

Fallsmead Homes Corporation

Dear Fellow Neighbor:

For the past several years, the Board of Directors has embarked upon a project to revise, restate and amend the principal governing documents for our Community – our Declarations, Covenants & Restrictions and our By-laws. The Board has completed its work and now turns to you, the Members, to consider them for approval or rejection. If approved, the amended and restated versions of these documents would completely replace the existing Declarations, Supplemental Declarations and the By-laws.

The amended and restated documents reflect a herculean effort, reflecting literally hundreds of hours of uncompensated time, by a large number of your friends and neighbors to, among other things, bring the documents current, to make them easier to read and understand, to clarify the limits of the Board's authority, and to provide more process and protection for the Community at-large. A more detailed description, highlighting a number of significant changes, appears on the following pages, but we encourage you read the entire set of documents, which are enclosed.

These documents, by their very nature, represent a compromise. Members of the Community undoubtedly have different thoughts and feelings about various provisions, as they likely do with our current Declarations and By-laws. Thus, in deciding whether to vote to adopt these documents or not, the Board encourages you to review the documents as a whole and ask yourself whether you believe that they represent an improvement over the existing documents; and to focus less on whether you agree or disagree with any individual provision.

How to Cast Your Vote: Cast your vote by filling out the enclosed Official Referendum Ballot by checking either "YES" or "NO" as to whether the amended and restated documents should be adopted. Then, use the two envelopes provided to ensure the secrecy of your ballot, as follows:

- Place your completed ballot in the smaller envelope and seal the envelope.
- Do not write anything on the outside of the smaller envelope.
- Place the smaller envelope into the larger envelope and seal the outer envelope.
- **PRINT** your **NAME** and **ADDRESS** clearly and **SIGN YOUR NAME** on the outside of the outer envelope.

The Board would appreciate if you would return the Ballot in the enclosed envelopes as soon as possible, but no later than **December 2, 2009**, so that this can become effective, if adopted, on January 1, 2010. In order for the proposed amended and restated documents to be adopted, they must be approved by two-thirds (2/3) of the Members of the community.

Where to Send Your Ballot: Ballots may be mailed or delivered to either:

Mark Zinselmeier 1836 Greenplace Terrace, Rockville, MD 20850
Evan Stolove 5 Duncan Branch Court, Rockville, MD 20850

Who to Contact: If you have any questions, please contact Dave Carter at dave@ndassociatesllc.biz or (301) 279-2374.

Make your vote count! Please return your ballot as soon as possible.

Fallsmead Homes Corporation

Official Referendum Ballot Proposed Amended & Restated Declarations of Covenants, Conditions and Restrictions and By-laws

On August 5, 2009, the Board of Directors resolved to approve final versions of the Amended and Restated Declaration of Covenants, Conditions and Restrictions and the Amended and Restated By-laws of the Fallsmead Homes Corporation and to put them before the community for a vote.

The issue before the community is whether to adopt the Amended and Restated Declaration of Covenants, Conditions and Restrictions and the Amended and Restated By-laws of the Fallsmead Homes Corporation to become effective 30 days after receiving an affirmative vote of no less than two-thirds (2/3rds) of the Members of Fallsmead . Please indicate your position on adoption by checking either "YES" to approve or "NO" to reject the proposed amended and restated documents:

YES, I vote in favor of adopting the Amended and Restated Declaration of Covenants, Conditions and Restrictions and the Amended and Restated By-laws of the Fallsmead Homes Corporation.

NO, I vote against adoption of the Amended and Restated Declaration of Covenants, Conditions and Restrictions and against the adoption of the Amended and Restated By-laws of the Fallsmead Homes Corporation.

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The following is a high-level summary of significant modifications to the existing Declarations, Covenants and Restrictions and By-laws, if the Amended and Restated Declarations, Covenants and Restrictions and By-laws are adopted:

BY-LAWS	
Original Version	Amended & Restated Version
	<p>Art. I. Definitions</p> <p><i>New Art. to provide consistency in definitions used in the Governing Documents, the definitions of the Declarations have been incorporated by reference.</i></p>
Art. I. Name and Location	<p>Art. II. Name and Location</p> <p><i>No substantive change.</i></p>
Art. II. Purpose	<p>Art. III. Purpose</p> <p><i>The term “Member” is introduced and defined to be consistent with the CC&Rs. This term is used throughout the document and replaces the term “Owner” to ensure clarity.</i></p>
Art. III. Membership	<p>Art. IV. Membership</p> <p><i>Labeled each Section to make more user-friendly.</i></p> <p><i>Sec. 1. Voting Rights. Deleted the authority of a Member to delegate voting rights to a tenant; and expressly precludes splitting of a Member’s vote.</i></p> <p><i>Sec. 2. Use/Enjoyment of Community Property.</i></p> <p><i>Sec. 3. Rights Contingent; Suspension</i></p>
Art. IV. Officers, Their Powers and Duties	<p><i>Moved to Art. VII – changes discussed below</i></p>
Art. V. Meetings of the Members	<p>Art. V. Meetings of the Members</p> <p><i>Sec. 1. Regular Meetings – allows Annual Meeting, described in Art. V,</i></p>

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<p>Sec. 1. Regular Meetings</p> <p>Sec. 2. October meeting</p> <p>Sec. 3. Annual Meeting</p> <p>Sec. 4. Special Meeting</p> <p>Sec. 5. Notice of Meeting – <i>moved to Sec. 6 of Art. V and Sec. 1 of Art. XII.</i></p> <p>Sec. 6. Quorum</p>	<p><i>§3, to be held any time between Jan. 1 and April 30.</i></p> <p>Sec. 2. October Meeting</p> <p>Sec. 3. Annual Meeting</p> <p>Sec. 4. Special Meeting – <i>added provision to allow President to call special meeting.</i></p> <p>Sec. 5. Quorum</p> <p>Sec. 6(b)(2) Notice of meetings – <i>The time period's outer boundary was established as 50 days.</i></p>
<p>Art. VI. Board of Directors</p> <p>Sec. 1. (duties/terms of office)</p> <p>Sec. 2. (annual elections/filling vacancies)</p> <p>Sec. 3. (Board's authority)</p> <p>Sec. 4. (Board's duties)</p> <p>Sec. 5. (regular meetings)</p> <p>Sec. 6. (notice of regular meetings)</p> <p>Sec. 7. (special meetings)</p> <p>Sec. 8. (quorum)</p> <p>Sec. 9. (views of the community) - <i>deleted</i></p> <p>Sec. 10. (adjournment)</p> <p>Sec. 11. (Board's right to take action in</p>	<p>Art. VI. Board of Directors</p> <p><i>Adds Section headings to make user-friendly.</i></p> <p>Sec. 1. Duties: Terms of Office</p> <p>Sec. 2. Annual Elections and Filling Vacancies</p> <p>Sec. 3. Removal of Directors – <i>New section allows community to vote to remove a Director with or without cause. Introduces repercussions for Directors who fail or fall behind in their responsibilities to the Board or the Community with respect to attendance at Board meetings, delinquency in paying his/her dues, or failure to cure an architectural violation in a timely fashion.</i></p> <p>Sec. 4. Board's Authority</p> <p>Sec. 5. Board's Duties</p> <p>Sec. 6. Regular Meetings – <i>Changes current §§ 6 and 7 notice and other requirements to conform to Maryland Homeowners Association Act.</i></p>

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<p>the absence of a meeting) – <i>deleted</i></p>	<p>Sec. 7. Special Meetings [of the Board] – <i>Notice no longer required to be posted on tennis court bulletin board.</i></p> <p>Sec. 8. Quorum</p> <p>Sec. 9 Adjournment</p>
	<p>Art. VII. Officers, Powers and Duties</p> <p><i>Adds Section headings to make user-friendly. Consolidates provisions pertaining to the election/duties of the various officers.</i></p> <p>Sec. 1. Officers. <i>New requirement stipulating that any officer must also be a Member.</i></p> <p>Sec. 2. Selection of Officers</p> <p><i>Removes the President's term limit of 2 years. President can be removed with or without cause at any time by the Board.</i></p> <p>Sec. 3. Duties of President</p> <p>Sec. 4. Duties of Vice-President</p> <p>Sec. 5. Duties of Secretary</p> <p>Sec. 6. Duties of Treasurer</p> <p>Sec. 7. Removal or Resignation</p> <p>Sec. 8. Limitations for Office Holders</p> <p>Sec. 9. Additional Duties</p>
<p>Art. VII. Committees</p>	<p>Art. VIII. Committees</p> <p><i>Adds the Architectural Control Committee, Pool Committee, and Social Committee to the list of standing committees. Deletes</i></p>

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	<i>Recreation and Publicity Committees from list of standing committees. Provides Board with authority to establish ad-hoc committees as needed.</i>
Art. VIII. Parliamentary Authority	Art. IX. Parliamentary Authority <i>No significant change.</i>
Art. IX. Amendments	Art. X. Amendments <i>Simplifies procedures and makes section standalone. Modifies the requirement to amend to require a majority vote of Members, rather than a majority vote of ballots cast. No longer references the Declarations and Articles of Incorporation.</i>
Art. X. Voting	Art. XI. Voting <i>No significant changes in voting rights. Simplifies and clarifies voting procedures, including using notice requirements now found in Sec. 1 of Art. XII.</i> Sec. 1. Nomination of Directors - <i>allows Board to use electronic means of communication.</i> Sec. 2. Election of Directors – <i>allows election to take place in Nov. or Dec.</i> Sec. 3. Referendum by Written Ballot Sec. 4. Ballots Sec. 5. Proxy Votes
Art. XI. General Provisions Sec. 1. (adding land to Fallsmead) – <i>moved to Declaration</i> Sec. 2. (mergers/consolidation) – <i>moved to Declarations</i>	Art. XI. General Provisions <i>Adds Section headings to make user-friendly.</i> Sec. 1. Notice Sec. 1(e) Notice – <i>Inserted language reflects that, to the extent permissible</i>

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<p>Sec. 3. (power to mortgage property) – moved to <i>Declarations</i></p> <p>Sec. 4. (power to dispose of property) – deleted and moved to <i>Declarations</i></p> <p>Sec. 5. (fiscal year)</p> <p>Sec. 6. (inspection of corporate records)</p> <p>Sec. 7. (corporate seal)</p> <p>Sec. 8. (indemnification) – consolidated in new Sec. 6</p> <p>Sec. 9. (liability insurance) – moved to <i>Declarations</i></p> <p>Sec. 10. (conflicts)</p> <p>Sec. 11. (non-prohibition)</p> <p>Sec. 12. (replacement reserve) – moved to <i>Declarations</i> (see Art. V. Sec. 9)</p>	<p><i>by law, electronic communications are allowed as a means for providing notice.</i></p> <p>Sec. 2. Signature Authority</p> <p>Sec. 3. Fiscal Year</p> <p>Sec. 4. Inspection of Corporate Records</p> <p>Sec. 5. Corporate Seal</p> <p>Sec. 6. Director and Officer, Committee Members and Volunteer Liability – provides greater discretion to Board to indemnify/ defend Directors and agents of the Board. Adds new section regarding limitation of liability to Corporation from Acts of God and other events beyond its control.</p> <p>Sec. 7. Payments Credited</p> <p>Sec. 8. Resale of Lots</p> <p>Sec. 9. Registration with SDAT</p> <p>Sec. 10. No-Impact Home-Based Businesses</p> <p>Sec. 11. Conflicts</p> <p>Sec. 12. Non-Prohibition</p>
DECLARATIONS	
Recitals	<p>Recitals</p> <p><i>Adding recitals to restate the purpose of the original documents, the revised documents and to reflect the validity of the document as evidenced by a vote of the majority of the Members.</i></p>
Art. I. Definitions	Art. I. Definitions

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	<p><i>In order to provide greater clarity and clarify numerous potential ambiguities and undefined terms within the Governing Documents, consolidates and adds numerous new definitions. These same definitions are incorporated by reference into the By-Laws to provided consistency.</i></p>
<p>Art. II. Properties Subject to Declaration</p> <p>Sec. 1. Existing Property</p> <p>Sec. 2. Additions to Existing Property - <i>deleted</i></p>	<p>Art. II. Property Subject to Declaration</p> <p><i>Removed outdated provisions pertaining to the former Developer. Clarifies that all improvements (existing and future) within Fallsmead are subject to the Declarations.</i></p> <p>Sec. 1. Declaration Subjecting Property</p>
<p>Art. III. Membership/Voting Rights</p> <p>Sec. 1. Membership</p> <p>Sec. 2. Voting Rights</p>	<p>Art. III. Membership and Voting Rights in the Corporation</p> <p><i>Removes all reference to Class A (Members) and Class B (Developer) voting shares, since original Developer no longer has any rights in the community. All votes are now equal.</i></p> <p>Sec. 1. Voting Rights – <i>clarifies that each private dwelling unit gets one vote; adds that elections shall be by secret ballot; and that no individual Member’s vote may be split.</i></p>
<p>Art. IV. Property Rights</p> <p>Sec. 1. Members’ Easements</p> <p>Sec. 2. Title to Community Properties</p> <p>Sec. 3. Extent of Member’s Easements</p>	<p>Art. IV. Property Rights in Community Properties</p> <p>Sec. 1. Members’ Easements of Enjoyment</p> <p>Sec. 2. Title to Community Properties, Restrictions on Transfer – <i>removes all reference to Developer’s rights and clarifies rights/limits of the Corporation to dispose of community property.</i></p>

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<p>Sec. 4. Extension of Rights Benefits</p>	<p>Sec. 3. Extent of Members' Easement – <i>removes reference to Developer's rights and consolidates and clarifies rights of the Corporations.</i></p> <p>Sec. 4. Extension of Rights and Benefits</p>
<p>Art. V. Covenants for Maintenance Assessments</p> <p>Sec. 1. Creation of Lien/Personal Obligations</p> <p>Sec. 2. Purpose</p> <p>Sec. 3. Basis and Max. of Annual Assessment</p> <p>Sec. 4. Special Assessments</p> <p>Sec. 5. Change in Basis and Maximum Annual Assessments – <i>merged with new Sec. 3</i></p> <p>Sec. 6. Quorum - <i>deleted</i></p>	<p>Art. V. Assessments, Special Assessments and other Financial Matters</p> <p><i>Substantial changes have been made to this section, many of which are described below.</i></p> <p>Sec. 1. Creation of the Lien and Personal Obligations for Assessments</p> <p>Sec. 2. Purpose of Assessments</p> <p>Sec. 3. Annual Assessments – <i>Deletes references to 2008 fixed dues.</i></p> <p>Sec. 4. Special Assessments – <i>clarifies that SA may be levied in any calendar year (as opposed to an "assessment year") and allows SA for any "extraordinary cost, expense or liability of the Corporation." Gives Board discretion to allow payments over multiple years.</i></p> <p>Sec. 5. Notice of Annual Assessments: Due Date –<i>Reflects that no notice and fixing of the assessment is necessary until after 2010 in light of the fixed dues increases in Art. V, Sec. 3; and changing the date to fix the assessment to December 31, and the date for notice to January 31, as more consistent with the annual budgeting process.</i></p>

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<p>Sec. 7. Date of Commencement/Annual Assessment</p> <p>Sec. 8. Effect of Non-Payment</p> <p>Sec. 9. Subordination of Lien</p>	<p>Sec. 6. Effect of Non-Payment of Assessments: the Personal Obligation of the Member; the Lien; Remedies of the Corporation - <i>allows Corporation to seek reimbursement of costs/expenses whether or not incurred in litigation and pursuant to a judgment.</i></p> <p>Sec. 7. Subordination of the Lien to Mortgages – <i>Incorporates Lots, in addition to Private Dwelling Units, as the subject of a lien.</i></p> <p>Sec. 8. Debt of the Corporation and Encumbrances of Corporation Assets to Secure Debt – <i>moved from Sec. 3 of Art. XI (General Provisions) of By-Laws. Adds further limits on authority of the Corporation to encumber community property.</i></p> <p>Sec. 9. Replacement Reserve Fund - <i>moved from Sec. 12 of Art. XI (General Provisions) of By-Laws. Among other things imposes new requirement for Board to prepare a Reserve Plan, based on a 10 year forecast, and update periodically, but no less than every 5 years. Provides more safeguards over investment decisions involving Reserves.</i></p>
<p>Art. VI. Architectural Control Committee</p> <p>Sec. 1. Review of Committee</p>	<p>Art. VI. Architectural Control Committee</p> <p><i>This Article has been completely restated and proposes new procedural and substantive changes to the ACC to provide safeguards to Members and the Community.</i></p> <p>Sec. 1. Composition of Committee – <i>to provide for greater long-term continuity in ACC decisions, provides for at least 2 non-Board members to serve at the pleasure of the Board.</i></p>

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	<p>Sec. 2. Application Requirement and Eligibility – <i>Clarifies existing language concerning what modifications require an application to the ACC; and adds that a Member who owes the Community money (e.g., for outstanding Assessments) may not make architectural changes without a waiver by the Board due to a negotiated payment plan or because allowing the modification is in the best interest of the community.</i></p> <p>Sec. 3. Procedure for Architectural Review – <i>Retains existing 30 days for reviewing requests or the request is deemed approved.</i></p> <p>Sec. 4. Restrictions on ACC Members to Submit Review Requests – <i>requires any ACC member to submit a personal request directly to the Board for approval to avoid conflict of interest.</i></p> <p>Sec. 5. Certain Architectural Standards – <i>incorporates the existing ACC guidelines, with certain modifications. Includes new provision to prohibit driveways made of any material other than black asphalt.</i></p> <p>Sec. 6. Effect of Violation of Art. VI. – <i>new provision that gives the Board authority to levy fines proportionate to violations up to \$50 per day, but only after fair notice and hearing and dispute resolution procedures are followed. The ACC must provide written notice of a violation and no less than 10 days to abate the violation. If within 12 months the violation continues or is repeated, the Board shall provide a hearing to resolve the matter and to provide monetary sanctions. Any determination of the Board may be appealed to the Courts of Maryland.</i></p>
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<p>Art. VII. Exterior Maintenance</p> <p>Sec. 1. Exterior Maintenance</p> <p>Sec. 2. Assessment of Cost</p> <p>Sec. 3. Access at Reasonable Hours</p>	<p>Art. VII. Exterior Maintenance</p> <p><i>This provision provides the ACC and Board with clear authority to enforce exterior maintenance.</i></p> <p>Sec. 1. Introduction</p> <p>Sec. 2. Authority of ACC – <i>provides new authority for ACC to require the performance of exterior maintenance.</i></p> <p>Sec. 3. Procedure for Requiring Exterior Maintenance – <i>requires ACC to perform annual inspections of private dwelling units only from public right-of-way or another adjoining property if granted access. ACC must issue letters for disrepair which will set forth reasonable time to repair, but in no event less than 60 days and may grant extensions of up to 6 months for good cause. The Board may impose a fine up to \$50/day for violations that is proportionate to the violation but only after the Board follows specified dispute resolution procedures.</i></p> <p>Sec. 4. Prohibited Activities – <i>these include the prohibited activities identified in the former Supplemental Declaration and ACC Guidelines and adds item (i) to address the prohibition of visible outdoor storage of trash, recycling and related receptacles.</i></p>
<p>Art. VIII. General Provisions</p> <p>Sec. 1. Duration and Amendment</p> <p>Sec. 2. Use and Other Restrictions</p> <p>Sec. 3. Use of Community Properties</p>	<p>Art. VIII. General Provisions</p> <p>Sec. 1. Duration and Amendment</p> <p>Sec. 2. Notices</p> <p>Sec. 3. Compliance with Law</p> <p>Sec. 4. Enforcement – <i>in the event of a legal proceeding (either by or</i></p>

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<p>Sec. 4. Easements/Rights of Way</p> <p>Sec. 5. Notices</p> <p>Sec. 6. Enforcement</p> <p>Sec. 7. Assignability</p> <p>Sec. 8. Severability</p>	<p><i>against the Board) for violations of the Bylaws or Declarations, the substantially prevailing party is entitled to recover attorneys' fees.</i></p> <p>Sec. 5. Severability</p> <p>Sec. 6. Corrective Amendments</p> <p>Sec. 7. Amendment and Restatement</p>
<p>Supplemental Declaration</p> <p>Sec. 1. (driveway aprons)</p> <p>Sec. 2. (commercial vehicles)</p> <p>Sec. 3. (trucks/trailers/unlicensed vehicles)</p> <p>Sec. 4. (boats)</p> <p>Sec. 5. (vehicle maintenance)</p> <p>Sec. 6. (livestock)</p> <p>Sec. 7. (TV antennae)</p> <p>Sec. 8. (outdoor laundry)</p> <p>Sec. 9. (noxious activity)</p> <p>Sec. 10. (published rules)</p>	<p><i>Incorporated into Sec. 4 Art. VII (see above)</i></p>
<p>Architectural Control Committee Guidelines</p>	<p><i>Moved to Art. VI</i></p>

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**AMENDED AND RESTATED DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS**

THIS AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, as amended from time to time in accordance with the terms hereof (hereinafter sometimes referred to as this "Declaration" or the "Amended and Restated Declaration"), is made this _____ day of [_____] 2009, by Fallsmead Homes Corporation, a Maryland nonprofit corporation (together with its successors and assigns, the "Corporation").

RECITALS:

A. The members of the Corporation approved, and the Corporation caused to be recorded among the Land Records of Montgomery County, Maryland ("Land Records") on March 21, 1968 in Liber 3721 at Folio 636, a certain Declaration of Covenants, Conditions and Restrictions dated January 25, 1968 (the "Original Declaration"), which Declaration of Covenants, Conditions and Restrictions was amended by a certain Supplementary Declaration approved by the Members of the Corporation, and recorded by the Corporation among the Land Records on June 29, 1982 ("Supplementary Declaration").

B. The purpose of the Original Declaration and Supplementary Declaration was to subject the Property, including the Private Dwelling Units, Lots and Community Properties (as such terms are hereinafter defined), to the terms, covenants, conditions, restrictions, easements, charges and liens therein contained, each and all of which is and are for the benefit of the Property and each Member (hereinafter defined), so as to, among other things, (i) insure the attractiveness of the Property; (ii) prevent nuisances to and future impairment of, the Property; (iii) preserve, protect and enhance the values and amenities of the Property, and (iv) provide for the maintenance of parks, play areas, open spaces, walkways, and other Community Properties.

C. The Corporation desires to amend and restate in their entirety the terms and conditions of the Original Declaration and Supplementary Declaration and in so doing, ratify, republish and reaffirm the basic purpose and intent of the Original Declaration and Supplementary Declaration, and make such changes, additions and deletions to those documents as shall appear hereinafter in this Amended and Restated Declaration.

WHEREAS, Fallsmead Homes Corporation is a Maryland non-stock corporation in good standing, created pursuant to its Articles of Incorporation filed with the State Department of Assessments and Taxation in accordance with the provisions of the Corporations and Associations Article of the Maryland Annotated Code; and

WHEREAS, Article VIII, Section 1 of the Corporation's Original Declaration provides that, after twenty-five (25) years, the Declaration may be amended by the affirmative vote of not less than two-thirds (2/3) of the total votes of the Members; and

WHEREAS, Members representing more than two thirds (2/3) of the total votes of the Members have approved the Amended and Restated Declaration as evidenced by the Certificate of Secretary attached hereto;

NOW THEREFORE, in accordance with the Original Declaration both the Original Declaration and the Supplementary Declaration of Fallsmead Homes Corporation are hereby amended and restated by striking them in their entirety and substituting the following therefore:

ARTICLE I
Definitions

Section 1. Definitions. The following words when used in this Declaration shall have the following meanings:

(a) "Annual Assessments" shall have the meaning set forth in Section 1 of Article V of this Declaration.

(b) "Assessments" shall have the meaning set forth in Section 1 of Article V of this Declaration.

(c) "ACC" shall mean the Architectural Control Committee established pursuant to the By-laws, as the same may be constituted from time to time in accordance with the provisions of Article VI of this Declaration.

(d) "Board" shall mean the Board of Directors of the Corporation.

(e) "By-Laws" shall mean the First Amended and Restated By-Laws of the Corporation adopted by the Corporation on [_____, 2009], as the same may be amended or modified from time to time thereafter in accordance with the provisions thereof.

(f) "Common Area" shall mean the land described in Exhibit 1 to this Declaration, which is attached hereto and incorporated herein by reference. In addition, the "Common Area" shall include any other real property owned, leased or maintained by the Corporation (including the improvements thereto) for the common use and enjoyment of the members. Notwithstanding the foregoing, in the event the Corporation maintains or owns all or any portion of any Lot(s) such property shall not be considered Common Area.

(g) "Community Properties" shall mean those areas of land shown on any recorded subdivision plat of the Property, including improvements heretofore or hereafter made thereon, designated on the face of said plat or plats as intended to be or in fact owned and maintained by the Corporation.

(h) "Corporation" shall have the meaning set forth in the Preamble of this Agreement.

(i) "Declaration" shall have the meaning set forth in the Preamble of this Agreement.

(j) "Director" shall mean a then current member of the Board.

(k) "Land Records" shall have the meaning set forth in Recital A of this Declaration.

(l) "Lot" shall mean and refer to any plot or parcel of land included within the Property and shown upon any recorded subdivision map or plat with the exception of the Community Properties or Common Area.

(m) "Member" shall mean every record owner, whether one or more persons or entities, of a fee simple interest in a Lot who has provided his or her name and address to the Corporation as hereinafter provided; the term "Member" shall not for any purpose mean or include any person or entity owning or holding a mortgage or other security instrument encumbering an interest in a Private Dwelling Unit or Lot as security for the performance of an obligation or payment of a debt, unless and until the owner or holder of any such mortgage or security instrument has acquired record title to the Lot.

(n) "Original Declaration" shall have the meaning set forth in Recital A of this Declaration.

(o) "Private Dwelling Unit" shall mean the residential living unit and other improvements constructed and installed on individual Lots on the Property that are (i) owned by Members; and (ii) not Community Properties.

(p) "Property" shall mean the real property constituting the residential community commonly known as "Fallsmead" located in the City of Rockville, County of Montgomery and State of Maryland, which is more particularly described in Exhibit A attached hereto and made a part hereof by this reference.

(q) "Replacement Reserve Fund" shall have the meaning set forth in Section 9 of Article V of this Declaration.

(r) "Reserve Plan" shall have the meaning set forth in Section 9 of Article V of this Declaration.

(s) "Review Request" shall have the meaning set forth in Section 2(a) of Article VI of this Declaration.

(t) "Special Assessments" shall have the meaning set forth in Section 1 of Article V of this Declaration.

ARTICLE II

Property Subject To Declaration

The Corporation hereby declares that the Property and all improvements now and hereafter located thereon, including, without limitation, all Community Properties and all Private Dwelling Units, are, and shall at all times be, held, transferred, sold, conveyed, and occupied subject to this Declaration.

ARTICLE III

Membership and Voting Rights in the Corporation

Members shall be entitled to one (1) vote for each Private Dwelling Unit in which he/she/they hold(s) a fee simple interest. When more than one (1) person holds such interest, all such persons shall be Members, and the vote for such Private Dwelling Unit shall be exercised as they among themselves determine, but no vote may be split and in no event shall more than one (1) vote be cast with respect to any such Private Dwelling Unit. The vote of the Members for the election and removal of directors shall be made by secret ballot and the votes of the Members for other matters may be made by secret ballot if determined in advance by the Board.

ARTICLE IV

Property Rights in Community Properties

Section 1. Members' Easements of Enjoyment. Subject to the provisions of Section 3 of this Article IV, every Member shall have a right and easement of enjoyment in and to the Community Properties and such easement shall be appurtenant to and shall pass with the title to every Private Dwelling Unit.

Section 2. Title to Community Properties, Restrictions on Transfer. The Corporation shall retain legal and beneficial ownership to the Community Properties. The Corporation shall not sell, lease, transfer or otherwise dispose of any interest it may now hereafter have in the Community Properties, except for the limited purposes set forth in Section 3(d) of this Article IV.

Section 3. Extent of Members' Easement. The rights and easements of enjoyment of each Member created hereby shall be subject and subordinate to the right of the Corporation to:

(a) suspend the enjoyment rights of any Member for any period during which any Assessment remains unpaid, and for such period as it considers appropriate for any infraction of any provision of this Declaration, the Bylaws and any published rules and regulations of the Corporation.

(b) use all Community Properties to provide services performed in furtherance of its corporate purpose and the execution of its duties and obligations under this Declaration, the Bylaws and applicable law.

(c) permit in its discretion the use of the Community Properties by non-members and to charge Members or non-members reasonable admission and other fees for the use of the Community Properties.

(d) grant within the Community Properties such easements and rights of way to such utility companies, communications systems providers and public agencies or authorities as the Board of Directors, acting for the Corporation, shall deem necessary.

Section 4. Extension of Rights and Benefits. Every Member shall have the right to extend the rights and easements of enjoyment vested in him, her or them under this Article to any

tenant who then occupies the Private Dwelling Unit of such Member and to each member of his or her family who resides in the Private Dwelling Unit, and to such other persons as may be permitted in writing by the Corporation.

ARTICLE V

Assessments, Special Assessments and other Financial Matters

Section 1. Creation of the Lien and Personal Obligation for Assessments. Each Member by acceptance of a deed or other instrument of conveyance therefore, whether or not it shall be so expressed in any such deed or other instrument of conveyance, shall be deemed to covenant and agree to pay to the Corporation annually on a calendar year basis assessments or charges ("Annual Assessments"), and special assessments or charges ("Special Assessments"), such Assessments to be fixed, established and collected from time to time as provided in this Article V. The Annual Assessments, Special Assessments and fines or other charges levied by the Board pursuant to this Declaration or the Bylaws (collectively, "Assessments"), together with interest thereon and costs of collection incurred in connection therewith as hereinafter provided, shall be (i) a charge on the land and a continuing lien upon the Private Dwelling Unit against which each such Assessment is made; and (ii) the personal obligation of the Member who was the owner of the Private Dwelling Unit at the time the Assessment was payable.

Section 2. Purpose of Assessments. Assessments shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the Members and in particular for the acquisition, improvement and maintenance of properties, services and facilities devoted to this purpose, including, but not limited to, the payment of taxes and insurance thereon and repair, replacement and additions thereto and for the cost of labor, equipment, materials, management and supervision thereof and for such other needs as may arise.

Section 3. Annual Assessments. The Annual Assessment payable by each Member for calendar year 2009 shall be One Thousand Dollars (\$1,000). For calendar year 2010 and each calendar year thereafter, the Board shall fix the Annual Assessment subject to the following limitations: (i) commencing with calendar year 2010, in no calendar year shall the Annual Assessment increase by an amount equal to more than seven and one-half percent (7.5%) of the Annual Assessment levied in the prior calendar year; and (ii) in no calendar year shall the Annual Assessment exceed One Thousand Five Hundred Dollars (\$1,500.00). The Board may, after consideration of then current maintenance costs and future needs of the Corporation, fix the Annual Assessments in any calendar year at a lesser amount than the maximum amount permitted by this Section 3.

Section 4. Special Assessments. In addition to the Annual Assessment authorized by Section 3 of this Article, the Corporation may levy in any calendar year a Special Assessment. Special Assessments shall be applicable only to the calendar year in which the same are levied. The proceeds of Special Assessments shall be used only for the purposes of defraying, in whole or in part (i) the cost of any construction or reconstruction, repair or replacement of a described capital improvement upon the Community Properties, including the necessary fixtures and personal property related thereto; or (ii) any extraordinary cost, expense or liability of the Corporation. Any Special Assessment shall require the assent of two-thirds (2/3) of the total votes of all Members who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be sent to all Members at least thirty (30) days in advance

and shall set forth the purpose of the meeting. Nothing in this Section 4 shall prohibit the Board from authorizing the payment of a Special Assessment over a period of time that extends past the end of the calendar year in which the Special Assessment was levied.

Section 5. Notice of Annual Assessments: Due Date. The Board shall fix the Annual Assessment for each forthcoming calendar year after 2010 on or before December 31st of the immediately preceding calendar year. Written notice of the amount of the Annual Assessment and the due date(s) for payment of such Annual Assessment (or installments thereof, if so elected by the Board) shall be furnished to each Member. Such written notice shall be furnished on or before January 31 of the calendar year in which the Annual Assessment is being assessed, and the due date for payment shall in no event be earlier than the thirtieth (30th) day following delivery of such notice. The Corporation shall upon demand at any time furnish to any Member a certificate in writing signed by an officer of the Corporation setting forth whether an Assessment has been paid, and any reasonable charge imposed by the Board in connection with the issuance of any such certificate shall be payable by the Member.

Section 6. Effect of Non-Payment of Assessments: the Personal Obligation of the Member; the Lien; Remedies of the Corporation. If an Assessment is not paid by the due date, then such Assessment shall be delinquent and shall, together with interest thereon and cost of collection thereof as hereinafter provided, thereupon become the personal obligation of the then Member, and a continuing lien on the private Dwelling Unit which shall bind such Private Dwelling Unit whether in the hands of the then Member, his heirs, devisees, personal representatives, successors and assigns. If an Assessment is not paid within thirty (30) days after the delinquency date, the Assessment shall bear interest from the date of delinquency at the rate of six percent (6%) per annum (or such higher rate as may be allowed by law), the Corporation shall be entitled to exercise any and all rights and remedies available to it under this Declaration and applicable law, and the Member shall pay all of the costs and expenses incurred by the Corporation in connection with collecting or attempting to collect any sums due and enforcing any provision of this Declaration, including, but not limited to all attorneys' fees and disbursements and costs actually incurred, whether incurred out of court or in litigation.

Section 7. Subordination of the Lien to Mortgages. The lien of Assessments shall be subordinate to the lien of any first mortgage or such other mortgages hereafter placed upon a Lot or Private Dwelling Unit and recorded among the land records of Montgomery County prior to any lien for assessments placed on said Lot or Private Dwelling Unit by the Corporation; provided, however, that such subordination shall apply only to Assessments which have become due and payable prior to the date of sale of such Lot or Private Dwelling Unit pursuant to a decree of foreclosure or any other proceeding or device in lieu of foreclosure. Any such sale or transfer shall not relieve such Lot or Private Dwelling Unit from liability for any Assessment thereafter becoming due, nor from the lien of any such subsequent Assessment. The term "mortgage" or "mortgages" shall include "deed of trust" or "deeds of trust".

Section 8. Debt of the Corporation and Encumbrance of Corporation Assets to Secure Debt. Subject to the limitations set forth in this Section 8, the Board has the authority to incur secured and unsecured indebtedness in the name of the Corporation. The total amount of all indebtedness of the Corporation outstanding at any time shall not exceed twice the amount of the then current fiscal year's Annual Assessment. The Corporation shall not have the right or authority to pledge, mortgage, assign, transfer or otherwise encumber the Community Properties

or any other real property owned by the Corporation as collateral security for indebtedness of the Corporation. The Corporation shall have the right and authority to pledge, mortgage, assign, transfer or otherwise encumber personal property owned by the Corporation as collateral security for indebtedness of the Corporation, including, without limitation, the proceeds of all Annual Assessments and Special Assessments.

Section 9. Replacement Reserve Fund. The Board shall establish and maintain a replacement reserve fund ("Replacement Reserve Fund"). Funds on deposit in the Replacement Reserve Fund shall be released upon adoption of a resolution of not less than a majority of the Board, and be used to finance the repair or replacement of existing, Community Properties and their several components, and replacement and construction of necessary capital items that promote and enhance the recreation, health, safety and welfare of the residents of the Members. The Board shall on an annual basis and simultaneously with the preparation and approval of the Corporation's budget for the next succeeding fiscal year, determine the required level of funding and use of amounts on deposit in the Replacement Reserve Fund. Said determinations shall be informed and guided by a replacement reserve plan ("Reserve Plan") that shall be updated based upon the reserve study or reserve study update commissioned by the Board from time to time. The Reserve Plan shall be prepared at the direction and under the supervision of the Board. It shall include a funding plan for future repair or replacement of all Community Properties and facilities and their components and determine the required level of funding to the Replacement Reserve Fund. The Board may seek appropriate input from the various Committees and Sub-Committees of the Board, as the Board, in its sole discretion, may determine to be needed, and shall be informed and guided by a reserve study or engineering report from a qualified independent third party professional with demonstrated experience in such matters selected by the Board for such purpose; such study or report to be updated no less than every five (5) years. Funds on deposit in the Replacement Reserve shall at all times be invested by or at the direction of the Board in a manner that provides maximum security for the principal while providing a reasonable investment return. Savings certificates and U.S. Government bonds are examples of acceptable investments.

ARTICLE VI

Architectural Control Committee (ACC)

Section 1. Composition of Committee. The ACC shall consist of a Chairperson and two or more additional Members who reside in a Private Dwelling Unit, who shall be appointed by the Board for one (1) year terms and who shall serve at the pleasure of the Board. The Board shall on an annual basis provide notice to all Members of the names and addresses of ACC members. In the event that the ACC is not fully constituted and work of the ACC must continue, the Board shall appoint members from its numbers to serve on an interim basis.

Section 2. Application Requirement and Eligibility. Except as otherwise provided in this Declaration or the Bylaws, no building, fence, wall, slab, driveway or other structure shall be installed, commenced, erected or maintained within Fallsmead, nor shall any exterior addition to or any other change or alteration to any Private Dwelling Unit or Lot, including a change in color, be made until the complete plans and specifications showing the nature, kind, shape, height, materials, color, location, and any other information reasonably specified or required by the Board of Directors of the ACC, of the same shall have been submitted to and approved in

writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Fallsmead Homes Corporation or by the ACC.

Regardless of the architectural merits of any request for modification or alteration to a Private Dwelling Unit or Lot, no consent will be granted to any Member(s) for such modification or alteration so long as there remains any amount or past due balance owed to the Corporation by the Member (even if no lien has been placed upon the Lot) for the payment of assessments, interest, costs, attorney's fees, fines or other duly levied charges of any type whatsoever. This provision may be waived in the sole discretion of the Board for 1) those Member(s) who have previously negotiated a plan with the Board to bring any past due balance current and are complying in all respects with the terms of said plan or 2) circumstances in which the Board determines it is in the best interest of the Corporation to allow a modification or alteration on a Lot or Private Dwelling Unit.

Section 3. Procedure for Architectural Review.

(a) Members shall request ACC review of a proposed architectural/exterior change on a form furnished by the ACC ("Review Request") and submitted to a member of the ACC not less than thirty (30) days from the date the Member intends to begin work on the proposed architectural/exterior change. Each Review Request shall identify with specificity the nature and scope of the architectural/exterior change requested (including, without limitation, the type and color of materials to be used), and if appropriate, include architectural drawings. If a requested architectural/exterior change includes the modification of the color of the siding, paint, or roof shingles of a Private Dwelling Unit, a color sample must be submitted.

(b) The ACC shall have thirty (30) days from the date an ACC member receives a Review Request to approve or disapprove the requested architectural/exterior change. If the ACC fails to approve or disapprove such architectural/exterior change within such thirty (30) day period, the Review Request shall be deemed "approved."

(c) All decisions of the ACC shall be made by a majority vote of the members of the ACC and communicated to Members in writing. No oral statements made by any ACC member shall be binding on the ACC or the Board, and Members shall not be entitled to rely upon them.

(d) The ACC shall be entitled to ask for additional information or documentation from any Member submitting a Review Request. Members may be invited by the ACC to attend a meeting of the ACC to discuss the Review Request. The ACC may in the course of its deliberations propose modifications to the architectural/exterior change that is the subject of the Review Request, but no such modification shall be approved by the ACC unless and until the same is submitted in writing by the Member to the ACC.

(e) If a Review Request is disapproved by the ACC, the Member shall, within thirty (30) days of the day the Member was notified of the disapproval, have the right to appeal the disapproval to the Board by delivery to the Secretary of the Board of a written request for a review of the ACC decision. If an appeal is noted during the pendency of a resubmission before the ACC, the then pending resubmission shall be suspended and the outcome of the appeal shall govern. The Board shall set the appeal from the ACC decision as an agenda item at its next regularly scheduled meeting. The Member shall have the right to appear and be heard before the

Board at the meeting when the appeal is considered. The Board shall have the right to hear from the ACC in considering any appeal from the ACC. A quorum of the Board (as set forth in the By-laws) is required at the meeting for the Board to render a decision with respect to the appeal. The Board shall decide on the appeal within fifteen (15) days of the meeting at which it was considered, and promptly notify the Member in writing of its decision. Any Director serving as a voting member of the ACC at the time the decision under review was made by the ACC shall recuse him/herself from the appeal vote, but shall for purposes of determining quorum be included in the count of the Directors. A vote of the Board that is evenly divided shall be deemed to uphold the decision of the ACC.

Section 4. Restrictions on ACC Members to Submit Review Requests. Members of the ACC shall submit any Review Request for their own benefit during such Member's term on the ACC directly to the Board. The members of the Board shall conduct a vote related to such a Review Request, except such members of the Board that may be related to the ACC member shall be disqualified from participating in the Board's consideration of the Review Request. The decision of the Board shall be final.

Section 5. Certain Architectural Standards. This Section 4 sets forth certain architectural standards to guide Members and the ACC when making and evaluating architectural/exterior changes to Private Dwelling Units, with the ultimate goal of maintaining and enhancing a harmonious design for all Private Dwelling Units and the Community Properties.

(a) The following architectural/exterior changes to and of a Private Dwelling Unit are permitted without submission of a Review Request and approval by the ACC:

(i) Fences: If post and split rail type, wooden and unpainted, not exceeding four feet in height, and located no closer to the street than the front of the Private Dwelling Unit.

(ii) Patios and Decks: If located behind the Private Dwelling Unit, adjacent to or adjoining the Private Dwelling Unit, 500 square feet or less in size, and having no railings or attachments that exceed four feet in height above the patio or deck surface.

(iii) Exterior Paint: If no color changes.

(iv) Mailboxes: If standard size, mounted on a metal or wooden post, and in keeping with the colonial nature of the Private Dwelling Units.

(b) The following architectural/exterior changes are prohibited:

(i) Satellite dish antennas that exceed one meter in diameter.

(ii) Driveway expansions used for or that accommodate additional off-street parking.

(iii) Fences other than wooden, unpainted post and split rail type; except that Members having property lines adjacent to Wootton Parkway, Falls Road or

neighborhoods other than Fallsmead, may erect stockade fences not to exceed six-feet in height, subject to approval by the ACC.

(iv) Driveways made of any material other than black asphalt.

(v) Exterior radio, television or other telecommunications antennae or other transmission devices that exceed ten (10) feet in height, unless otherwise permitted by federal law. All such devices shall in any case be installed less than ten (10) feet above the roof peak of a Private Dwelling Unit.

Section 6. Effect of Violation of Article VI. Any architectural/exterior change or alteration made in contravention of the provisions of this Article VI shall be a violation of this Declaration and any Member who suffers or permits a violation of this Declaration may at its sole cost and expense be required to restore the Private Dwelling Unit to the condition existing immediately prior to the completion of the architectural/exterior change made in contravention of other provisions of this Article VI. Without limiting the foregoing, the Board shall also have the right to levy against the Private Dwelling Unit a reasonable fine proportionate to the nature of the offense of no more than \$50.00 per day for such violation (after following the dispute resolution procedures described below), and avail itself of all other legal and equitable rights and remedies. The aggregate amount of all such fines imposed, together with enforcement and collection costs incurred by the Board (including, without limitation, all attorney and other professional fees, costs and expenses actually incurred) shall become an assessment against the Member's Private Dwelling Unit and may be collected in a like manner, and shall, in accordance with the State of Maryland Contract law and all other applicable law, be deemed to be and constitute a lien against the Member's Private Dwelling Unit. In the event that a violation is noted, the following procedures shall be followed before the imposition of any fine or other sanction:

The Board may not impose a fine, suspend voting rights (unless the suspension or revocation is related to the Member's failure to provide a current address or unless a statement of lien has been filed against the Lot and the lien has not been satisfied), or infringe upon any other rights of a Member or other occupant for violation of the Bylaws, this Declaration, or the Rules and Regulations unless and until the following provisions are followed:

(a) Demand. Written demand to cease and desist from an alleged violation shall be served upon the alleged violator specifying: (1) the alleged violation; (2) the action required to abate the violation; and (3) a time period, not less than ten (10) days, during which the violation may be abated without further sanction if the violation is a continuing one, or a statement that any further violation of the same rule may result in the imposition of sanction after notice and hearing if the violation is not a continuing one.

(b) Notice. Within twelve (12) months of such demand, if the violation continues past the period allowed in the demand for abatement without penalty, or if the same rule is subsequently violated, the Board shall serve the alleged violator with written notice of a hearing to be held by the Board. The notice shall contain: (1) the nature of the alleged violation; (2) the time and place of the hearing, which time shall be not less than ten (10) days from the giving of the notice; (3) an invitation to attend the hearing and produce any statement, evidence, and witnesses on his or her behalf; and (4) the proposed sanction to be imposed.

(c) Hearing. At the hearing, the alleged violator has the right to present evidence and present and cross-examine witnesses. The hearing shall be held in executive session and shall afford the alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the hearing. This proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the person who delivered such notice. The notice requirements shall be deemed satisfied if the alleged violator appears at the hearing. The minutes of the hearing shall contain a written statement of the results of the hearing and the sanction, if any, imposed. A decision pursuant to these procedures shall be appealable to the Courts of Maryland.

ARTICLE VII

Exterior Maintenance

Section 1. Introduction. It is the policy of the Corporation that all Private Dwelling Units and other structures be well maintained so as to foster a sense of community pride and maintain general property values.

Section 2. Authority of Architectural Control Committee. The ACC or the Board of Directors shall have the authority to require a Member to perform or cause to be performed exterior maintenance on and repairs to such Member's Private Dwelling Unit or other structure located on such Member's Lot.

Section 3. Procedure for Requiring Exterior Maintenance.

(a) Once each year the ACC shall inspect each Private Dwelling Unit and other structures on Members' Lot to insure that all such Private Dwelling Units and structures are being reasonably maintained. The ACC shall only inspect those portions of Private Dwelling Units and structures that may, in any way, be visible from a public right of way within or bordering the Property, including the walking paths on and about the Property or from another Private Dwelling Unit if the owner thereof allows access for that purpose.

(b) The ACC shall inspect each structure for lack of maintenance and repair, including, but not limited to: roofs, gutters, downspouts, exterior building surfaces, peeling paint, rotting wood, missing shutter slats, falling gutters, driveway maintenance, door, window and garage maintenance, fence maintenance, architectural/exterior changes that have not been approved by the ACC, violations of the Architectural Guidelines, and other repair, maintenance and replacement items.

(c) The ACC shall issue a letter to each Member whose Private Dwelling Unit or other structure the ACC believes needs exterior maintenance or repair. The letter will set forth with specificity the required maintenance and/or repair to be performed, and a reasonable period of time to perform the maintenance and repairs, which shall not be less than sixty (60) days.

(d) Any Member receiving a letter from the ACC requiring maintenance or repair may request an extension of time within which to complete the required maintenance or repair. The ACC may, for good cause shown, grant such extensions for up to six (6) months from the deadline originally established by the ACC for the maintenance or repair.

(e) In addition to and without limiting the means for enforcement provided elsewhere in this Declaration, if any Member, tenant, family member, or licensee shall violate any provision of this Article VII or any rules or regulations giving effect thereto, the Board has the right to impose on the Member a reasonable fine proportionate to the nature of the offense of no more than \$50.00 per day for each violation. Each day the violation continues shall be deemed a separate violation subject to an additional fine. All fines shall be considered an assessment to be collected in the same manner as the Annual Assessment as set forth in Article V hereof. Prior to the Board imposing any fines or other sanctions, the ACC shall report to the Board the underlying failure to complete the required maintenance or repair. The Board shall then follow the dispute resolution procedures set forth in Article VI, Section 5 hereof prior to imposing any fine or other sanction.

(f) If a Member shall fail in accordance with the requirements of this Declaration to maintain his or her Private Dwelling Unit in good repair and condition, the Board or its authorized designee, on behalf of the Corporation, shall have an irrevocable right and an easement to enter the Lots and Private Dwelling Units to inspect the same or make repairs when such inspection or repairs reasonably appear necessary for public safety or to prevent damage to other Lots, Private Dwelling Units or the Common Area, or to enforce the provisions of this Declaration, the Bylaws or Rules and Regulations. Except in cases involving manifest danger to public safety or property (in which case entry may be effected immediately), the Board shall give at least twenty-four (24) hours notice to the Member(s) who own any Lot and Dwelling Unit to be entered for the purpose of inspection or repairs. Should any Member, after being twice given notice, fail to allow access to his or her Private Dwelling Unit for inspection or the performance of repairs, the Board may effect such needed access at the Member's expense. An entry by the Board or its designee, on behalf of the Corporation, for the purposes specified in this Section shall not be considered a trespass. Any cost of effecting access and any maintenance, repair or replacement made by the Board to a Member's Lot or Dwelling Unit shall be assessed against the Member's Private Dwelling Unit and shall become a continuing lien against the Private Dwelling Unit and the personal obligation of the Member pursuant to this Declaration, and shall be collected in the same manner as an assessment.

Section 4. Prohibited Activities. The following items and activities are specifically prohibited on the Property:

- (a) Overnight parking of commercial vehicles of any type, unless garaged;
- (b) Overnight parking of trucks, trailers or unlicensed motor vehicles of any type, unless garaged. .
- (c) Parking or storage of boats of any type for more than fourteen (14) days, unless garaged or screened in a manner acceptable to the ACC.
- (d) Extensive work outdoors, such as dismantling and/or repairing of motor vehicles, boats or machinery of any type.
- (e) Keeping of animals, livestock or poultry of any kind except for dogs, cats and other household pets, provided no dogs, cats or other household pets may be kept for commercial purposes.

- (f) Outdoor storage of unused building materials.
- (g) Noxious or offensive activities that are an annoyance or a nuisance to Members.
- (h) Window air conditioning units.
- (i) Outdoor storage of trash, recycling or receptacles for trash or recycling, unless stored behind screening in a manner acceptable to the ACC.

ARTICLE VIII **General Provisions**

Section 1. Duration and Amendment. 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 Corporation, or the Member of any land subject to this Declaration, their respective legal representatives, heirs, successors and assigns, in perpetuity. Amendments to this Declaration may be made with the consent of a two-thirds (2/3) of all Members. For the purposes of this requirement, a Member shall be counted once for each Private Dwelling Unit which he or she owns. Any such amendment of the covenants and restrictions of this Declaration must be in full compliance with all applicable laws, rules and regulations, and the same shall not become effective until the written instrument evidencing such amendment has been duly recorded among the Land Records and unless written notice of the proposed amendment is sent to every Member at least ninety (90) days in advance of the meeting of Members at which any action is to be taken.

Section 2. Notices. Any notice required to be furnished to any Member under the provisions of this Declaration shall be deemed to have been properly sent when mailed, postage prepaid, to the last known address of the person who appears as Member on the records of the Corporation at the time of such mailing. It is the responsibility of each Member to ensure that his, her or their proper name(s) and address is provided to the Corporation through its Board of Directors. Any Member who is not listed on the official roster of Members maintained by the Corporation shall not be eligible to vote, to submit a Review Request for architectural modification or otherwise to avail himself or herself of any other privilege of Membership in the Corporation.

Section 3. Compliance with Law. No unlawful, improper or offensive use shall be made of any Private Dwelling Unit, or any portion of the Community Properties and all laws, zoning and other ordinances, regulations of government and other municipal bodies and the like shall be observed at all times.

Section 4. Enforcement. Enforcement of this Declaration and the terms, covenants, conditions and restrictions herein contained shall be by any proceeding at law or in equity against any person or persons violating or attempting to violate any covenant or restriction, either to restrain violation or to recover damages, and against the land to enforce any lien created by these covenants and restrictions; and failure by the Corporation or any Member to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

(a) Legal Proceedings. Failure to comply with the terms of the Bylaws, this Declaration and the duly enacted Rules and Regulations shall be grounds for relief, including, without limitation, an action to recover sums for money damages, injunctive relief, foreclosure of the lien for non-payment of assessments and any other relief afforded by a Court of competent jurisdiction, all of which relief may be sought by the Corporation, or by any other Member. Failure or forbearance by the Corporation or by a Member to enforce a provision of the Bylaws, this Declaration or the duly enacted Rules and Regulations shall in no event be deemed a waiver of the right to enforce any provision on any other occasion. There shall be and there is hereby created and declared to be a conclusive presumption that any violation or breach or attempted violation or breach of any covenant or provision of the Bylaws, this Declaration and the duly enacted Rules and Regulations cannot be adequately remedied by an action at law or exclusively by recovery of damages.

(b) Costs and Attorney's Fees. In any legal proceeding instituted by a Member or arising out of an alleged default by a Member, the substantially prevailing party shall be entitled to recover the costs of such proceeding and all attorney's fees and costs actually incurred. In the event that a legal proceeding was not filed against a Member, but attorney's fees and related costs were nonetheless incurred in enforcing the Bylaws, this Declaration or the duly enacted Rules and Regulations against a Member, the Board may assess all such attorney's fees and costs against the Member and thereafter said fees shall constitute a lien against that Member's Private Dwelling Unit and be collectible in the same manner as an assessment.

Section 5. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no wise affect any other provisions, all of which shall remain in full force and effect.

Section 6. Corrective Amendments. The Board of Directors may execute and record a corrective amendment to this Declaration, the Bylaws or the Plat to correct:

(a) A typographical error or other "scrivener's error" the correction of which is necessary to effectuate the intended purpose of the provision or thing corrected; and

(b) A reference to Federal, Maryland or local law, code or statute or a recitation of any provision thereof in the Declaration or Bylaws. With regard to this subsection (b), the Board may execute and record an amendment that corrects the recitation of a statute or code provision in the Declaration or Bylaws so long as the corrective amendment accurately reflects the language, intent and spirit of the statute or code provision, and may execute and record an amendment that adds to the Declaration or Bylaws statute or code provisions the Board deems in the best interests of all Members of the Corporation to recite therein.

(c) Corrective amendments made pursuant to this Section shall require a majority vote of the entire Board of Directors, but shall not require a vote of the Members."

Section 7. Amendment and Restatement. This Declaration amends and restates in their entirety the terms and conditions of the Original Declaration and the Supplementary Declaration.

IN WITNESS WHEREOF, the Corporation has caused this Declaration to be executed by _____, its President, and does hereby appoint _____, as its true and lawful attorney-in-fact to acknowledge and deliver this Declaration on the day and year first above written.

ATTEST:

Fallsmead Homes Corporation, Inc.

Name:
Title: Secretary
[Corporate Seal]

By: _____
Name:
Title: President

ATTORNEY CERTIFICATION

This is to certify that this instrument was prepared by or under the supervision of the undersigned, an Attorney duly admitted to practice before the Court of Appeals of Maryland.

P. Michael Nagle

_____, Attorney

CERTIFICATION OF VOTE OF MEMBERS

In accordance with Section 1 of Article VIII of the Amended and Restated Declaration of Covenants, Conditions and Restrictions to which this Certification is attached, the undersigned, duly elected and serving Secretary of Fallsmead Homes Corporation, as the person authorized to count votes of Members, hereby certifies that adoption and recordation of such Amended and Restated Declaration of Covenants, Conditions and Restrictions was approved by not less than two-thirds (2/3) of the Members of the Corporation.

Print Name: _____

Title: Secretary

ATTEST:

Print Name: _____

Title: President

**AMENDED AND RESTATED BYLAWS
OF
FALLSMEAD HOMES CORPORATION**

Background Statement: These Amended and Restated Bylaws (these "Bylaws") amend and restate in their entirety the By-laws of Fallsmead Homes Corporation, a Maryland non-profit corporation (the "Corporation") approved in March 1977. These Bylaws should be read in conjunction with (i) the Articles of Incorporation of the Corporation dated September 7, 1996 and approved and received for record by the State of Maryland Department of Assessments and Taxation on September 9, 1966 (the "Articles"); and (ii) a certain First Amended and Restated Declaration of Covenants, Conditions, and Restrictions dated [_____] , 2009 and recorded on [_____] , 2009 in Liber [_____] at Folio [_____] of the Land Records of Montgomery County, Maryland (the "Declaration"). Capitalized terms used and not defined herein shall have the meanings given to them in the Declaration.

ARTICLE I
Definitions

The definitions in Article I of the Declarations are incorporated by reference herein.

ARTICLE II
Name and Location

The full legal name of the Corporation is Fallsmead Homes Corporation. The Corporation shall to the extent required by the Maryland Homeowners Association Act (as amended, and together with any successor or replacement statute(s), the "Act") or other applicable law, maintain a registered office within the State of Maryland at such place as the board of directors of the Corporation (the "Board") may designate.

ARTICLE III
Purpose

The Corporation is organized for the purposes of advancing and protecting the general welfare of the owners of Private Dwelling Units (hereafter "Members" as defined in Article I, Section 1(k) of the Declaration) located within the residential community located in Rockville, Montgomery County, Maryland and commonly known as "Fallsmead", and for the other purposes delineated in the Articles and Declaration.

ARTICLE IV
Membership

Section 1. Voting Rights. Members shall be entitled to one (1) vote for each Private Dwelling Unit in which he/she/they hold(s) the interest required for membership under Section 1 of this Article IV. When more than one (1) person holds such interest, all such persons shall be Members, and the vote for such Private Dwelling Unit shall be exercised as they among themselves determine, but in no event shall a vote be split or more than one (1) vote be cast with respect to any such Private Dwelling Unit.

Section 2. Use and Enjoyment of Community Properties. Members, the family of a Member(s) residing in a Private Dwelling Unit, tenant(s) residing in a Private Dwelling Unit whose name(s) has been given in writing to the secretary of the Corporation, and other persons permitted under rules and regulations duly adopted by the Board, shall be entitled to the use and enjoyment of the Community Properties.

Section 3. Rights Contingent; Suspension. A Member's right to vote and use the Community Properties is subject to the payment by each Member of Assessments. Such right is also subject to suspension in accordance with the provisions of Section 3 of Article IV of the Declaration.

ARTICLE V

Meetings of the Members

Section 1. Regular Meetings. The Board shall during each calendar year hold two meetings of the Corporation. The annual meeting of the Corporation shall be held between January 1 and April 30 of each year ("Annual Meeting"), and the other regular meeting of the Corporation shall be held in October of each year ("October Meeting"). Notice of such meetings shall be furnished pursuant to Section 6 of this Article V and Section 1 of Article XII of these Bylaws.

Section 2. October Meeting. The October Meeting shall be held for the purposes of (i) submission to the Members for comment of a working budget for the Corporation's next fiscal year; (ii) presentation to the Members of a "State-of-the-Community" report; and (iii) presentation of other items as the Board deems appropriate.

Section 3. Annual Meeting. The Annual Meeting shall be held for the purposes of (i) introduction of new Directors; (ii) announcement of new officers; (iii) committee reports; (iv) presentation of budget for the current fiscal year; (v) presentation of auditor's report; and (vi) presentation of other items as the Board deems appropriate.

Section 4. Special Meetings. Special meetings of Members may be called at any time by (i) a majority vote of a quorum of the Board; (ii) the President; or (iii) a petition representing sixty (60) Private Dwelling Units presented to the President stating the items to be discussed. Discussion at any special meeting shall be limited to agenda items, which shall be published in the notice for the special meeting furnished pursuant to Section 6 of this Article V and Section 1 of Article II of these Bylaws.

Section 5. Quorum. Members in person or by proxy representing ten percent (10%) of all Private Dwelling Units shall constitute a quorum necessary to conduct business of the Corporation at any regular or special meeting of Members. If a quorum is not present at any such meeting, the meeting shall nevertheless constitute fulfillment by the Board of its obligation to hold the same, and items may be discussed and reports given at such meeting, but no official votes may be taken. If the required quorum is not achieved at any meeting, another meeting may be called, and at any such subsequent meeting those Members present at the meeting, in person or by proxy, shall constitute the required quorum, provided that no such subsequent meeting shall be held more than sixty (60) days following the initial meeting.

Section 6. Notice of Meetings.

(a) The Secretary shall provide Members with notice of each Annual, October or special meeting. Such notice shall be in writing and shall be either delivered or mailed to each Member at least ten (10) days, but not more

than ninety (90) days prior to the meeting, at the address shown on the Corporation's roster of Members as of the date of the notice. If mailed, the notice shall be deemed given when deposited in the United States mail, postage prepaid and addressed to the Member at the address on the Corporation's roster as of the date of the notice. Said notice may also be made by "electronic transmission" as defined by the Act, if the requirements of Section 11B-113.1 of the Act are met. The notice shall specify the day or date, time, place and purpose of the meeting.

(b) The notice shall also state that if the number of Members present at a meeting does not constitute a quorum, the meeting may be adjourned and another meeting of the Members may be called for the same purpose, if:

(i) a majority of the Members, present at the meeting in person or by proxy vote to approve the additional meeting; and,

(ii) at least ten (10) but not more than fifty (50) days notice of the time, place and purpose of the additional meeting is delivered or mailed to all Members. The notice shall also set forth that at the additional meeting the Members present at the meeting, in person or by proxy, shall constitute a quorum and that a majority of those Members may take any action which could have been taken at the original meeting.

ARTICLE VI

Board of Directors

Section 1. Duties; Terms of Office. The business and affairs of the Corporation shall be managed by a Board of nine (9) Directors, each of whom shall be a resident Member of the Corporation. Each Director shall be elected to serve a three (3) year term that commences January 1 of the year following his or her election.

Section 2. Annual Elections and Filling Vacancies. Members shall once each year, in accordance with Article XI of these Bylaws, elect three (3) Directors. Vacancies on the Board caused other than by removal of a director shall be filled temporarily by a majority vote of the remaining Directors. Any Director filling a vacancy shall hold office until the next regular election of Directors. When practical, notification of vacancies shall be distributed to Members by the Board and Members shall be encouraged to place their names in nomination for the vacancies to be filled.

Section 3. Removal of Directors. At a duly called regular meeting of the Corporation or a special meeting called for that purpose, any one or more of the Directors may be removed with or without cause by a majority of Members voting in person or by directed proxy so long as the Members voting to remove a Director represent at least sixty-six percent (66%) of the total votes of the Corporation. Any Director whose removal has been proposed by the Members shall be given fifteen (15) days notice of the meeting and the purpose thereof and shall be given an opportunity to be heard at the meeting. Any vacancies created by removing one or more Directors may be filled at the same meeting. Successors shall be elected by a plurality vote of those present at the meeting in person and those who have filed a directed proxy, and shall be elected to fill the entire remainder of the original term of the removed Director. Any Director who is removed as a Director pursuant to this Section and also holds an officer position shall also be thereby removed from such office. A Director may resign at any time.

A Director shall be automatically deemed to have resigned if not in attendance at three (3) consecutive regular meetings of the Board unless excused by the Board.

A Director who becomes more than sixty (60) days delinquent in the payment of assessments or other charges shall be automatically deemed to have resigned on the sixty-first (61st) day, or such other time period as provided by a majority vote of the remaining members of the Board who are not related to the offending Director, but not less than the sixty-first (61st) day.

A Director who fails to cure an architectural violation within sixty (60) days of written notice thereof from the Architectural Control Committee (“ACC”) or the Board shall be deemed to have automatically resigned on the sixty-first (61st) day after said notice, or such other time period as provided by a majority vote of the remaining members of the Board who are not related to the offending Director, but not less than the sixty-first (61st) day.

Section 4. Board’s Authority. The Board shall have the authority and power to:

- (a) take the actions it deems necessary to fulfill its responsibilities provided such actions are not contrary to the Articles, the Declaration, these Bylaws, or duly adopted Member resolutions;
- (b) appoint and remove at its pleasure all officers, agents and employees (if any) of the Corporation, prescribe their duties, fix their compensation (if any), and require of them such security or fidelity bond as the Board deems appropriate;
- (c) establish, levy and assess and collect Assessments, charges and fines;
- (d) adopt, publish and enforce rules and regulations governing the use of Community Properties and the personal conduct of Members and their guests thereon, and to establish penalties, including but not limited to fines, for any violation thereof; and
- (e) exercise for the Corporation all powers, duties and authority vested in or delegated to the Corporation, except those reserved to Members.

Section 5. Board Duties. It shall be the duty of the Board to:

- (a) hold meetings of the Members in accordance with Article VI of these Bylaws;
- (b) act promptly in accordance with all duly adopted Member resolutions;
- (c) cause a complete record of all its acts and corporate affairs to be maintained;
- (d) supervise all officers, agents and employees of the Corporation;
- (e) fix the amount of Assessments at the time and in the manner prescribed by Article V of the Declaration;
- (f) procure and maintain adequate insurance for the benefit of the Corporation, the Board and the Community Properties from insurance providers licensed to do business in the State of Maryland and otherwise acceptable to the Corporation, including, without limitation, (i) liability insurance covering the Corporation, the Directors, and officers, agents and employees (if any) of the Corporation; and (ii) hazard insurance on the Community Properties and such other of the

Corporation's real and personal properties as deemed appropriate by the Board;

(g) provide for the maintenance of all Community Properties;

(h) appoint the membership of all standing committees of the Corporation and other committees established by the Board pursuant to Section 1 of Article VIII of these Bylaws, and supervise the activities of said committees; and

(i) prepare and maintain a current list of the Lots and a schedule of assessments or charges applicable thereto (if any).

Section 6. Regular Meetings.

(a) Regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the Directors, but such meetings shall be held at least once every two (2) months during each fiscal year. Notice of regular meetings of the Board shall be given to each Director by mail or telephone at least ten (10) days prior to the day named for such meeting. Said notice may also be made by "electronic transmission" as defined by the Act, if the requirements of Section 11B-113.1 of the Act are met. The date of the next regular meeting may be set at a meeting and such action shall constitute notice of the next meeting to all Directors present at the prior meeting. Each regular meeting shall provide a designated period of time to allow Members an opportunity to comment on any matter relating to the Corporation. During a meeting at which the agenda is limited to specific topics, the Members' comments may be limited to the topics listed on the meeting agenda.

(b) Regular meetings of the Board, except those held pursuant to Section 11B-111 (4) of the Act, shall be open to all Members. All Members of the Corporation shall be given at least ten (10) days notice of all regularly scheduled open meetings of the Corporation.

(c) Closed Meetings.

(i) A meeting of the Board may be held in closed session for the purposes set forth in the Section 11B-111 of the Act, as amended from time to time. Such purposes include the following:

- a. Discussion of matters pertaining to employees and personnel; or
- b. Protection of the privacy or reputation of individuals in matters not related to Corporation business; or
- c. Consultation with legal counsel; or
- d. Consultation with staff personnel, consultants, attorneys or other persons in connection with pending or potential litigation; or
- e. Investigative proceedings concerning possible or actual criminal misconduct; or
- f. Consideration of the terms or conditions of a business transaction in the negotiation stage if the disclosure could adversely affect the economic interests of the Corporation; or
- g. Compliance with a specific constitutional, statutory or judicially imposed

requirement protecting particular proceeding or matters from public disclosure; or

(ii) If a meeting is held in closed session, an action may not be taken and a matter may not be discussed if it is not permitted by this Section. A statement of the time, place, and purpose of the closed meeting, the record of the vote of each Board member by which the meeting was closed, and the recitation of the authority to close the meeting shall be included in the minutes of the next meeting of the Board.

(d) The notice requirements contained in this Section 6 may be met by the publication to all Members of a schedule setting forth in advance the day or date, time and location of regular Board meetings.

Section 7. Special Meetings. Special meetings of the Board may be called by the President on three (3) business days notice to each Director by mail, in person or by telephone. The notice shall include the day or date, time, place and purpose of the meeting. Upon written request of at least two (2) Directors, special meetings of the Board shall be called by the President or Secretary in like manner and on like notice. Notice to Members of special meetings of the Board shall be given prior to the meeting in a manner determined by the Board. Each Special meeting shall provide a designated period of time to allow Members an opportunity to comment on the topics listed on the meeting agenda. No business shall be transacted at a special meeting of the Board except that stated in the notice.

Section 8. Quorum. A majority of the Board shall constitute a quorum thereof and the act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board.

Section 9. Adjournment. A meeting of the Board may be adjourned to a specified date by resolution of the Board for the purpose of completing actions on agenda items. When a meeting is so adjourned, the Secretary shall ensure that all Directors have prompt notification of the new meeting time and planned agenda. All Members of the Corporation shall be given reasonable notice of all adjourned open meetings of the Board as determined by the Board.

Article VII Officers, Powers and Duties

Section 1. Officers. The officers of the Corporation shall be a president ("President"), a vice president ("Vice-President"), a secretary ("Secretary") and a treasurer ("Treasurer"). An officer of the Corporation shall at all times during his or her term be a resident Member of the Corporation, and all officers shall also be a Director, except for the Treasurer who may or may not be a Director as determined by the Board.

Section 2. Selection of Officers. The officers of the Corporation shall be elected by majority vote of the Board.

Section 3. Duties of President. Subject to the control of the Board, the President shall be the Chief Executive Officer of the Corporation. The President shall (i) preside at all meetings of the Board; (ii) implement and execute (and/or cause to be implemented and executed) all orders and resolutions of the Board; (iii) serve as an ex-officio member of all standing committees of the Board; and (iv) have all other powers and perform all other duties prescribed by the Board or elsewhere in these Bylaws or in the Declaration.

Section 4. Duties of Vice-President. In the event that the President is unavailable or otherwise unable to perform the duties of the office, the Vice-President shall have the powers and perform the duties of the

office of the President until such time as the President is available and able to resume the duties of the office or until the Board elects a successor to the office of President.

Section 5. Duties of Secretary. The Secretary shall (i) record the votes and keep the minutes of all proceedings of the Board in a book maintained for such purposes; (ii) keep the official records of the Corporation; (iii) record in an appropriate book or other medium, the names and addresses of all Members; (iv) serve as secretary at all meetings of the Members; and (v) file and/or update any and all disclosures or documents with the Clerk of the Court of Montgomery County, Maryland that are required in order to comply with Section 11B-112(c) of the Act. The Secretary may, with the consent of the Board, delegate any of the Secretary's responsibilities to any other Member of the Corporation.

Section 6. Duties of Treasurer. The Treasurer shall (i) keep proper books of account and cause to be made at the completion of each of the Corporation's fiscal years an annual audit of the Corporation's books by a certified public accountant approved by the Finance Committee of the Corporation; (ii) prepare an annual budget and balance sheet and statement of cash flows for presentment at the Annual Meeting (as defined in Section 3 of Article V above); (iii) receive and deposit in bank account(s) maintained by the Corporation all monies of the Corporation; (iv) disburse monies of the Corporation as directed by resolution of the Board, provided however, that a resolution of the Board shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board; and (v) prior to settlement and transfer of title to a Private Dwelling Unit, provide to the new Member a copy of these Bylaws, the Declaration and all published rules and regulations of the Corporation and the resale certificate.

Section 7. Removal or Resignation from Office. Any officer of the Corporation may be removed, either with or without cause, by a majority of the directors of the Board (each a "Director"; collectively, the "Directors"), at any regular or special meeting of the Board. Any officer of the Corporation may resign at any time by giving written notice to the Board, the President and the Secretary. Any such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and, unless otherwise specified in such written notice, the acceptance of such resignation shall not be necessary or requisite to make it effective.

Section 8. Limitations for Office Holders. Each officer of the Corporation shall serve a term of one (1) year. No person may hold any more than one office in the Corporation at the same time. This provision does not prohibit the Vice President from exercising the powers and performing the duties of the President under the circumstances set forth in Section 4 of this Article V.

Section 9. Additional Duties. In addition to those specific duties listed above in this Article, each officer of the Corporation shall perform such other duties as the Board determines to be appropriate.

ARTICLE VIII

Committees

Section 1. Standing Committees; Ad Hoc Committees. The standing committees of the Corporation shall be: (i) Nominating and Balloting Committee ("NB Committee"); (ii) Finance Committee; (iii) Grounds and Maintenance Committee; (iv) Architectural Control Committee ("ACC"); (v) Pool Committee; and (vi) Social Committee. The Board shall in its discretion have the authority to establish from time to time ad-hoc and additional standing committees for the benefit of the Corporation and Members, and to assist it in the administration of its duties and responsibilities under these Bylaws and the Declaration.

Section 2. Matters Affecting All Committees. The composition of the ACC, the procedures for architectural review and other matters relating to the ACC are set forth in Articles VI and VII of the Declaration. Each other standing and ad-hoc committee shall consist of a chairperson and such other Members (in good standing) as the chairperson deems necessary to conduct the business of the committee. For purposes of these Bylaws, a Member is in "good standing" if such Member is current on all obligations to pay Assessments, and if such Member's right to vote or use the Community Properties has not been suspended pursuant to Section 4 of Article VIII of the Declaration. If a Committee cannot be composed as above provided, the Board shall select as many Directors as is necessary to fill the Committee.

ARTICLE IX
Parliamentary Authority

The parliamentary procedure for the conduct of all meetings of the Corporation and the Board of Directors shall be governed by the version of Roberts' Rules of Order designated by the Board of Directors in its sole discretion to be the "official" Corporation version insofar as it is consistent with these Bylaws and the Declaration. In the event of a conflict, these Bylaws and the Declaration shall prevail.

ARTICLE X
Amendments

These Bylaws may be altered, amended or repealed by a majority vote of all Members at the Annual Meeting or any Special Meeting called for that purpose after written notice to all Members of any such proposed action delivered not less than forty-five (45) days prior to the date the of the meeting to vote on such action.

ARTICLE XI
Voting

Section 1. Nominations of Directors.

(a) Nominations for Director may be made by Members only, and only Members in good standing may be nominated. It shall be the duty of the NB Committee to insure that there are at least as many nominations for Director as there are vacancies to be filled. Any Member nominated must agree to serve if elected.

(b) The NB Committee shall place in nomination and on the ballot as many nominations for Director made in accordance with these Bylaws as it shall receive from Members. In addition, the NB Committee shall make as many other nominations from consenting Members as it shall in its discretion determine. All nominations not initiated by the NB Committee shall be in writing and shall contain the signature of the nominee (such writing to expressly include nominations communicated by e-mail or other electronic transmission with a confirmed acceptance transmission from the nominee).

(c) The NB Committee may from time to time prescribe rules and requirements for the placing of names in nomination, and the withdrawal of nominees, provided, however, that the notice requirements set forth in Section 1 of Article XII of these Bylaws shall always be observed.

Section 2. Election of Directors.

(a) Each year, the Board shall fix an election date, which shall be the day on which the results

are published. The date may be fixed for any time during November or December.

(b) No less than thirty (30) days prior to the election date, the NB Committee shall publish and distribute to Members a ballot (i) setting forth the names of all those persons who have been nominated as candidates for Director in accordance with these Bylaws; (ii) providing clearly defined space to permit the names of candidates, not otherwise in nomination, to be written on the ballot for each of the vacancies to be filled by the election; and (iii) reciting such other procedures as may be duly established.

(c) The polls shall be open for a period of at least thirty (30) days. The method of casting the ballot during the polling period shall be set forth in the duly adopted procedures of the NB Committee, and a summary of the ballot casting method shall be explained in clear and concise language accompanying the ballot.

(d) On the election date, the NB Committee and the Board shall gather together all ballots, count them, tally the results, and make the names of the winning candidates available to each candidate. Each nominated candidate shall be entitled to be present, in person or by his proxy at the time the ballots are counted, but in no event shall more than one (1) individual representing each nominated candidate be permitted to attend the ballot counting.

(e) The NB Committee under its authority in these Bylaws shall prescribe procedures for the counting of ballots, and for the manner in which votes are to be cast.

(f) All elections for Director shall be by secret ballot, and the NB Committee shall adopt such procedures as are necessary to insure the secrecy of the ballot.

(g) Those candidates receiving the highest number of votes shall be elected to the Board. In the event of tie votes, the election shall be resolved by procedures established by the NB Committee and approved by the Board. Cumulative voting is not permitted.

Section 3. Referendum by Written Ballot.

(a) The Board may refer any matter or issue to Members for their decision or determination by written secret ballot. Referendum ballots shall be delivered to Members by the NB Committee within sixty (60) days of any of the following actions: (i) a resolution of a majority of the Board calling for a referendum, adopted in accordance with the requirements of these Bylaws at a meeting convened in accordance with the requirements of these Bylaws; (ii) delivery to the Board of a written petition calling for a referendum and signed by Members representing not less than sixty (60) Private Dwelling Units; or (iii) the resolution of a majority of Members represented and present at a regular or special meeting of Members convened in accordance with the requirements of these Bylaws.

(b) The Board will cause to be prepared the referendum document. The Board or NB Committee shall publish and distribute a written ballot which shall plainly state the issue, and clearly distinguish between an affirmative or negative vote. Also distributed with the ballot will be a concise, and impartial explanation of the reason for the referendum, its consequences, and the effect thereof on the operations of the Corporation. The Board and the NB Committee shall not discourage public discussion.

(c) A majority of the ballots cast shall decide any referendum issue unless the Articles, the

Declaration or these Bylaws expressly provide otherwise.

(d) The distribution and return of referendum ballots and the voting on and counting of such ballots shall be conducted in accordance with the provisions of these Bylaws respecting the election of Directors and any conforming procedures adopted by the NB Committee in connection therewith.

Section 4. Ballots.

(a) Written ballots for the election of Directors and for referenda shall be delivered to Members at their Private Dwelling Units in accordance with the procedures established under these Bylaws, unless a Member instructs the NB Committee in a signed written notice to deliver the ballots elsewhere.

(b) The obligation of the NB Committee in honoring an instruction for delivery of a ballot to a location other than a Private Dwelling Unit (an "Absentee Ballot") shall be satisfied by the placing of the ballot in the U.S. Mail, addressed to the Member at the address supplied in the written request. Any ballot which has been cast, but which has not been received by the NB Committee on or before the stated election date, shall not be counted.

Section 5. Proxy Votes.

(a) All proxies shall be in writing and filed with the Secretary at least twenty-four (24) hours before they are to be first exercised, or delivered to the Secretary immediately prior to the commencement of the meeting at which the proxy is to be exercised. Members may vote by proxy, but the proxy is effective only for a maximum period of eleven (11) months following its issuance unless granted to a lessee or mortgagee. The proxy shall take the form designated by the Board. Any proxy may be revoked at any time at the pleasure of the Member(s) executing the proxy and will automatically cease and terminate upon the termination of any leasehold, if granted to a tenant, or upon the sale or transfer of the Private Dwelling Unit owned by the Member who has given a proxy.

(b) A proxy who is not appointed to vote as directed by any Member may only be appointed for the purposes of meeting quorum requirements and to vote for matters of business before the Corporation other than an election of members of the Board, any referenda or an amendment to the Declaration or these Bylaws. Only a Member voting in person or via electronic transmission or a proxy voting for candidates designated by an Member, may vote to elect members of the Board. Only a Member voting in person or via electronic transmission or a proxy indicating the Member's vote for or against amendments to the Declaration or these Bylaws or for or against referenda shall be counted in such votes.

ARTICLE XII
General Provisions

Section 1. Notice. All notices or other communications required or permitted pursuant to these Bylaws shall be furnished by the Board in a reasonable manner that complies with the Act. Without limiting the foregoing:

(a) the agenda for any Special Meeting of Members convened pursuant to Section 4 of Article V of these Bylaws shall be set forth in the notice for such meeting;

(b) notice of any meeting called because of a failure to achieve a quorum at any special meeting of Members convened pursuant to Section 4 of Article VI of these Bylaws shall be noticed in the same manner as the Special Meeting at which a quorum was not achieved;

(c) the agenda for any Special Meeting of Directors convened pursuant to Section 7 of Article VI of these Bylaws shall be set forth in the notice for such meeting;

(d) the NB Committee shall with regard to the election of Directors: (i) cause a notice of the election of Directors to be published and distributed to Members no less than forty-five (45) days prior to the date fixed for the election; (ii) include in such notice a description of the term of office and the duties of a Director; and (iii) describe plainly in such notice the manner in which names may be placed in nomination for election as a Director, and set forth the time by which nominations must be received, and to whom they must be delivered in order for the nominations to be accepted; and

(e) to the extent not prohibited by law, all notices or other communications required or permitted pursuant to these Bylaws, may be provided electronically via email, a website sponsored by the Board or other electronic means reasonably calculated to provide notice to the Members of the Corporation.

Section 2. Signature Authority. Unless otherwise expressly delegated by the Board to another officer or agent of the Corporation, the President shall execute all contracts, agreements, deeds, bonds, mortgages, and other obligations and instruments, in the name of the Corporation and the Secretary or other designee of the Board shall attest thereto.

Section 3. Fiscal Year. The fiscal year of the Corporation shall begin on January 1 and end on December 31 of every year.

Section 4. Inspection of Corporate Records. The books and records of the Corporation shall be made available for examination and copying by any Member or such Member's mortgagee, and their respective duly authorized agents or attorneys, during normal business hours, and after reasonable notice, subject to Section 11B-112 of the Act.

Section 5. Corporate Seal. The Corporation may have a seal in circular form having inscribed within its circumference the full name of the Corporation, the year of its organization and the words "Corporate Seal, Maryland."

Section 6. Director and Officer, Committee Members and Volunteer Liability.

(a) Every Member who acts as a Director or officer of the Corporation, as well as all members of committees of the Board and volunteers working on behalf of the Board shall be indemnified by the Corporation for any judgment or award obtained against him or her, as well as expenses actually and necessarily incurred by him or her, including reasonable legal fees to the extent counsel is not provided by the Corporation or by all applicable insurance coverages, in connection with the defense of any claim, action, suit or proceeding in which he or she is made a party by reason of his or her being or having been a Director or officer of the Corporation, a committee member or a volunteer, to the fullest extent permitted by applicable law. The Corporation shall owe

no duty to indemnify or advance any legal expenses in the event expressly prohibited by law, if payment is actually made under a valid and collectible insurance policy or other agreement; or in any proceeding initiated by said individual.

In the event any such claim, action, suit or proceeding is instituted, the Corporation shall have the right to enter into such settlement or compromise in regard thereto as may be deemed advisable by the Board. The right of indemnification provided in this Section 6 shall be in addition to any rights to which any Director or officer may otherwise be entitled by contract or as a matter of law. Further, nothing herein contained shall be deemed to restrict the right of the Corporation to indemnify the Directors, officers or any agents or employees of the Corporation in such cases as it deems appropriate even though not specifically provided in this Article. In the event insurance coverage maintained by the Corporation pursuant to these Bylaws provides a greater degree of protection to or of the Directors, officers, agents and any employees of the Corporation (e.g., covering acts of gross negligence and willful misconduct), nothing in this Section 6 is intended to or shall be construed as prohibiting such additional protection and indemnification, or relieving any insurance provider of the duty to provide to the fullest extent coverage in accordance with any policy issued to or for the benefit of the Corporation, and any such Director officer, agent and employee.

(b) The Corporation shall not be liable for the failure of any services to be obtained by the Corporation or paid for as a Common Expense, or for injury or damage to persons or property caused by the elements, or Acts of God, or by any Member, or any other person, or resulting from electricity, water, snow or ice which may leak or flow from or over any portion of the Common Areas or from any pipe, drain, conduit, appliance or equipment. The Corporation shall not be liable to any Member for loss or damage by theft or otherwise of articles which may be stored upon any of the Common Areas. No diminution or abatement of any assessments, as herein elsewhere provided, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Common Areas or from any action taken by the Corporation to comply with any law, ordinance or with the order or directive of any municipal or other governmental authority.

Section 7. Payments Credited. Payments received from an Member will be credited to the Member's outstanding balance to the Corporation in the following order:

- (a) Court costs, attorney's fees and other costs of collection;
- (b) Fines, late fees, or accrued interest, as applicable;
- (c) Special assessments; and
- (d) Annual assessments.

Section 8. Resale of Lots.

(a) Notice to Contract Purchaser. A Member shall provide a contract purchaser of the Member's Lot with the following information and disclosures not later than twenty (20) days after entering into the contract:

- (i) copies of the Corporation's Declaration, these Bylaws and the Rules and Regulations;
- (ii) a resale certificate from either the Board or the Treasurer;

- (iii) a statement by the Member as to whether the Member has knowledge:
 - a. that any alteration to the Lot or Dwelling Unit violates any provisions of the Declaration, these Bylaws or the Rules and Regulations; and
 - b. of any violation of the health or building codes with respect to the Lot or Dwelling Unit.
- (iv) such other disclosures as may be required by Maryland law.

(b) Notice to Board of Directors. Upon purchasing a Lot within the Corporation, the Member shall supply the Board of Directors or the Treasurer with a copy of his or her name, address and telephone number, as well as the name and address of the mortgagee holding a first mortgage on the Member's Lot and his or her mortgage account number. A Member's failure to provide the Board of Directors or the Treasurer with this information will render the Member ineligible to vote at any meeting of the Corporation until such time as the Member has complied with this Section.

Section 9. Registration with SDAT. The Corporation shall register with the State Department of Assessments and Taxation (SDAT) by the 15th day of April each year and provide SDAT with the names and mailing addresses of the Corporation's Officers and Directors as well as the names and mailing addresses of the Corporation's managing agent and resident agent, if any.

Section 10. No-Impact Home-Based Businesses.

(a) No-Impact Home-Based Businesses shall be permitted within the Corporation. Unless otherwise provided by the Act, a "No-impact home-based business" means a business that:

- (i) Is consistent with the residential character of the dwelling unit;
- (ii) Is subordinate to the use of the dwelling unit for residential purposes and requires no external modifications that detract from the residential appearance of the dwelling unit;
- (iii) Uses no equipment or process that creates noise, vibration, glare, fumes, odors, or electrical or electronic interference detectable by neighbors or that causes an increase of common expenses that can be solely and directly attributable to a no-impact home-based business; and
- (iv) Does not involve use, storage or disposal of any grouping or classification of materials that the United States Secretary of Transportation or the State or any local governing body designates as a hazardous material.

(b) In accordance with the Act, the approval of a simple majority of the total eligible voters of the Corporation voting in person or by proxy at any annual or special meeting of the Members shall be required to enact a provision prohibiting No-Impact Home-Based Businesses within the Corporation, and said provision shall constitute an amendment to the Bylaws. If enacted, the provision may be eliminated and No-Impact Home-Based Businesses may once again be permitted by the vote of a simple majority of the total eligible Members of the Corporation voting in person or by proxy at any annual or special meeting of the Members.

(c) No business, trade or profession may be engaged in any manner within the Corporation if it is not a No-Impact Home-Based Business as defined by the Act.

Section 11. Conflicts. In the case of any conflict between the provisions (including, without limitation, those relating to amendment) of the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the provisions (including, without limitation, those relating to amendment) the Articles, these Bylaws and the Declaration, the Declaration shall control.

Section 12. Non-Prohibition. Nothing contained in these Bylaws shall be construed to prohibit the employment of any Member, officer or Director of the Corporation in any capacity whatsoever.

CERTIFICATION

The undersigned, duly elected and serving Secretary of Fallsmead Homes Corporation, as the person authorized to count votes of Members, hereby certifies that (i) adoption and recordation of the within First Amended and Restated Bylaws was approved by not less than two-thirds (2/3) of the Members of Fallsmead Homes Corporation; and (ii) the effective date of these First Amended and Restated Bylaws is [_____].

Print Name: _____
Title: Secretary
Date: _____

ATTEST:

Print Name: _____
Title: President