

BY-LAWS

THE ROSE HILL FALLS COMMUNITY ASSOCIATION

ARTICLE I

Name and Location

Section 1. Name and Location. The name of this Association is as follows:

THE ROSE HILL FALLS COMMUNITY ASSOCIATION

Its principal office and mailing address is in care of:

WHM LAND CORP.  
12116 Darnestown Road  
Gaithersburg, Maryland 20878

ARTICLE II

Definitions

Unless the context or circumstances otherwise require, all terms used herein shall have the meanings assigned to them in the Declaration of The Rose Hill Falls Community Association dated the 18<sup>th</sup> day of SEPTEMBER, 1991. Unless herein specifically provided to the contrary, or unless it is plainly evident from the context that a different meaning is intended all other terms used herein shall have the same meaning as they are understood to have in documents of similar import to these By-Laws.

ARTICLE III

Membership

Section 1. Membership. The Association shall have two (2) classes of membership which shall be known as "Class A" and Class B:"

(a) There shall be a Class A membership in the Association appurtenant to each residential dwelling unit subject to the Declaration. With the exception of the Declarant, every person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who is a record owner of a fee interest in any lot which is part of the premises described in Article II of the Declaration, or which otherwise becomes subject by the covenants set forth in the Declaration to assessment by the Association, shall be a Class A member of the Association; provided, however, that a person or group of persons, corporation, partnership, trust or other legal entity who holds an interest solely as security for the performance of an obligation shall not be a Class A member solely on account of such interest. Each Class A member shall be entitled to one (1) vote for each dwelling unit in which such member holds the interest required for Class A membership.

(b) There shall be as many Class B memberships as there are Class A memberships in the Association. The Class B member shall be the Declarant, its nominees, including any builder who has acquired Lots for home

building purposes, and shall include every person or legal entity, or any combination thereof, who shall obtain any Class B membership by specific assignment from the Declarant. Each Class B member shall be entitled to three (3) votes for each Class B membership which it holds. The Declarant shall lose three (3) votes for each Lot conveyed to a third-party purchaser (other than a builder to whom a lot has been sold for purposes of construction a residence). At such time as all Lots shall have been conveyed to third-party purchaser, the Class B memberships shall be deemed terminated and of no further validity.

Notwithstanding the foregoing, holders of Class B memberships may, at any time, exchange a Class B membership for a Class A membership and thereby assume its responsibilities and financial obligations.

Section 2. Liquidation Rights. In the event of a voluntary or involuntary dissolution of the Association, a Class A member shall receive out of the assets of the Association available for distribution a pro rata share. This share shall be an amount equal to that proportion of such assets which the number of Class A memberships held by the member bears to the total number of Class A memberships of the Association then issued and outstanding.

## ARTICLE IV

### Meeting of Members

Section 1. Place of Meeting. Meetings of the membership shall be held at the principal office or place of business of the Association or at such other suitable place which is reasonable convenient.

Section 2. Annual Meetings. The first annual meeting of the members of the Association shall be held within six (6) months following the conveyance of the first dwelling. Thereafter, the annual meetings of the members shall be held on the third Tuesday of October of each succeeding year. At such meeting there shall be elected by ballot of the members a Board of Directors in accordance with the requirements of Article V of these By-Laws. The members may also transact such other business as may properly come before them.

Section 3. Special Meetings. The President shall call a special meeting of the members if directed by resolution of the Board of Directors or upon a petition signed by at least twenty-five percent (25%) of each class of the then members having been presented to the Secretary; provided, however, that no special meetings shall be called either (a) except upon resolution of the Board of Directors, prior to the first annual meeting of members as above provided for; or (b) to consider any matter which is substantially the same as a matter voted on at any special meeting of the members held during the preceding twelve (12) months. The Secretary shall inform the members who petition for a special meeting of the reasonable estimated cost of preparing and mailing a notice of the meeting and, upon payment of the estimated cost to the Association, shall notify each member entitled to notice of the meeting. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

Section 4. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof, as well as the time and place where it is to be held, to each member of record, at his address as it appears on the membership books of the Association or, if no such address appears, at his last known place of address, at least ten (10) but not more than ninety (90) days prior to such meeting. Notice by either such method shall be considered as notice served. Attendance by a member at any meeting of the members shall be a waiver of notice by him of the time, place and purpose thereof. Attendance by any member at any annual or special meeting, either in person or by proxy, shall be a waiver of notice by that member of the time, place and purpose of that meeting. Notice of any annual or special meeting of the members of the Association may also be waived by any member either prior to, at or after any such meeting.

Section 5. Roster of Membership. The Board of Directors of the Association shall maintain a current roster of the names and addresses of each member to which written notice of meetings of the members of the

Association shall be delivered or mailed. Each unit owner shall furnish the Board of Directors with his name and current mailing address.

Section 6. Quorum. The presence in person or by proxy of members representing at least thirty percent (30%) of the then members of record, shall constitute a quorum for the transaction of business at all meetings of members. If the number of members at a meeting drops below the quorum and the question of a lack of a quorum is raised, no business may thereafter be transacted.

Section 7. Adjourned Meetings. If any meeting of members cannot be organized because a quorum has not attended, the members who are present in person or by proxy may adjourn and reconvene the meeting in accordance with the requirements of applicable statutory law.

Section 8. Voting. A member shall have the right to cast one (1) vote for each membership which he owns on each question. The vote of the members representing fifty-one percent (51%) of the total votes present at the meeting in person or by proxy shall be necessary to decide any question unless the question is one upon which, by provision of law or of the Articles of Incorporation, or of the Declaration or of these By-Laws, a different vote is required, in which case such express provision shall govern and control. The vote of a membership which is owned by more than one person may be exercised by any of them present at any meeting unless an objection by another owner of the membership is noted. If all of the co-owners of a membership who are present are unable to agree on the votes on a particular question, the vote shall be counted in accordance with the requirements of applicable statutory law. If a membership is owned by a corporation, the vote shall be cast by a person designated in a certificate signed by the President or Association, prior to or during the meeting and the certificate shall remain valid until revoked or superseded in writing. The vote for a membership owned by a trust or partnership may be exercised by any trustee or partner unless an objection by any other trustee or partner is noted. The Chairman of such meeting shall have no duty to inquire as to the authority of the person casting such votes.

No Class A member who has been found by the Board of Directors or Architectural Review Committee to be in default of any performance required by the Declaration shall be eligible to vote, either in person or by proxy, or to be elected to the Board of Directors, nor shall any Class A member who is shown on the books or management accounts of the Association to be delinquent in any payment due the Association seven (7) days preceding the meeting.

Whenever in these By-Laws any action is required to be taken by a specified percentage of "each class of the then members" of the Association, then such action shall be required to be taken separately by the specified percentage of the votes of the then outstanding Class A members of the Association and the specified percentage of the votes of the then outstanding Class B members of the Association. Whenever in these By-Laws any action is required to be taken by a specified percentage of "both classes of the then members" of the Association or by a specified percentage of the "then members" of the Association, then such action shall be required to be taken by the specified percentage of the votes of the then outstanding cumulative membership of the Association.

Section 9. Action Without Meeting. An action required or permitted to be taken at an annual or special meeting of the members may be taken without a meeting if all of the members individually or collectively consent in writing to such action and the consent or consents are filed with the minutes of the meeting.

Section 10. Proxies. A member may appoint another member or the Declarant or the Management Agent as his proxy. A proxy must be in writing and must be filed with the Secretary in form approved by the Board of Directors before the appointed time of each meeting. Unless limited by its terms, a proxy continues until revoked by a written notice of revocation filed with the Secretary or by the death of the member; provided, however, that no proxy shall be effective for a period in excess of one hundred eighty (180) days unless granted to a mortgagee or lessee of the lot to which the votes are appurtenant.

Section 11. Rights of Mortgagees. An institutional mortgagee of any lot who desires notice of the annual and special meetings shall notify the Secretary to that effect by Registered Mail - Return Receipt Requested. A notice shall contain the name and post office address of the institutional mortgagee and the name of the person to whom notice of the annual and special meetings of the members should be addressed. The Secretary of the Association shall maintain a roster of all institutional mortgagees requesting notice and it shall be the duty of the Secretary to mail a notice of each annual or special meeting of the members to the mortgagee in the same manner provided to the members. An institutional mortgagee may designate a representative to attend an annual or special meeting and the representative may participate in the discussion at the meeting and may, upon his request made to the chairman in advance of the meeting, address the members present. The representative shall have no voting rights but shall be entitled to copies of the minutes of all meetings upon request made in writing to the Secretary.

Section 12. Order of Business. The order of business at all regularly scheduled meetings of the members shall be as follows:

- (a) Roll call and certificate of proxies.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading and disposal of minutes of preceding meeting, if any.
- (d) Reports of officers, if any.
- (e) Reports of committees, if any.
- (f) Unfinished business.
- (g) New business.
- (h) Election or appointment of inspectors of election.
- (i) Election of directors.
- (j) Adjournment.

In the case of special meetings, items (a) through (d) shall be applicable and thereafter the agenda shall consist of the items specified in the notice of the meeting.

Section 13. Rules of Order and Procedure. The rules of order and all other matters of procedure at all annual and special meetings of the members shall be determined by the Chairman of such meeting.

Section 14. Inspections of Election. The Board of Directors may appoint an uneven number of one or more inspectors of election in advance of the meeting to act at a meeting. If inspectors are not appointed, the Chairman of any annual or special meeting of members shall appoint such inspectors of election. No officer or Director of the Association, and no candidate for Director of the Association, shall act as an inspector of election at any meeting of the members if one of the purposes of such meeting is to elect Directors.

## ARTICLE V

### Directors

Section 1. Number and Qualifications. The affairs of the Association, shall be governed by the Board of Directors composed of five (5) natural persons, a majority of whom (after the lapse of all of the Class B memberships as provided in Article III of these By-Laws) shall be members of the Association and three (3) of whom shall be designated by the Declarant for so long as the Declarant is a Class B member.

Dating from the annual meeting which next follows the date on which one-third of the Class A memberships are held by persons other than the Declarant, at least one (1) of the Directors shall be selected from and by the Class A members.

Prior to the lapse of all of the Class B memberships as provided in Article III of these By-Laws, the number of Directors shall be determined by a vote of the initial Directors hereinafter named. Thereafter, the number of Directors shall be determined by a vote of the members at the annual meeting of members and the number of Directors may be changes by the members at any subsequent annual or special meeting of the members; provided, however, that (a) the limitations of this Section shall continue to apply; and (b) no such change shall operate to curtail or extend the term of any incumbent Director.

Section 2. Initial Directors. The initial Directors shall be selected by the Declarant and need not be members of the Association.

Section 3. Powers and Duties. The Board of Directors shall have all the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or by the Declaration or these By-Laws directed to be exercised and done by the members. The powers and duties of the Board of Directors shall include, but shall not be limited to, the following:

To provide for the

(a) care, upkeep and surveillance of the common areas and community facilities and services in a manner consistent with law and the provisions of these By-Laws and the Declaration; and

(b) establishment, collection, use and expenditure of assessments and carrying charges from the members and for the assessment, filing and enforcement of liens therefor in a manner consistent with law and the provisions of these By-Laws and the Declaration; and

(c) designation, hiring and dismissal of the personnel necessary for the good working order and proper care of the common areas and community facilities and to provide services for the project in a manner consistent with law and the provisions of these By-Laws and the Declaration; and

(d) promulgation and enforcement of such rules and regulations and such restrictions on or requirements as may be deemed proper respecting the use, occupancy and maintenance of the common areas and community facilities as are designated to prevent unreasonable interference with the use of the common areas and community facilities by the members and others, all of which shall be consistent with law and the provisions of these By-Laws and the Declaration; and

(e) to enter into agreements whereby the Association acquires leaseholds, memberships and other possessory or use interests in real or personal property for the purpose of promoting the enjoyment, recreation or welfare of the members and to declare expenses incurred in connection therewith to be common expenses of the Association; and

(f) to purchase insurance upon the common areas and community facilities in the manner provided for in these By-Laws; and

(g) to repair, restore or reconstruct all or any part of the common areas and community facilities after any casualty loss in a manner consistent with law and the provisions of these By-Laws and to otherwise improve the common areas and neighborhood facilities, as defined in the Declaration; and

(h) to lease, grant licenses, easements, rights-of-way and other rights of use in all or any part of the common areas and community facilities; and

(i) to purchase lots and to lease, mortgage or convey the same, subject to the provisions of these By-Laws and the Declaration; and

(j) to appoint the members of the Architectural and Environmental Review Committee provided for in the Declaration and to appoint the members of such other committees as the Board of Directors may from time to time designate.

Section 4. Management Agent. The Board of Directors may employ a management agent or manager (the "Management Agent") at a rate of compensation established by the Board of Directors to perform such duties and services as the Board of Directors authorizes in a Management Agreement, including without limitation:

(a) to establish (with the approval of the Board of Directors of the Association) and provide for the collection of the annual maintenance assessments and any other assessments provided for in the Declaration and to provide for the enforcement of liens therefor in a manner consistent with law and the provisions of the Declaration; and

(b) to provide for the care, upkeep, maintenance and surveillance of the common areas and community facilities; and

(c) to designate, hire and dismiss such personnel as may be required for the good working order, maintenance and efficient operation of the common areas and community facilities; and

(d) to promulgate (with the approval of the Board of Directors of the Association) and enforce such rules and regulations and such restrictions or requirements, "house rules" or the like as may be deemed proper respecting the use of the common areas and community facilities; and

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

Any management agreement entered into by the Association shall provide, inter alia, that such agreement may be terminated, with cause and without the payment of any termination fee, by either party upon thirty (30) days written notice thereof to the other party and without cause upon sixty (60) days' notice. The term of any such management agreement shall not exceed one (1) year.

Section 5. Election and Term of Office. The term of the Directors named herein shall expire when their successors have been elected at the first annual meeting of members and are duly qualified. The election of Directors shall be by secret written ballot, unless present at any meeting, in person or by proxy. There shall be no cumulative voting. At the first annual meeting of the members, the term of office of the Director receiving the greatest number of votes shall be fixed for three (3) years. The term of office of the Director receiving the second greatest number of votes shall be fixed for two (2) years and the term of office of the other Director or Directors shall be fixed for one (1) year. In the alternative, the membership may, by resolution duly made and adopted at the first annual meeting of members, or at any subsequent annual meeting, resolve to fix the term for each Director elected. Directors shall hold office until their successors have been elected and hold their first regular meeting.

Section 6. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the membership or any increase in the number of Directors shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected by the members at the next annual meeting to serve out the unexpired portion of the term. Vacancies in the Board of Directors caused by an increase in the number of Directors shall be filled by a vote of the majority of the entire Board of Directors; and each person so elected shall be a Director until a successor is elected by the members at the next annual meeting of members.

Section 7. Removal of Directors. At an annual meeting of members, or at any special meeting duly called for such purpose (but only after the lapse of all of the Class B memberships as provided in Article III of these By-Laws) any Director may be removed with or without cause by the affirmative vote of the majority of the votes of the members present and voting, in person or by proxy, and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the members shall be given an opportunity to be heard at the meeting. The term of any Director who is a Class A member of the Association and who (a) becomes more than sixty (60) days delinquent in payment of any assessments or carrying charges due the Association, or (b) is consistently absent from meetings of the Directors may be terminated by resolution of the remaining Directors and the remaining Directors shall appoint his successor as provided in this Article.

Section 8. Compensation. No compensation shall be paid to Directors for their services as Directors. No remuneration shall be paid to any Director who is also a member for services performed by him for the Association in any other capacity unless a resolution authorizing such remuneration shall have also been adopted by the Board of Directors before such services are undertaken. Directors may be reimbursed for their actual out-of-pocket expenses necessarily incurred in connection with their services as Directors.

Section 9. Organization Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, provided a majority of the whole Board of Directors shall be present at such first meeting.

Section 10. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as determined by a majority of the Directors, but at least two (2) meeting shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least three (3) days before the meeting.

Section 11. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days' notice to each Director, give personally or by mail, telephone or telegraph, and shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in the like manner and on like notice on the written request of at least one-half (1/2) of the Directors.

Section 12. Waiver of Notice. Before, at or after any meeting, any Director may, in writing, waiver notice of such meeting and such waiver shall be deemed equivalent to the giving of notice. Attendance by a Director at any meeting of the Board of Directors shall be a waiver of notice by him of the time, place and purpose thereof. If all the Directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

Section 13. Quorum. A majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at any meeting at which a quorum is present shall be the acts of the Board of Directors. If less than a quorum is present, the majority of those present may adjourn the meeting from time to time. At an adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 14. Action Without Meeting. An action of the Board of Directors required or permitted to be taken at a meeting may be taken without a meeting if all of the members of the Board individually or collectively consent in writing to such action. The written consent shall be filed with the minutes of the proceedings of the Board of Directors.

Section 15. Rights of Mortgagees. An institutional mortgagee of a Lot who wishes notice of the regular and special meetings of the Board of Directors shall so notify the Secretary by Registered Mail - Return Receipt Requested and shall state the name and post office address of the mortgagee and the name of the person to whom notice be addressed. The Secretary of the Association shall maintain a roster of all mortgagees giving notice and it shall be the duty of the Secretary to mail notice of regular or special meeting of the Board to the listed mortgagees. A mortgagee may designate a representative to attend any regular or special meeting of the Board of Directors. The representatives may participate in the discussion at the meeting and may, upon his request made to the Chairman in advance of the meeting, address the members of the Board of Directors. The representative shall be entitled to copies of the minutes of all meetings of the Board of Directors upon request made in writing to the Secretary.

Section 16. Fidelity Bonds. The Board of Directors shall require that all officers, Directors and employees of the Association regularly handling or otherwise responsible for the funds of the Association shall furnish adequate fidelity bonds or equivalent insurance against acts of dishonesty in accordance with the requirements of Article VII of these By-Laws. The premiums on such bonds or insurance shall be paid by the Association.

## ARTICLE VI

### Officers

Section 1. Designation. The principal officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors. Prior to the lapse of all of the Class B memberships as provided in Article III of these By-Laws, the officers of the Association need not be members of the Association during the period of Declarant control of the Association. Thereafter, except for the President, the officers of the Association need not be members of the Association. The Board of Directors may appoint an assistant secretary and an assistant treasurer and such other officers as in their judgment may be necessary. A person may hold more than one office but may not service concurrently as both the President and Vice President or as the President and the Secretary.

Section 2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board of Directors.

Section 3. Removal of Officers. By the affirmative vote of a majority of the members of the Board of Directors, any officer may be removed either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose.

Section 4. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the members and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of president of a corporation.

Section 5. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President is absent or unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also assist the President generally and shall perform such other duties as shall from time to time be delegated to him by the Board of Directors.

Section 6. Secretary. The Secretary shall keep or cause to be kept the minutes of meetings of the Board of Directors and of meetings of the members of the Association. The Secretary shall give notice of all



annual and special meetings of the members of the association in conformity with the requirements of these By-Laws. The Secretary shall have charge of the membership transfer books and of such other books and papers as the Board of Directors may direct and he shall, in general, perform all of the duties incident to the office of Secretary.

Section 7. Treasurer. The Treasurer shall have responsibility for funds and securities of the Association and shall be responsible for keeping, or causing to be kept, full and accurate accounts of all receipts and disbursements in books belonging to the Association. The Treasurer shall be responsible for causing the deposit of all monies and other valuable effects in the name, and to the credit of the Association in such depositories as may from time to time be designated by the Board of Directors.

## ARTICLE VII

### Insurance

Section 1. Insurance. The Board of Directors of the Association shall obtain and maintain, to the extent reasonable available, at least the following:

(a) casualty or physical damage insurance in an amount equal to the full replacement value (i.e., 100% "replacement cost" exclusive of land, foundation and excavation) of the common areas and community facilities (including all building service equipment and the like) with an "Agreed Amount Endorsement" or its equivalent, a "Demolition Endorsement" or its equivalent, an "Increased Cost of Construction Endorsement" or its equivalent or a "Contingent Liability from Operation of Building Laws Endorsement" or its equivalent, without deduction or allowance for depreciation, as determined annually by the Board of Directors with the assistance of the insurance company affording such coverage, such coverage to afford protection against at least: (i) loss of damage by fire and other hazards covered by the standard extended coverage endorsement; and (ii) such other risks as shall customarily be covered by the standard "all-risk" endorsement and such other risks as shall customarily be covered with respect to projects similar in construction, location and use, including, but not limited to, debris removal, cost of demolition, vandalism, malicious mischief, windstorm, water damage, boiler and machinery explosion or damage, and such other insurance as the Board of Directors may from time to time determine; and

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

(c) workmen's compensation insurance to the extent necessary to comply with any applicable law; and

(d) a "Legal Expense Indemnity Endorsement", or its equivalent, affording protection for the officers and Directors of the Association for expenses and fees incurred by any of them in defending any suit or settling any claim, judgment or cause of action to which any such officer or Director shall have been made a party by reason of his or her services as such; and

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

Section 2. Fidelity Bonds. The Board of Directors shall maintain adequate fidelity coverage to protect against dishonest acts of officers and Directors of the Association, trustees and volunteers for the Association and such employees and agents of the Association who handle or are responsible for the handling of funds of the Association. Such fidelity coverage shall meet at least the following requirements.

(a) fidelity bonds and policies of insurance shall name the Association as obligee or named insured, as the circumstances may require; and

(b) shall be written in an amount equal to at least one hundred fifty percent (150%) of the estimated annual operating budget of the Association, including reserves; and

(c) shall contain waivers of any defense based upon the exclusion of volunteers and other persons who serve without compensation from any definition of "employee" or similar expressions; and

(d) shall provide that they may not be surrendered, canceled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days prior written notice to any and all obligees and insured named thereon and to any mortgagee of any lot who requests such notice in writing.

Section 3. Limitations. Any insurance obtained pursuant to the requirements of this Article shall be subject to the following provisions:

(a) all policies shall be written or reinsured with a company or companies licensed to do business in the State where the project is located and holding a general policyholder's Rating of Class B or better and a current financial rating of Class VI or better in the current edition of Best's Insurance Reports.

(b) exclusive authority to negotiate losses under said policies shall be vested in the Board of Directors of the Association, or its authorized representative.

(c) in no event shall the insurance coverage be brought into contribution with insurance purchased by the owners of the lots or their mortgagees, as herein permitted, and any "no other insurance" or similar clause in any policy obtained by the Association pursuant to the requirements of this Article shall exclude such policies from consideration.

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

(e) all policies shall provide that they may not be surrendered, canceled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days prior written notice to any and all insured named thereon, including any mortgagee of any lot who requests such notice in writing.

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

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

## ARTICLE VIII

### Casualty Damage - Reconstruction or Repair

Section 1. Use of Insurance Proceeds. If damage or destruction is caused to the common areas and community facilities by fire or other casualty, the same shall be promptly repaired, replaced or reconstructed in substantial conformity with the original plans and specifications for the common areas and community facilities with the proceeds of insurance available for that purpose, if any. The Association shall not use the proceeds of casualty insurance received as a result of damage or destruction of the common areas and community facilities for purposes other than the repair, replacement or reconstruction of the common areas and community facilities without the prior written consent and approval of the holders of all first mortgages of record on the lot. Notwithstanding the foregoing, the Board of Directors shall employ a professional insurance adjuster to represent any claim in excess of \$25,000.00.

Section 2. Proceeds Insufficient. If the proceeds of insurance are not sufficient to repair damage or destruction of the common areas and community facilities caused by fire or other casualty, or if the damage is caused by an uninsured casualty, upon resolution of the Board of Directors, the repair, replacement or reconstruction of the damage shall be accomplished promptly by the Association at its common expense.

## ARTICLE IX

### Fiscal Management

Section 1. Fiscal Year. The fiscal year of the Association shall begin on the first day of January every year, except for the first fiscal year of the Association which shall begin at the date of the conveyance of the first Dwelling. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should the practice of the Association subsequently dictate.

Section 2. Principal Office - Change of Same. The principal office of the Association shall be as set forth in Article I of these By-Laws. The Board of Directors, by appropriate resolution, shall have the authority to change the location of the principal office of the Association from time to time.

Section 3. Books and Accounts. Books and accounts of the Association shall be kept under the direction of the Treasurer in accordance with generally accepted accounting practices, consistently applied. The same shall include books with detailed accounts, in chronological order, of receipts and of the expenditures and other transactions of the Association and its administration and shall specify the maintenance and repair expenses of the common areas and community facilities, services required or provided with respect to the same and any other expenses incurred by the Association. The amount of any assessment or portion of any assessment, required for payment of any capital expenditures or reserves of the Association shall be credited upon the books of the Association to the "Paid-in-Surplus" account as a capital contribution by the members. The receipts and expenditures of the Association shall be credited and charged to other accounts under at least the following classifications:

(a) "Current Operations" which shall involve the control of actual expenses of the Association, including reasonable allowances for necessary contingencies and working capital funds in relation to the assessments and expenses herein elsewhere provided for; and

(b) "Reserves" which shall involve the control over funding and charges against any reserve funds which may from time to time be approved by the Board of Directors; and

(c) "Investments" which shall involve the control over investment of reserve funds and such other funds as may be deemed suitable for investment on a temporary basis by the Board of Directors.

Section 4. Auditing. At the close of each fiscal year, the books and records of the Association shall be audited by a public accountant or by an independent Certified Public Accountant whose report shall be prepared in accordance with generally accepted auditing standards, consistently applied. Based upon such report, the Association shall furnish the members and any mortgagee requesting the same with an annual financial statement, including the income and disbursements of the Association, within ninety (90) days following the end of each fiscal year.

Section 5. Inspection of Books. The books and accounts of the Association, vouchers accrediting the entries and all other records maintained by the Association shall be available for examination by the members and their agents or attorneys, and to institutional holders of first mortgages, at a place designated by the Board of Directors, during normal business hours and for purposes reasonable related to their respective interests and after reasonable notice.

Section 6. Execution of Corporation Documents. With the prior authorization of the Board of Directors, all notes and contracts shall be executed on behalf of the Association by either the President or a Vice President, and all checks shall be executed on behalf of the Association by such officers, agents or other persons as are from time to time so authorized by the Board of Directors.

## ARTICLE X

### Amendment

Section 1. Amendments. Subject to the other limitations set forth in these By-Laws, these By-Laws may be amended by the affirmative vote of members representing two-thirds (2/3) of the then members of record at any meeting of the members duly called for such purpose in accordance with the provisions and requirements of these By-Laws, provided, however, that the Declarant may unilaterally accomplish any amendment required by the Veteran's Administration, Federal Housing Administration, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association or similar governmental or quasi-governmental agency, provided such amendment does not adversely effect, in a material way, the property interest of any owner.

Section 2. Proposal of Amendments. Amendments to these By-Laws may be proposed by the Board of Directors of the Association or by a petition signed by at least twenty-five percent (25%) of the total votes of the members, which petition shall be delivered to the Secretary. A description of any proposed amendment shall accompany the notice of any annual or special meeting of the members at which the proposed amendment is to be considered and voted upon.

## ARTICLE XI

### Mortgage - Notice - Other Rights of Mortgagees - FHA/VA

Section 1. Notice to Board of Directors. Any owner of a Lot in the project who mortgages it shall promptly notify the Board of Directors of the name and address of his mortgagee and, if requested, shall file a conformed copy of the mortgage with the Board of Directors, which shall maintain a suitable roster of mortgages of which it receives notice.

Section 2. Consents. Any other provision of these By-Laws or of the Declaration to the contrary notwithstanding, neither the members, the Board of Directors nor the Association shall, by act or omission, take any of the following actions without the prior written consent and approval of the holders of at least two-thirds (2/3) of the first mortgages of record on the lots:

(a) abandon, partition, subdivide, encumber, sell or transfer any of the common areas and community facilities; provided, however, that the granting of rights-of-way, easements and the like for public utilities or for

other purposes consistent with the use of the common areas and community facilities by the members of the Association shall not be considered a transfer within the meaning of this Section; or

(b) abandon or terminate the Declaration; or

(c) materially modify or amend any substantive provision of the Declaration or these By-Laws.

Section 3. Casualty Losses. If substantial damage is suffered to any part of the common areas and community facilities, the Board of Directors shall give prompt written notice of the damage to the holders of all first mortgages of which it has notice. No provision of these By-Laws shall entitle any member of the Association to any priority over the holder of any first mortgage of record on his lot with respect to the distribution to such member of any insurance proceeds.

Section 4. Condemnation or Eminent Domain. If any part of the Common Areas and Community Facilities is made the subject matter of any condemnation or eminent domain proceeding, or is otherwise sought to be acquired by any condemning authority, if such proceeding involves the offer by the governmental authority to pay \$150,000.00 or more, or if the value of the property sought to be taken is valued by the Board of Directors at that amount, or more, then the Board of Directors of the Association shall give prompt written notice of such proceeding or proposed acquisition to the holders of all first mortgages of record on the Lots. An award or payment of a lesser amount shall be received by the Association and applied as a part of the general fund of the Association and no member shall have any interest therein. No provision of this Declaration or the By-Laws of the Association shall entitle any member to any priority over the holder of any first mortgage of record on his Lot with respect to the distribution to such member of the proceeds of any condemnation or settlement relating to taking of any of the Common Areas and Community Facilities.

## ARTICLE XII

### Interpretation - Miscellaneous

Section 1. Conflict. These By-Laws are subordinate and subject to all provisions of the Declaration. All of the terms hereof, except where clearly repugnant to the context, shall have the same meaning as they are defined to have in the Declaration. In the event of any conflict between these By-Laws and the Declaration, the provisions of the Declaration shall control.

Section 2. Notices. Unless another type of notice is herein elsewhere specifically provided for, any and all notices called for in these By-Laws shall be given in writing.

Section 3. Severability. In the event any provision or provisions of these By-Laws shall be determined to be invalid, void or unenforceable, such determination shall not render invalid, void or unenforceable any other provisions hereof which can be given effect.

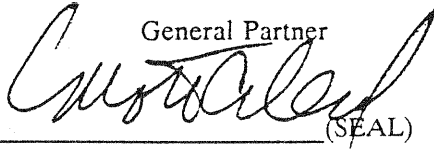
Section 4. Waiver. No restriction, condition, obligation or provisions of these By-Laws shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

Section 5. Captions. The captions contained in these By-Laws are for convenience only and are not a part of these By-Laws and are not intended in any way to limit or enlarge the terms and provisions of these By-Laws or to aid in the construction thereof.

Section 6. Gender, etc. Whenever in these By-Laws the context so requires, the singular number shall include the plural and the converse, and the use of any gender shall be deemed to include all genders.

IT IS HEREBY CERTIFIED that the foregoing By-Laws are the By-Laws of The Rose Hill Falls Community Association, an unincorporated association existing under the laws of the State of Maryland, and have been adopted by the Declarant, FALLS ROAD WHM LIMITED PARTNERSHIP.

By: WHM LAND CORP.

General Partner  
  
By: \_\_\_\_\_ (SEAL)  
Scott C. Reed,  
Executive Vice President