

BYLAWS

OF

RIVER FALLS HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

Name and Location

The name of the corporation is RIVER FALLS HOMEOWNERS ASSOCIATION, INC., hereinafter referred to as the "Association". The principal office of the corporation shall be located at 10400 Stable Lane, Potomac, Montgomery County, Maryland 20854, but meetings of members and Directors may be held at such places within the State of Maryland as may be designated by the Board of Directors.

ARTICLE II

Definitions

Section 1. "Association" shall mean and refer to RIVER FALLS HOMEOWNERS ASSOCIATION, INC., a non-stock Maryland corporation, its successors and assigns.

Section 2. "Common Area" shall mean all real property owned, leased or maintained by the Association (including the improvements thereto) or otherwise available for the common use and enjoyment of the Owners. Notwithstanding the foregoing, in the event the Association maintains all or any portion of any Lot(s), such property shall not be considered Common Area.

Section 3. "Common Expenses" shall mean and refer to the actual and estimated expenses of operating the Association, including a reasonable reserve, all as may be found to be necessary or appropriate by the Board of Directors pursuant to the Declaration, these Bylaws and the Articles of Incorporation of the Association.

Section 4. "Community-Wide Standard" shall mean the standard of conduct, maintenance or other activity generally prevailing in the Project. Such standard may be more specifically determined and set forth by the Covenant Committee (as such term is defined in the Declaration).

Section 5. "Declarant" shall mean and refer to Clarence W. Gosnell, Inc., a Delaware corporation, and its successors and assigns if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development, but only to the extent that any of the rights, reservations, easements, interests, exemptions, privileges or powers of the Declarant are specifically assigned or transferred to such successors or assigns by an instrument in writing.

Section 6. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Property recorded among the Land Records for Montgomery County, Maryland, including amendments and supplements thereto.

Section 7. "Eligible Mortgage Holder" shall mean a holder of a first mortgage on a Lot who has requested notice from the Association of amendments to the Association documents or other significant matters which would affect the interests of the mortgagee.

Section 8. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Property upon which it is intended that a dwelling unit be constructed, including, without limitation, townhouse and single-family detached dwelling units. The term Lot shall also include any condominium unit within any condominium regime established within the Property pursuant to Title 11, Real Property Article, Annotated Code of Maryland (1988 Repl. Vol.), as amended. No Lot shall be counted twice in any situation where it may fall within more than one of the descriptions herein contained. The term Lot shall not include Common Area or outlots of property dedicated for public use.

Section 9. "Member" shall mean and refer to every person, group of persons, corporation, trust, or other legal entity, or any combination thereof, who holds any class of membership in the Association.

Section 10. "Mortgagee" shall mean the holder of any recorded mortgage, or the party secured or beneficiary of any recorded deed of trust, encumbering one or more of the Lots. "Mortgage", as used herein, shall include deed of trust. "First Mortgage", as used herein, shall mean a mortgage with priority over other mortgages. As used in this Declaration, the term "mortgagee" shall mean any mortgagee and shall not be limited to institutional mortgagees. As used in this Declaration, the term "institutional mortgagee" or "institutional holder" shall include banks, trust companies, insurance companies, mortgage insurance companies, savings and loan associations, trusts, mutual savings banks, credit unions, pension funds, mortgage companies, Federal National Mortgage Association ("FNMA"), Government National Mortgage Association ("GNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), all corporations and any agency or department of the United States Government or of any state or municipal government, or any other organization or entity which has a security interest in any Lot.

Section 11. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Property, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 12. "Property" shall mean and refer to that certain real property described in the Declaration, and such additions thereto as may hereafter be brought within the jurisdiction of the Association pursuant to the Declaration.

Any other capitalized terms used herein shall be defined as set forth in the Declaration unless the context used herein clearly indicates another meaning for such term.

ARTICLE III Meeting of Members

Section 1. Annual Meetings. The first annual meeting of the members shall be held within twelve (12) months from the date of filing of the Articles of Incorporation of the Association or within sixty (60) days of the date of conveyance of fifty percent (50%) of the Lots which may be annexed within the Property, whichever occurs earlier, and each subsequent regular annual meeting of the members shall be held on the same day of the same month of each year thereafter or such other reasonably similar date as may be selected by the Board of Directors. If the day for the annual meeting of the members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the President or by the Board of Directors, or upon written request of the members who are entitled to vote one-fifth (1/5) of all of the votes of the Class A membership.

Section 3. Notice of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, or hand delivering a copy of such notice, at least ten (10) days (but not more than ninety (90) days) before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice may be waived upon the declaration of an emergency by the person calling the meeting. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. All meetings of the members shall be held at places and times convenient to the greatest number of members.

Section 4. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one-fifth (1/5) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration or these Bylaws. If, however, such

quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 5. Voting. At every meeting of the members, each Class A member shall have the right to cast one (1) vote for each Class A membership which he owns on each question. Each of the Class B members shall have the right to cast one (1) vote for each Class B membership which he owns on each question. The vote of the members representing fifty-one percent (51%) of the total of the votes of all of the memberships at the meeting, in person or by proxy, calculated as aforesaid, shall be necessary to decide any question brought before such meeting, unless the question is one upon which, by the express provision of law or of the Articles of Incorporation, or of the Declaration or of these Bylaws, a different vote is required, in which case such express provision shall govern and control. The vote for any membership which is owned by more than one person may be exercised by any of the co-owners present at any meeting unless any objection or protest by any other owner of such membership is noted at such meeting. In the event all of the co-owners of any membership who are present at any meeting of the members are unable to agree on the manner in which the votes for such membership shall be cast on any particular question, then such vote shall not be counted for purposes of deciding that question. In the event any membership is owned by a corporation, then the vote for any such membership shall be cast by a person designated in a certificate signed by the President or any Vice President of such corporation and attested by the Secretary or an Assistant Secretary of such corporation and filed with the Secretary of the Association, prior to or during the meeting. The vote for any membership which is owned by a trust or partnership may be exercised by any trustee or partner thereof, as the case may be, and, unless any objection or protest by any other such trustee or partner is noted at such meeting, the Chairman of such meeting shall have no duty to inquire as to the authority of the person casting such vote or votes. No Class A member shall be eligible to vote, either in person or by proxy, or to be elected to the Board of Directors, who is shown on the books or management accounts of the Association to be more than sixty (60) days delinquent in any payment due the Association. All election materials prepared with Association funds must list candidates in alphabetical order and must not suggest a preference among candidates.

Section 6. Absentee Ballots. Any unsigned absentee ballot, to be valid, shall be received in a signed, sealed envelope bearing the identification of the dwelling unit on the outside, and shall be opened only at a meeting at which all candidates or their delegates have a reasonable opportunity to be present.

Section 7. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his Lot. No proxy shall be valid after eleven (11) months from its date, unless otherwise provided in the proxy. Any proxy must be in writing and must be filed with the Secretary in form approved by the Board of Directors, which approval may not be unreasonably withheld, before the appointed time of each meeting. Any written proxy which conforms with the applicable laws of Maryland shall be satisfactory and approved as to form by the Board of Directors. Notwithstanding anything herein to the contrary only a directed proxy may be utilized to vote for members of the Board of Directors. A nondirected proxy may be counted toward a quorum and may vote on any matters of business other than the election of Directors.

Section 8. Rights of Mortgagees. Any institutional mortgagee of any Lot who desires notice of the annual and special meetings of the members shall notify the Secretary to that effect by Registered Mail - Return Receipt Requested. Any such notice shall contain the name and post office address of such institutional mortgagee and the name of the person to whom notice of the annual and special meetings of the members should be addressed. The Secretary of the Association shall maintain a roster of all institutional mortgagees from whom such notices are received and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each annual or special meeting of the members to each such institutional mortgagee in the same manner, and subject to the same requirements and limitations as are otherwise provided in this Article for notice to the members. Any such institutional mortgagee shall be entitled to designate a representative to attend any annual or special meeting of the members and such representative may participate in the discussion at any such meeting and may, upon his request made to the Chairman in advance of the meeting, address the members present at any such meeting. Such representative shall have no voting rights at any such meeting. Such representative shall be entitled to copies of the minutes of all meetings of the members upon request made in writing to the Secretary.

Section 9. Open Meetings.

(a) All meetings of the Association shall be open to all owners or occupants of Lots within the Association, their guests and any representative of the news media, except that such meetings may be held in closed session for the following purposes:

(i) Discussion of the employment, assignment, appointment, promotion, demotion, compensation, discipline, removal or resignation of employees over whom it has jurisdiction, or any

other personnel matter affecting one or more particular individual(s);

(ii) Protection of the privacy or reputation of individuals in matters not related to Association business;

(iii) Consultation with legal counsel;

(iv) Consultation with staff personnel, consultants, attorneys or other persons in connection with pending or potential litigation;

(v) Investigative proceedings concerning possible or actual criminal misconduct;

(vi) Complying with a specific constitutional, statutory or judicially imposed requirement protecting particular proceedings or matters from public disclosure;

(vii) On an individually recorded affirmative vote of two-thirds (2/3) of the members present, for some other exceptional reason so compelling as to override the general public policy in favor of open meetings;

(viii) Acquisition of capital items previously specifically approved as part of a published budget adopted in an open meeting;

(ix) Discussion of short-term investments of funds of the Association in liquid assets if authorized by an investment policy previously adopted in an open meeting;

(x) Conducting collective bargaining negotiations or considering matters and issues in conjunction therewith; or

(xi) Discussions concerning public security, including the deployment of personnel in connection therewith and the development and implementation of emergency plans.

(b) If a meeting is held in closed session pursuant to the procedures established above,

(i) No action may be taken and no matter may be discussed other than those permitted above; and

(ii) A statement of the time, place and purpose of any closed meeting, the record of the vote of each member by which any meeting was closed, and the authority under this Section for closing any meeting shall be made available so as to reasonably notify members of the Association within fourteen (14) days after the meeting.

ARTICLE IV
Board of Directors; Selection; Term of Office

Section 1. Number. The affairs of the Association shall be managed by a Board of Directors initially consisting of three (3) natural persons who shall be designated by the Declarant and who shall hold office until the election of their successors at the first annual meeting of the members of the Association. The names of the initial Directors are set forth in the Articles of Incorporation for the Association.

Commencing with the first annual meeting of the Association, the Board of Directors shall consist of an uneven number of not less than three (3) nor more than five (5) Directors who shall be elected by the members of the Association. Prior to the lapse of all of the Class B memberships as provided for in the Articles of Incorporation and the Declaration, the number of Directors shall be determined from time to time by a vote of the initial Directors named by the Declarant; 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 changed by a vote of 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.

A majority of the Board of Directors (after lapse of the Class B memberships as provided for in the Articles of Incorporation and the Declaration) shall be members of the Association.

Section 2. Term of Office. At the first annual meeting of the members, the members shall elect the Board of Directors and 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 all cases, succeeding Directors shall be elected for three (3) year terms. In the alternative, the members may resolve at any annual meeting, following the lapse of the Class B memberships, to establish the term of office for all Directors to be one (1) year. Any change in the number of Directors or term of office of Directors shall not act to extend or curtail the term of office of any incumbent Director. Directors shall hold office until their successors have been elected and hold their first regular meeting.

Section 3. Removal. After the first annual meeting of the members, any Director may be removed from the Board, with or without cause, by a majority vote of all the members of the Association. Prior to the first annual meeting of the members, any

Director may be removed from the Board, with or without cause, by the Declarant. In the event of death, resignation or removal of a Director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE V Nomination and Election of Directors

Section 1. Nomination. Nomination for election to the Board of Directors, commencing with the first annual meeting of members, may be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee, if any, shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee may be appointed by the Board of Directors prior to each annual meeting of the members and such appointment may be announced at each annual meeting. The Nominating Committee may make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or non-members.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. Only directed proxies shall be valid for the purpose of casting of votes for election of members to the Board of Directors. All election materials prepared with funds of the Association shall list candidates in alphabetical order and shall not suggest a preference among candidates. The persons receiving the largest number of votes shall be elected. Votes shall not be counted until after the time allotted by the Association for voting has ended. Cumulative voting is not permitted.

ARTICLE VI Meetings of Directors

Section 1. Regular and Special Meetings. All meetings of the Board of Directors or any committee created by the Board of Directors shall be held only upon regularly scheduled and established dates or periods, at such time and place as shall have been made known to all members in writing or upon written notice provided by mail or hand delivery not less than seventy-two (72)

hours nor more than ninety (90) days prior to the date of the meeting. All such meetings shall be open to all owners or occupants of Lots within the Association, their guests and any representative of the news media, and be held at places and times convenient to the greatest number of members. Meetings of the Board of Directors may be held in closed session only in accordance with Article III, Section 9, of these Bylaws.

Section 2. Quorum. A majority of the number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 3. Rights of Mortgagees. Any institutional mortgagee of any Lot who desires notice of the regular and special meetings of the Board of Directors shall notify the Secretary to that effect by Registered Mail - Return Receipt Requested. Any such notice shall contain the name and post office address of such institutional mortgagee and the name of the person to whom notice of the regular and special meetings of the Board of Directors should be addressed. The Secretary of the Association shall maintain a roster of all institutional mortgagees from whom such notices are received and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each regular or special meeting of the Board of Directors to each such institutional mortgagee, in the same manner, and subject to the same requirements and limitations, as are otherwise provided in this Article for notice to the members of the Board of Directors. Any such institutional mortgagee shall be entitled to designate a representative to attend any regular or special meeting of the Board of Directors and such representatives may participate in the discussion at any such meeting and may, upon his request made to the Chairman in advance of the meeting, address the members of the Board of Directors present at any such meeting. Such representative shall have no voting rights at any such meeting. Such representative shall be entitled to copies of the minutes of all meetings of the Board of Directors upon request made in writing to the Secretary.

Section 4. 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. The premiums on such bonds or insurance shall be paid by the Association.

ARTICLE VII
Powers and Duties of the Board of Directors

Section 1. Powers. The Board of Directors shall have power to:

(a) adopt and publish rules governing the use of the Common Area and facilities situated thereon, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;

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

(c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration;

(d) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

(e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

(f) collect assessments from the owners of any condominium units within the jurisdiction of the Association with respect to common expenses of the Association and to place a lien upon such condominium units and foreclose the same in accordance with the Maryland Contract Lien Act in the event such assessments are not timely paid.

Section 2. Duties. It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A members who are entitled to vote;

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;