

**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 March 2010, 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 February 2, 2010, 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 thereafter 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".

