

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

LAKELANDS RIDGE HOMEOWNERS ASSOCIATION

THIS DECLARATION is made on this 21 day of June, 2000, by Gaithersburg Community Associates, L.L.C., a Delaware limited liability company, hereinafter referred to as "Declarant".

WITNESSETH:

WHEREAS, Declarant is the owner of certain real property located in Montgomery County, Maryland, described in Article II hereof, and desires to create and develop thereon a residential community with permanent common areas for the benefit of said community; and

WHEREAS, the Declarant desires to provide for the preservation of the values and amenities in said community and for the maintenance of said common areas and, to this end, desires to subject the real property described in Article II hereof to the covenants, restrictions, easements, charges and liens hereinafter set forth, each and all of which are for the benefit of said property and the subsequent owners thereof; and

WHEREAS, Declarant has deemed it desirable, for the efficient preservation of the values and amenities in said community, to create an Association to which should be delegated and assigned the powers and duties of maintaining and administering the common areas, administering and enforcing the within covenants and restrictions, and disbursing the charges and assessments hereinafter created; and

WHEREAS, Declarant has formed (or intends to form) Lakelands Ridge Homeowners Association, Inc., as a non-profit corporation, without capital stock, under the Laws of the State of Maryland, for the purposes of carrying out the powers and duties aforesaid.

NOW, THEREFORE, Declarant hereby declares that the real property described in Article II hereof is, and shall be, held, conveyed, hypothecated or encumbered, sold, leased, rented, used, occupied and improved subject to the covenants, restrictions, uses, limitations, obligations, easements, equitable servitudes, charges and liens (hereinafter sometimes referred to as "covenants and restrictions") hereinafter set forth, all of which are declared and agreed to be in aid of a plan for the improvement of said property, and shall be deemed to run with and bind the land, and shall inure to the benefit of, and be enforceable by, the Declarant, its successors and assigns, and any person acquiring or owning an interest in said property and improvements, including, without limitation, any person, group of persons, corporation, trust or other legal entity, or any combination thereof, who or which holds such interest solely as security for the performance of an obligation.

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. The following words, when used in this Declaration, shall have the following meanings:

A. "Association" shall mean and refer to Lakelands Ridge Homeowners Association, Inc., and its successors and assigns.

B. "Common Area" shall mean and refer to all real property owned or leased by the Association, or otherwise available to the Association, for the benefit, use and enjoyment of its Members, and any facilities constructed thereon, and shall include, as may be applicable, all streets, parking areas, recreational facilities, storm water management facilities, and other required features which are constructed on the Common Area.

C. "Condominium Regimes" shall mean and refer to the five (5) separate condominium regimes that intended to be created by Participating Builder, Great Seneca LLC, in the immediate vicinity of the Common Area, and upon which Great Seneca LLC intends to construct five (5) separate condominium buildings.

D. "Condominium Unit" shall mean and refer to a three (3) dimensional area, as defined by the Maryland Condominium Act and any of the Declarations for the respective Condominium Regimes, and shall consist of any one of those parts of the respective condominium buildings separately described on the plats for the Condominium Regimes.

E. "Declarant" shall mean and refer to Gaithersburg Community Associates, L.L.C., its successors and assigns, but only to the extent that the designation of Declarant and the rights attributable thereto are expressly assigned to such successors and assigns, in writing.

F. "Expansion Property" shall mean and refer to all real property described on Exhibit B attached hereto which may be added to and become a part of the Property pursuant to the provisions of Article II hereof.

G. "Initial Improvements" shall mean, with respect to any unimproved land within the Property or the Expansion Property, the first improvements being constructed thereon following the recordation of this Declaration

H. "Lot" shall mean and refer to all subdivided parcels of land located within the Property upon which a single family detached home is constructed for sale and occupancy.

I. "Member" shall mean and refer to every person, group of persons, corporation, trust or other legal entity, or any combination thereof, who or which holds any Class of membership in the Association.

Whenever in this Declaration any action is required to be taken by a specified percentage of "each Class of the then Members" of the Association, then such action shall be required to be taken separately by the specified percentage of the then outstanding Class A Members of the Association and by the specified percentage of the then outstanding Class B Members of the Association. Whenever in this Declaration any action is required to be taken by a specified percentage of the "then Members" of the Association, then such action shall be required to be taken by the specified percentage of the then outstanding cumulative membership of the Association.

J. "Mortgagee", as used herein, means the holder of any recorded mortgage, or the party secured or beneficiary of any recorded deed of trust, encumbering one or more of the Units. "Mortgage", as used herein, shall include deed of trust. "First Mortgage", as used herein, shall mean a Mortgage with priority over other Mortgages. As used in this Declaration, the term "Mortgagee" shall mean any Mortgagee and shall not be limited to Institutional Mortgagees. As used in this Declaration, the term "Institutional Mortgagees" or "Institutional Holder" shall include banks, trust companies, insurance companies, mortgage insurance companies, savings and loan associations, trusts, mutual savings banks, credit unions, pension funds, mortgage companies, Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), all corporations and any Agency or Department of the United States Government or of any State or Municipal Government. As used in this Declaration, the terms "Holder" and "Mortgagee" shall include the parties secured by any Deed of Trust or any beneficiary thereof. As used in this Declaration, the term "Eligible Mortgagee" means those Mortgagees who have provided notice to the Board of Directors of their interest and requested all rights under the Association's governing documents.

In the event any Mortgage is insured by the Federal Housing Administration ("FHA") or guaranteed by the Veterans Administration ("VA") then, as to such Mortgage, the expressions "Mortgagee" and "Institutional Mortgagee" include the FHA or the VA as the circumstances may require, acting, respectively, through the Federal Housing Commissioner and the Commissioner of Veterans Benefits, or through other duly authorized agents.

K. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Unit, but excluding those having such interest solely as security for the performance of an obligation.

L "Participating Builder" shall mean and refer to (i) Great Seneca LLC, or its assigns or successors, the entity which currently intends to acquire portions of the Property for the purpose of creating the Condominium Regimes, or (ii) any other person or entity so designated by the Declarant

M. "Property" shall mean and refer to all real property described in Article II hereof and such additions thereto as may hereafter be made, pursuant to the provisions of Article II.

N. "Single-Family Members" shall mean and refer to the Owners of the Lots

O. "Unit" shall mean and refer to a Lot or Condominium Unit.

ARTICLE II **PROPERTY ENCUMBERED**

Section 2.1. Property Subject to Declaration. The real property which is, and shall be, held, conveyed, hypothecated or encumbered, sold, leased, rented, used, occupied and improved subject to this Declaration is located in Montgomery County, State of Maryland, and is more particularly described on Exhibit "A" attached hereto and, by this reference, made a part hereof.

Section 2.2. Additions. Additional property may be annexed to the above-described property without the consent of the Class A Members of the Association, if any, provided that such property is a part or all of the Expansion Property described on Exhibit B attached hereto and by this reference made a part hereof, and provided that such annexation occurs within seven (7) years of the date this Declaration is recorded. Any other annexation of property must be approved by two-thirds (2/3) of each Class of the Members of the Association. The scheme of the within covenants and restrictions shall not, however, be extended to include any such additional property unless and until the same is annexed to the real property described on Exhibit A as hereinafter provided.

Any annexations of Lots made pursuant to this Article, or otherwise, shall be made by recording a Supplementary Declaration of Covenants and Restrictions among the Land Records for Montgomery County, Maryland, which Supplementary Declaration shall extend the scheme of the within Declaration of Covenants and Restrictions to such annexed property. Annexations of Condominium Units made pursuant to this Article, or otherwise, may be made in the foregoing manner, or may be made by the inclusion of specific annexation language within the Declaration of Condominium creating such Condominium Units, which language subjects such Condominium Units to the terms and conditions of this Declaration.

Such Supplementary Declaration may contain such complementary additions and modifications to the covenants and restrictions set forth in the within Declaration as may be necessary to reflect the different character or use, if any, of such annexed property, provided, however, that in no event shall any such addition or modification be substantially inconsistent with the provisions of the within Declaration. Such annexations need not be made by the Declarant; provided, however, that any such annexation accomplished by persons other than the Declarant shall have the written consent of the Declarant.

So long as any Unit within the Property is encumbered by a Mortgage which is guaranteed by the VA or insured by the FHA, no annexation shall be made pursuant to this Article except following a determination by the VA or FHA, as applicable, that the annexation conforms to a general plan for the development of the community previously approved by the VA or FHA, as applicable, or, if no such general plan was approved, following the prior written approval of the VA or FHA, as applicable.

Section 2.3. Deannexation. So long as there are any Class B Members, the Declarant may deannex any property from the Property for a period of five (5) years from the date of recordation of this Declaration. Such deannexed property shall no longer be subject to the covenants and restrictions of this Declaration, except for any easements, rights, reservations, exemptions, powers or privileges reserved to the Declarant, pursuant to this Declaration, which affect the deannexed property. Such deannexation shall be made by recording a Supplementary Declaration among the Land Records of Montgomery County, Maryland, withdrawing the effect of the covenants and restrictions of this Declaration from the deannexed property. Such deannexed property may be utilized by the Declarant, or any successor, assignee or transferee thereof, for any lawful purpose or use.

The foregoing notwithstanding, no property may be deannexed if such property provides the only access to a Unit which is not itself being deannexed, unless and until an alternative access to such Unit has been provided and is either subject to this Declaration or publicly dedicated.

ARTICLE III **MEMBERSHIP**

Section 3.1. Membership. The Declarant and every person or entity who is a record owner of a fee or undivided fee interest in any Unit, including contract sellers, shall be a Member of the Association; provided that any such person or entity who or which holds such interest merely as security for the performance of an obligation shall not be a Member. Class A membership shall be appurtenant to, and may not be separated from, ownership of any Unit which is subject to assessment by the Association.

Section 3.2. Voting Rights. The Association shall have two classes of voting membership which shall be known as "Class A" and "Class B":

Class A: Class A Members shall be all Owners, with the exception of the Declarant and the Participating Builders. Class A Members shall be entitled to one (1) vote for each Unit owned. When more than one (1) person holds an interest in any Unit, all such persons shall be Members. The vote for such Unit shall be exercised as they, among themselves, determine, but, in no event shall more than one (1) vote be cast with respect to any Unit.

Class B: The Class B Member(s) shall be the Declarant (as that term is defined in the Declaration), its nominee or nominees, and shall include every person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who or which shall obtain any Class B membership by specific assignment from the Declarant. The Class B Member shall initially have two hundred fifteen (215) Class B memberships, which number is equal to the total number of Units which are currently intended for the Lakelands-Great Seneca North project. This number shall be reduced for each Class A membership existing at any relevant time. If, at any time, the Declarant receives approval for a greater number of Units within the Lakelands-Great Seneca North project, thereby creating a number of Units collectively greater than two hundred fifteen (215), then the number of Class B memberships described above shall be increased by the number of additional Units approved. The Class B Member shall have three (3) votes for each Class B membership which it holds. The Class B membership shall cease and be converted to a Class A membership upon the happening of any of the following events, whichever occurs earliest:

(1) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or

(2) ten (10) years from the date of recordation of the Declaration; provided, however, that if the Declarant is delayed in the improvement and development of the Property on account of a sewer, water or building permit moratorium, or any other cause or event beyond the control of the Declarant or Great Seneca LLC (the intended builder of the Condominium Regimes), then the aforesaid ten (10) year period shall be extended by a period of time equal to the length of the delays or two (2) years, whichever is less; or

(3) upon surrender of the Class B memberships by the then holder thereof for cancellation on the books of the Association.

Upon the lapse or surrender of all of the Class B memberships as provided for in this Article, the Declarant shall thereafter remain a Class A Member of the Association as to each and every Unit in which the Declarant then holds the interest otherwise required for such Class A membership.

ARTICLE IV **PROPERTY RIGHTS**

Section 4.1. Member's Right of Enjoyment. Every Member shall have a right and easement of enjoyment in and to the Common Area, and such easement shall be appurtenant to, and shall pass with, the fee title to every Unit, subject to the following:

A. The right of the Association, in accordance with its Articles of Incorporation and By-Laws, to borrow money for the purpose of improving the Common Area in a manner designed to promote the enjoyment and welfare of the Members and, in aid

thereof, and with the consent of two-thirds (2/3) of each Class of the then Members of the Association, voting separately, to mortgage any of the Common Area; and

B. The right of the Association to take such steps as are reasonably necessary to protect the property of the Association against mortgage default and foreclosures; provided, however, that the same are in conformity with the other provisions of this Declaration; and

C. The right of the Association to adopt reasonable rules respecting use of the Common Area to reasonably limit the number of guests of Members to the use of any facilities which are developed upon the Property; and

D. The right of the Association to levy reasonable admission and other fees for the use of any recreational facility situated on the Common Area by the Association Members and their guests; and

E. The right of the Association to suspend the voting rights and the rights to use the Common Area for any period during which any assessment remains unpaid and for any period not to exceed sixty (60) days for any infraction of any of the published rules and regulations of the Association; and

F. The right of the Association to dedicate or transfer all or any part of the Common Area to any person or entity, public or municipal agency, authority or utility, for purposes not inconsistent with the purpose of this Declaration, with the consent of a two-thirds (2/3) of the Owners, and the Declarant, if the Declarant still owns property within the Expansion Property, and to transfer part of the Common Area for the purpose of adjusting Lot lines in accordance with then approved plans for the Property; and

G. The right of the Association, acting by and through its Board of Directors, to grant licenses, rights-of-way and easements for access or for the construction, reconstruction, maintenance and repair of any utility lines or appurtenances, whether public or private, to any municipal agency, public utility, cable television franchisee, the Declarant or any other person; provided, however, that no such licenses, rights-of-way or easements shall be unreasonably and permanently inconsistent with the rights of the Members to the use and enjoyment of the Common Area; and

H. The right of Declarant and the Participating Builders, with the consent of the Declarant, (and their sales agents and representatives) to the non-exclusive use of the Common Area for display and exhibit purposes, which right Declarant hereby reserves; provided, however, that such use shall not be for a period of more than seven (7) years after the conveyance of the Common Area to the Association; provided, further, that no such use by Declarant or its sales agents or representatives shall otherwise restrict the Members in their use and enjoyment of the Common Area; and

I. The right of the Declarant, within the seven (7) year period following the recordation of this Declaration, to construct upon the Common Area any and all storm water management or recreational facilities for the Units and/or for any additional property annexed to the Declaration as described in Section 2.2 hereof; and

J. The obligation of every Member to exercise due care when entering onto the Common Area during inclement weather, it being presumed that such Member did not exercise due care, and assumed all risk of injury or damage, by entering onto the Common Area before the Association had adequate time to properly maintain it.

Section 4.2. Member's Ingress and Egress Easement. Notwithstanding any statement contained in Section 4.1 hereof, if ingress to or egress from to any Unit is over the Common Area, any conveyance or encumbrance of any such Common Area shall be subject to an easement for ingress and egress benefitting such Owner of the Unit.

Section 4.3. Delegation of Rights of Use. Any Member of the Association may delegate his rights to the use and enjoyment of the Common Area to the members of his family or others who reside permanently with him, and to his tenants, contract purchasers and guests, all subject to such reasonable rules and regulations which the Association may adopt and uniformly apply and enforce

Section 4.4. Parking. The Board of Directors of the Association shall have the power and authority to adopt rules and regulations as it may deem necessary or advisable with respect to parking on the Lots and within the Common Area.

ARTICLE V **COVENANT FOR MAINTENANCE ASSESSMENTS**

Section 5.1. General Maintenance Assessment. Except as the assessments of the Declarant and Participating Builders are limited by the provisions of Article VI of this Declaration, each person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who or which becomes a fee owner of a Unit within the Property, by acceptance of a Deed therefor, whether or not it shall be so expressed in any such Deed or other conveyance, shall be deemed to covenant and agree to pay to the Association, in advance, a monthly sum (herein elsewhere sometimes referred to as a "general assessment" or "maintenance assessment") equal to one-twelfth (1/12) of the Member's proportionate share of the sum required by the Association, as estimated by its Board of Directors, to meet its annual expenses, including, but in no way limited to, the following:

A. The cost of all operating expenses of the Common Area and the services furnished to or in connection with the Common Area, including charges by the Association for any services furnished by it; and

B. The cost of necessary management and administration of the Common Area, including fees paid to any Management Agent, and

C. The amount of all taxes and assessments levied against the Association or upon the Association's Common Area; and

D. The cost of liability insurance on the Common Area, and the cost of such other insurance as the Association may effect; and

E. The cost of utilities and other services which may be provided by the Association for the Common Area; and

F. The cost of maintaining, replacing, repairing, mowing and landscaping the Common Area, including, without limitation, maintenance of any of the parking areas (including snow removal, sweeping and parking area striping), sidewalks, entrance monuments, recreational facilities, retaining walls, pool, clubhouse, gang mailboxes, if any, and storm water management systems (if private maintenance is required by Montgomery County, Maryland) located upon the Common Area and the cost of the maintenance of any and all pathways upon or benefitting the Property, together with such equipment as the Board of Directors shall determine to be necessary and proper in connection with the Common Area; and

G. The cost of maintaining any private storm drain or storm water management facilities within the Lots or Common Area; and

H. The cost of maintaining any private driveways within the Lots or Common Area pursuant to the terms of any separately recorded easement to which the Association is a party; and

I. The cost of mowing and maintaining the foundation plantings on the Lots, as determined by the Board of Directors; and

J. The cost of any services or maintenance provided to either the Owners of the Lots or to the Owners of the Condominium Units, or to any portion of the Common Area solely serving either the Lots or the Condominium Units, all as set forth in the budget, in which event only the Owners so benefitted will be required to pay for such services or maintenance; and

K. The cost of funding those reserves established by the Board of Directors of the Association.

The Board of Directors shall determine the amount of the general assessment annually, but may do so at more frequent intervals should circumstances so require. Upon resolution of the Board of Directors, installments of annual assessments may be levied and collected on a quarterly, semi-annual or annual basis, rather than on the monthly basis

herein above provided. Any Class A Member may prepay one or more installments on any annual maintenance assessment levied by the Association, without premium or penalty.

The Board of Directors shall prepare, or cause the preparation of, an Annual Operating Budget for the Association which shall provide, without limitation, for the management, operation and maintenance of the Common Area. The Board of Directors of the Association shall make reasonable efforts to fix the amount of the annual maintenance assessment against each Unit for each assessment period at least thirty (30) days in advance of the beginning of such period and shall, at that time, prepare a roster of the Units and the general assessments applicable thereto, which shall be kept in the office of the Association and shall be open to inspection by any Owner upon reasonable notice to the Board. Written notice of the general assessment shall, thereupon, be sent to the Condominium Regimes and each Single Family Member. The omission by the Board of Directors before the expiration of any assessment period to fix the amount of the general assessment hereunder for that or the next period shall not be deemed a waiver or modification in any respect of the provisions of this Article, or a release of any Member from the obligation to pay the general assessment, or any installment thereof, for that or any subsequent assessment period, but the general assessment fixed for the preceding period shall continue until a new general assessment is fixed. No Member may exempt himself from liability for assessments by abandonment of any Unit belonging to him or by the abandonment of his right to the use and enjoyment of the Common Area

Except as may be specifically provided for herein, or in any Supplementary Declaration recorded hereafter, this Declaration does not contemplate that the Association shall have any responsibility for the maintenance or repair of the dwellings or their appurtenances, and the responsibility and duties of the Association for maintenance and repairs shall be limited to the Common Area. The owner of any Unit shall, at his own expense, maintain his Lot and dwelling or Condominium Unit, as applicable, and any and all appurtenances thereto, in good order, condition and repair, and in a clean, sightly and sanitary condition at all times.

Section 5.2. Special Maintenance Assessments. In addition to the general assessments authorized by this Article, the Association may levy, in any assessment year, a special maintenance assessment or assessments, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, extraordinary repair or replacement of a described capital improvement located upon, or forming a part of, the Common Area, including the necessary fixtures and personal property related thereto, or for such other purpose as the Board of Directors may consider appropriate (including snow removal).

Section 5.3. Reserves for Replacements. The Association shall establish and maintain a reserve fund for replacements of the Common Area by the allocation, and payment monthly to such reserve fund, of an amount to be designated from time to time by the Board of Directors. Such fund shall be conclusively deemed to be a common expense of the Association and may be deposited with any banking institution, the

accounts of which are insured by any State or by an agency of the United States of America, or may, in the discretion of the Board of Directors, be invested in obligations of, or fully guaranteed as to principal by, the United States of America.

The reserve for replacement of the Common Area may be expended only for the purpose of effecting the replacement of the Common Area, major repairs, equipment replacement, and for start-up expenses and operating contingencies of a non-recurring nature (including an extraordinary need for snow removal), relating to the Common Area. The Association may establish such other reserves for such other purposes as the Board of Directors may, from time to time, consider necessary or appropriate. The proportional interest of any Member in any such reserves shall be considered an appurtenance of his Unit and shall not be separately withdrawn, assigned or transferred, or otherwise separated, from the Unit to which it appertains.

ARTICLE VI **PAYMENT OF MAINTENANCE ASSESSMENTS**

Section 6.1. Non-Payment of Assessments. Any assessment levied pursuant to this Declaration, or any installment thereof, which is not paid on the date when due shall be delinquent and shall, together with interest thereon and the cost of collection thereof, as hereinafter provided, thereupon become a continuing lien upon the Unit or Units belonging to the Member against whom such assessment is levied and shall bind such Unit or Units in the hands of the then Owner(s), his heirs, devisees, personal representatives and assigns. The personal obligation of the Member to pay such assessment shall, in addition, remain his personal obligation for the statutory period and a suit to recover a money judgment for non-payment of any assessment levied pursuant to this Declaration, or any installment thereof, may be maintained without foreclosing or waiving the lien herein created to secure the same.

Any assessment levied pursuant to this Declaration, or any installment thereof, which is not paid within ten (10) days after it is due, may, upon resolution of the Board of Directors, bear interest at a rate not to exceed the maximum legal rate permitted from time to time in the State of Maryland and may, by resolution of the Board of Directors, subject the Member obligated to pay the same to the payment of such penalty or "late charge" as the Board may fix, and the Association may bring an action at law against the Member personally obligated to pay the same, or foreclose on the lien against the Unit then belonging to said Member in the manner now or hereafter provided for in the Maryland Contract Lien Act, or as may otherwise, from time to time, be provided by law, in which event interest, costs and reasonable attorneys' fees shall be added to the amount of each assessment.

In the event any proceeding to foreclose the lien for any assessment due the Association pursuant to this Article is commenced with respect to any Unit in the Property, then the Owner of such Unit, upon resolution of the Board of Directors, may be required

to pay a reasonable rental for such dwelling unit, and the Association shall be entitled to the appointment of a receiver to collect the same.

The Board of Directors may post a list of Members who are delinquent in the payment of any assessments or other fees which may be due the Association, including any installment thereof which becomes delinquent, in any prominent location upon the Property.

Section 6.2. Assessment Certificates. The Association shall, upon request, at any time furnish to any Member liable for any assessment levied pursuant to this Declaration (or any other party legitimately interested in the same) a certificate, in writing, signed by an officer of the Association, setting forth the status of said assessment, i.e., whether the same is paid or unpaid. Such certificate shall be conclusive evidence of the payment of any assessment therein stated to have been paid. A charge not to exceed Fifty Dollars (\$50.00) may be levied in advance by the Association for each certificate so delivered.

Section 6.3. Acceleration of Installments Upon default in the payment of any one or more installments of any assessment levied pursuant to this Declaration, the entire balance of said annual assessment may be accelerated, at the option of the Board of Directors, and be declared due and payable in full.

Section 6.4. Priority of Lien. The lien established by this Declaration shall have preference over any other assessments, liens, judgments or charges, of whatever nature, except the following:

A. General and special assessments for ad valorem real estate taxes on the Unit; and

B. The liens of any Deeds of Trust, mortgage instruments or encumbrances duly recorded on the Unit prior to the assessment thereon of the lien provided for in this Declaration, or duly recorded on said Unit after receipt of a written statement from the Board of Directors reflecting that payments on said lien were current as of the date of recordation of said Deed of Trust, mortgage instrument or encumbrance.

Notwithstanding any other provision of this Declaration to the contrary, the lien of any assessment levied pursuant to this Declaration upon any Unit, as in this Article provided, shall be subordinate to the lien of any Deed of Trust, Mortgage or other encumbrance duly recorded on such Unit and made in good faith and for value received, and shall in no way affect the rights of the Holder of any such Deed of Trust, Mortgage or other encumbrance; provided, however, that such subordination shall apply only to assessments, or installments thereof, which have become due and payable prior to a sale or transfer of the Unit pursuant to a foreclosure of such Deed of Trust, Mortgage or other encumbrance, or any Deed, Assignment or other proceeding or arrangement in lieu of foreclosure. Such sale, foreclosure, Deed, Assignment or other proceeding or

arrangement in lieu of foreclosure shall not, however, relieve the Mortgagee in possession, or the purchaser at any foreclosure sale, from liability for any assessments thereafter becoming due, or from the lien of any such subsequent assessments, which lien, if any claimed, shall have the same effect and be enforced in the same manner as provided herein.

No amendment to this Section shall affect the rights of the Holder of any first Mortgage on any Unit (or the indebtedness secured thereby) recorded prior to recordation of such Amendment unless the Holder thereof (or of the indebtedness secured thereby) shall join in the execution of such amendment.

The Board of Directors may, in its sole and absolute discretion, extend the provisions of this Section to the Holders of Mortgages (or of the indebtedness secured thereby) not otherwise entitled thereto.

Section 6.5. Additional Default. Any recorded First Mortgage secured on a Lot in the Property shall provide that any default by the mortgagor in the payment of any assessment levied pursuant to this Declaration, or any installment thereof, shall likewise be a default in such mortgage (or the indebtedness secured thereby); but failure to include such a provision in any such mortgage shall not affect the validity or priority thereof, and the protection extended to the holder of such mortgage (or the indebtedness secured thereby) by reason of Section 6.4 of this Article shall not be altered, modified or diminished by reason of such failure.

Section 6.6. Commencement of Annual Assessments Except as may be otherwise resolved by the Board of Directors of the Association, the annual assessments for each Class A membership shall commence on the date a Deed for the Unit to which such membership is appurtenant is delivered to the non-Declarant, non-Participating Builder Member. The first monthly installment of each such annual assessment shall be made for the balance of the month during which a Deed for the Unit is delivered to the Member and shall become due and payable and a lien on the date a Deed for the Unit is delivered to the Member. Except as herein elsewhere provided, the monthly installments of each such annual assessment for any Unit for any month after the first month shall become due and payable and a lien on the first day of each successive month.

Section 6.7. Assessment of Declarant and Participating Builders. The Declarant shall not pay any assessments for Units owned by the Declarant. In lieu of paying the assessments provided herein for Units owned by each Participating Builder, such Participating Builder shall pay to the Association, upon the acquisition of a building parcel from the Declarant, a sum equal to One Hundred Twenty Dollars (\$120.00) multiplied by the number of Condominium Units approved for construction thereon.

Section 6.8. Exempt Property. No portion of the Common Area shall be subject to assessment of any kind by the Association.

Section 6.9. Working Capital Fund. At the time of the first conveyance of each Unit to an Owner other than the Declarant or a Participating Builder, each such Owner shall pay to the Association a non-refundable contribution to the Association's Working Capital Fund in an amount equal One Hundred Fifty Dollars (\$150.00). This payment shall be in addition to, and shall not be credited toward, the general assessment due from each Owner. The Working Capital Fund shall be used by the Association to assist in defraying its initial and ongoing operating expenses.

ARTICLE VII
ARCHITECTURAL CONTROL - COMMUNITY CODES -
COVENANTS COMMITTEE

Section 7.1. Covenants Committee. Except for construction or development by, for or under contract with the Declarant, and except for purposes of proper maintenance and repair, no building, fence, wall or other improvements or structures (including, but not limited to, any lighting, shades, screens, awnings, patio covers, fences, wall, slabs, sidewalks, curbs, gutters, patios, balconies, porches, driveways) shall be commenced, directed, placed, moved, altered, installed, erected, attached, applied, pasted, hinged, screwed, built, removed, constructed or maintained upon a Lot or Condominium Unit, nor shall any exterior addition to or change (including any change of color) or other alteration thereupon or upon any Common Area be made, nor shall two (2) or more dwellings be combined or otherwise joined, or partitioned after combination, until the complete plans and specifications showing the location, nature, shape, height, material, color, type of construction and any other proposed form of change (including, without limitation, any other information specified by the Covenants Committee (sometimes hereinafter referred to as the "Committee")) shall have been submitted to, and approved in writing as to harmony of external design, color and location in relation to surrounding structures and topography and conformity with the Design Guidelines for the community, by the Board of Directors of the Association or by a Covenants Committee appointed by the Board of Directors.

All of the responsibilities and duties herein delegated to the Covenants Committee shall be carried out by the Board of Directors of the Association, unless and until the Board appoints such a Committee. References hereinafter to the Covenants Committee shall apply with equal force to the Board of Directors acting in the capacity of such a Committee.

The Declarant and Participating Builders are hereby specifically exempt from all provisions of this Article.

Section 7.2. Covenants Committee - Operation. The Board of Directors may appoint a Covenants Committee which Covenants Committee, if appointed, shall be composed of three (3) or more natural persons. The affirmative vote of a majority of the members of the Covenants Committee shall be required in order to adopt or promulgate any rule or regulation, or to make any finding, determination, ruling or order, or to issue any

permit, consent, authorization, approval or the like pursuant to the authority contained in this Article. Said Committee may, from time to time, delegate its ministerial and policing functions to the Association's management agent.

Section 7.3. Approvals, etc. Upon approval by the Covenants Committee of any plans and specifications submitted pursuant to the provisions of this Article, a copy of such plans and specifications, as approved, shall be deposited among the permanent records of such Committee and a copy of such plans and specifications, bearing such approval in writing, shall be returned to the applicant submitting the same. In the event the Covenants Committee fails to approve or disapprove any plans and specifications which may be submitted to it pursuant to the provisions of this Article within forty-five (45) days after such plans and specifications (and all other materials and information required by the Covenants Committee) have been submitted to it in writing, the applicant may give the Committee written notice of such failure to respond, stating that unless the Committee responds within ten (10) days of the receipt of such notice, approval shall be deemed granted. If no such response is given, then approval will not be required and this Article will be deemed to have been fully complied with. Design approval by the Covenants Committee or by the Board shall in no way be construed as to pass judgment on the correctness of the location, structural design, suitability of water flow or drainage, location of utilities, safety or other qualities of the item being reviewed nor shall it in any way relieve the Owner of the Owner's obligation to comply with relevant governmental regulations and secure necessary approvals or permits from relevant governmental authorities. The Board of Directors or the Covenants Committee shall have the right to charge a reasonable fee for reviewing such application. Any such exterior addition to or change or alteration made without application having first been made and approval obtained as provided above, shall be deemed to be in violation of this covenant and may be required to be restored to the original condition at the Owner's cost and expense.

The Covenants Committee may, in its sole discretion, but shall not be required to, authorize waivers or variances from compliance with any of the provisions of the Design Guidelines (as discussed below) when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental considerations, architectural merit, or other reasonable considerations warrant such a waiver or variance. Such variances shall be granted only if and when, in the reasonable judgment of the Covenants Committee, unique circumstances exist, and no applicant shall have the right to demand or obtain a waiver or variance. No waiver or variance may (i) be effective unless in writing, (ii) be contrary to this Declaration, (iii) estop the Covenants Committee from denying a waiver or variance in other circumstances or (iv) be inconsistent with the goals and objectives of the Declarant. The issuance of a waiver or variance by the Covenants Committee does not relieve any applicant from conforming to applicable zoning and environmental standards and requirements of applicable governmental bodies or agencies.

Section 7.4. Limitations. Construction or alterations in accordance with plans and specifications approved by the Covenants Committee pursuant to the provisions of this Article shall be commenced within six (6) months following the date on which the same are

approved by the Committee (whether by affirmative action or by forbearance from action, as in Section 7.3 of this Article provided), and shall be substantially completed within twelve (12) months following the date of commencement, or within such period as the Committee shall specify in its approval. In the event construction is not commenced or completed within the periods aforesaid, then approval of the plans and specifications by the Committee shall be conclusively deemed to have lapsed and compliance with the provisions of this Article shall, again, be required. There shall be no deviation from the plans and specifications approved by the Committee without the prior consent, in writing, of the Committee. Approval of any particular plans and specifications or design shall not be construed as a waiver of the right of the Committee to disapprove such plans and specifications, or any elements or features thereof, in the event such plans and specifications are subsequently submitted for use in any other instance.

Each applicant acknowledges that the composition of the Covenants Committee will change from time to time and that the decisions regarding aesthetic matters and interpretation and application of the Design Guidelines (as discussed below) may vary from time to time. In addition, each applicant acknowledges that it may not always be possible to identify objectionable features of proposed improvements until the improvements are completed, in which case it may be unreasonable to require changes to the improvements previously approved, but the Covenants Committee may refuse to approve similar improvements in the future. Approval of improvements for any particular applicant or Unit shall not be deemed a waiver of the right to withhold approval as to any similar improvements subsequently submitted for approval.

Section 7.5. Certificate of Compliance. Upon the completion of any construction or alterations or other improvements or structure in accordance with plans and specifications approved by the Covenants Committee in accordance with the provisions of this Article, the Covenants Committee shall, at the request of the Owners thereof, issue a certificate of compliance, which shall be prima facie evidence that such construction, alteration or other improvements referenced in such certificate have been approved by the Covenants Committee and constructed or installed in full compliance with the provisions of this Article and with such other provisions and requirements of the Declaration as may be applicable.

Section 7.6. Design Guidelines, Rules and Regulations, Etc. The Board of Directors may, from time to time, adopt and promulgate such rules and regulations regarding the form and content of plans and specifications to be suitable for approval and may publish and record such statements of policy, standards, architectural and design guidelines establishing such criteria relative to architectural styles or details, fences, colors, set-backs, materials or other matters relative to architectural control and the protection of the environment as it may consider necessary or appropriate. No such rules, regulations, statements, criteria or the like shall be construed as a waiver of the provisions of this Article or any other provision or requirement of this Declaration.

Due to the proximity of the Lakelands community to the Property, the Board of Directors has adopted the Community Standards and Design Guidelines of the Lakelands Community Association, to the extent that the provisions are not specific to certain lots or property within the Lakelands community, to serve as the initial Design Guidelines for this Association. The Board of Directors of the Association and the Covenants Committee shall have the power to supplement, revise or amend the Design Guidelines and/or adopt additional or replacement community standards and guidelines. The Design Guidelines shall not be the exclusive basis for decisions hereunder and compliance with the Design Guidelines shall not guarantee approval of an application. The Design Guidelines may contain general provisions applicable to all of the Property, as well as specific provisions which vary from one portion of the Property to another, depending upon the location, type of construction or use, and unique characteristics of the property.

Section 7.7. Appeals. Any Owner dissatisfied with a decision of the Covenants Committee may, within fifteen (15) days after the rendering of such decision, make an appeal thereof to the Board of Directors. Not less than fifteen (15), nor more than sixty (60), days after the noting of such appeal, the Board of Directors shall conduct a hearing thereon. Within fifteen (15) days of such hearing, the Board of Directors may affirm, reverse, modify or remand the decision appealed. Two-thirds (2/3) of the Board of Directors shall be required to reverse a decision of the Covenants Committee. The Board of Directors is hereby authorized and empowered to promulgate reasonable rules of procedure for the conduct of such appeals and hearings. In the event that the Board of Directors itself acts in the capacity of the Covenants Committee, no such right of appeal will lie and the decision of the Covenants Committee will be final.

Section 7.8. New Construction. No construction of the Initial Improvements within any part of the Expansion Property may be commenced until the plans and specifications for such Initial Improvements have been approved, in writing, by the Declarant. The construction of Initial Improvements upon any part of the Property shall not be subject to and are expressly exempt from the provisions of Section 7.1 above. The Declarant shall have sixty (60) days from receipt of all the material which it may reasonably request from the applicant in which to approve or disapprove such plans and specifications. Failure to respond within this time frame shall mean the plans and specifications are automatically approved. The commencement and completion of the improvements are subject to the requirements of Section 7.4 of this Article unless a different time frame is set forth within the approval. The Design Guidelines shall be applicable to the Initial Improvements. The approval of the Declarant shall in no way be substituted for applicable governmental approvals and permits and no construction may commence until all such approvals and permits have been obtained. The Declarant may disapprove any plans and specifications for any reason and approval of any plans and specifications does not constitute a waiver of the right to disapprove the same plans and specifications subsequently submitted for any purpose. Any decision of the Declarant under this Section shall be final.

Section 7.9. Community Codes. By creation and recordation of this Declaration, the Declarant intends to create a planned community with the goals of enhancing the

quality of life of the Owners, protecting the aesthetics and environment within the community, and promoting a sense of community among the Owners. To serve these goals, the Declarant recognizes that certain rules and regulations and community standards and guidelines governing activities within the community need to be established. Therefore, and in recognition of the close proximity of the adjacent Lakelands community, the Board of Directors has adopted the current Community Codes of the Lakelands Community Association, to the extent that the provisions are not specific to certain lots or property within the Lakelands community, to serve as the initial Community Codes for Association. The Board of Directors of the Association shall have the power to revise or amend the Community Codes and/or adopt and promulgate additional rules, regulations and community standards and guidelines. The Community Codes shall be provided to prospective purchasers of Units in accordance with the Maryland law related to homeowners associations. The Community Codes, as amended from time to time, shall have the same force and effect and binding nature against the Property as the covenants, conditions, easements and restrictions contained within this Declaration. Consequently, the Property and the Owners are not only subject to the provisions of the Declaration, but shall also be subject to the Community Codes, as adopted and promulgated in accordance with this Section. The Board of Directors shall have the right to promulgate additional Community Codes, and additional Design Guidelines or rules and regulations applicable to the Association, pursuant to the provisions hereof.

Section 7.10. Changes to Design Guidelines, Community Codes, Rules and Regulations. The Board of Directors or Covenants Committee may adopt changes to the Design Guidelines, Community Codes and rules and regulations for the Association. From and after such time as the members of the Association's Board of Directors is elected by the Class A Members of the Association, the following procedure shall be followed in order to adopt such changes:

A. Each Member shall have mailed or delivered to him a copy of the proposed change, notice that Members are permitted to submit written comments on the proposed change, and notice of the proposed effective date of the proposed change. Before a vote of the Board or Covenants Committee is taken on the proposed change, an open meeting shall be held to allow each Member or tenant to comment on the proposed change. Each Member shall receive written notice of this open meeting at least fifteen (15) days before said meeting. A quorum of the Board of Directors or Covenants Committee, as applicable, shall be present at such open meeting.

B. A regular or special meeting of the Board of Directors or Covenants Committee shall be held at which the vote on the proposed change shall be taken. Notice of this meeting shall be given as provided in the By-Laws. The proposed change shall be passed on the affirmative vote of a majority of the Directors or Committee members present and voting.

C. The vote on the proposed change shall be final unless within fifteen (15) days of the vote to adopt the proposed change, fifteen percent (15%) of the Members sign

and file a petition with the Board of Directors, calling for a special meeting. Such special meeting shall be held between fifteen (15) and thirty (30) days after the day the petition is delivered to the Board of Directors. Members shall receive at least fifteen (15) days written notice of such special meeting. The proposed change shall be disapproved if more than thirty-three per cent (33%) of the Members attend the meeting, and fifty percent (50%) of the Members present and voting disapprove the proposed change. During such meeting, Members and tenants may comment on the proposed change.

Section 7.11. Leasing. Any lease agreement between an Owner and a Lessee shall provide that the terms of the lease are subject, in all respects, to the provisions of the Association's governing documents, and that any failure by the Lessee to comply with the terms of such documents shall be a default under the lease. All such leases shall be in writing and a copy thereof shall be filed with the Association's Board of Directors.

Section 7.12. Family Day Care. The use of any Unit within the Property as a "family day care home", as defined in §11B-111.1 of the Maryland Homeowners Association Act, as amended (the "Act") is permitted, subject to obtaining prior written consent as provided in Section 7.1 of this Article. Such applications for use of a Unit as a family day care home, are subject to the following conditions:

A. each "day care provider", as defined in §11B-111.1 of the Act, operating a family day care home within the Property shall pay, on a pro-rata basis (based on the total number of family day care homes operating within the Property) any increase in insurance costs incurred by the Association that is solely and directly attributable to the operation of family day care homes within the Property;

B. the Association may impose a reasonable administrative fee, not to exceed Fifty Dollars (\$50.00) per year, on each family day care home;

C. the Association may limit the number of family day care homes within the Property provided that the percentage of family day care homes permitted may not be less than 7.5 percent of the total residential Lots within the Property;

D. before any dwelling unit may be operated as a family day care home the Owner and/or resident of such dwelling unit shall notify the Association, in writing, at least thirty (30) days prior to the opening of the family day care home;

E. each day care provider operating a family day care home within the Property shall obtain the liability insurance described under Article 48A, §481 D of the Annotated Code of Maryland (1996), as amended (the "Code"), in at least the minimum amount described under that statute, and shall not operate unless such minimum liability insurance is in effect at all times; and

F. each family day care home must be registered under Title 5, Subtitle 5 of the Family Law Article of the Code, and shall not operate unless such registration remains current.

Section 7.13. Reconstruction After Fire or Other Casualty Loss. In the event any improvement upon a Lot is partially or completely destroyed by fire or other casualty, and in the absence of a resolution to the contrary by the Board of Directors, the Owner of such improvements shall promptly restore or reconstruct such improvements, at his own expense, in accordance with the original plans and specifications, or with such amended plans and specifications as may be approved in writing by the Board of Directors at the request of such Owner. The provisions of this Section shall not apply when prohibited by the first trust Holder, the VA, FNMA, FHLMC or FHA, or when in conflict with any law, ordinance, municipal regulation or the like.

Section 7.14. Enforcement. Enforcement by the Board of Directors and the Covenants Committee of the provisions of this Declaration, the Community Codes, the Design Guidelines or any other policies, rules or regulations adopted by the Board of Directors or the Covenants Committee, as permitted herein, shall be pursuant to the procedures set forth herein and in the Community Codes.

ARTICLE VIII **MANAGEMENT**

Section 8.1. Management Agent. The Board of Directors may employ for the Association a professional management agent or manager (the "Management Agent"), at a rate of compensation established by the Board of Directors, to perform such duties and services as the Board of Directors shall, from time to time, authorize in writing. The Management Agent shall perform such duties and services as the Board of Directors shall authorize in writing, including, without limitation:

A. To establish (with the approval of the Board of Directors of the Association) and provide for the collection of the general assessment and any other assessments provided for in this Declaration, and to provide for the enforcement of liens therefor, in a manner consistent with law and the provisions of this Declaration; and

B. To designate, hire and dismiss such personnel as may be required for the good working order, maintenance and efficient operation of the Common Area; and

C. To promulgate (with the approval of the Board of Directors of the Association) and enforce such rules and regulations and such restrictions or requirements, "house rules" or the like as may be deemed proper respecting the use of the Common Area; and

D. To provide such other services (including accounting services) for the Association as may be consistent with law and the provisions of this Declaration.

Section 8.2. Duration of Management Agreement. Any management agreement entered into by the Association shall provide, inter alia, that such agreement may be terminated, with or without cause and without the payment of any termination fee, by either party, upon thirty (30) days written notice thereof to the other party. The term of any such management agreement shall not exceed one (1) year; provided, however, that the term of any such management agreement may be renewable, by mutual agreement of the parties, for successive one-year periods.

Section 8.3. Limitation of Liability. The Association shall not be liable for any failure of any services to be obtained by the Association or paid for out of the common expense fund, or for injury or damage to person or property caused by the elements or resulting from water which may leak or flow from any portion of the Common Area, or from any wire, pipe, drain, conduit or the like. The Association shall not be liable to any Member for loss or damage, by theft or otherwise, of articles which may be stored upon the Common Area. No diminution or abatement of assessments, as herein elsewhere provided for, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Common Area, or from any action taken by the Association to comply with any of the provisions of this Declaration or with any law or ordinance or with the order or directive of any municipal or other governmental authority.

Section 8.4. Self-Management. If the standards and regulations of FNMA and/or FHLMC prohibit self-management by the Association, and FNMA and/or FHLMC holds an interest in a first Mortgage or Deed of Trust against any of the Lots or Condominium Units, then no such self-management shall be undertaken by the Association without the prior written consent and approval of all of the Holders of the first Mortgages of record on the Lots or Condominium Units.

Provided that any Unit subject to this Declaration is then encumbered by a Deed of Trust or Mortgage which is insured by the FHA or guaranteed by the VA and, provided further, that FHA and/or VA standards and regulations prohibit self-management of the Association, then no such self-management shall be undertaken by the Association without the prior written consent and approval of FHA or VA, as the circumstances may require.

ARTICLE IX **EASEMENTS**

Section 9.1. Reservation of Easement Rights by the Declarant.

A. The Declarant hereby reserves to itself and the Participating Builders, and their respective successors and assigns, a non-exclusive easement and right-of-way in, through, over and across the Common Area and the Lots for the purpose of the storage of building supplies and materials, and in, through, over and across the Common Area and the Lots for the installation, construction, maintenance, reconstruction and repair of sanitary sewer lines, water lines, cables, storm drains and appurtenances to any of the

same, and for all other purposes reasonably related to the completion of construction, and the achievement of uniform grading on adjoining Lots or property within the Condominium Regimes. Any and all instruments of conveyancing made by the Declarant to the Association with respect to any of the Common Area or to an Owner with respect to any other property shall be conclusively deemed to incorporate this reservation, whether or not specifically set forth in such instruments. At the request, in writing, of the Declarant, the Association, and any Owner shall, from time to time, execute, acknowledge and deliver to the Declarant such further assurances of this reservation as may be necessary.

B. The Declarant hereby reserves the absolute right to grant easements and rights-of-way, both temporary and permanent, over the Common Area to any and all governmental or quasi-governmental authorities and to any and all public utilities, including, without limitation, Montgomery County, Maryland, The Maryland-National Capital Park & Planning Commission, the Washington Suburban Sanitary Commission, the Potomac Electric Power Company, the Washington Gas Light Company, Montgomery County Cable Television and the Bell Atlantic Company.

Section 9.2. Easements for Utilities and Related Purposes. The Association is authorized and empowered to grant (and shall, from time to time, grant) such other licenses, easements and rights-of-way over the Common Area for sewer lines, water lines, electrical cables, telephone cables, gas lines, storm drains, cables, underground conduits, and such other purposes related to the provision of utility and cable television services to the Lots or Condominium Units as may be considered necessary and appropriate by the Board of Directors for the orderly maintenance, preservation and enjoyment of the Common Area and for the preservation of the health, safety, convenience and welfare of the Owners of the Lots or Condominium Units or the Declarant.

Section 9.3. Existing Utilities. The rights and duties with respect to previously installed sanitary sewer and water, cable television, electricity, gas and telephone lines and facilities shall be governed by the following:

A. Whenever water, sanitary sewer, electricity, gas, cable television or telephone connections, lines, cables or any portion thereof, are or have been installed within the Property, the Owner of any Lot, or the Association shall have the right, and are hereby granted an easement to the extent necessary therefor, to enter upon, or have a utility company enter upon, any portion of the Property in which said installation lies, to repair, replace and generally maintain said installations.

B. The right granted in Sub-Paragraph A above, shall be only to the extent necessary to entitle the Owner or Association served by said installation to its full and reasonable use and enjoyment, and provided further that anyone exercising said right shall be responsible for restoring the surface of the easement area so used to its condition prior to such use.

C. In the event of a dispute between Owners with respect to the repair or rebuilding of said connections, or with respect to the sharing of the cost thereof, upon written request of one of such Owners addressed to the Association, the matter shall be submitted to its Board of Directors, who shall decide the dispute, and the decision of the Board shall be final and conclusive on the parties.

Section 9.4. Parking and Sidewalk Easements. Subject to the provisions of Section 4.4 hereof, there is hereby established for the benefit of the Owners of the Units a perpetual and non-exclusive easement and right-of-way for pedestrian and vehicular ingress, egress and regress, and for the parking of motor vehicles, in, through, over and across any and all streets and parking areas within the Common Area and a perpetual and exclusive easement and right-of-way for pedestrian ingress, egress and regress in, through, over and across the sidewalks and leadwalks constructed upon the Common Area and the sidewalks constructed upon the Lots, if any. Any grant made by the Declarant or the Participating Builders shall be conclusively deemed to incorporate this easement and right-of-way, whether or not specifically set forth in such grant. At the request in writing of either the Declarant or the Association, the Owner of any Unit shall, from time to time, execute, acknowledge and deliver such other and further assurances of this easement and right-of-way as may be necessary.

Section 9.5. Easement for Original Construction. With respect to any step, patio, deck, downspout or yard drain, driveway, air conditioning unit, heat pump or other similar structure that may benefit any Unit and is constructed or installed by the Declarant or any Participating Builder and which may encroach upon any other Unit or portion of the Common Area, there is hereby reserved for the benefit of the Unit for which step, patio, deck, downspout, drain, driveway, air conditioning unit, heat pump or other structure serves, a perpetual easement for the location, maintenance, repair and use of such structure or items within the Unit or Common Area, but only to the extent the original construction thereof encroaches within the Unit or Common Area. The Owner of the Unit benefiting from such easement agrees to maintain such structure or item and to indemnify and hold the Association or the adjoining Unit Owner harmless from any loss, liability or damage arising out of or resulting from the use, enjoyment and benefit of the easement granted hereby

ARTICLE X **EXTERIOR MAINTENANCE**

Section 10.1. Duty to Maintain Lots. Except for lawn and foundation landscaping maintenance on the Lots by the Association, as described herein, each Owner shall keep each Lot owned by him, and all improvements therein or thereon, in good order and repair and free of debris, including, but not limited to, the seeding, watering and mowing of all lawns, the pruning and cutting of all trees and shrubbery, the repair, maintenance and replacement of all sidewalks and leadwalks, and the painting (or other appropriate external care) of all buildings and other improvements, all in a manner and with such frequency as

is consistent with good property management. In the event an Owner of any Lot shall fail to maintain the Lot and the improvements situated thereon, as provided in this Declaration, the Community Codes, the Design Guidelines and in the By-Laws, the Board of Directors may appoint someone to enter upon said Lot to correct drainage and to repair, maintain and restore the Lot and the exterior of the buildings and any other improvements erected thereon, including but not limited to the sidewalks and leadwalks located therein. All costs related to such correction, repair or restoration shall become a lien upon such Lot, and such lien may be enforced in the same manner as a general assessment levied in accordance with Article V hereof. Any such lien shall be subordinate to the lien of any First Mortgage. Sale or transfer of any Lot shall not affect such lien. However, the sale or transfer of any Lot pursuant to mortgage or deed of trust foreclosure, or any proceeding or act in lieu thereof, shall extinguish any such lien as to payments which become due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof. No amendment to this section shall affect the rights of the holder of any First Mortgage on any Lot (or the indebtedness secured thereby) recorded prior to recordation of such amendment unless the holder thereof (or the indebtedness secured thereby) shall join in the execution of such amendment.

Section 10.2. Easement for Exterior Maintenance. If any dwelling or other appurtenance is situated on or near a Lot line such that proper exterior maintenance and repair of the dwelling or appurtenance cannot reasonably be accomplished exclusively on such Owner's Lot, then that Owner shall have an easement over that portion of the adjoining Lot as is reasonably necessary for such exterior maintenance and repair, including, but not limited to, painting, cleaning, washing and repairing windows.

Section 10.3. Duty to Maintain Common Area. The Association shall maintain the Common Area and, if required by any easement or agreement to which the Association is a party or a beneficiary, or its Members are beneficiaries, shall maintain the area described in such easement or agreement.

ARTICLE XI **GENERAL PROVISIONS**

Section 11.1. Amendment. Subject to the other limitations set forth in this Declaration, during the first twenty (20) year period following the recordation of this Declaration, this Declaration may be amended only with the consent of seventy-five percent (75%) of the Class A Members of the Association, if any, and by the Declarant. Thereafter, this Declaration may be amended only with the consent of sixty-six and $\frac{2}{3}$ percent (66 $\frac{2}{3}$ %) of the Class A Members of the Association. An instrument reflecting such an amendment shall be recorded among the Land Records for the jurisdiction in which this Declaration is recorded. Unless a later date is specified in any such instrument, any amendment to this Declaration shall become effective on the date of recording.

Section 11.2. Amendments by Declarant. Notwithstanding the foregoing, this Declaration, and any of the Association's governing documents, may be amended by the Declarant without the vote of the Owners, if such an amendment is required to cause the governing documents to comply with the requirements of any Institutional Mortgagee or any county or municipal requirements applicable to the Property. Additionally, this Declaration and any of the Association's other governing documents may be amended by the Declarant, unilaterally, without the vote of any other Owners, provided that the only persons constituting the Owners, other than the Declarant, are Participating Builders.

Section 11.3. Duration. Unless amended in accordance with the provisions of Sections 10.1 and 10.2 hereof and the other requirements of this Declaration, and except where permanent easements or other permanent rights or interests are herein created, the covenants and restrictions of this Declaration shall run with and bind the land, and shall inure to the benefit of, and be enforceable by, the Association, or the Owner of any Unit subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of thirty (30) years from the date of recordation of this Declaration, after which date the said covenants shall be automatically extended for successive periods of ten (10) years each.

Section 11.4. Construction and Enforcement. The provisions hereof shall be liberally construed to effectuate the purpose of creating a uniform plan for the development and operation of the community. Enforcement of these covenants and restrictions shall be by any proceeding at law or in equity against any person or persons violating, or attempting to violate, any covenants or restrictions, either to restrain or enjoin such violation, to remove such violation or to cover damages, or all of the foregoing, and against any Unit to enforce the lien created hereby, all at the cost, including an award of reasonable attorneys' fees, of the Owner in violation; and the failure or forbearance by the Association or the Owner of any Unit to enforce any Covenant or Restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

The provisions hereof may be enforced, without limitation, by the Association, by any Owner or any mortgagee of any Unit which becomes subject to the provisions hereof, and by any other person, firm, corporation or other legal entity who or which has any right to the use of any of the Common Area owned by the Association.

There shall be, and there is hereby, created and declared to be a conclusive presumption that any violation, breach or attempted violation or breach of any of the within covenants or restrictions cannot be adequately remedied by action at law or exclusively by the recovery of damages.

Section 11.5. Successors of Declarant. Any and all rights, reservations, easements, interests, exemptions, privileges and powers, or any part of them, of the Declarant hereunder may be assigned and transferred (exclusively or non-exclusively) by the Declarant, with or without notice to the Association

Section 11.6. Incorporation by Reference on Resale. In the event any Owner sells or otherwise transfers any Unit, any Deed purporting to effect such transfer shall be deemed to contain a provision incorporating by reference the covenants, restrictions, servitudes, easements, charges and liens set forth in this Declaration, whether expressly set forth therein or not.

Section 11.7. Notices. Any notice required to be sent to any Member or Owner under the provisions of this Declaration shall be deemed to have been properly sent when mailed, by ordinary mail, postage pre-paid, to the last known address of the person who appears as Member or Owner on the records of the Association at the time of such mailing.

Section 11.8. No Dedication to Public Use. Nothing herein contained shall be construed as a dedication to public use or as an acceptance for maintenance of any Common Area by any public or municipal agency, authority or utility, and no public or municipal agency, authority or utility shall have any responsibility or liability for the maintenance or operation of any of the Common Area.

Section 11.9. Severability. Invalidation of any one of these covenants or restrictions by judgment, decree or order shall in no way affect any other provisions hereof, each of which shall remain in full force and effect.

Section 11.10. Taxes and Assessments. It is the intent of this Declaration that insomuch as the interests of each Owner to use and enjoy the Common Area is an interest in real property appurtenant to each Unit, the value of the interest of each Owner in such Common Area shall be included in the assessment for each such Unit and, as a result, any assessment directly against such Common Area should be of a nominal nature reflecting that the full value of the same should be included in the several assessments of the various Units.

Section 11.11. Captions and Gender. The captions contained in this Declaration are for convenience only, are not a part of this Declaration and are not intended in any way to limit or enlarge the terms and provisions of this Declaration. Whenever the context so requires, the male shall include all genders and the singular shall include the plural.

Section 11.12. Consent of Veterans Administration or Federal Housing Administration. Provided that any Unit within the Property is then encumbered by a Deed of Trust or Mortgage which is guaranteed by the VA, or insured by the FHA, as applicable, and provided further, that the Board of Directors of the Association is then under the control of Directors appointed by the Declarant, neither the Owners, the Board of Directors or the Association shall, by act or omission, take any of the following actions without the prior written consent and approval of the VA or FHA, as applicable:

A. Abandon, partition, subdivide, encumber, sell or transfer any of the Common Area; provided, however, that the granting of rights-of-way, easements and the

like for public utilities and cable television or for other purposes consistent with the use of the Common Area by the Members of the Association shall not be considered a transfer within the meaning of this Section; or

B. Abandon or terminate this Declaration; or

C. Modify or amend any material or substantive provision of the Association's governing documents.

Section 11.13. Declarant's Power of Attorney. The Declarant hereby reserves for itself, its successors, transferees and assigns, for a period of seven (7) years from the date the first Unit is conveyed to an individual purchaser, or until two (2) years after title is conveyed to the last Unit, whichever occurs first, the right to execute, on behalf of all contract purchasers, Owners of Units, mortgagees and other lien holders or parties claiming a legal or equitable interest in a Unit, any agreements, documents, amendments or supplements to this Declaration, the By-Laws, the plats for the Lakelands-Great Seneca North subdivision, and any easements, rights of way or boundary line adjustment deeds which may be required by FNMA, GNMA, FHA or VA or by any governmental or quasi-governmental or municipal agency having or desiring to have regulatory jurisdiction over the Property, the Association, or any institutional lender or title insurance company designated by the Declarant.

By acceptance of a Deed to any Unit, or by the acceptance of any other legal or equitable interest in a Unit, each and every such contract purchaser, Owner of a Unit, mortgagee or other lien holder, or any party having a legal or equitable interest in a Unit, does automatically and irrevocably name, constitute, appoint and confirm the Declarant, its successors, transferees and assigns, as attorney-in-fact for the purpose of executing such agreement, document, amendment, supplement, easement, right of way, deed and other instrument(s) necessary to effect the foregoing, subject to the limitations set forth herein.

No such agreement, document, amendment, supplement, easement, right of way, deed or other instrument(s) which materially and adversely affects the value, substantially increases the financial obligation(s) of the Owner of a Unit, or reserves any additional or special privileges for the Declarant not previously reserved, shall be made without the prior written consent of the affected Owner(s), and all owners of any mortgage(s) encumbering the Unit(s) owned by the affected Owner(s). Any such agreement, document, amendment, supplement or instrument which adversely affects the priority or validity of any mortgage which encumbers any Unit shall not be made without the prior written consent of the owners of all such mortgages.

The power of attorney aforesaid is expressly declared and acknowledged to be coupled with an interest in the subject matter hereof, and the same shall run with the title to any and all Units, and be binding upon the heirs, personal representatives, successors, transferees and assigns of any of the foregoing parties. Further, said power of attorney

shall not be affected by the death or disability of any principal, and is intended to deliver all right, title and interest of the principal in and to said power of attorney. Said power of attorney shall be vested in the Declarant, its successors, transferees and assigns for a period of seven (7) years from the date the first Unit is conveyed to an individual purchaser, or until title is conveyed to the last Unit, whichever occurs first.

IN WITNESS WHEREOF, the Declarant has caused this Declaration to be executed and sealed on its behalf by its undersigned Authorized Person, such Authorized Person being hereunto duly authorized and empowered.

WITNESS/ATTEST

GAITHERSBURG COMMUNITY ASSOCIATES,
L.L.C.
a Delaware limited liability company

Alison R. [Signature]

By: [Signature] (SEAL)
Stephen Eckert, Authorized Person

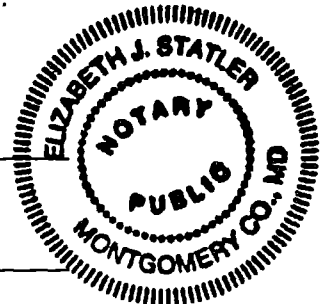
STATE OF MARYLAND, to wit:

I HEREBY CERTIFY, that on this 21 day of June, 2000, before me, the subscriber, a Notary Public in and for the State and County aforesaid, personally appeared STEPHEN ECKERT, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within and foregoing Declaration of Covenants, Conditions and Restrictions, and acknowledged that he is an Authorized Person of Gaithersburg Community Associates, L.L.C., and that he, as such Authorized Person, being authorized so to do, executed the same, for the purposes therein contained, by signing his name as Authorized Person thereof, and further acknowledged the same to be the free act (and deed) of Gaithersburg Community Associates, L.L.C.

WITNESS my hand and Notarial Seal.

[Signature]
NOTARY PUBLIC

ELIZABETH J. STATLER
Printed Name



My Commission Expires:
10/1/00

EXHIBIT "A"

PROPERTY SUBJECT TO THE DECLARATION

Lots numbered 1 through and including 3, and 50 through and including 56, and Parcels lettered 'A', 'B' and 'R', in Block MM, in a subdivision known as "Plat 34, Lakelands-Great Seneca North" as per plat thereof recorded among the Land Records of Montgomery County, Maryland in Plat Book 197, Plat No. 21373.

Lots numbered 4 through and including 12, and 40 through and including 49, and Parcel lettered 'C', in Block MM, in a subdivision known as "Plat 35, Lakelands-Great Seneca North" as per plat thereof recorded among the Land Records of Montgomery County, Maryland in Plat Book 197, Plat No. 21374.

Lots numbered 13 through and including 39, and Parcel lettered 'D', in Block MM, in a subdivision known as "Plat 36, Lakelands-Great Seneca North" as per plat thereof recorded among the Land Records of Montgomery County, Maryland in Plat Book 197, Plat No. 21375.

Parcels lettered 'M', and 'N', in Block MM, in a subdivision known as "Plat 39, Lakelands-Great Seneca North" as per plat thereof recorded among the Land Records of Montgomery County, Maryland in Plat Book 197, Plat No. 21376.

EXHIBIT B

EXPANSION PROPERTY

Parcels lettered 'E' through 'L', in Block MM, in a subdivision known as "Plat 37, Lakelands-Great Seneca North" as per plat thereof recorded among the Land Records of Montgomery County, Maryland in Plat Book 197, Plat No. 21387, as the same may be resubdivided at any time and from time to time.

LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC.

BY-LAWS

LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC.

BY-LAWS

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LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC.

BY-LAWS

ARTICLE I
NAME AND LOCATION

The name of the corporation is **LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC.**, hereinafter referred to as the "Association". The initial principal office of the corporation shall be located at 8120 Woodmont Avenue, Suite 300, Bethesda, Maryland 20814, but meetings of Members and Directors may be held at such places within the State of Maryland as may be designated by the Board of Directors.

ARTICLE II
DEFINITIONS

Section 2.1. "Association" shall mean and refer to LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC., a non-stock, non-profit Maryland corporation, its successors and assigns.

Section 2.2. "Declarant Control Period" shall mean that period of time beginning on the date the Declaration is recorded among the Land Records of Montgomery County, Maryland and ending upon the date on which Class B membership lapses, as set forth in the Declaration (hereinafter defined).

Section 2.3. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions, Lakelands Ridge Homeowners Association, which is recorded, or is intended to be recorded, among the Land Records of Montgomery County, Maryland, including amendments and supplements thereto.

Section 2.4. Other Definitions. Unless it is plainly evident from the context that a different meaning is intended, other terms used herein shall have the same meaning as they are defined to have in the Declaration.

ARTICLE III
MEMBERSHIP

Section 3.1. Membership. The Declarant and every person or entity who is a record owner of a fee or undivided fee interest in any Unit, including contract sellers, shall be a Member of the Association, provided that any such person or entity who or which holds such interest merely as security for the performance of an obligation shall not be a Member. Class A membership shall be appurtenant to, and may not be separated from, ownership of any Unit which is subject to assessment by the Association.

Section 3.2. Voting Rights. The Association shall have two (2) Classes of voting Membership, which shall be known as "Class A" and "Class B":

A. **Class A Membership.** Every person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, other than the Declarant and the Participating Builders, who or which is a record owner of a fee interest in any Unit which is part of the Property described in Article II of the Declaration, or which otherwise becomes subject to the covenants set forth in the Declaration and to assessment by the Association, shall be a Class A Member of the Association, provided, however, that any such person, group of persons, corporation, partnership, trust or other legal entity who or which holds such interest solely as security for the performance of an obligation shall not be a Class A Member solely on account of such interest. Each Class A Member shall be entitled to one (1) vote for each Unit in which such Member holds the interest required for Class A Membership

B. **Class B Membership.** The Class B Member shall be the Declarant, its nominee or nominees, and shall include every person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who or which shall obtain any Class B Membership by specific assignment from the Declarant. The Class B Member shall initially have two hundred fifteen (215) Class B Memberships, which number is approximately equal to the total number of Units which are currently approved for the Lakelands-Great Seneca North project. This number shall be reduced for each Class A Membership existing at any relevant time. If, at any time, the Declarant receives approval for a greater number of Units within the Lakelands-Great Seneca North project than is permitted at the time the Declaration is recorded, then the number of Class B Memberships described above shall be increased by the number of additional Units approved. The Class B Member shall have three (3) votes for each Class B Membership which it holds. Each Class B Membership shall lapse and become a nullity on the first to happen of the following events:

(1) when the total votes outstanding in the Class A Membership equal the total votes outstanding in the Class B Membership; or

(2) ten (10) years from the date of recordation of the Declaration; provided, however, that the improvement and development of the Property is delayed on account of a sewer, water or building permit moratorium, or any other cause or event beyond the control of the Declarant or Great Seneca LLC (the intended builder of the Condominium Regimes), then the aforesaid ten (10) year period shall be extended by a period of time equal to the length of the delays or two (2) years, whichever is less; or

(3) upon surrender of the Class B Memberships by the then holders thereof for cancellation on the books of the Association

Upon the surrender of all of the Class B Memberships as provided for in this Article, the Declarant shall thereafter remain a Class A Member of the Association as to each and every Unit in which the Declarant then holds the interest otherwise required for such Class A Membership.

The Members of the Association shall have no preemptive rights, as such Members, to acquire any Memberships of this Association that may, at any time, be issued by the Association, except as may be specifically provided in this Article.

Section 3.3. Good Standing with the Association. Members must be in good standing with the Association to vote on those matters which come before the Association. In order to be in good standing, a Member must be current in all of the Member's financial obligations to the Association and must not be adjudged by the Association's Board of Directors or Covenants Committee to be in violation of the Association's governing documents.

ARTICLE IV **MEETINGS OF MEMBERS**

Section 4.1. Place of Meeting. Meetings of the Members shall be held at the principal office or place of business of the Association or at such other suitable place within the State of Maryland which is reasonably convenient to the Members and as may from time to time be designated by the Board of Directors.

Section 4.2. Annual Meetings. The first annual meeting of the Members of the Association shall be held at such time and place as may be designated by the Board of Directors; provided, however, that the first annual meeting of the Members shall be held within one (1) year from the date of filing of the Articles of Incorporation of the Association with the State Department of Assessments and Taxation of Maryland or earlier if required by law. Thereafter, the annual meetings of the Members shall be held, to the extent reasonably possible, during the same month of each succeeding year. At the first of such meetings following the expiration of the Declarant Control Period, and at each annual meeting thereafter, there shall be elected by ballot of the Members a Board of Directors in accordance with the requirements of Article V of these By-Laws. The Members may also transact such other business as may properly come before them.

Section 4.3. Special Meetings. It shall be the duty of the President to call a special meeting of the Members as directed by resolution of the Board of Directors or upon a petition signed by at least twenty-five percent (25%) of the then Members having been presented to the Secretary; provided, however, that no special meetings shall be called either (a) except upon resolution of the Board of Directors, prior to the Organizational Meeting of the Members as hereinbelow provided for, or (b) to consider any matter which

is substantially the same as a matter voted on at any special meeting of the Members held during the preceding twelve (12) months.

Section 4.4. Notice of Meetings. It shall be the duty of the Secretary to mail 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 Member of record, at his address as it appears on the membership books of the Association or, if no such address appears, at his last known place of address, at least ten (10) but not more than ninety (90) days prior to such meeting. Notice by either such method shall be considered as notice served. Attendance by a Member at any meeting of the Members, either in person or by proxy, shall be a waiver of notice by him of the time, place and purpose of that meeting. Notice of any annual or special meeting of the Members of the Association may also be waived by any Member either prior to, at or after any such meeting.

Section 4.5. Roster of Membership. Each Member shall furnish the Board of Directors with such Member's name and current mailing address. The Board of Directors of the Association shall maintain a current roster of the names and addresses of each Member who has notified the Board of Directors of such Member's name and current mailing address.

Section 4.6. Quorum. The presence, either in person or by proxy, of Members entitled to cast ten percent (10%) of the votes of the membership, shall be requisite for, and shall constitute a quorum for the transaction of business at all meetings of Members, except as otherwise provided in the Articles of Incorporation, the Declaration or the By-Laws. If the number of Members at a meeting drops below the quorum and the question of a lack of a quorum is raised, no business may thereafter be transacted. The Members present thereat shall have the power to adjourn the meeting from time to time and call an additional meeting giving at least 15 days notice. At the additional meeting, the Members present in person or by proxy shall constitute a quorum.

Section 4.7. Voting. At every meeting of the Members, each Class A Member shall have the right to cast one (1) vote on each question for each Class A membership which he owns and each of the Class B Members shall have the right to cast three (3) votes on each question for each Class B membership which he owns. The vote of the Members representing fifty-one percent (51%) of the total of the votes of the membership present at the meeting, in person or by proxy, calculated as aforesaid, shall be necessary to decide any question brought before such meeting, unless the question is one upon which, by the express provision of law or of the Articles of Incorporation, or of the Declaration or of these By-Laws, a different vote is required, in which case such express provision shall govern and control. The vote for any membership which is owned by more than one person may be exercised by any of them present at any meeting unless any objection or protest by any other owner of such membership is noted at such meeting. In the event all of the co-owners of any membership who are present at any meeting of the Members are unable to agree on the manner in which the votes for such membership shall

be cast on any particular question, then such vote shall be counted for purposes of deciding that question in accordance with the provisions and requirements of Section 2-508 of the Corporations and Associations Article, Annotated Code of Maryland (1993 Repl. Vol.), as from time to time amended. In the event any membership is owned by a corporation, then the vote for any such membership shall be cast by a person designated in a certificate signed by the President or any Vice President of such corporation and filed with the Secretary of the Association, prior to or during the meeting. Any such certificate shall remain valid until revoked or superseded in writing. The vote for any membership which is owned by a trust or partnership may be exercised by any trustee or partner thereof, as the case may be, and, unless any objection or protest by any other such trustee or partner is noted at such meeting, the Chairman of such meeting shall have no duty to inquire as to the authority of the person casting such vote or votes. No Class A Member shall be eligible to vote, either in person or by proxy, or to be elected to the Board of Directors, who is shown on the books or management accounts of the Association to be more than sixty (60) days delinquent in any payment due the Association.

Section 4.8 Proxies. A Member may appoint any other Member or the Declarant or the Management Agent as his proxy. Any proxy must be in writing and must be filed with the Secretary in form approved by the Board of Directors before the appointed time of each meeting. Unless limited by its terms, any proxy shall continue until revoked by a written notice of revocation filed with the Secretary or by the death of the Member; provided, however, that no proxy shall be effective for a period in excess of one hundred eighty (180) days unless granted to the Declarant.

Section 4.9. Rights of Mortgagees Any Institutional Mortgagee of any Unit who desires notice of the annual and special meetings of the Members shall notify the Secretary to that effect by Registered Mail - Return Receipt Requested. Any such notice shall contain the name and post office address of such Institutional Mortgagee and the name of the person to whom notice of the annual and special meetings of the Members should be addressed. The Secretary of the Association shall maintain a roster of all Institutional Mortgagees from whom such notices are received and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each annual or special meeting of the Members to each such Institutional Mortgagee, in the same manner, and subject to the same requirements and limitations as are otherwise provided in this Article for notice to the Members. Any such Institutional Mortgagee shall be entitled to designate a representative to attend any annual or special meeting of the Members and such representative may participate in the discussion at any such meeting and may, upon request made to the Chairman in advance of the meeting, address the Members present at any such meeting. Such representative shall have no voting rights at any such meeting. Such representative shall be entitled to copies of the minutes of all meetings of the Members upon request made in writing to the Secretary.

Section 4.10. Order of Business. The order of business at all regularly scheduled meetings of the Members shall be as follows:

- A. Roll call and certificate of proxies.
- B. Proof of notice of meeting or waiver of notice.
- C. Reading and disposal of minutes of preceding meeting, if any.
- D. Reports of officers, if any.
- E. Reports of Committees, if any.
- F. Unfinished business.
- G. New business.
- H. Election or appointment of inspectors of election.
- I. Election of Directors.
- J. Adjournment.

In the case of special meetings, items A through D shall be applicable and thereafter the agenda shall consist of the items specified in the notice of the meeting.

Section 4.11. Rules of Order and Procedure. The rules of order and all other matters of procedure at all annual and special meetings of the Members shall be determined by the Chairman of such meeting.

Section 4.12. Inspectors of Election. The Board of Directors may, in advance of any annual or special meeting of the Members appoint an uneven number of one or more inspectors of election to act at the meeting and at any adjournment thereof. In the event inspectors are not so appointed, the Chairman of any annual or special meeting of Members shall appoint such inspectors of election. Each inspector so appointed, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector of election at such meeting. The oath so taken shall be filed with the Secretary of the Association. No officer or Director of the Association, and no candidate for Director of the Association, shall act as an inspector of election at any meeting of the Members if one of the purposes of such meeting is to elect Directors.

ARTICLE V

BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

Section 5.1. Number. The affairs of the Association shall be managed by a Board of Directors initially consisting of three (3) natural persons. Until the lapse of the Declarant Control Period, all three (3) directors shall be appointed by the Declarant. Commencing with the first annual meeting of the Association following the lapse of the Declarant Control Period, the Board shall consist of not fewer than three (3) nor more than five (5) directors. The number of directors shall be determined by a vote of the Members at the first annual meeting of the Members following the lapse of the Declarant Control Period and the number of directors may be changed by a vote of the Members at any subsequent annual

meeting of the Members, provided, however, that (a) the limitations of this Section shall continue to apply, and (b) no such change shall operate to curtail or extend the term of any incumbent director. The directors need not be Members of the Association.

Section 5.2. Term of Office. At the first annual meeting following the lapse of the Declarant Control Period, the Members shall elect one (1) director for a term of one (1) year, one (1) director for a term of two (2) years and at least one (1) director for a term of three (3) years. At each annual meeting thereafter, the Members shall elect a director to each vacancy for a term of three (3) years.

Section 5.3. Removal. After the first meeting of the Members following the lapse of the Declarant Control Period, any Director may be removed from the Board, with or without cause (including that cause set forth in Article VII, Section 7.1.D hereof), by a majority vote of the Members of the Association. Any vacancy created by removal as aforesaid shall be filled by a vote of the remaining members of the Board of Directors. Prior to the first meeting of the Members following the lapse of the Declarant Control Period, any Director appointed by the Declarant may be removed from the Board, with or without cause (including that cause set forth in Article VII, Section 7.1.D hereof), by the Declarant.

Section 5.4. Compensation. Except as hereinafter set forth, no Director shall receive compensation for any service rendered to the Association. However, any Director may be reimbursed for actual expenses incurred in the performance of such Director's duties.

ARTICLE VI **NOMINATION, ELECTION AND MEETINGS OF DIRECTORS**

Section 6.1. Nomination. Nomination for election to the Board of Directors, commencing with the first annual meeting of the Members at which Directors are to be elected by the membership, may be made by a Nominating Committee or by solicitation for candidates from among all Members by newsletter solicitation or mail. Nominations may also be made from the floor at the annual meeting by any Member. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Nominations shall be made from among Members

Section 6.2. 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, one (1) vote. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted

Section 6.3. 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 Directors, but at least two (2) such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least six (6) days prior to the date named for such meeting.

Section 6.4. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days' notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of any two (2) of the Directors.

Section 6.5. 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 6.6. 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 meeting by obtaining the written approval of a majority of such Directors. Such approval shall be filed with the minutes of the proceedings of the Board of Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

Section 6.7. Rights of Mortgagees. Any Institutional Mortgagee of any Unit who desires notice of the regular and special meetings of the Board of Directors shall notify the Secretary to that effect by Registered Mail - Return Receipt Requested. Any such notice shall contain the name and post office address of such Institutional Mortgagee and the name of the person to whom notice of the regular and special meetings of the Board of Directors should be addressed. The Secretary of the Association shall maintain a roster of all Institutional Mortgagees from whom such notices are received and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each regular or special meeting of the Board of Directors to each Institutional Mortgagee, in the same manner, and subject to the same requirements and limitations, as are otherwise provided in this Article for notice to the members of the Board of Directors. Any such Institutional Mortgagee shall be entitled to designate a representative to attend any regular or special meeting of the Board of Directors and such representatives may participate in the

discussion at any such meeting and may, upon request made to the Chairman in advance of the meeting, address the members of the Board of Directors present at any such meeting. Such representative shall be entitled to copies of the minutes of all meetings of the Board of Directors upon request made in writing to the Secretary.

Section 6.8. Fidelity Bonds. The Board of Directors shall require that all officers, Directors, Committee members and employees of the Association regularly handling or otherwise responsible for the funds of the Association shall furnish adequate fidelity bonds or equivalent insurance against acts of dishonesty. The premiums on such bonds or insurance shall be paid by the Association.

ARTICLE VII **POWERS AND DUTIES OF THE BOARD OF DIRECTORS**

Section 7.1. Powers. The Board of Directors shall have the power to.

A. adopt and publish, and amend or delete rules and regulations governing the use of the Common Area, and the personal conduct of the Members and their guests thereon, and architectural guidelines, and establish the penalties for the infraction thereof;

B. adopt and publish, and amend or delete such Community Codes and Design Guidelines, in accordance with the provisions of the Declaration, as it deems necessary and desirable in the best interest of the Members and the community;

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

E. 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 the Association's governing documents;

F. 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 or four (4) regular meetings of the Board of Directors during a nine (9) month period;

G. appoint the members of the Covenants Committee and such other Committees as the Board of Directors deems necessary or advisable;

H employ a manager, an independent contractor, or such other employees as deemed necessary, and to prescribe their duties; and

I. impose reasonable fines for any infraction of the provisions of the Association's governing documents provided, however, that any Member against whom a fine may be imposed shall have first been given the right to a hearing before the Board of Directors, as more fully provided in the Declaration.

Section 7.2. Duties. It shall be the duty of the Board of Directors to:

A. cause to be kept a complete record of all 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 statement is requested in writing by twenty-five percent (25%) of the 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. as more fully provided in the Declaration, to:

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

(2) send written notice of each assessment to each Condominium Regime and to every Single Family Member subject thereto at least thirty (30) days in advance of each assessment period; and

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

D. issue, or cause an appropriate officer to issue, upon request 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 that an assessment has been paid, such certificate shall be conclusive evidence of such payment;

E. procure and maintain adequate liability and hazard insurance on property owned by the Association;

F. cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

- G. cause the Common Area to be maintained;
- H. appoint the members of the Nominating Committee; and
- I. otherwise perform or cause to be performed the functions and obligations of the Board and the Association as provided for in the Association's governing documents.

Section 7.3. Management Agent. Subject to provisions set forth in Article VIII of the Declaration, the Board of Directors may employ for the Association a professional management agent or manager.

ARTICLE VIII **OFFICERS**

Section 8.1. Designation. The principal officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer, all of whom shall be elected by the Board of Directors. Prior to the lapse of the Declarant Control Period, the officers of the Association need not be Members. Thereafter, except for the President, the officers of the Association need not be Members. The President shall be elected from among the members of the Board of Directors. The directors may appoint Assistant Secretaries and Assistant Treasurers, and such other officers as, in their judgment, may be necessary.

Section 8.2. Election of Officers. The officers of the Association shall be elected by the Board of Directors at the organizational meeting of each new Board, and shall hold office at the pleasure of the Board of Directors. Election materials prepared with funds of the Association shall list candidates in alphabetical order, and may not indicate a candidate preference.

Section 8.3. Removal of Officers. Prior to the lapse of the Declarant Control Period, officers may be removed only by the Declarant. Thereafter, upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose.

Section 8.4. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Members and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of the President of a corporation, including, but not limited to, the power to appoint committees from among the membership, from time to time, as he may, in his discretion, decide is appropriate to assist in the conduct of the affairs of the Association.

Section 8.5. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall, from time to time, be imposed upon him by the Board of Directors.

Section 8.6. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Members of the Association, he shall have custody of the Seal of the Corporation; he shall have charge of the membership transfer books, and of such other books and papers as the Board of Directors may direct; he shall count all votes at the meetings of the Members of the Association; and he shall, in general, perform all the duties incident to the office of Secretary.

Section 8.7. Treasurer. The Treasurer shall have responsibility for corporate funds and securities, and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may, from time to time, be designated by the Board of Directors. He shall be bonded under a fidelity bond, in such amount as may be determined by the Board of Directors.

ARTICLE IX
LIABILITY AND INDEMNIFICATION OF OFFICERS, DIRECTORS
AND MEMBERS OF COUNCILS OR COMMITTEES;
INTERESTED DIRECTORS

Section 9.1. Liability and Indemnification of Officers, Directors and Members of Councils or Committees. The Association shall indemnify every person who is or was an officer or Director of the Association or Covenants Committee or other Committee duly appointed by the Association's Board of Directors to the fullest extent permitted by Section 2-418 of Title 2, Corporations and Associations Article, Annotated Code of Maryland (1993 Repl. Vol.), as from time to time amended or superseded.

Section 9.2. Interested Directors. The Directors shall exercise their powers and duties in good faith and with a view to the interests of the Association. A contract or other transaction between the Association and any of its Directors, or between the Association and any corporation, firm or other entity in which any of its Directors is a director or has a material financial interest is not void or voidable solely because of the common directorship or interest, or because the Director is present at the meeting of the Board of Directors which authorizes, approves or ratifies the contract or transaction, or because the vote of the Director was counted for the authorization, approval or ratification of the contract or transaction, if any of the following conditions exist:

A. the fact of the common directorship or interest is disclosed or known to the Board of Directors and the Board of Directors authorizes, approves or ratifies the contract or transaction by the affirmative vote of a majority of disinterested Directors, even if the disinterested Directors constitute less than a quorum; or

B. the fact of the common directorship or interest is disclosed or known to the Members of the Association entitled to vote, and the contract or transaction is authorized, approved or ratified by a majority of the votes cast by the Members entitled to vote other than the vote of the interested Director or corporation, firm or other entity; or

C. the contract or transaction is fair and reasonable to the Association at the time it was authorized, approved or ratified.

Common or interested Directors or the votes which they are entitled to cast or which are entitled to be cast by an interested corporation, firm or other entity, may be counted in determining the presence of a quorum at a meeting of the Board of Directors or at a meeting of the Members, as the circumstances may require, at which the contract or transaction is authorized, approved or ratified. If a contract or transaction is not authorized, approved or ratified in the manner provided for in subparagraphs A or B of this paragraph, the person asserting the validity of the contract or transaction bears the burden of proving that the contract or transaction was fair and reasonable to the Association at the time it was authorized, approved or ratified.

ARTICLE X COMMITTEES

The Board of Directors of the Association may appoint a Covenants Committee, as provided in the Declaration, and shall appoint a Nominating Committee, as provided in these By-Laws. In addition, the Board of Directors shall appoint other Committees as it deems appropriate in carrying out its purposes.

ARTICLE XI INSURANCE

Section 11.1. Insurance. The Board of Directors of the Association shall obtain and maintain, to the extent reasonably available, at least the following:

A. casualty or physical damage insurance in an amount equal to the full replacement value (i.e., 100% "replacement cost" exclusive of land, foundation and excavation) of the Common Area (including all building service equipment and the like) with an "Agreed Amount Endorsement" or its equivalent, a "Demolition Endorsement" or its equivalent, and "Increased Cost of Construction Endorsement" or its equivalent and a "Contingent Liability from Operation of Building Laws Endorsement" or its equivalent,

without deduction or allowance for depreciation, as determined annually by the Board of Directors with the assistance of the insurance company affording such coverage, such coverage to afford protection against at least:

- (i) loss or damage by fire and other hazards covered by the standard extended coverage endorsement; and
- (ii) such other risks as shall customarily be covered by the standard "all-risk" endorsement and such other risks as shall customarily be covered with respect to projects similar in construction, location and use, including, but not limited to, debris removal, cost of demolition, vandalism, malicious mischief, windstorm, water damage, boiler and machinery explosion or damage, and such other insurance as the Board of Directors may from time to time determine; and

B. A comprehensive policy of public liability insurance with a "Severability of Interest Endorsement" or its equivalent in such amount and in such forms as may be considered appropriate by the Board of Directors (but not less than One Million and * * * No/100 Dollars (\$1,000,000.00) covering all claims for bodily injuries and/or property damage arising out of a single occurrence including, but not limited to, water damage liability, legal liability, hired automobile liability, non-owned automobile liability, liability for property of others and, if applicable, garage keeper's liability, host liquor liability, and such other risks as shall customarily be covered with respect to projects similar in construction, location and use, including any and all other liability incident to the membership and use of the Common Area or any portion thereof; and

C. workmen's compensation insurance to the extent necessary to comply with any applicable law; and

D. a "Directors and Officers Liability Policy", or its equivalent, affording protection for the officers and Directors of the Association and members of any duly authorized Committee for expenses and fees incurred by any of them in defending any suit or settling any claim, judgment or cause of action to which any such officer or Director shall have been made a party by reason of his services as such; and

E. such other policies of insurance, including insurance for other risks of a similar or dissimilar nature and fidelity coverage as required by these By-Laws, as are or shall hereafter be considered appropriate by the Board of Directors.

Section 11.2. Fidelity Bonds. The Board of Directors shall maintain adequate fidelity coverage to protect against dishonest acts on the part of officers and Directors of the Association, and duly authorized Committees and volunteers for the Association and

such employees and agents of the Association who handle or are responsible for the handling of funds of the Association. Such fidelity coverage shall meet at least the following requirements:

A. all such fidelity bonds and policies of insurance shall name the Association as obligee or named insured, as the circumstances may require; and

B. all such fidelity bonds and policies of insurance shall contain waivers of any defense based upon the exclusion of volunteers and other persons who serve without compensation from any definition of "employee" or similar expression; and

C. all such fidelity bonds and insurance shall provide that they may not be canceled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days' prior written notice to any and all obligees and insureds named thereon and to any Mortgagee of any Unit who requests such notice in writing.

Section 11.3. Limitations. Any insurance obtained pursuant to the requirements of this Article shall be subject to the following provisions to the extent reasonably available:

A. all policies shall be written or reinsured with a company or companies licensed and/or authorized to do business in the State of Maryland and holding a general policyholder's rating of Class B or better and a current financial rating of Class VI or better in the current edition of Best's Insurance Reports; and

B. exclusive authority to negotiate losses under said policies shall be vested in the Board of Directors of the Association, or its authorized representative; and

C. in no event shall the insurance coverage obtained and maintained pursuant to the requirements of this Article be brought into contribution with insurance purchased by the Owners of the Units or their Mortgagees, as herein permitted, and any "no other insurance" or similar clause in any policy obtained by the Association pursuant to the requirements of this Article shall exclude such policies from consideration; and

D. such policies shall contain no provision relieving the insurer from liability because of loss occurring while the hazard is increased, whether or not within the control or knowledge of the Board of Directors and shall contain no provision relieving the insurer from liability by reason of any breach of warranty or condition caused by the Board of Directors or any Members of the Association, or any of their respective agents, employees, tenants, Mortgagees or invitees or by reason of any act of neglect or negligence on the part of any of them; and

E. all policies shall provide that such policies may not be surrendered, canceled or substantially modified (including cancellation for non-payment of premium)

without at least thirty (30) days prior written notice to any and all insureds named therein, including any Mortgagee of any Unit who requests such notice in writing; and

F. all policies of casualty insurance shall provide that, notwithstanding any provisions thereof which give the carrier the right to elect to restore damage in lieu of making a cash settlement, such option shall not be exercisable without the prior written approval of the Board of Directors or when in conflict with the provisions of these By-Laws or the provisions of the Declaration; and

G. all policies shall contain a waiver of subrogation by the insurer as to any and all claims against the Association, the Board of Directors, the Members of the Association and their respective agents, employees or tenants, and of any defenses based upon coinsurance or invalidity arising from the acts of the insured.

ARTICLE XII **CASUALTY DAMAGE - RECONSTRUCTION OR REPAIR**

Section 12.1. Use of Insurance Proceeds. In the event of damage or destruction to the Common Area by fire, or other casualty, the same shall be promptly repaired, replaced or reconstructed in substantial conformity with the original plans and specifications for the Common Area with the proceeds of insurance available for that purpose, if any. The Association shall not use the proceeds of casualty insurance received as a result of damage or destruction of the Common Area for purposes other than the repair, replacement or reconstruction of the Common Area without the prior written consent and approval of the holders of all First Mortgages of record on the Units.

Section 12.2. Proceeds Insufficient. In the event that the proceeds of insurance are not sufficient to repair damage or destruction of the Common Area caused by fire or other casualty, or in the event such damage or destruction is caused by any casualty not insured against, then and in either of those events, upon resolution of the Board of Directors, the repair, replacement or reconstruction of the damage shall be accomplished promptly by the Association at its common expense.

ARTICLE XIII **FISCAL MANAGEMENT**

Section 13.1. Fiscal Year. The fiscal year of the Association shall begin on the first day of January every year, except for the first fiscal year of the Association which shall begin at the date of the filing of these Articles of Incorporation with the Maryland State Department of Assessments & Taxation. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should the practice of the Association subsequently dictate.

Section 13.2. Principal Office - Change of Same. The principal office of the Association shall be as set forth in Article I of these By-Laws. The Board of Directors, by appropriate resolution, shall have the authority to change the location of the principal office of the Association from time to time.

Section 13.3. Books and Accounts. Books and accounts of the Association shall be kept under the direction of the Treasurer in accordance with generally accepted accounting practices, consistently applied. The same shall include books with detailed accounts, in chronological order, of receipts and of the expenditures and other transactions of the Association and its administration and shall specify the maintenance and repair expenses of the Common Area, services required or provided with respect to the same and any other expenses incurred by the Association. The amount of any assessment or portion of any assessment, required for payment of any capital expenditures or reserves of the Association shall be credited upon the books of the Association to the "Paid-in-Surplus" account as a capital contribution by the Members.

Section 13.4. Financial Reports. The Association shall furnish the Members and any Mortgagee requesting the same with an annual financial statement, including the income and disbursements of the Association, within one hundred eighty (180) days following the end of each fiscal year.

Section 13.5. Inspection of Books. The books and accounts of the Association, vouchers accrediting the entries made thereupon, and all other records maintained by the Association, shall be available for examination by the Members and their duly authorized agents or attorneys, and to the institutional holder of any first mortgage on any Unit and its duly authorized agents or attorneys, at some place designated by the Board of Directors, during normal business hours and for purposes reasonably related to their respective interests and after reasonable notice.

Section 13.6. Seal. The Board of Directors may provide a suitable corporate seal containing the name of the Association, which seal shall be in the charge of the Secretary. If so directed by the Board of Directors, a duplicate seal may be kept and used by the Treasurer or any assistant secretary or assistant treasurer.

ARTICLE XIV **AMENDMENT**

Section 14.1. Amendments. Subject to the other limitations set forth in these By-Laws or the Declaration, these By-Laws may be amended by the affirmative vote of Members representing two-thirds (2/3) of the votes of the then Members of record at any special meeting of the Members duly called for such purpose in accordance with the provisions and requirements of these By-Laws.

Section 14.2. Proposal of Amendments. Amendments to these By-Laws may be proposed by the Board of Directors of the Association or by petition signed by at least twenty-five percent (25%) of the total votes of the Members, which petition shall be delivered to the Secretary. A description of any proposed amendment shall accompany the notice of any annual or special meeting of the Members at which such proposed amendment is to be considered and voted upon.

Section 14.3. Amendments by Declarant. Notwithstanding the foregoing, these By-Laws may be amended by the Declarant, without the vote of the Members, provided such amendment is accomplished solely for the purpose of causing these By-Laws to conform to the requirements of VA, FHA, FNMA or FHLMC and does not adversely and materially affect the property rights of any Member.

ARTICLE XV **MORTGAGES - NOTICE - OTHER RIGHTS OF MORTGAGEES - FHA/VA**

Section 15.1. Notice to Board of Directors. Any Owner of any Unit who mortgages and/or refinances such Unit shall promptly notify the Board of Directors of the name and address of his mortgagee and, if requested so to do, shall file a conformed copy of such mortgage with the Board of Directors. The Board of Directors shall maintain a suitable roster pertaining to mortgages concerning which it receives such notice.

Section 15.2. Casualty Losses. In the event of substantial damage or destruction to any part of the Common Area, the Board of Directors of the Association shall give prompt written notice of such damage or destruction to the holders of all First Mortgages of record on the Units. No provision of these By-Laws shall entitle any Owner within the Association to any priority over the holder of any First Mortgage of record on his Unit with respect to the distribution to such Owner of any insurance proceeds.

Section 15.3. Condemnation or Eminent Domain. In the event any portion of the Common Area is made the subject matter of any condemnation or eminent domain proceeding, or is otherwise sought to be acquired by any condemning authority, then the Board of Directors of the Association shall give prompt written notice of any such proceeding or proposed acquisition to the holders of all first mortgages of record on the Units. No provision of these By-Laws shall entitle any Owner within the Association to any priority over the holder of any first mortgage of record on his Unit with respect to the distribution to such Owner of the proceeds of any condemnation award or settlement.

Section 15.4. FHA/VA. Provided that any Unit in the project is then encumbered by a deed of trust or mortgage which is insured by the FHA or guaranteed by the VA and, provided further, Class B membership has not lapsed, neither the Members, the Board of Directors nor the Association shall, by act or omission, take any of the following actions

without the prior written consent and approval of the FHA and the VA, as the circumstances may require:

A. abandon, partition, subdivide, encumber, sell or transfer any of the Common Area, provided, however, that the granting of rights-of-way, easements and the like for public utilities and cable television or for other purposes consistent with the use of the Common Area by the Members of the Association shall not be considered a transfer within the meaning of this Section; or

B. abandon or terminate the Declaration; or

C. modify or amend any provision of the Declaration or these By-Laws.

ARTICLE XVI
INTERPRETATION - MISCELLANEOUS

Section 16.1. Conflict. These By-Laws are subordinate and subject to all provisions of the Declaration and to the provisions of the Articles of Incorporation of the Association. All of the terms hereof, except where clearly repugnant to the context, shall have the same meaning as they are defined to have in the Declaration. In the event of any conflict between these By-Laws and the Declaration, the provisions of the Declaration shall control; and in the event of any conflict between these By-Laws and the Articles of Incorporation of the Association, the provisions of the Articles of Incorporation shall control. In the event of any conflict between the provisions of the Declaration and the Articles of Incorporation of the Association, the provisions of the Declaration shall control.

Section 16.2. Notices. At least one (1) form of all notices called for herein shall be given in writing. Any newsletter promulgated by the Association shall constitute such a writing.

Section 16.3. Severability In the event any provision or provisions of these By-Laws shall be determined to be invalid, void or unenforceable, such determination shall not render invalid, void or unenforceable any other provisions hereof which can be given effect.

Section 16.4. Waiver No restriction, condition, obligation or provisions of these By-Laws shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

Section 16.5. Captions. The captions contained in these By-Laws are for convenience only and are not a part of these By-Laws and are not intended in any way to limit or enlarge the terms and provisions of these By-Laws or to aid in the construction thereof.

Section 16.6. Gender, etc. Whenever in these By-Laws the context so requires, the singular number shall include the plural and the converse, and the use of any gender shall be deemed to include all genders.

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ARTICLES OF INCORPORATION
OF
LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC.

In compliance with the requirements of the Corporations and Associations Article, Title 2, Annotated Code of Maryland (1993 Replacement Volume), the undersigned, Michael A. Faerber, whose post office address is 1901 Research Boulevard, Suite 220, Rockville, Maryland 20850, being at least eighteen (18) years of age, has this day, by execution of these Articles, voluntarily declared himself to be an incorporator for the purpose of forming a non-stock, non-profit corporation pursuant to the general laws of Maryland, and does hereby certify:

ARTICLE I
NAME OF THE CORPORATION

The name of the Corporation is **LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC.**, hereinafter called the "Association".

ARTICLE II
PRINCIPAL OFFICE

The post office address of the principal office of the Association is 8120 Woodmont Avenue, Suite 300, Bethesda, Maryland 20814

ARTICLE III
RESIDENT AGENT

The name of its resident agent is Charles Sullivan, whose post office address is 8120 Woodmont Avenue, Suite 300, Bethesda, Maryland 20814. Said resident agent is a citizen of the State of Maryland and actually resides therein.

ARTICLE IV
POWERS AND PURPOSES

This Association does not contemplate pecuniary gain or profit, direct or indirect to the Members thereof, and the specific purposes for which it is formed are to provide for or assure the maintenance, preservation and architectural control of the property now or hereafter subject to the Declaration of Covenants, Conditions and Restrictions, Lakelands Ridge Homeowners Association, and to promote the health, safety and welfare of its Members. For this purpose, the Association shall have the power and authority to:

A. Exercise all of the powers and privileges and perform all of the duties and obligations of the Association as set forth in the Declaration of Covenants, Conditions and Restrictions, Lakelands Ridge Homeowners Association, hereinafter called the "Declaration", applicable to the Property and recorded or to be recorded among the Land Records of Montgomery County, Maryland, as the same may be amended from time to time as therein provided. Said Declaration is incorporated herein as if set forth in full and made a part hereof. Capitalized terms used but not otherwise defined herein have the meaning ascribed to such terms in the Declaration;

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

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

D. Borrow money and, subject to and in accordance with the terms of the Declaration, mortgage, pledge, deed in trust, or hypothecate any or all of the real or personal property owned by the Association as security for money borrowed or debts incurred;

E. Dedicate, sell or transfer all or any part of the Common Area to any public agency, authority or utility subject to and in accordance with the terms of the Declaration and for such purposes and subject to such conditions as may be agreed to by the Members;

F. Participate in mergers and consolidations with other non-profit corporations organized for the same purposes or annex additional residential property and Common Area, provided that any such merger, consolidation or annexation shall be in accordance with and subject to the provisions relating thereto within the Declaration or By-Laws;

G. Have and exercise any and all powers, rights and privileges which a non-stock, non-profit corporation organized under the laws of the State of Maryland by law may now or hereafter have or exercise.

ARTICLE V **NO CAPITAL STOCK**

This Association is not authorized to issue any capital stock and shall not be operated for profit. The Association does not anticipate distributing dividends, gains or profits to its

Members. No Member shall have any personal liability for the debts or obligations of the Association.

ARTICLE VI **MEMBERSHIP**

The Declarant and every person or entity who is a record owner of a fee or undivided fee interest in any Unit (as such term is defined in the Declaration), including contract sellers, shall be a Member of the Association; provided that any such person or entity who or which holds such interest merely as security for the performance of an obligation shall not be a Member. Class A Membership shall be appurtenant to, and may not be separated from, ownership of any Unit which is or is to be subject to assessment by the Association.

ARTICLE VII **VOTING RIGHTS**

The Association shall have two (2) Classes of voting Membership, which shall be known as "Class A" and "Class B":

A. **Class A Membership.** Every person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, other than the Declarant and the Participating Builders, who or which is a record owner of a fee interest in any Unit which is part of the Property described in Article II of the Declaration, or which otherwise becomes subject to the covenants set forth in the Declaration and to assessment by the Association, shall be a Class A Member of the Association, provided, however, that any such person, group of persons, corporation, partnership, trust or other legal entity who or which holds such interest solely as security for the performance of an obligation shall not be a Class A Member solely on account of such interest. Each Class A Member shall be entitled to one (1) vote for each Unit in which such Member holds the interest required for Class A Membership.

B. **Class B Membership.** The Class B Member shall be the Declarant, its nominee or nominees, and shall include every person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who or which shall obtain any Class B Membership by specific assignment from the Declarant. The Class B Member shall initially have two hundred fifteen (215) Class B Memberships, which number is approximately equal to the total number of Units which are currently approved for the Lakelands-Great Seneca North project. This number shall be reduced for each Class A Membership existing at any relevant time. If, at any time, the Declarant receives approval for a greater number of Units within the Lakelands-Great Seneca North project than is permitted at the time the Declaration is recorded, then the number of Class B Memberships described above shall be increased by the number of additional Units approved. The Class B Member shall have three (3) votes for each Class B Membership which it holds. Each

Class B Membership shall lapse and become a nullity on the first to happen of the following events:

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

(2) ten (10) years from the date of recordation of the Declaration; provided, however, that the improvement and development of the Property is delayed on account of a sewer, water or building permit moratorium, or any other cause or event beyond the control of the Declarant or Great Seneca LLC (the intended builder of the Condominium Regimes), then the aforesaid ten (10) year period shall be extended by a period of time equal to the length of the delays or two (2) years, whichever is less; or

(3) upon surrender of the Class B Memberships by the then holders thereof for cancellation on the books of the Association.

Upon the surrender of all of the Class B Memberships as provided for in this Article, the Declarant shall thereafter remain a Class A Member of the Association as to each and every Unit in which the Declarant then holds the interest otherwise required for such Class A Membership.

The Members of the Association shall have no preemptive rights, as such Members, to acquire any Memberships of this Association that may, at any time, be issued by the Association, except as may be specifically provided in this Article.

ARTICLE VIII **RIGHT OF ENJOYMENT**

Every Member shall have a right and easement of enjoyment in and to the Common Area, including the private streets, parking lots and walkways included therein, which right shall be appurtenant to and pass with title to every Unit within the Property.

ARTICLE IX **BOARD OF DIRECTORS**

The affairs of this Association shall be managed by a Board initially consisting of three (3) Directors appointed by the Declarant whose names and addresses are hereinafter listed:

1. Charles Sullivan
8120 Woodmont Avenue
Suite 300
Bethesda, Maryland 20814

2. Rick Sullivan, Jr.
8120 Woodmont Avenue
Suite 300
Bethesda, Maryland 20814

3. Ronald Lethbridge
8120 Woodmont Avenue
Suite 300
Bethesda, Maryland 20814

Thereafter, the number, qualifications and terms of the Directors and the manner in which they are to be chosen, and the manner in which the officers of the Association shall be elected, shall be as set forth in the By-Laws of the Association.

ARTICLE X **DISSOLUTION**

The Association may be dissolved with the assent given in writing and signed by not less than two-thirds (2/3) of each class of Members. Written notice of a proposal to dissolve, setting forth the reasons therefor and the disposition to be made of the assets (which shall be consonant with this ARTICLE X) shall be mailed to every Member not less than ten (10) days nor more than fifty (50) days in advance of any action to be taken. Upon dissolution of the Association, other than that incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which the Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust or other organization to be devoted to such similar purposes.

ARTICLE XI **DURATION**

This Association shall exist perpetually.

ARTICLE XII **AMENDMENTS**

Amendment of these Articles shall require the assent of two thirds (2/3) of the Members. Notwithstanding the foregoing, these Articles of Incorporation may be amended by the Declarant, without the vote of the Members, provided such amendment is accomplished solely for the purpose of causing these Articles to conform to the requirements of VA, FHA, FNMA or FHLMC and does not adversely and materially affect the property rights of any Member.

ARTICLE XIII
VA AND FHA APPROVAL

As long as there is a Class B Member, and provided any Unit within the Property is encumbered by a mortgage or deed of trust insured by the Federal Housing Administration, or guaranteed by the Veterans Administration, the following actions will require the prior approval of the Veterans Administration and/or the Federal Housing Administration, as appropriate: annexation of additional properties not in conformance with the Development Plan as approved by the Veterans Administration and the Federal Housing Administration, mergers and consolidations, mortgaging of the Common Area, dedication of the Common Area, dissolution and amendment of these Articles.

ARTICLE XIV
LIABILITY AND INDEMNIFICATION

No Director or officer of the Association or any person appointed to and serving on committees or councils pursuant to the Association's By-Laws shall be liable to the Association or to its Members for money damages except (1) to the extent that it is proved that such director or officer actually received an improper benefit or profit in money, property or services, for the amount of the benefit or profit in money, property or services actually received, or (2) to the extent that a judgment or other final adjudication adverse to such director or officer is entered in a proceeding based on a finding in the proceeding that such director's or officer's action, or failure to act, was (a) the result of active and deliberate dishonesty, or (b) intentionally wrongful, willful or malicious and, in each such case, was material to the cause of action adjudicated in the proceeding. The Association's obligation to indemnify the Directors or officers of the Association or any person appointed to and serving on committees or councils the By-Laws shall be limited as provided in the By-Laws.

IN WITNESS WHEREOF, Michael A. Faerber, has signed, sealed and delivered these Articles of Incorporation as his own free act and deed on this _____ day of _____, 2000.

WITNESS:

_____ (SEAL)
Michael A. Faerber

I hereby consent to act as Resident Agent in Maryland for Lakelands Ridge Homeowners Association, Inc., the entity named in the attached instrument.

Charles Sullivan

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LAKELANDS RIDGE HOMEOWNERS ASSOCIATION

BASED ON 215 HOMES

| | COMMON | REC | CONDO'S | SINGLES |
|------------------------------|-----------------|-----------------|-----------------|-----------------|
| Income | | | | |
| Assessment | \$58,780 | \$63,600 | \$22,000 | \$22,400 |
| Misc. Income | 0 | 0 | 0 | 0 |
| Total | \$58,780 | \$63,600 | \$22,000 | \$22,400 |
| Expenses | | | | |
| Administrative | | | | |
| Audit | 750 | 0 | 0 | 0 |
| Social Committee | 500 | 0 | 0 | 0 |
| Legal | 600 | 0 | 0 | 0 |
| Miscellaneous | 500 | 0 | 0 | 0 |
| Postage & Printing | 750 | 0 | 0 | 0 |
| Total | \$3,100 | 0 | 0 | 0 |
| Utilities | | | | |
| Electricity | \$250 | \$8,000 | \$1,000 | 0 |
| Gas | 0 | 0 | 0 | 0 |
| Water & Sewer | \$300 | \$3,000 | 0 | 0 |
| Telephone | 0 | \$900 | 0 | 0 |
| Total | \$550 | \$11,900 | \$1,000 | 0 |
| Contracted Services | | | | |
| Electrical Services | \$500 | \$500 | \$500 | 0 |
| Monitoring | 0 | \$600 | 0 | 0 |
| Exterminating | \$200 | \$300 | 0 | 0 |
| Stormwater Mgt. | \$1,000 | 0 | 0 | 0 |
| Litter Pick-Up | \$1,000 | \$1,200 | 0 | 0 |
| Snow Removal | 0 | \$500 | \$3,000 | 0 |
| Road Maintenance | 0 | \$0 | \$2,000 | 0 |
| Management Fee | \$10,000 | 0 | \$0 | 0 |
| Lawn Maintenance | \$8,500 | \$2,000 | \$7,000 | \$22,400 |
| Landscaping | \$2,000 | \$1,500 | \$2,500 | 0 |
| Trash Removal | \$15,480 | \$500 | 0 | 0 |
| Total | \$38,680 | \$7,100 | \$15,000 | \$22,400 |
| RECREATION Amenities | | | | |
| Pool Management | | \$23,000 | | |
| Pool Supplies & Repairs | | \$2,500 | | |
| Clubhouse Maintenance | | \$3,500 | | |
| Clubhouse Supplies | | \$2,000 | | |
| Clubhouse Cleaning | | \$3,600 | | |
| Clubhouse Staffing | | 0 | | |
| Total | | \$34,600 | | |
| Taxes & Insurance | | | | |
| Taxes | \$250 | 0 | 0 | 0 |
| Insurance | \$3,000 | 0 | 0 | 0 |
| Total | \$3,250 | 0 | 0 | 0 |
| Reserves | \$11,200 | \$10,000 | \$6,000 | 0 |
| Total Expenses | \$58,780 | \$63,600 | \$22,000 | \$22,400 |
| Net Income | 0 | 0 | 0 | 0 |
| Assessment: | \$22.00 | \$24.50 | \$11.53 | \$33.30 |
| Fee for Condos - \$58.00 | | | | |
| Fee for Singles - \$80.00 | | | | |

LAKELANDS RIDGE HOMEOWNERS ASSOCIATION BUDGET EXPLANATION

INCOME

Assessments - Annual fees paid by each owner to run the business of the Homeowners Association. The Condominium and single family owners will be assessed a variable rate of assessment.

Miscellaneous Income - Vending machine income, guest pass income, and miscellaneous income.

EXPENSES

ADMINISTRATIVE

Audit - The cost for preparation of audited financial statements and prepare tax returns for the fiscal year by an independent Auditing Firm.

Social Committee - For social functions organized by the Recreation Association.

Legal - Service of an Attorney to assist the Board of Directors in general legal matters and any extraordinary legal work pertaining to the Association.

Miscellaneous - Administrative items not specifically categorized

Postage and Printing - For preparation of the annual budget, mailing payment coupons, copying, charges, advertising, and general business matters of the Association.

UTILITIES

Electricity - Common electricity that is used by all members includes the common entrance feature as well as the electricity used at the recreation amenity. Additionally, the condominium owners will be accessed for the electricity used in the post lights on the private roadways.

Water and Sewer - Water used at the front entrance, pool and clubhouse.

Telephone - For the pool monitoring of the clubhouse and house phone in the clubhouse.

CONTRACTED SERVICES

Electrical Services - For repairs, maintenance and replacement of bulbs ballasts and other electrical needs of the Homeowners Association. Also, any repairs to the private post lights along the private road system.

Monitoring - Remote monitoring of the Clubhouse and pool.

Exterminating - Pest control on an as needed basis for the clubhouse, bathhouse, and pool area.

Storm Water Management - Annual cutting and maintenance to the 'common to all' Storm water management system.

Litter Pick-up - Policing the grounds, both outside and inside the Recreation Association's common areas.

Snow Removal - Removal of snow on the parking area and sidewalks of the Recreational Association. Also the plowing and removal of snow from the sidewalks of the private roads and sidewalks.

Management - overall property management services for the Recreation Association.

Lawn Maintenance - The lawn maintenance components are broken up into four categories. The first category is for the maintenance that is common to all owners in the Association. The second category is for the lawn maintenance of the pool and recreational amenity. The third category is for the maintenance of the common areas that are adjacent to the condominiums and private roadways. The fourth category is for the maintenance of the single family homes turf care.

Landscaping - Annual flower rotations as well as any common area replacement shrubbery necessary.

Trash Removal - Trash services for the single family homes, condominiums as well pool and clubhouse.

POOL AND CLUBHOUSE EXPENSES

Pool Contract - Seasonal contract for providing staffing for the summer pool operation.

Pool Supplies - Expendables used during the pool season, such as soap, paper products and chemicals.

Clubhouse Maintenance - Repairs and maintenance to the interior, exterior of the building as well as the heating and air conditioning systems.

Clubhouse Supplies - Cleaning supplies, bathroom supplies and supplies to run the pool and Homeowners Association.

Clubhouse Staffing - This budget anticipates that, other than the pool guards, no staffing is contemplated at this time.

Clubhouse Cleaning - Cleaning of the interior portion of the clubhouse on a routine basis.

TAXES AND INSURANCE

Taxes - Tax and interest earned on Association money.

Insurance - Property, liability, and Directors and Officers liability insurance.

RESERVES - See attached list

***Budget figures are estimates only. These estimates are based on experience, similar properties, industry standards and are to be used as a guide only. Technology, weather and other unpredictable conditions could effect the operating and reserve estimates. These estimates are not to be considered a guarantee of any kind.**

***Each single family owner will be assessed \$80.00 monthly and each condominium owner will be assessed \$58.00 monthly.**