws, the Articles of Incorporation, the Declaration and any supplementary declarations, the Association's Rules and Regulations, as they may be amended from time to time, shall be made available for inspection by Owners and their authorized agents during reasonable business hours.

ARTICLE IV

MEMBERSHIP, VOTING RIGHTS, AND SHARES

SECTION 1. MEMBERSHIP. Every person who is an owner of record of a fee simple interest in any Lot which is subject by Declaration of record to assessment by the Association shall be a member of the Association, provided that any such person or entity who holds such interest merely as a security for performance of an obligation shall not be a member.

SECTION 2. CERTIFICATES OF MEMBERSHIP. The Board may provide for the issuance of membership certificates in a form which it shall determine, evidencing membership in the Association. Such certificates shall be consecutively numbered and shall contain the name and address of the Member, the number of shares deemed to be held

by said Member. The date of issuance of the certificate shall be entered in the records of the Association by the Secretary.

SECTION 3. TERMINATION OF MEMBERSHIP. Membership shall terminate on transfer of a fee simple title by an Owner or the contract purchaser's interest by the contract purchaser who qualifies as a Member. If an Owner sells a lot by contract for sale, upon recordation thereof, the Owner's membership shall terminate and the contract purchaser's membership shall commence.

SECTION 4. TRANSFER OF MEMBERSHIP. Membership in the Corporation shall not be transferred, pledged or alienate in any way except upon transfer of title of a Lot and then only to the transferee of title, except in the instance of suspension as provided hereunder. Any attempt to make a prohibited transfer shall be null and void.

SECTION 5. VOTING RIGHTS. The Corporation shall have two classes of voting memberships and are further defined in Declaration, Article III, Section 2.

SECTION 6. SHARES. For the purposes of dissolution of the Association, or distribution of assets only, Class A and B Members shall be deemed to hold one equal share of the assets of the Association for each Lot in which they hold interest required for membership, provided that when more than one person shall hold such interest in any ownership, all such persons shall determine among themselves the distribution of such shares, provided that there shall be no more than one share with respect to any Lot.

SECTION 7. ASSOCIATE MEMBERSHIP. The Board of the Association may establish by resolution a classification of Associate Membership which shall be applicable to non-residents of Laurelwood who are not

otherwise eligible as members. Associate Members shall have no voting rights.

ARTICLE V

BOARD OF DIRECTORS

SECTION 1. THE FIRST BOARD AND SUBSEQUENT BOARD. The initial Board shall be designated by the Developer and shall consist of five (5) members who shall serve until the First Annual Meeting. At each such Annual Meeting, members of the Board shall be elected by the membership of the various classes of membership to fill vacancies on the Board and/or vacancies created by expiration of a term, and all such successors to the First Board, who are elected upon the expiration of a term shall serve as provided herein.

A. FIRST BOARD OF DIRECTORS. The number of Director constituting the initial Board of Directors of the Association is five, and the names and addresses of the persons who are to serve as Director until the first Annual Meeting or until their successors are elected and take office are:

Until succeeded by Directors elected by the membership, the Directors need not be Lot Owners. Upon expiration of the term of each member of the first Board, the successors to such member of the Board, shall be elected by the members of the Association, and shall be Lot Owners.

B. SUBSEQUENT BOARD OF DIRECTORS. The number of Directors which shall constitute the whole Board shall be not less than five or more than seven (7). Except as provided herein, with respect to the first Board, Directors shall be elected on a staggered basis. In any event, however, each Director shall hold office until such time as his successor has been elected. In the event that a corporation or other legal entity is a Member of the Association, it may designate one or more persons who shall be eligible to serve as Director on its behalf.

SECTION 2. ELECTION OF DIRECTORS. Subject to the provisions of these By-laws concerning the first Board, at each Annual Meeting of the Association or at a Special Meeting called for this express purpose, the Members shall elect Directors to fill such vacancies as may exist on the Board. There shall be no cumulative voting. The candidates receiving the highest number of votes, up to the number of Directors to be elected shall be deemed elected.

A. Class A Members shall be entitled to elect three members of the Board of Directors so long as there is Class B Membership. The Class A members shall elect one Director for a term of one year, one Director for a term of two years and one Director for a term of three years.

B. Class B Member, the Developer, shall be entitled to elect four members of the Board of Directors of the Association for a term of three years.

C. After the first Annual Meeting, the Members shall elect Directors for a term of three years to fill the terms of office of Directors whose term expire at such Annual Meeting.

SECTION 3. REMOVAL OF DIRECTORS. Except for the members of the initial Board, Directors may be removed for cause and a successor elected by an affirmative vote of the majority of members of each class of membership.

A. Directors elected by Class A Members may be removed from office by majority vote of the Class A members voting in person or by proxy at a meeting called for the purpose of considering such removal.

B. Directors elected by the Class B member may be removed by written notification of the Class B Member to the Secretary/Treasurer of the Association of such removal.

SECTION 4. RESIGNATION OF DIRECTORS. Any Director may resign at any time by giving written notice to the President or to the Secretary.

SECTION 5. VACANCIES IN THE BOARD. Vacancies in the Board caused by any reason other than the removal of a Director under Section 3 of this Article, shall be filled by vote of a majority of the remaining Directors from his class of membership at a special meeting of the Board held for that purpose, which meeting shall be held promptly after the occurrence of any such vacancy, even though the Directors present at such meeting may constitute less than a quorum, and each person so elected shall be a Director until the next Annual Meeting of the Corporation, or until a Special Meeting of the Corporation is dully called and held for the express purpose of

electing a Director to fill the vacancy until the expiration of the term. Except for members of the First Board, no Class A Director shall continue to serve as such if, during his term of office, he shall cease to be a Lot owner.

SECTION 6. POWERS AND DUTIES OF THE BOARD. The Board shall have the powers and duties necessary for the administration of the affairs of the Laurelwood Homeowner Association, Inc. which are enabled by law, the Declaration, or by these By-laws. Without limiting the generality thereof, the Board shall have the power and obligation as specified in the Declaration as well as to perform the following non-exclusive lists of duties:

A. Provisions for the operation, care, upkeep and maintenance of the Common Areas.

B. Determination of the Common Expenses required for the affairs of the Laurelwood Homeowner Association, Inc. including the operation and maintenance of the Property and the allocation of income and expenses, subject to any limitations imposed by action of the Laurelwood Homeowner Association, Inc.

C. Collection of the Assessments from the Owners, including the right to enforce these collections by methods described elsewhere in the By-laws and the Declaration.

D. Open bank accounts on behalf of the Association and designating the signatories required therefor.

E. Lease, manage, mortgage and otherwise deal with such land and facilities as may be provided for as Common Areas for the use and benefit of the Association's Members.

F. Own, convey, encumber, lease and otherwise deal with Lots conveyed to it or purchased by it as a result of enforcement of a lien for Assessment, or otherwise.

G. Obtain insurance for general liability, fire, theft, casualty lost for the Property.

H. Make repairs, additions, improvements to or alteration of the Property in accordance with the other provisions of these By-laws and as described in the Declaration.

I. Enforce obligation of the Lot Owners as provided herein and in the Declaration.

J. Adopt Rules and Regulations relating to the use, upkeep or preservation of the Common Areas and facilities within the Subdivision.

K. The Directors shall have the right to designate and set aside portions of the Common Areas under their control for the collection and reception of mail for individual residences; central disposal and collection site for trash and other refuse; storage area for tools, equipment and supplies as used in the maintenance and upkeep of the Property; or for any purposes which they, in their discretion, deem to be in the best interest of the Subdivision.

L. Dedicate, sell or transfer all or any part of the Common Areas to any municipal corporation, 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 approved by a vote of not less than two-thirds of all the members of each class of membership entitled to vote.

ARTICLE VI

BOARD OF DIRECTORS' MEETINGS

SECTION 1. BOARD MEETING FOLLOWING FIRST ANNUAL MEETING.

Following within ten (10) days after the First Annual Meeting of the Association, there shall be a meeting of the Board of Directors at such time and place as shall be fixed by the Members at the meeting at which such Board shall have been elected, and no notice shall be necessary to the newly elected Director(s) in order legally to constitute such meeting provided a majority of the whole Board shall be present.

SECTION 2. REGULAR MEETINGS. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the members of the Board. Notice of regular meetings of the Board shall be given to each Director, by mail, at least three (3) business days prior to the day named for such meeting.

SECTION 3. SPECIAL MEETINGS. Special meetings of the Board may be called by the President on three (3) business days' notice to each Director given by mail, which notice shall state the time, place 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 three (3) Directors.

SECTION 4. WAIVER OF NOTICE OF MEETINGS. Any Director may at any time waive notice of any meeting of the Board in writing and such waiver shall be deemed equivalent to the giving of such notice.

SECTION 5. BOARD QUORUM. At all meetings of the Board, a majority of the members thereof shall constitute a quorum for the transacting of business, and the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute the decision of the Board. If at any meeting of the Board, there shall be less than a quorum present, a majority of those persons may adjourn the meeting from time to time.

SECTION 6. FIDELITY BONDS. Unless otherwise voted by the owners, the Board shall attempt to obtain adequate fidelity bonds for all officers and employees of the Association handling or responsible for the Association funds. The premium on such bonds shall constitute a Common Expense.

SECTION 7. COMPENSATION OF BOARD. No member of the Board shall receive any compensation from the Corporation for acting as such, except reimbursement of necessary and duly incurred expenses.

SECTION 8. NON-LIABILITY OF DIRECTORS. The Directors shall not be liable to the Members of the Association for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Members shall indemnify and hold harmless each Director against all contractual liability to others arising out of contracts made by the Board on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Declaration or contrary to these By-laws. It is intended that the Directors shall have no personal liability with respect to any contract made by them on behalf of the Association. The original Board is specifically authorized to contract for goods or services with the Developer, or employees or

affiliates of the Developer whether or not such persons are then Members of the Board and no such contracting shall be deemed to involve a conflict of interest. It is also intended that the liability of any Owner arising out of any contract made by the Board out of the aforesaid indemnity in favor of the Directors shall be limited to such proportion of the total liability thereunder as the number of Lots owned by him bears to the total number of Lots. Every agreement made by the Board or its agents on behalf of the Association shall provide that the Directors are acting only as agents for the owners and shall have no personal liability thereunder (except as Owners), and that each owner's liability thereunder shall be limited to that proportion which the number of Lots owned by him bears to the total number of Lots in Laurelwood.

SECTION 9. ASSOCIATION RECORDS. The Board shall cause to be kept detailed records of the actions of the Board and of its employees, if any, minutes of the meetings of the Board, minutes of the meetings of the Members and financial records and books of account of the Association.

SECTION 10. ANNUAL REPORT. An Annual Report of the receipts and expenditures of the Association shall be made at the end of each fiscal year by an independent, disinterested, certified public accountant. The Board shall cause this Report to be made and a copy of said Report to be sent to each Owner promptly after it is made. In addition, a copy of said Report shall be kept on file at the office of the Association and shall be made available for inspection by Owners and their authorized agents during reasonable business hours.

SECTION 11. FILING OF TAX RETURNS. The Board shall cause to be filed with the appropriate governmental agencies appropriate tax returns on a timely basis as returned by law.

ARTICLE VII

OFFICERS OF THE ASSOCIATION

The first officers of the Association are to be: President; Vice President; and Secretary/Treasurer. The office of Vice President and Secretary/Treasurer may be held by the same person and the offices of President and Secretary/Treasurer may not be held by the same person. These officers shall serve for a period of one year and thereafter until their successors have been duly elected by the Board of Directors and Membership.

SECTION 1. PRINCIPAL OFFICERS OF THE CORPORATION. The principal officers of the Corporation shall be the President, the Vice-President, the Secretary and the Treasurer. The President and Vice-President shall be elected by and from the Board. Except as provided in the Articles with respect to the initial Secretary/Treasurer, the Treasurer and Secretary shall be chosen by the members of the Association at the Annual Meeting. Any vacancies which may occur in these latter two offices shall be filled by the Board. The successors so chosen shall serve until the next Annual Meeting of the Association or until a Special Meeting properly and duly called for this purposes. The Secretary and Treasurer need not be members of the Association. The Board may appoint an Assistant Treasurer, an Assistant Secretary and such other officers as in its judgment may be necessary.

SECTION 2. OFFICERS CHOSEN BY BOARD. Those officers of the Association to be chosen by the Board shall be elected annually at a meeting of the Board described herein above, and shall hold office at the pleasure of the Board and until their successors are elected.

SECTION 3. REMOVAL OF OFFICERS CHOSEN BY BOARD. Upon the affirmative vote of the majority of the Board at a regular or special meeting thereof called for that purpose, any officer chosen by said Board may be removed, either with or without cause, and his successor elected. However, only the members of the Association, at an Annual Meeting or a Special Meeting duly called expressly for such purpose, may remove an Officer chosen by the Members.

SECTION 4. PRESIDENT. The President shall be the chief executive officer of the Corporation. He shall preside at all meetings of the Owners and the Board. He shall have all of the general powers and duties which are incidental to the Office of President under Mississippi corporation law, including but not limited to the power to appoint committees from among the Owners from time to time, as he may in his discretion decide are appropriate to assist in the conduct of the affairs of the Association. He is elected by the Board.

SECTION 5. VICE-PRESIDENT. The Vice President shall take the place of the President, and shall 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 act in place of the President, on an interim basis. The Vice-President shall also perform such other duties as shall from time to time be imposed upon him by the Board or by the President. The Vice-President is elected by the Board.

SECTION 6. SECRETARY. The Secretary shall keep the minutes of all meetings of the Owners and of the Board; shall have charge of such books and papers as the Board may direct; and shall perform all of the duties incidental to the Office of Secretary under Mississippi corporation law, and as described elsewhere in the By-Laws or Declaration. The Secretary is elected by the Members of the Association and need not be an Owner.

SECTION 7. TREASURER. The Treasurer shall have the responsibility for funds of the Association and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements and for the preparation of required financial data. He shall be responsible for the deposit of all moneys and other valuable effects in the name of the Board in such depositories as may from time to time be designated by the Board and he shall perform all duties incidental to the Office of Treasurer under Mississippi corporation law. No payment voucher shall be paid unless and until approved by the Treasurer; or in his absence the Assistant Treasurer. The Treasurer is elected by the Members of the Association and need not be an Owner. The Assistant Treasurer is appointed by the Board.

SECTION 8. EXECUTION OF DOCUMENTS FOR THE BOARD. All agreements, contracts, deeds, leases, checks and other instruments constituting acts of the Corporation shall be executed by such officer or officers of the Association or by such other person(s) as may be authorized by the Board.

SECTION 9. COMPENSATION OF OFFICERS. No officer shall receive any compensation from the Association for acting as such, except for reimbursement of necessary and duly incurred expenses.

SECTION 10. RESIGNATION OF OFFICERS. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

ARTICLE VIII

OWNERS' MEMBERSHIP MEETINGS

At least one meeting shall be held by the voting Members of the Association each calendar year.

SECTION 1. ANNUAL MEETINGS: ELECTION OF DIRECTORS. One (1) year following the date of conveyance of the first Lot, the Board shall call the First Annual Meeting of the Owners to be held during the month March. Thereafter, Annual Meetings shall be held on the anniversary date of such meeting, in each succeeding year, the date of the Annual Meeting may be changed by a proper by a proper amendment to these By-laws. At such meetings, Directors shall be elected by ballot of the owners, in accordance with the requirements of Article IV of these By-laws. The Owners may also transact such other business of the Association as may properly come before them. For purposes of this Article, the term Owner shall include both Class A and Class B Members as defined in Article III hereof.

SECTION 2. LOCATION OF ANNUAL MEETINGS. Meetings of the Owners shall be held at the principal office of the Association, or at such other suitable place convenient to the Owners as may be designated by the Board.

SECTION 3. SPECIAL MEETINGS. It shall be the duty of the President to call a Special Meeting of the Owners as directed by the Board or upon petition signed by at least one-third (1/3) of the Owners, delivered to the Secretary.

SECTION 4. NOTICE OF MEETINGS. It shall be the duty of the Secretary to mail or deliver a notice of each Annual or Special Meeting, stating the purpose thereof as well as the time and place where it is to be held, to each Owner of record, at least ten (10) days prior to such meeting. The mailing or delivery of a notice in the manner provided in these By-laws shall be considered notice served. Notice of a meeting need not be given to an Owner if a written waiver thereof is executed before, during or after the meeting by such owner or his duly authorized attorney or agent, if filed with the records of the meeting.

SECTION 5. QUORUM. Except as provided otherwise in these By-laws, the presence in person or by proxy of a majority of Owners shall constitute a quorum at all meetings of the Owners. If any meeting of Owners cannot be held because a quorum has not attended, a majority in interest of the Owners who are present at such meeting, either in person or by proxy, shall adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called for. No business transacted at a Members' Meeting of the Association shall be valid unless a quorum is present.

SECTION 6. VOTING. The Owner(s) of each Lot, whether built upon or not owned by the Developer, or some person designated by such Owner(s) to act as proxy on his or their behalf, who need not be an Owner, shall be entitled to cast the vote appurtenant to such Lot at any meeting of Owners. The designation of any proxy shall be made in writing to the Secretary and shall be revocable at any time upon written notice to the Secretary by the Owner(s) so designating. Any or all Owners may be present at any meeting of the Owners and may vote or take any other action as an owner either in person or by proxy. Each Owner (including the Developer, if the Developer shall then own one or more Lots) shall be entitled to cast one vote at all meetings of the Owners, which vote shall be weighted by multiplying it by the number of Lots owned by such Owner, and the vote of the Developer shall be weighted by multiplying it by three times the total number of Lots, whether built upon or not, owned by it. The votes attributable to each must be voted as an entirety and if Owners of any Lot shall be unable to agree on the vote to be cast on any issue their right to vote on that issue shall be deemed to have been waived. Any Lot owned by the Association and controlled by the Board of Directors or its designee shall not be entitled to vote and shall be excluded from the total number of ownership in Laurelwood when computing the proportionate interest of all other Owners for voting purposes, excepting those held by the Developer prior to initial sale.

SECTION 7. MAJORITY DEFINED. As used in these By-laws, the term "majority of owners" shall mean those Owners having more than fifty percent (50%) of the total authorized votes of all Owners present in person or by proxy and voting at any meeting of the Owners, determined

in accordance with provisions of Section 6 of this Article. The vote of the majority of Owners present at a meeting at which a quorum shall be present shall be binding upon all Owners for all purposes except when a higher percentage vote is required by law, the Declaration, or these By-laws.

ARTICLE VII

NOTICES

SECTION 1. NOTICE PROCEDURE. Whenever under the provisions of the Declaration or the By-laws, notice is required to be given to the Board or an Owner, it shall not be construed to mean personal notice; but such notice may be given in writing, either by mail, by depositing the same in a post office or letter box in a postpaid sealed wrapper, addressed to the Board or Owner, respectively, at such address as appears on the books of the Association. Notice shall be deemed given as of the date of mailing or by delivery to such person's address, provided that such mailing is made in the State of Mississippi.

SECTION 2. WAIVER OF NOTICE. Whenever any notice is required to be given under the provisions of the Declaration, the law, or these By-laws, a waiver thereof, in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed the equivalent thereof.

ARTICLE IX

OPERATION OF THE PROPERTY

SECTION 1. BUDGET. The Boards shall from time to time, and at least annually, prepare a budget for the Association, and in connection therewith, determine the amount of Common Expense and allocate the Assessment of the Common Expenses among the Owners

according to their respective percentages of ownership in the Association. The Common Expenses shall include, among other things, the cost of all insurance premiums on all policies of insurance required to be, or which have been obtained by the Board pursuant to the provisions of these by-laws. The Common Expenses shall also include the amount charged for the operation, care, upkeep and maintenance of Common Areas within Laurelwood, including, without limitation, any amount for working capital of the Association, for a general operating reserve, for a reserve fund for replacements, and to make up any deficit in the Common Expenses of any prior year. The Common Expenses may also include such amounts as may be required for the purchase or else by the Board on behalf of all the Owners, of any Lot whose owner has elected to sell or lease such Lot, or of any Lot which has to be sold at foreclosure or other judicial sale, such purchase or lease to be in accordance with the provisions of the Governing Documents.

SECTION 2. ASSESSMENT. In furtherance of Article V, Covenant for Assessments, as defined in Declaration, the Board shall advise all Owners promptly and in writing of the amount of the Assessment payable by each of them, respectively, as determined by the Board as aforesaid and shall furnish copies of each budget on which such Common Expenses are based to set Assessment to all Owners.

SECTION 3. PAYMENT ASSESSMENTS. All Owners shall pay the Assessments as set by the Board pursuant to the provisions of these By-laws and Declaration monthly in advance, or at such other time or times as the Board shall determine.

A. No Owner shall be liable for the payment of any part of the Assessment against his Lot subsequent to a sale, transfer or other conveyance by him duly recorded in the conveyance records of Rankin County, Mississippi, including conveyance to the Board made in accordance with the provisions of this Article together with the appurtenant interest as defined herein or those provisions in the Declaration.

B. Subject to the provisions of Section 3 of this Article, a purchaser shall be liable for the payment of Assessment charged and unpaid against such Lot prior to the acquisition by him of such Lot prior to the acquisition by him of such Lot.

C. Mortgagee or other purchaser of a Lot at a foreclosure sale of such shall be subject to, and shall be liable for a lien for the payment of Assessment, subject to Section 3 of this Article, both prior to and subsequent to the foreclosure sale.

SECTION 4. DEFAULT OF ASSESSMENT PAYMENT. In the event of default by an owner in the payment of Assessments, such Owner shall be obligated to pay interest at the rate to be set by the Board on such Assessment from the due date thereof, together with all expenses including attorneys' fees, incurred by the Board in collecting same. The Board may seek to recover such Assessment, interest and expenses by an action to recover the same brought against such Owner, or by foreclosure of the lien which such unpaid charges have become on the Lot(s) as provided in the Declaration.

SECTION 5. POWER TO SUSPEND MEMBERSHIP. In the event of default by any Owner in the payment of the Assessment, or any other amounts owed the Association, the Board shall have the power to suspend the

Owner's membership in the Association, and such suspension shall remain in effect only until such amounts as are owed are paid.

SECTION 6. FORECLOSURE. In any action brought by the Board to foreclose a lien on a Lot because of unpaid Assessment, as defined herein or the Declaration, the Owner shall be required to pay a reasonable rental for the use of this Lot, if such use continues after the foreclosure, and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The Board acting on behalf of the Owners, shall have the power to purchase such Lot at the foreclosure sale and to acquire, hold, lease, convey, mortgage (but not to vote the share(s) appurtenant thereto), or otherwise deal with the same. A suit to recover a money judgment for unpaid Common Assessment shall be maintainable without foreclosure or waiving the lien securing the same.

SECTION 7. STATEMENT OF UNPAID ASSESSMENTS. The Board shall promptly provide any Owner requesting same in writing with a written statement of all unpaid Assessments due from such Owner in form suitable for recording and the same when recorded in the conveyance records of Rankin County, Mississippi, shall operate to discharge the Lot from any other sums not included in such statement then unpaid, at least as to bonafide third parties relying on the statement.

SECTION 8. RESTRICTIONS. No immoral, improper, offensive or unlawful use shall be made of Laurelwood or any part thereof, and all valid laws, zoning ordinances, and regulations of all governmental bodies having jurisdiction thereover shall be observed. No nuisances shall be allowed in Laurelwood, nor shall any use or practice be

allowed which is a source of annoyance to its residents or which interferes with the peaceful enjoyment of the Property.

SECTION 9. IMPROVEMENT RESTRICTION. No improvements, additions, alterations or other work which in any way alters the Property from its natural or improved state existing on the date such was first conveyed in fee by the Developer, shall be made or done except as provided herein or in the Declaration.

SECTION 10. COST ALLOTMENT OF IMPROVEMENTS. All improvements undertaken pursuant to this Section shall be subject to the written approval of the Board. If a simple majority or more, but less than seventy-five percent (75%) of the Owners agree to make an improvement to the Common Areas or to areas concerning which an easement has been granted to the Association, the cost of such improvement shall be borne by the Owners so agreeing. If seventy-five percent (75%) or more of the Owners agree to make an improvement to the Common Areas or to areas concerning which an easement has been granted to the Association, the cost of such improvement shall be considered a Common Expense, subject to Assessment. However, if such improvement shall cost in excess of ten percent (10%) of the then total value of the property, any Owner not so agreeing may appeal to the Chancery Court on such notice to the Board as the Court shall direct, for an order directing the purchase of this Lot by the Board at fair market value thereof as established by the Court. The cost of any such purchase shall be a Common Expense.

SECTION 11. RULES AND REGULATIONS. The use of individual Lots and the Common Areas shall be subject to rules and regulations from time to time adopted by the Board, or the Association or as provided

in the Declaration. Copies of said rules and regulations shall be made available to each Owner prior to their effective date.

SECTION 12. WATER. Water shall be provided to each individual Owner from the Town of Flowood water system through his own individual water service, the cost of which shall be the individual responsibility of the Owner of such connection. Water consumed on the Common Areas and on areas concerning which easements have been conveyed to the Association shall be provided for by the Association and the cost of providing such water shall be a Common Expense. There shall be no pumping or irrigation allowed from the lake for any purpose.

SECTION 13. ELECTRICITY. Electricity shall be supplied by the appropriate public utility company servicing the area directly to each Owner through a separate meter and each Owner shall pay for electricity consumed or used in his residence. The electricity serving the Common Areas, or areas concerning which easements have been conveyed to the Association, shall be separately metered, and the Board shall pay for such electricity as a Common Expense.

SECTION 14. SEWER DISPOSAL. Sewage disposal shall be the responsibility of each individual Lot Owner through a sanitary sewer connection to the Town of Flowood sewer system. Sewage disposal serving the Common Areas or areas concerning which easements have been conveyed to the Association, shall be separately metered, and the Board shall pay for such sewage disposal as a Common Expense.

ARTICLE XI

INSURANCE

SECTION 1. PHYSICAL DAMAGE INSURANCE. All buildings and improvements, and all of the personal property owned by the Association, shall be insured for the benefit of the Association and the Owners against risk of physical damage as follows:

A. Amounts: Real Property shall be insured for an amount equal to not less than the agreed amount of its replacement costs; Personal Property shall be insured for an amount equal to its actual cash value. Prior to obtaining insurance on real property under this section, and at least annually thereafter, the Board of Directors shall obtain an appraisal from a qualified appraiser for the purposes of determining the replacement cost of such property.

B. Insured Risks: Insurance shall afford protection against loss or damage by reason of: (1) Fire and other perils normally covered by extended coverage; (2) Vandalism and malicious mischief; (3) Such other risk of physical damage as from time to time may be customarily covered with respect to buildings and improvements similar in construction, location and use as those on the property, including without limitation, builder's risk coverage for improvements under construction; and (4) Such other risks of physical damage as the Board of Directors may from time to time deem appropriate.

C. Other Provisions. The insurance shall include, without limitation, the following provisions: (1) Waivers by the insurer of rights of subornation, other than those based on fraud or criminal acts, against the Association and the Owners; (2) That the insurance shall not be affected or diminished by reason of any other insurance

carried by an Owner or mortgagee of an individual residence; (3) That the insurance shall not be affected or diminished by any act or neglect of any Owner or any occupants or Owners of any improvements when such act or neglect is not within the control of the Association; (4) That the insurance shall not be affected or diminished by failure of any Owner or any occupants or Owners of any improvements to comply with any warranty or condition when such failure to comply is not within the control of the Association; (5) Such deductible as to loss, but not coinsurance features, as the Board, in its sole judgment deems prudent and economical; (6) That the insurance may not be cancelled or substantially modified (except for the addition of property or increases in amount of coverage) without at least thirty (30) days prior written notice to the named insured; (7) The standard mortgage clause, except that any loss otherwise payable to named mortgagees shall be payable in the manner set forth in subsection; (8) hereof; (9) Adjustment of loss shall be made with the Board of Directors; (10) Proceeds for losses in excess of \$25,000 shall be payable to the Insurance Trustee; and, (11) The named insured shall be the Association for the benefit of the Owners.

E. Definition. As used in this Section, the term "all buildings and improvements" shall also include, without limitation, all Common Areas and personal property of the Association, and appurtenant structures, fixtures and installations initially installed by the Developer, as shown on its Recorded Plat, and as from time to time may include Annexations or Expansion Property as provided in the Declaration, and replacements thereof; and may exclude fixtures, alterations, installations or additions situated within a portion of

the properties used exclusively by an individual Owner and made or acquired at the expense of an individual Owner of that portion of the Properties.

SECTION 2. LIABILITY INSURANCE. The Board of Directors shall obtain and maintain public liability insurance for bodily injury and property damage in such limits as the Board of Directors may from time to time determine, insuring the Association, the Board of Directors, with respect to their liability arising from operation, maintenance or repair of the property, which is the responsibility of the Association including, without limitation, liability arising from construction operations, and also insuring each Owner including the Developer with respect to its liability arising from ownership of the said Lots. Such liability insurance shall also cover cross-liability claims among Owners, The Association and the Developer. The Board of Directors shall review such limits at least annually. The insurance provided under this section shall include, without limitation, the following provisions: (1) That the insurance shall not be affected or diminished by any act or neglect of any Owner or any occupants or Owners of any improvements when such act or neglect is not within the control of the Association; (2) That the insurance shall not be affected or diminished by failure of any improvements to comply with any warranty or condition when such failure to comply is not within the control of the Association; and, (3) Waivers by the insurer of rights of subornation, other than those based on fraud or criminal acts, against the Association or the Owners.

ARTICLE XII

DAMAGE TO OR DESTRUCTION OF PROPERTY

SECTION 1. DUTY TO REPAIR OR RESTORE. Any damaged portion of the Laurelwood Common Area Property shall be repaired or restored promptly by the Association, as provided in this Article.

SECTION 2. DETERMINATION NOT TO REPAIR OR RESTORE. If there is substantially or total destruction of all of the improvements in Laurelwood and ninety percent (90%) of the Owners vote not to proceed with repair or restoration, any balance of construction funds, after the refund of any Assessments payments made by Owners, shall be disbursed in accordance with the interest of Owners of the Common Areas as the number of Lots owned by each bears to the total number of Lots. In the event of dispute as to the fact of substantial total destruction, that issue shall be submitted to arbitration in accordance with the rules of the American Arbitration Association.

SECTION 3. ESTIMATE OF COST. Promptly after damage to or destruction of some portion of the Property; and thereafter as it deems advisable the Board of Directors shall obtain reliable and detailed estimates of the cost of repair or restoration. If such costs in the opinion of the Board of Directors may exceed \$5,000, the Board of Directors may retain the services of an architect or engineer or construction consultant to assist in the determination of such estimates and in the supervision of repair and restoration.

SECTION 4. PLANS AND SPECIFICATIONS. Any repair or restoration must be either (a) substantially in accordance with the original architectural and engineering plans and specifications and shall also include such improvements and fixtures as may have been subsequently

installed by the Association and as to which payment for such repair or reconstruction is forthcoming, or (b) according to plans and specifications approved by the Board of Directors.

SECTION 5. INSURANCE TRUSTEE TO ADMINISTER PROCEEDS IN EXCESS OF \$25,000 IN EVENT OF LOSS. The Board of Directors shall enter into and keep in force a trust agreement with a bank in the State of Mississippi with trust powers to receive, administer and disburse funds, provided losses are in excess of twenty-five thousand dollars (\$25,000) in each instance, pursuant to this Article. Such trust agreement shall incorporate the Declaration and By-laws by reference and shall provide that upon termination thereof, all moneys or funds held by the Insurance Trustee shall be turned over only to a successor Insurance Trustee which shall also be a bank in the State of Mississippi with trust powers designated Insurance Trustee pursuant to this Article. No amendment the By-Laws, the Declaration or Governing Documents shall be binding on the Insurance Trustee until the Insurance Trustee receives notice of such amendment.

SECTION 6. COLLECTION OF REPAIR FUNDS. Construction funds may consist of insurance proceeds, condemnation awards, proceeds of Assessments against Owners, payments by Owners for damage to or destruction of real or personal property or improvements thereto, and other funds receive on account of or arising out of injury or damage to the property.

A. Insurance Proceeds: The Board of Directors shall adjust losses under physical damage insurance policies of the Association. If insurance proceeds on such losses is in excess of \$25,000, proceeds shall be payable and administered to the Insurance

Trustee; if less than \$25,000, proceeds shall be payable to the Associated to be administered by the Board..

B. Assessments Against Owners: If the insurance proceeds are insufficient to effect the necessary repair or restoration of the Common Areas, such deficiency shall be charged against all Owners as a Common Expense. The proceeds of Assessments for such Common Expenses shall be made to the Board of Directors for payment directly to the Vendor making the repairs or restoration if less than \$25,000. If Assessments is more than \$25,000, they shall be paid to the Insurance Trustee to administer.

C. Restorative Assessment Payments by Owners: Payments received from Owners charged a Restorative Assessment, shall be made to the Board of Directors if less than \$25,000. If in excess of \$25,000 to the Insurance Trustee, for direct payment for the repairs to whomever makes the repairs.

D. Payments by Others: Any other funds received on account of or arising out of injury or damage to the property shall be made to the Board of Directors, or to the Insurance Trustee if in excess of \$25,000, otherwise the funds shall be administered directly by the Board.

SECTION 7. DISBURSEMENT OF REPAIR OR RESTORATION FUNDS.

A. Disbursement of Funds by Board. Provided cost of damage or destruction does not exceeding \$25,000, such proceeds shall be administered and disbursed by the Board of Directors.

B. Disbursement of Funds by Insurance Trustee. The Insurance Trustee shall deduct from the construction funds its actual costs, expenses and a reasonable fee for the performance of its

duties, and shall disburse the balance in the following manner. The Trustee shall apply such balance of proceeds to pay directly to vendors supplying materials or services for repair; to reimburse the Association for the payment for the costs of repair or restoration of such Common Areas including the cost of temporary repairs for the protection of such Common Areas pending the completion of permanent repairs and restoration, upon written request of the Association in accordance with subsection 6(a) of this Article, and upon presentation of any architect's certificate stating that the work represented by any such payment has been completed substantially.

C. Surplus Funds. If, after payment of all repairs and restoration of the Property, there remain any surplus funds, such funds shall be paid to Owners in proportion to their contributions resulting for Assessments levied against them as herein provided in Section 3-B; provided, however, that no Owner shall receive a sum greater than that actually contributed by him. Any surplus remaining after such payments shall be paid to the Association and shall be part of its general income.

SECTION 8. CERTIFICATES. The Insurance Trustee shall rely on upon certifications by the Board of Directors in writing as to the following matters: (1) whether or not damaged or destroyed property is to be repaired or restored; (2) whether or not, in the opinion of the Board, the cost of repair or restoration may exceed \$25,000; and, (3) the amount or amounts to be paid for repairs or restoration and the names and address of the parties to whom such amounts are to be paid.

ARTICLE XIII

MORTGAGE

SECTION 1. MORTGAGE OF LOTS. Each owner who mortgages his Lot shall notify the Board of the name and address of the mortgagee(s). The Board shall maintain such information in a book entitled "Mortgage of Lots".

SECTION 2. LISTED MORTGAGEE. As used in these By-Laws and Declaration, the term "Listed Mortgagee" shall mean a lender holding a first mortgage of record on a Lot of which the Owner affected has given the notice required in Section 1 of this Article. Such a mortgagee shall remain a Listed Mortgagee until the Board receives written notice from the mortgagee of withdrawal of the listing or the mortgage is discharged of record.

SECTION 3. UNPAID ASSESSMENT. The Board, whenever so requested in writing by a mortgagee of an individual Lot, shall promptly report any then unpaid Assessment due from , or any default by, the Owner of the mortgaged Lot.

SECTION 4. NOTICE OF DEFAULT. The Board when giving notice to an Owner of a default in paying Assessment or other default shall send a copy of such notice to each holder of a mortgage covering such Lot whose name and address has theretofore been furnished to the Board.

SECTION 5. EXAMINATION OF RECORDS. Each owner and each mortgagee shall be permitted to examine books of account of the Corporation at reasonable times on business days.

ARTICLE XIV

AMENDMENTS TO BY-LAWS

These By-laws may be modified or amended by the affirmative majority vote of each class of Members who are voting, or if such modification or amendment effects a provision requiring a larger percentage, such larger percentage, in person or by proxy, at a meeting called to consider such amendment, provided such amendment is not in conflict with the Declaration. However, the voting requirements specified for any action under any provision of these articles shall only be amended in accordance with the voting requirements thus specified.

ARTICLE XV

DISSOLUTION

The Association may be dissolved only upon the vote to such effect of not less than seventy-five percent (75%) of all the Members of each class of Membership entitled to vote. Such vote may be in person or by proxy at a meeting duly called for such purpose. Upon dissolution of the Association, the assets both real and personal of the Association shall be dedicated to an appropriate municipal corporation or other public agency to be devoted to purposes as nearly as practical the same as those to which they were required to be devoted by the Association. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any non-profit corporation, associate, trust or other organization to be devoted to purposes and uses which they were required to be devoted by the Association.