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DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
RIVER FALLS HOMEOWNERS ASSOCIATION, INC.

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TABLE OF CONTENTS

<u>Article</u>	<u>Page</u>
I DEFINITIONS	1
1.01. "Association"	1
1.02. "Attached Dwelling Lot"	1
1.03. "Common Area"	1
1.04. "Common Expenses"	2
1.05. "Community-Wide Standard"	2
1.06. "Declarant"	2
1.07. "Development Plan"	2
1.08. "Eligible Mortgage Holder"	2
1.09. "Lawn and Garden Areas"	2
1.10. "Lot"	2
1.11. "Member"	3
1.12. "Mortgagee"	3
1.13. "Owner"	3
1.14. "Project"	3
1.15. "Property"	3
1.16. "SFD Lot"	3
II PROPERTY SUBJECT TO DECLARATION	4
2.01. Initial Property Subject to this Declaration .	4
2.02. Additions	4
2.03. Deannexation	4
III PROPERTY RIGHTS	5
3.01. Owners' Easements of Enjoyment	5
3.02. Limitations	6
3.03. Delegation of Use	7
IV MEMBERSHIP AND VOTING RIGHTS	7
4.01. Membership	7
4.02. Voting Rights	7
V COVENANT FOR MAINTENANCE ASSESSMENTS	8
5.01. Creation of the Lien and Personal Obligation of Assessments	8
5.02. Purpose of Assessments	9
5.03. Annual Assessments	10
5.04. Special Assessments	11
5.05. Notice and Quorum for any Action Authorized Under Section 5.04	11
5.06. Variable Rate of Assessment	11

TABLE OF CONTENTS (cont.)

<u>Article</u>		<u>Page</u>
5.07.	Date of Commencement of Annual Assessments; Due Dates	12
5.08.	Effect of Non-Payment of Assessments; Remedies of the Association	13
5.09.	Subordination of the Lien to Mortgages	13
5.10.	Reserve Fund Budget and Contribution	13
5.11.	Lots Added During the Fiscal Year	14
5.12.	Assessment from Lots Subject to Condominium Unit Owners Associations (Council of Unit Owners)	14
5.13.	Credits for Lots Providing Utilities to Common Areas	15
VI	ARCHITECTURAL CONTROL	16
6.01.	Architectural Change Approval	16
6.02.	Initiation and Completion of Approved Changes	16
6.03.	Certificate of Compliance	17
6.04.	Covenant Committee Rules and Regulations; Appeal of Covenant Committee Decision	17
6.05.	Exterior Appearance	18
VII	USE RESTRICTIONS	18
7.01.	Permitted Uses	18
7.02.	Prohibited Uses and Nuisances	19
7.03.	Leasing and Transfers	23
7.04.	Parking	23
7.05.	House Rules, Etc.	24
7.06.	Exemptions	24
7.07.	Declaration of Easements and Rights	24
VIII	EXTERIOR MAINTENANCE	29
8.01.	Owners' Rights and Responsibilities	29
8.02.	Association Maintenance	29
IX	INSURANCE	31
9.01.	Individual Coverage	31
9.02.	Required Coverage	32
9.03.	Repair and Reconstruction of Common Areas After Fire or Other Casualty	34

TABLE OF CONTENTS (cont.)

<u>Article</u>		<u>Page</u>
X	PARTY WALLS, FENCES AND PARTY DRIVEWAYS	35
	10.01. General Rules of Law to Apply	35
	10.02. Sharing of Repair and Maintenance and Destruction by Fire or Other Casualty	35
	10.03. Repairs of Damage Caused by One Owner	35
	10.05. Encroachments	36
	10.06. Right to Contribution Runs with Land	36
	10.07. Dispute	36
XI	MANAGEMENT	36
	11.01. Management Agent	36
	11.02. Duration of Management Agreement	37
XII	GENERAL PROVISIONS	37
	12.01. Common Area Responsibility	37
	12.02. Personal Property and Real Property for Common Use	38
	12.03. Implied Rights	38
	12.04. Limitation of Liability	38
	12.05. Enforcement	38
	12.06. Fines	39
	12.07. Severability	40
	12.08. Duration and Amendment	40
	12.09. Rights of the Maryland-National Capital Park and Planning Commission ("Commission" herein)	41
	12.10. Consents	41
	12.11. Additional Rights of Mortgagees - Notice	44
	12.12. Casualty Losses	44
	12.13. Condemnation or Eminent Domain	45
	12.14. Declarant's Power of Attorney	45
	12.15. Taxes and Assessments	46
	12.16. Successors of Declarant	46
	12.17. No Dedication to Public Use	46
	12.18. Incorporation by Reference on Resale	46
	12.19. Declarant Reserved Rights	47
	12.20. Perpetuities	47
	12.21. Declarant Development	47
	12.22. Captions and Gender	47

RIVER FALLS HOMEOWNERS ASSOCIATION, INC.

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

THIS DECLARATION, made on the date hereinafter set forth by CLARENCE W. GOSNELL, INC., a Delaware corporation, hereinafter referred to as "Declarant".

W I T N E S S E T H:

WHEREAS, Declarant is the owner of certain real property in the County of Montgomery, State of Maryland, which is more particularly described on the legal description attached hereto and made part hereof as Exhibit "A".

NOW, THEREFORE, Declarant hereby declares that all of the real property described on Exhibit "A" hereto shall be held, conveyed, hypothecated, encumbered, sold, leased, rented, used, occupied and improved subject to the covenants, conditions, restrictions and easements set forth below, which are for the purpose of protecting the value and desirability of, and which shall run with such real property and be binding on all parties having any right, title or interest in the real property described on Exhibit "A" hereto, or any part thereof, and any other real property annexed within the jurisdiction of the Association in accordance with Article II hereof, their heirs, successors and assigns, and which shall inure to the benefit of each Owner thereof.

ARTICLE I
DEFINITIONS

Section 1.01. "Association" shall mean and refer to River Falls Homeowners Association, Inc., a nonstock Maryland corporation, its successors and assigns.

Section 1.02. "Attached Dwelling Lot" shall mean and refer to: (i) any Lot upon which there is constructed, or is intended to be constructed, a townhouse dwelling unit; and (ii) any condominium unit within the Property which is devoted to residential use.

Section 1.03. "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 1.04. "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 this Declaration, the Bylaws and the Articles of Incorporation of the Association.

Section 1.05. "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 Article 6.01).

Section 1.06. "Declarant" shall mean and refer to Clarence W. Gosnell, Inc., a Delaware corporation, 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 1.07. "Development Plan" shall mean the approved Site Plan No. 8-88-068 entitled "River Falls" including all amendments thereto as may be made from time to time.

Section 1.08. "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 1.09. "Lawn and Garden Areas" shall mean and refer to the portions of any Lot which contain grass, shrubs, bushes, trees or other planted materials; provided, however, that any portion of a Lot which is enclosed by a wall or fence and is not readily accessible to the Association shall not be considered Lawn and Garden Area.

Section 1.10. "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 Areas or outlots of property dedicated for public use.

Section 1.11. "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 1.12. "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.

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

Section 1.13. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a 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 1.14. "Project" as used in this Declaration shall refer to the Property.

Section 1.15. "Property" shall mean and refer to that certain real property described on Exhibit "A" hereto, and such additions thereto as may hereafter be brought within the jurisdiction of the Association pursuant to Article II of this Declaration.

Section 1.16. "SFD Lot" shall mean and refer to any Lot upon which there is construed, or is intended to be constructed, a single-family detached dwelling unit, including, but not limited to, zero-lot line homes and patio homes.

ARTICLE II
PROPERTY SUBJECT TO DECLARATION

Section 2.01. Initial Property Subject to this Declaration. The real property which is, and shall be held, conveyed, hypothecated, encumbered, sold, leased, rented, used, occupied and improved subject to this Declaration is located in Montgomery County, State of Maryland, and is more particularly described on Exhibit "A" attached hereto and by this reference made a part hereof.

Section 2.02. Additions. Additional real property described or shown on the Development Plan, any real property adjacent or contiguous thereto and any real property adjacent or contiguous to the real property described on Exhibit "A" hereto, may be annexed within the jurisdiction of the Association by the Declarant without the consent of the Class A members of the Association, if any, for a period of eight (8) years from the date of recordation of this Declaration by the Declarant. The scheme of this Declaration shall not, however, be extended to include any such additional real property unless and until the same is annexed within the jurisdiction of the Association by the recordation of a Supplementary Declaration as hereinafter provided. Except as otherwise provided hereinabove, annexations of real property within the jurisdiction of the Association shall require the consent of two-thirds (2/3) of each class of members.

Any annexations made pursuant to this Article, or otherwise, shall be made by recording a Supplementary Declaration among the Land Records for Montgomery County, Maryland, which Supplementary Declaration shall extend the scheme of the within Declaration of Covenants, Conditions and Restrictions to such annexed property.

Any Supplementary Declaration made pursuant to the provisions of this Article may contain such complementary or supplemental additions and modifications to the covenants and restrictions set forth in the within Declaration as may be considered necessary by the maker of such Supplementary Declaration to reflect the different character or use, if any, of the annexed property.

Every Owner of a Lot in property to be annexed as provided herein shall have an easement of enjoyment in and to the Common Area, and such other rights of use as provided in Article III herein.

Section 2.03. Deannexation. So long as there are any Class B members, the Declarant may deannex any property annexed within the jurisdiction of the Association for a period of eight (8) years from the date of recordation of this Declaration. Such deannexed property shall no longer be subject to the covenants and

restrictions of this Declaration except for (i) any easements, rights, reservations, exemptions, powers or privileges reserved to the Declarant pursuant to this Declaration which affect the deannexed property and (ii) any other easements, rights, reservations, exemptions, powers or privileges which are expressly reserved to the Declarant in the instrument effectuating such deannexation. Such deannexation shall be made by recording a Supplementary Declaration among the Land Records of Montgomery County, Maryland, withdrawing the effect of the covenants and restrictions of this Declaration from the deannexed property. Such deannexed property may be utilized by the Declarant, or any successor, assign or transferee thereof, for any lawful purpose or use.

ARTICLE III PROPERTY RIGHTS

Section 3.01. Owners' Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Common Area, including an easement for the use and enjoyment of the private streets, parking lots and walkways within the Common Area, which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) the right of the Association to charge reasonable and uniform admission and other fees for the use of the Common Area and any facility situated upon the Common Area;

(b) the right of the Association to suspend an Owner's voting rights and right to use the Common Area or any facilities situated thereon (i) for any period during which any assessment against such Owner's Lot remains unpaid, and (ii) after notice and an opportunity for a hearing, for a period not to exceed sixty (60) days for any infraction of its published rules and regulations; provided, however, that the obligation of such Owner to pay assessments shall continue unabated during such period of suspension of voting rights or right to utilize the Common Area;

(c) the right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument signed by two-thirds (2/3) of each class of members and fifty-one percent (51%) of the Eligible Mortgage Holders agreeing to such dedication or transfer has been recorded, and unless the Maryland-National Capital Park and Planning Commission, or its successor or assigns, has given its prior written approval thereof, which approval shall not be unreasonably withheld or delayed;

(d) the right of the Association to limit the number of guests of Owners utilizing the Common Areas;

(e) the right of the Association to establish uniform rules and regulations pertaining to the use of the Common Area and any facilities thereon;

(f) the right of the Association, the Declarant, utility companies and other owners with respect to the easements established by this Declaration;

(g) the right of the Association, in accordance with its Articles of Incorporation and Bylaws, and with the consent of two-thirds (2/3) of each class of the then members of the Association, voting separately, to borrow money for the purpose of improving the Common Area and any facilities thereon in a manner designed to promote the enjoyment and welfare of the members and in aid thereof to mortgage any of the Common Area and any facilities thereon;

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

(i) the rights of the Declarant, as more fully set forth in Section 7.07 of this Declaration, to grant easements, to utilize reserved rights and easements, and to otherwise utilize the Common Area as it deems appropriate in connection with the development of the Project;

(j) the right of the Association, acting by and through its Board of Directors, to grant easements, licenses or other rights of use of the Common Area and any facilities situated thereon to persons or entities who are not members of the Association for such consideration and on such terms and conditions as the Board of Directors may from time to time consider appropriate or in the best interest of the Association or the Property; and

(k) the right of the Association to be the lessee of any portion or all of the Common Area and the right of the Association to enforce the terms of the lease with respect to such Common Area against such property and the Owners and their guests, lessees and invitees.

Section 3.02. Limitations.

(a) Any other provision of this Declaration to the contrary notwithstanding, the Association shall have no right to suspend the right of any member of the Association to use any

private streets and roadways located upon the Common Area (including, without limitation, any private streets and roadways located within the Property) for both vehicular and pedestrian ingress and egress to and from his Lot and for parking.

(b) Any other provision of this Declaration to the contrary notwithstanding, the Association shall have no right to suspend the right of any member of the Association to use the Common Area for necessary, ordinary and reasonable vehicular and pedestrian ingress and egress to and from such Owner's Lot or to suspend any easement over the Common Area for storm water drainage, electrical energy, water, sanitary sewer, natural gas, CATV or similar service, telephone service or similar utilities and services to the Lots.

Section 3.03. Delegation of Use. Any Owner may delegate, in accordance with the Bylaws and rules and regulations of the Association, such Owner's right of enjoyment to the Common Area and facilities to the members of such Owner's family, such Owner's tenants, social invitees, or contract purchasers who reside on the Property.

ARTICLE IV MEMBERSHIP AND VOTING RIGHTS

Section 4.01. Membership. Every Owner of a Lot shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 4.02. Voting Rights. The Association shall have two (2) classes of voting membership;

Class A. With the exception of the Declarant, every person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who is an Owner of any Lot which is part of the premises described in Article II of this Declaration, or which otherwise becomes subject to the covenants set forth in this Declaration shall be a Class A member of the Association; provided, however, that any such person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who holds such interest solely as security for the performance of an obligation shall not be a Class A member solely on account of such interest. When more than one (1) person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

Any Owner who leases his/her Lot may, in the lease or other written instrument, assign the voting right appurtenant to

that Lot to the lessee, provided that a copy of such instrument is furnished to the Association.

Class B. There shall initially be two hundred ninety-seven (297) Class B memberships in the Association. This number shall be increased by three (3) memberships for each Lot which is annexed within the jurisdiction of the Association in accordance with Section 2.02 of this Declaration in excess of ninety-nine (99) Lots, and shall be decreased by three (3) memberships for each Class A membership existing at any one time. The Class B member shall be the Declarant, its nominee or nominees, and shall include every person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who shall obtain any Class B membership by specific assignment in writing from the Declarant.

The Class B member shall be entitled to one (1) vote for each Class B membership. Each Class B membership shall lapse and become a nullity on the first to happen of the following events:

(i) thirty (30) days following the date on which the total authorized and outstanding votes of the Class A members equals the number of Class B memberships; or

(ii) eight (8) years from the date of recordation of this Declaration; provided, however, that if the Declarant is delayed in the improvement and development of the Property on account of a sewer, water or building permit moratorium or any other cause or event beyond the Declarant's control, then the aforesaid eight (8)-year period shall be extended by a period of time equal to the length of the delays or an additional five (5) years, whichever is less; or

(iii) upon the surrender of said Class B memberships by the then holders thereof for cancellation on the books of the Association.

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

ARTICLE V COVENANT FOR MAINTENANCE ASSESSMENTS

Section 5.01. Creation of the Lien and Personal Obligation of Assessments. There are hereby created assessments for Common Expenses as may be from time to time specifically authorized by the Board of Directors to be commenced at the time and in the manner set forth in this Article V. Each Owner of any Lot by acceptance

of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, and (2) special assessments for capital improvements. The annual and special assessments, together with interest, costs, late fees and reasonable attorneys' fees, shall be a charge on the Lot (including all improvements thereon), and shall be a continuing lien upon the property against which each such assessment is made, provided the requirements of the Maryland Contract Lien Act, if applicable, have been fulfilled. Each such assessment, together with interest, costs, late fees and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of the Lot at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to a prior Owner's successors in title unless expressly assumed by such successors.

Section 5.02. Purpose of Assessments.

(a) The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents in the Property and for the improvement and maintenance of the Common Area (and the Lawn and Garden Areas if the Association elects to maintain such property pursuant to the terms of this Declaration), the payment of real estate taxes, assessments and utility services for the Common Area, management fees, administration expenses, insurance (including, but not limited to, any insurance deductible required to be paid by the Association; provided, however, that the Association may assess the amount of any insurance deductible against any Owner and/or such Owner's Lot if the Association is required to pay such deductible as a result of the misuse or neglect of an Owner, or such Owner's tenant or such Owner's or tenant's household guests, employees, customers, agents or invitees) and all other costs and expenses incurred by the Association in the proper conduct of its activities, including, without limitation, reserves for replacements or contingencies, charges accruing under any cross-easement or reciprocal easement agreements, lease agreements, and charges or expenses accruing with respect to off-site facilities required to be maintained by the Association by any governmental agency (including, without limitation, the Maryland-National Capital Park and Planning Commission) or which the Association elects to maintain whether such facilities are located within the Property or not, which areas may include, without limitation, entrance ways and/or features, off-site hiker/biker or equestrian paths, and buffer strips.

(b) The assessments levied by the Association shall also be used for maintaining and providing reserves for any and all storm water management facilities, including, without limitation, ponds, basins, storm drainage pipes, inlets, oil grit separators, drainage areas and underground facilities, if any, whether such stormwater management facilities are located within the Property or

not, as long as such stormwater management facilities are designed to benefit or serve any portion of the Property and are required or intended to be maintained by the Association and the Association shall not refuse to accept the conveyance of any such facilities from the Declarant. Such stormwater management facilities may also benefit property not within the jurisdiction of the Association and the maintenance of such facilities may be set forth in a cross-easement or other agreement in which event the Association may maintain the facilities pursuant to such agreement.

Section 5.03. Annual Assessments. Until January 1 of the year immediately following the first conveyance of a Lot to a Class A member, the applicable annual assessment shall be the amount established by the Declarant in its sole discretion; provided, however, that Lots owned by Declarant shall not at any time be subject to any annual or special assessments. Notwithstanding the foregoing, the Declarant shall pay full annual and special assessments for Lots owned by the Declarant upon which a dwelling unit has been completed and is occupied by a party other than the Declarant.

Commencing January 1 of the year immediately following the first conveyance of a Lot to a Class A member, the Board of Directors shall from time to time set the annual assessment at an amount sufficient to meet the Common Expenses of the Association. The Board of Directors shall determine the amount of the annual assessment before the beginning of each fiscal year in connection with preparation of the Association's annual budget, and may do so at more frequent intervals should circumstances so require.

The Board of Directors shall make a reasonable effort to prepare a budget at least thirty (30) days before the beginning of the fiscal year. The budget shall include the estimated costs of operating the Association during the coming year and shall also include an amount sufficient to establish and maintain a reserve fund in accordance with a reserve fund budget separately prepared by the Board of Directors pursuant to Section 5.10. The Board of Directors shall cause a copy of the budget, and the amount of the assessments to be levied against each Lot for the following year, to be delivered to each Owner at least fourteen (14) days prior to the commencement date of the new assessments. The budget and the assessments shall become effective unless a special meeting of the Association is duly held and at such special meeting the budget and the assessments are disapproved by a vote of at least a majority of each class of the then members of the Association.

Notwithstanding the foregoing, however, in the event the membership disapproves the budget or the Board of Directors fails for any reason to determine the budget for the succeeding year, then and until such time as a budget shall have been determined as provided herein, the budget in effect for the then current year shall continue for the succeeding year.