

BYLAWS
OF
THE BROWNSTONES AT PARK POTOMAC
HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

PURPOSE

1.1 Association. **THE BROWNSTONES AT PARK POTOMAC HOMEOWNERS ASSOCIATION, INC.** (the "Association") is a non-stock, non-profit Maryland corporation, organized under the Maryland Homeowners Association Act (Md. Code Ann. 2002, Title 11B, Section 11B-101, *et seq.*) with its principal office at the address of its Resident Agent on file with the Department of Assessments and Taxation of the State of Maryland. These Bylaws are adopted for the administration, regulation and management of the affairs of the Association.

1.2 Purpose. The purposes for which the Association is formed are (a) to provide for the maintenance, preservation and architectural control of the Lots and Common Areas within that certain property situated in Montgomery County, Maryland (the "Property"), as said Property is described in that certain Declaration of Covenants, Conditions and Restrictions, as amended from time to time, and all Supplementary Declarations thereto (collectively, the "Declarations") recorded among the Land Records of Montgomery County, Maryland, (b) to promote the general health, safety and welfare of the residents within the residential community created at the Property, and (c) to exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the Declaration, and all Supplementary Declarations thereto applicable to all or any part of the Property subjected to the Declaration, as amended from time to time as provided therein.

1.3 Terms Defined in Declaration. Terms used in these Bylaws which are defined in the Declaration shall have the same meaning and definition as in the Declaration. The Declaration is hereby incorporated herein and made a part hereof.

1.4 Controlling Laws and Instruments. These Bylaws are controlled by and shall always be consistent with the provisions of the general laws of the State of Maryland, the Maryland Homeowners Association Act, the Declaration, and the Articles of Incorporation of the Association filed with the Maryland State Department of Assessments and Taxation, as any of the foregoing may be amended from time to time.

ARTICLE II

OFFICES OF THE ASSOCIATION

2.1 Principal Office. The Board of Directors, in its discretion, may fix and may change from time to time, the location, within the State of Maryland, of the principal office of the Association.

2.2 Registered Office and Agent. The Corporations and Associations Article, Title 2, Annotated Code of Maryland (1999 Replacement Volume) (hereinafter the "**Corporations Code**") requires that the Association have and continuously maintain in the State of Maryland a resident agent who is a citizen of the State of Maryland or is a Maryland corporation. The address of the resident agent need not be the same as the principal office of the Association. The initial resident agent and address of the resident agent are specified in the Articles of Incorporation of the Association, but may be changed by the Association at any time, without amendment to the Articles of Incorporation, by filing a statement as specified by the Corporations Code.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

3.1 Membership.

(a) Every person or entity who is a record owner of a fee or undivided fee interest in any Lot which is subject to the Declaration shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot. Ownership of such Lot shall be the sole qualification for such membership. Where more than one person holds interest in any Lot, all such persons shall be Members.

(b) Each Member of the Association shall have the rights, duties and obligations set forth in the governing documents of the Association.

3.2 Voting Rights. The Association shall have two classes of voting memberships:

Class A. Class A Members shall be all Owners, with the exception of the Class B Member (until the expiration of the Class B Membership as provided below). Each Class A Member shall be entitled to one (1) vote for each Lot owned; provided, however, that the Declarant shall become a Class A Member after the conversion of the Class B membership to a Class A membership in accordance with the Declaration and this Section 3.2 and shall thereafter be entitled to one (1) vote for each Lot owned.

Class B. The Class B Member shall be the Declarant, or any successor or assignee (i) to whom the Declarant assigns any or all of its rights as Declarant pursuant to the Declaration by assignment recorded among the Land Records of Montgomery

County, Maryland or (ii) who is a purchaser at foreclosure with respect to the Declarant's interest in the Property or a grantee in a deed in lieu of foreclosure from the Declarant, who acquires not less than five (5) undeveloped lots for purposes of development. Such assignment under clause (i) of the foregoing sentence shall only operate as to the land which is owned by such successor or assign and which is specifically identified in the instrument of assignment. The Class B Member shall be entitled to three (3) votes for each Lot in which it owns a fee or undivided fee interest. The Class B member shall initially have four hundred fifty (450) votes. This number shall be increased by three (3) votes for each Lot which is annexed within the jurisdiction of the Association in accordance with Article II, Section 2 of the Declaration in excess of one hundred fifty (150) Lots, and shall be decreased by three (3) votes for each Lot conveyed to a Class A Member.

The Class B membership and Class B voting rights shall cease, and be converted to a Class A membership with Class A voting rights as to each and every Lot in which the Declarant then holds the interest otherwise required for Class A membership, upon the earliest to occur of the following events:

- (i) one hundred twenty (120) days following the date on which the total authorized, issued and outstanding votes of the Class A Members equals the number of votes of the Class B Member; or
- (ii) ten (10) years after the date of recordation of this Declaration by the Declarant; 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 reasonable control, the aforesaid ten (10) year period shall be extended by a period of time equal to the lesser of (a) the period of the delays, or (b) an additional five (5) years; or
- (iii) upon the surrender of said Class B membership by the then holders thereof for cancellation on the books of the Association.

ARTICLE IV

MEETINGS OF THE MEMBERS

4.1 Place of Meetings. Meetings of the Association shall be held at such place in the Washington, D.C. metropolitan area as the Board of Directors shall determine; provided, however, that any meeting of the Association that occurs at any time after the total authorized, issued and outstanding votes of the Class A Members equals the number of votes of the Class B Member, shall be held within Montgomery County, Maryland, at such location as the Board of Directors shall determine.

4.2 Annual Meetings. The first annual meeting of the Association shall be held within one (1) year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Association shall be held in the same month of each year thereafter, on a date and at an hour set forth in the notice of meeting sent to each Member in the manner set forth in Section 4.4 below; provided, however, the date of the first annual meeting after the conversion of the Class B membership to Class A membership in accordance with Section 3.2 hereof may be set by the Board of Directors and the annual meeting of the Association shall take place in the same month of each year thereafter at an hour set forth in the notice of meeting sent to each Member in the manner set forth in Section 4.4 below. At such meetings, the Members may transact business of the Association as may properly come before the meeting.

4.3 Special Meetings. Special meetings of the Association may be called at any time by the President, or by the Board of Directors, upon written request of the Members to which at least twenty-five percent (25%) of the Class A votes in the Association are allocated.

4.4 Notice of Meetings. Written notice of each meeting of the Association shall be given by, or at the direction of, the President or Secretary of the Association by hand delivery or by mailing a copy of such notice, postage prepaid, or by delivery electronically or by facsimile, or a combination thereof, not less than ten (10) days, nor 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 in writing for the purpose of notices. 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.

4.5 Quorum. The presence at a meeting of Members of the Association entitled to cast, or of proxies entitled to cast, twenty percent (20%) of the outstanding Class A votes in the Association and the representation by presence or proxy of the Class B membership, so long as it shall exist, shall constitute a quorum for any action, except as otherwise provided in the Articles of Incorporation, the Declaration or these Bylaws. An affirmative vote of Members representing fifty-one percent (51%) of the total of the votes of Members present at which a quorum is in attendance in person or by proxies shall be necessary to transact business and to adopt decisions binding on all Members, unless the question is one upon which, by the express provisions of law or of the Articles of Incorporation, the Declaration or these Bylaws, a different vote is required, in which case such express provision shall govern and control.

If such quorum shall not be present or represented by proxy at any meeting, no action may be taken which requires the vote of a quorum of Members. At the next duly called meeting of the membership after failure of the attending membership at the previous meeting to constitute a quorum, the quorum requirement may be reduced to constitute at least fifteen percent (15%) of the outstanding Class A votes and the representation by presence or proxy of the Class B membership, so long as it shall not have ceased to exist pursuant to Article III, Section 3.2 hereof, provided that in order for

the reduced quorum to apply, the purpose of the meeting shall remain the same as that recited in the original notice given to all Members at which no quorum was present.

4.6 Proxies. At all meetings of the Association, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary of the Association at or before the time of such meeting in person, by first-class mail, by facsimile, by courier service, or by electronic mail. Proxies may be granted by a Member in favor of only: (i) another Member of the Association or an Occupant of a Living Unit at the Property; (ii) the mortgagee for such Member's Unit, (iii) an officer or Director of the Association, (iv) with respect to a non-resident Member, the Member's attorney or rental agent, or (v) with respect to instructed proxies, the Declarant. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his or her Lot. No proxy shall extend beyond a period of six (6) months. Any proxy or power of attorney valid under Maryland law is valid at any meeting if the Association. However, a proxy that is not appointed to vote as directed must be appointed only to meet a quorum or vote on matters other than an election for the Board of Directors.

4.7 Voting List. The Board of Directors shall maintain a current roster of the names and addresses of each Member to which written notice of meetings of the Members shall be delivered. Each Owner shall furnish the Board of Directors with such Owner's name and current mailing address. At least ten (10) days before each meeting, a complete list of the Members, with the address of each, shall be compiled by the Secretary of the Association. During that ten (10) day period prior to the meeting, the list of Members shall be subject to inspection by any Member at any time during usual business hours at the Association's principal office. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Member during the whole time of the meeting for the purposes thereof. The original record of Members shall be prima facie evidence as to who are the Members entitled to examine such list or records or to vote at any meeting of Members.

4.8 Voting. The vote for any Lot, the ownership of which is held by more than one Owner, may be exercised by any one of them, unless an objection or protest by any other holder of an interest in the Lot is made prior to the completion of the vote, in which case the vote for such Lot shall be exercised as the persons holding such interest shall determine between themselves. Should the joint owners of a Lot be unable, prior to the completion of a vote, to agree upon how they will vote on any issue, the vote of such membership for that Lot on such issue shall not be counted, but the membership whose vote is in dispute shall be counted as present at the meeting for quorum purposes if the objection or protest is lodged at such meeting. 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 Chairperson 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. Except in the case of the Class B voting rights, in no event shall more than one (1) vote be cast with respect to any Lot.

Except as provided otherwise by law, where a vote of the Members is required, the Board of Directors shall determine the method by which the questions shall be decided. Such method may include a ballot vote at a meeting or at polling places designated by the Board of Directors, by show of hands or such other method that the Board determines by resolution and notifies the Members of prior to any vote.

Until the time for voting closes, an Association must not open or count election ballots. Any absentee ballot, to be valid, shall be received in a signed, sealed envelope bearing the identification of the Lot outside, and shall be opened only at a meeting at which all candidates or their delegates have a reasonable opportunity to be present.

4.9 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 Notice. Any such Registered 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 Registered Notices are received and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a Registered 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 or her request made to the chairperson 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.

4.10 Open Meetings.

(a) All meetings of the Association shall be open to all Members of the Association or their agents, except that such meetings may be held in closed session for the following purposes:

- (i) Discussion matters pertaining to employees and personnel;

- (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) Consideration of the terms or conditions of a business transaction in the negotiation stage if the disclosure could adversely affect the economic interests of the Association;
- (vii) Complying with a specific constitutional, statutory or judicially imposed requirement protecting particular proceedings or matters from public disclosure; or
- (viii) On an individually recorded affirmative vote of two-thirds (2/3rds) of the members of the Board of Directors (or committee, if applicable) present, for some other exceptional reason so compelling as to override the general public policy in favor of open meetings.

(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 of the Board of Directors (or committee, if applicable) by which any meeting was closed, and the authority under this Section for closing the meeting shall be included in the minutes of the next meeting of the Board of Directors (or committee, if applicable).

ARTICLE V

THE BOARD OF DIRECTORS

5.1 The Board of Directors During the Declarant's Class B Membership Period. The initial Board of Directors shall be selected by the Declarant, acting in its sole discretion, and shall serve at the pleasure of the Declarant until the conversion of the

Class B membership to Class A membership as provided for in Section 3.2 hereof, unless the Declarant shall elect to surrender this right to select Directors at any earlier time. The names of the initial Directors selected by the Declarant are set forth in the Articles of Incorporation.

Not later than sixty (60) days after the Class B membership is converted to Class A membership, the Board shall call a special meeting for the purpose of electing three (3) Directors to serve until the next annual meeting of the Association. Upon such election, the initial Directors selected by the Declarant shall submit their resignations.

5.2 The Board of Directors After the Declarant's Class B Membership Period. At the first annual meeting of the Association after the said conversion of the Declarant's Class B membership to a Class A membership, and at each annual meeting of the Association thereafter, Directors shall be elected.

The initial terms of the elected Directors shall be fixed as follows: initially, the term of one Director shall be fixed at one (1) year, the term of one Director shall be fixed at two (2) years, and the term of the third Director shall be fixed at three (3) years. At the expiration of the initial term of office of each respective member of the Board of Directors, a successor shall be elected to serve for a term of three (3) years. Directors shall continue in office until their successors have been elected, unless a Director resigns, is removed or becomes disqualified to be a Director.

The number of Directors and their terms may be changed by amendment to these Bylaws in accordance with the provisions of Article IX hereof, provided that the number of Directors shall not be reduced below three (3) nor be increased to more than seven (7).

5.3 Qualifications/Nomination. Except for Directors appointed by the Declarant, an elected Director must be an Owner of a Lot within the Property or be an officer of a corporate Owner of a Lot, or a partner in a partnership owning a Lot, or a trustee of a Trust owning a Lot within the Property. If a Director ceases to be an Owner of a Lot, or a corporate officer, partner or a trustee of an entity which owns a Lot, such Director's term as Director shall immediately terminate, and a new Director shall be selected as promptly as possible by the remaining Directors to take such Director's place. A Director may be reelected, and there shall be no limit as to the number of terms a Director may serve.

Nomination for election to the Board of Directors shall be made by a nominating committee appointed by the Board of Directors. Nominations may also be made from the floor at the annual meeting. The nominating committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more other Members of the Association. The nominating committee shall 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 only be made from among the Members.

5.4 Election. So long as Class B membership exists, and shall not have ceased to exist pursuant to the provisions of Article III, Section 3.2 hereof, the Declarant shall be entitled to appoint the members of the Board of Directors as provided in Section 5.1 hereof. Subsequent election of all other members of the Board of Directors shall be by 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. 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 has ended. The terms of the elected Directors shall be as set forth in Section 5.2 of this Article. Cumulative voting is not permitted.

5.5 Resignation/Removal of Directors. Any Director may resign at any time by giving written notice to the Secretary of the Association, stating the effective date of such resignation. Acceptance of such resignation shall not be necessary to make the resignation effective. Except for Directors appointed by the Declarant, which Directors may be removed only by the Declarant so long as the Class B membership exists, any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association.

5.6 Vacancies in Directors. Any vacancy occurring in the Board of Directors shall be filled by the affirmative vote of a majority of the remaining Directors, though less than a quorum of the Board of Directors; provided, however, that so long as the Class B membership shall not have ceased to exist pursuant to the provisions of Article III, Section 3.2 hereof, any vacancy occurring in a Directorship appointed by the Declarant shall be filled by appointment by the Declarant. A Director elected or appointed to fill a vacancy shall be elected or appointed for the unexpired term of his or her predecessor in office. A Directorship to be filled by reason of an increase in the number of Directors shall be filled only by vote of the membership.

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

ARTICLE VI

MEETINGS OF THE BOARD OF DIRECTORS

6.1 Regular Meetings. Regular meetings of the Board of Directors shall be held as the needs of the Association dictate, but at least quarterly upon not less than five (5) days written notice, nor more than ninety (90) days prior to the date of the meeting, to all Directors, at such place and hour as may be fixed from time to time by resolution of the Board. For purposes of this Article, written notice shall include electronic mail. All such meetings shall be open to all Members of the Association, or their agents. Meetings of the Board of Directors may be held in closed session only in accordance with Section 4.10 of these Bylaws.

6.2 Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two Directors, upon not less than three (3) days written notice to each Director.

6.3 Purpose of Meetings. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

6.4 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.

6.5 Proxies. A Director shall not be entitled to vote by proxy at any meeting of the Directors.

6.6 Waiver of Notice. A Director may waive any notice before or after the date and time stated in the notice, and such waiver shall be equivalent to the giving of such notice. The waiver shall be in writing, signed by the Director entitled to the notice, and filed with the minutes or corporate records. A Director's attendance at or participation in a meeting waives any required notice to him of the meeting unless the Director, at the beginning of the meeting, or promptly upon his arrival, objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

6.7 Action Taken Without a Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written consent of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

6.8 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 Notice. Any such Registered 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 or her request made to the Chairperson 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.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

7.1 **Powers.** The Board of Directors shall have the power to:

(a) administer and enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations and all other provisions set forth in the Declaration; and

(b) establish, and amend from time to time, and enforce compliance with, such reasonable rules and regulations as may be necessary to govern the use of the Association's property and facilities thereon, and the personal conduct of the Members of the Association and their guests thereon, and to establish penalties for the violation of same; and

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

(d) acquire (by gift, purchase or otherwise), own, hold, improve, maintain, manage, lease, pledge, convey, transfer or dedicate real or personal property for the benefit of its Members in connection with the affairs of the Association, except that no dedication, sale or transfer of the Common Areas shall be effective, nor shall any mortgaging of the Common Areas be effective, unless the consent of Members holding at least sixty-seven percent (67%) of the votes in the Association (and the consent of the Class B Member, so long as the Class B membership shall continue to exist), and the consent of fifty-one percent (51%) of the Eligible Mortgage Holders, shall have consented to such dedication, sale, transfer, or mortgaging of the Common Areas and the provisions of Article II and Article VIII of the Declaration shall have been complied with, to the extent applicable; and further provided, that any conveyance of the Common Areas shall be subject to the easements granted across the Common Areas pursuant to Article VII of the Declaration; and

(e) fix, levy, and collect assessments, including, without limitation, the establishment of reserves, all as provided in the Declaration; and

(f) employ, enter into contracts with, delegate authority to and supervise such persons or entities as may be appropriate to manage, conduct and perform the business obligations and duties of the Association, including, without limitation, to hire and terminate a managing agent or such other employees as they deem necessary, and to prescribe their duties. All of the powers and duties granted to the Board hereunder may be delegated to a managing agent; provided however that such delegation shall not relieve the Board of Directors of any responsibility therefor; and

(g) enter into, make, grant, perform, enforce and vacate contracts, agreements, licenses, leases, easements, dedications, and/or rights-of-way over and across the Common Areas (and to the extent provided in the Declaration, the Lots), including, without limitation, to public agencies to serve necessary public purposes, to the owners of other properties within the Park Potomac development of which the Property is a part, to the Master Association (as hereinafter defined), public or private utility companies, those that may otherwise be or become necessary, or those as are deemed reasonable by the Board of Directors, or those anticipated pursuant to the Easement and Cost-Sharing Agreement and other agreements affecting the Property, or as otherwise provided in accordance with the provisions of the Declaration; and

(h) participate in mergers and consolidations with other corporations as provided for, and subject to the conditions set forth in the Declaration, including, without limitation, the affirmative vote of at least sixty-seven percent (67%) of each class of Members, and subject to such other approvals and consents as are required in the Declaration; and

(i) perform such acts, as may be reasonably necessary or appropriate, including bringing suit, causing a lien to be foreclosed or suspending membership rights, for enforcing or effectuating any of the provisions of the Declaration, the Articles, and these Bylaws of the Association; and

(j) take all actions, as may be reasonably necessary or appropriate to perform the obligations of the Association, and to enforce or defend rights, obligations, easements, burdens and benefits under the Easement and Cost-Sharing Agreement and any and all agreements affecting the Property, including without limitation, providing all consents, waivers, approvals, appointments, responses to requests for approval, performing all maintenance obligations, bringing or defending a suit, causing a lien to be filed, foreclosed, or removed, and exercising all remedies available for enforcing or effectuating any of the provisions of such agreements. The foregoing obligations include, without limitation, performing all Maintenance obligations with respect to the Shared Private Road, providing invoices to Condominium I Association and Condominium II Association for their share of the costs payable for such Maintenance of the Shared Private Road, and collecting such funds; and

(k) regulate the external design, appearance and location of the Common Areas and the improvements thereon, and the Lots and Living Units, in such a manner so as to preserve and enhance values and to maintain a harmonious relationship among the structures, the natural vegetation and topography, and to review, modify, and approve architectural standards adopted by the Architectural Review Board; and

(l) form subsidiary corporations; and

(m) monitor compliance with the requirements of any conservation easements and other restrictions imposed on Lots and/or the Common Areas by Montgomery County, Maryland, by the Master Association pursuant to the Master Park Potomac Governing Documents (as hereinafter defined) and the Park Potomac

Architectural Guidelines, and any and all Regulatory Plans, project plans, preliminary and/or site plan approval by Montgomery County, Maryland, and to periodically remind the members of the Association of such restrictions; and

(n) take all actions and to perform all duties and obligations as a member of The Park Potomac Owners Association, Inc., a Maryland non-stock, non-profit corporation (the "Master Association") under the governing documents of the Master Association (the "Master Park Potomac Governing Documents"), including, without limitation, satisfying all obligations of the Association to collect and remit each Member's share of the assessments thereunder and to appoint a Member of the Association to serve on the Board of Directors of the Master Association; and

(o) establish, and amend from time to time, and enforce compliance with, such reasonable rules and regulations as may be necessary to govern the use of the Property and facilities thereon, and the personal conduct of the Members of the Association and their guests thereon, and to establish penalties for the violation of same; and

(p) exercise any and all powers, rights and privileges which a non-stock, non-profit Maryland corporation organized under the laws of the State of Maryland by law may now or hereafter have or exercise.

7.2 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 Association, or at any special meeting when such statement is requested in writing by Members representing at least twenty-five percent (25%) of the votes of the Class A membership; and

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

(c) as more fully provided in the Declaration, to:

(i) establish the annual operating budget for the Association which shall provide, without limitation, for the management, operation and maintenance of all Common Areas and other areas for which the Association is responsible; and

(ii) fix the amount of the Annual Assessments and the maximum Annual Assessment rate; and

(iii) fix the amount of any Capital Improvement Assessments, Restoration Assessments, Utility Assessments, Master Association Assessments, Recreation Association

Assessments, and any other Special Assessments pursuant to the Declaration; and

(d) collect all assessments as levied by the Board of Directors from the Owners as are authorized in the Declaration. From the assessments collected, provide for the maintenance, repair and replacement of the Common Areas as required by the Declaration, pay all expenses incident to the conduct of business of the Association, maintain all policies of insurance and provide for such other expenses, together with the establishment of necessary reserves as are required by the Declaration or are deemed necessary by the Board of Directors in their discretion; and

(e) prepare, record and foreclose the lien against any Lot for which assessments are not paid or bring an action at law against the Owner personally obligated to pay the same; and

(f) establish a reasonable late fee, an interest rate, and other penalties for non-payment of assessments in accordance with the Declaration, as the Board, in its discretion, may determine from time to time and uniformly apply; and

(g) procure and maintain adequate liability insurance and hazard insurance on insurable improvements located on the Common Areas in accordance with the Declaration and such other insurance policies as the Board deems necessary or advisable; and

(h) keep in good order, condition and repair all of the Common Areas and other areas for which the Association is responsible in accordance with the Declaration; and

(i) institute, defend, or intervene in litigation or administrative proceedings in its own name on behalf of itself or an Owner on matters affecting the Property, subject to the provisions of the Declaration; and

(j) enjoin or seek damages from, or assess penalties and assessments against individual Owners for violation(s) of the provisions of the Declaration, the Bylaws, the Articles or the Rules as more fully provided for in the Declaration; and

(k) suspend the right of an Owner to vote and such Owner's other membership rights for non-payment of assessments, and file a lien against a Lot as provided in the Declaration; and

(l) furnish upon demand and for a reasonable charge, a certificate to an Owner or such Owner's First Mortgagee signed by an officer of the Association (or its agent) setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of the assessments on a Lot is binding on the Association as of the date of its issuance; and

(m) cause all officers or employees having fiscal responsibilities to be bonded or insured, in accordance with the Declaration; and

(n) enter upon a Lot when necessary without being guilty of trespassing in the performance of its duties as outlined in the Declaration; and

(o) borrow money, and with the consent of sixty-seven percent (67%) of each class of Members, for the purpose of improving the Common Areas and any facilities thereon in a manner designed to promote the enjoyment and welfare of the Members and in aid thereof, to mortgage, pledge, deed in trust, or hypothecate any or all of the real or personal property owned by the Association as security for money borrowed or debts incurred; and

(p) upon tender of a deed from the Declarant with respect to the Common Areas, accept fee simple title to the Common Areas from the Declarant, which deed shall include, if requested by the Declarant, an acknowledgment by the Association of its obligations with respect to the Common Areas as provided for in the Declaration; and

(q) within sixty (60) days following the later to occur of (i) conversion of the Declarant's Class B Membership to Class A Membership as provided for in Section 3.2 of these Bylaws, or (ii) final paving of the public streets, private streets and/or private alleyways within the Property by the Declarant, designate and engage, together with the Declarant, an inspecting engineer mutually agreed upon by the Board of Directors (on behalf of the Association) and the Declarant (the "**Inspecting Engineer**") to conduct an assessment of the Common Areas of the Property in order to identify any and all portions of the Common Areas which may require repairs or corrective work based upon the specifications of the Regulatory Plans, and to prepare a report (the "**Inspection Report**") of any such repairs or corrective work to be performed. Based upon the Inspection Report prepared by the Inspecting Engineer, a final list (the "**Corrective Work List**") of all such repairs and corrective work to be performed (the "**Corrective Work**") shall be agreed upon by the Declarant and the Board of Directors. The Declarant shall complete all Corrective Work on the Corrective Work List, at Declarant's sole cost and expense, and all Corrective Work shall be inspected by the Inspecting Engineer, as follows: within five (5) business days after the Declarant notifies the Inspecting Engineer that a component of the Corrective Work has been completed in accordance with the specifications of the Regulatory Plans, the Inspecting Engineer shall issue to both the Declarant and the Board of Directors, a written certificate of completion as to such component of the Corrective Work; and within five (5) business days after Declarant notifies the Inspecting Engineer that all Corrective Work has been completed in accordance with the specifications of the Regulatory Plans, the Inspecting Engineer shall issue to both the Declarant and the Board, a written final certificate of completion as to all Corrective Work. Upon issuance by the Inspecting Engineer of the final certificate of completion, the Declarant shall have no further obligation, liability or responsibility for the repair or correction of any of the Common Areas of the Property. All costs of the Inspecting Engineer shall be shared equally by the Declarant and the Association. The failure of the Board to work jointly with the Declarant to engage such Inspecting Engineer as provided in this paragraph shall, to the extent permitted by law, be deemed as a waiver of the Association of any right to initiate an action, claim or litigation against the Declarant based upon, or by reason of, any deficiencies or damage in any manner

relating to the Common Areas, including, without limitation, the design, construction, installation or repair of the Common Areas, or any of same. The provisions of this Article III, Section 3(c)(xi) shall not be amended without the prior written consent of the Declarant.; and

(r) exercise any other powers conferred by the Declaration, Articles, or these Bylaws for the Association; and

(s) exercise all other powers necessary for the proper governing and operation of the Association.

7.3 Committees.

(a) The Board of Directors shall appoint a Nominating Committee, as provided in these Bylaws. 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, if any, may be appointed by the Board of Directors prior to each annual meeting of the Members and such appointment may be announced at each meeting. The Nominating Committee, if any, 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.

(b) The Board of Directors shall also appoint an Architectural Review Board which shall consist of three (3) or more Members of the Association which shall have the obligations set forth in the Declaration. The initial Architectural Review Board shall be comprised of three (3) Members of the Association appointed by the Board of Directors, provided that so long as the Declarant's Class B membership rights shall exist, the Declarant shall have the sole right to appoint all three (3) members of the Architectural Review Board.

(c) The Board of Directors may appoint other committees as it deems appropriate in carrying out its purposes.

(d) Notwithstanding that the Board of Directors may appoint one or more committees, the Board of Directors shall be the primary body which has authority to enforce the covenants and conditions set forth in the Declaration and the rules, policies and guidelines which have been properly adopted.

7.4 Management Agent. The Board of Directors may employ for the Association 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 shall from time to time authorize in writing. Any management agreement entered into by the Association shall provide, inter alia, that such agreement may be terminated for cause by either party upon thirty (30) days written notice thereof to the other party. The term of any such management agreement shall not exceed one year; provided, however, that the term of any such management agreement may be renewable by mutual agreement of the parties for successive one (1)-year periods.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

8.1 Enumeration of Officers. The officers of this Association shall be a President, Vice-President, Secretary and Treasurer, who shall be elected by the Board of Directors, and such other officers as the Board may from time to time by resolution create. The President, and Vice President of the Association shall at all times also be members of the Board of Directors. Other officers may or may not be members of the Board of Directors.

8.2 Election of Officers. The election of officers shall take place at the first regular meeting of the Board of Directors following each annual meeting of the Association.

8.3 Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year or until their successors are appointed, whichever is later unless he or she shall sooner resign, or be removed, or otherwise disqualified to serve.

8.4 Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

8.5 Resignation and Removal. Any officer may be removed from office with or without cause by the Board whenever in the Board's judgment the best interest of the Association will be served thereby.

8.6 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

8.7 Multiple Officers. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices, except in the case of special offices created pursuant to Section 8.4 hereof.

8.8 Duties. The duties of the officers are as follows:

(a) President. The President shall be the principal executive officer of the Association and, subject to the control of the Board of Directors, shall direct, supervise, coordinate and have general control over the affairs of the Association, and shall have the powers generally attributable to the chief executive officer of the corporation. The President shall preside at all meetings of the Board of Directors and the Association [subject to paragraph (b) below].

(b) Vice President. The Vice President may act in the place of the President in the case of the President's absence or inability to act, and shall perform such other duties and have such authority as is from time to time delegated by the Board of Directors or by the President.

(c) Secretary. The Secretary shall be the custodian of the records of the Association; shall see that all notices are duly given in accordance with the provisions of these Bylaws and the Declaration and as required by law; shall see that the books, reports and other documents and records of the Association are properly kept and filed; shall take or cause to be taken and shall keep minutes of the meetings of the Board of Directors; shall keep at the principal office of the Association a record of the names and addresses of the Members; and, in general, shall perform such other duties as may, from time to time, be assigned by the Board of Directors or by the President.

(d) Treasurer. The Treasurer shall have charge and custody of, and be responsible for, all funds of the Association; shall cause all such funds to be deposited in the name of the Association in such depositories as shall be designated by the Board of Directors; shall cause such funds to be disbursed in payment of valid obligations of the Association; shall cause to be kept correct and complete financial records and books of account and records of financial transactions and of the financial condition of the Association, and shall submit such reports thereof as the Board of Directors may, from time to time, require; shall cause an annual audit of the Association's books to be made by an accountant at the completion of each fiscal year, if so directed by the Board of Directors or if requested to do so by a First Mortgagee; and shall prepare an annual budget and a statement of income and expenditures, and such other duties as may from time to time be assigned by the Board of Directors or by the President.

ARTICLE IX

AMENDMENTS

These Bylaws may only be amended by an instrument signed by, or the affirmative vote of, the Class A Members entitled to cast not less than sixty-seven percent (67%) of the total authorized votes in the Association, and the consent of the Class B Member, so long as the Class B Membership shall continue to exist. Notwithstanding the foregoing, for a period of ten (10) years after the recordation of the Declaration, the Declarant may unilaterally (without the consent of the Members of the Association or any other party), make any amendment to these Bylaws, which in the exercise of its sole discretion and with the irrevocable power as attorney-in-fact on behalf of all Members (which power shall be deemed coupled with an interest) which is required by any of the Federal Mortgage Agencies or any Governmental Authority as a condition of approval of the development of the Property, or which is required in connection with any changes in the governmental approvals which exist as of the date of this Declaration with respect to the Property, or to reflect the grant and conveyance of any easements reserved to the Declarant, or to correct errors or omissions herein, or an inconsistency or a scrivener's error, or to clarify an ambiguity in this Declaration (including, without limitation, recalculating the liability for assessments or the number of votes in the association

appertaining to a Lot), or to modify, amend or change any of the provisions of these Bylaws of the Association as the Declarant may deem necessary or desirable.

ARTICLE X

INSURANCE

10.1 Insurance. In addition to the insurance coverage required to be maintained by the Declaration, the Board of Directors of the Association may obtain and maintain, to the extent reasonably available, the following:

- (a) workmen's compensation insurance for employees of the Association to the extent necessary to comply with any applicable law; and
- (b) "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
- (c) such other policies of insurance, including director and officer liability insurance and insurance for other risks of a similar or dissimilar nature and fidelity insurance as required by these Bylaws, as are or shall hereafter be considered appropriate by the Board of Directors.

10.2 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 of Maryland and holding a rating of "B/III" or better (or its equivalent) in the current edition of Best's Insurance Guide.
- (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 obtained and maintained pursuant to the requirements of this Article 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) All policies shall provide that such policies may not be canceled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days prior written notice to any and all insureds named thereon, including any mortgagee of any Lot who requests such notice in writing.

(e) 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 co-insurance or invalidity arising from the acts of the insured.

ARTICLE XI

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments, which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within fifteen (15) days after the due date, the assessment may bear interest from the date of delinquency at the rate established by the Board of Directors, up to the maximum rate permitted by law, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, late charges, costs, and reasonable attorneys' fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Areas or abandonment of his or her Lot.

ARTICLE XII

MISCELLANEOUS

12.1 Proof of Ownership/Voter Designation. Every person becoming an Owner of a Lot shall immediately furnish to the Board of Directors a photocopy of the deed vesting in that person such ownership, which instrument shall remain in the files of the Association. Within thirty (30) days of any resale of a Lot within the Property, the selling Owner shall notify the Association of such transfer, which notice shall include, to the extent reasonably available, the name and address of the transferee, the name and forwarding address of the seller, the date of transfer, the name and address of any mortgagee, and the proportionate amount of any outstanding assessments assumed by the purchaser of the Lot. A Member shall not be deemed to be in good standing nor shall he or she be entitled to vote at any annual or special meeting of the Association unless this requirement is first met.

Prior to each annual meeting or special meeting of the Association, any corporation, partnership or trust owning a Lot shall advise the Secretary of the Association which of its officers, partners or trustees are designated to vote that Lot's vote.

12.2 Character of Association. This Association is not organized for profit. No Member, member of the Board of Directors, or officer shall receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Association be distributed to, or inure to the benefit of, any Director, officers or

Members. A reasonable salary may be paid to any Member who is in the employ of the Association for his or her services as such employee, and that any Member, Manager, Director, or officer may, from time to time, be reimbursed for his or her actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

12.3 Inspection of Records/Audit. The Association shall make available to Owners and their mortgagees, current copies of the Declaration, Articles of Incorporation, Bylaws and the Book of Resolutions governing the Property and the books, records and financial statements of the Association. "Available" means available for inspection upon request during normal business hours or other reasonable circumstances at the office of the Association where copies may be purchased at reasonable cost.

Upon ten (10) days prior written notice to the Association, and upon payment of a reasonable fee, any Owner or such Owner's First Mortgagee shall be furnished a statement of his or her accounting, setting forth the amount of any unpaid assessments or other charges due and owing from such Owner.

The Association shall also be required to make available to prospective purchasers, or to Owners who are the contract sellers of Lots, within fourteen (14) days of a written request and payment of a reasonable fee therefor, current copies of the Declaration, Bylaws, Articles of Incorporation, and Book of Resolutions governing the Property and the most recent annual financial statement of the Association, if such statement is prepared. Notwithstanding the foregoing, the Association shall not be required to provide such copies of documents to the event that they are contained in the Montgomery County depository for such documents.

12.4 Indemnification. The Association shall indemnify every present and former Director, officer, agent, or employee against loss, costs, and expenses, including attorneys' fees reasonably incurred in connection with any action, suit or proceeding in which such person may be made a party by reason of being, or having been such Director, officer, agent or employee of the Association, except as to matters concerning which such person shall be finally adjudged to be liable for gross negligence, willful misconduct or fraud. The officers and Directors of the Association shall not be liable to the Members of the Association for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The officers and Directors of the Association shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association and the Association shall indemnify and forever hold each such officer and Director free and harmless against any and all liability to others on account of any such contract or commitment. Any such indemnification shall be limited to and may only be paid out of the insurance proceeds provided by an insurer furnishing Officers and Directors Errors and Omissions insurance coverage or similar protection and any other insurance protecting the Association from liability because of the negligent acts of its servants, including insurance covering motor vehicles or public liability, property damage, medical and other similar coverage, it being the intent and purpose of this Section 12.4 to limit all

payments or settlements in indemnification to the actual proceeds of insurance policies received by the Association, provided, however, any deductible shall be paid by the Association. In the event of a settlement, the settlement shall be approved by the Board of Directors, and paid by the insurance carrier out of the insurance proceeds.

12.5 Corporate Seal. The Board of Directors may, if it so elects, adopt a seal which shall have inscribed thereon the name of the Association and the words "State of Maryland" and the year of incorporation.

12.6 Fiscal Year. The fiscal year of the Association shall begin on the 1st day of January and end on the 31st day of December of every year, unless changed by the Board of Directors. The first year shall begin on the date of incorporation.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands as of the _____ day of _____, 2004.

THE BROWNSTONES AT PARK POTOMAC
HOMEOWNERS ASSOCIATION, INC.

By: _____

President

229301v4

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting secretary of The Brownstones at Park Potomac Homeowners Association, Inc., a Maryland corporation.

THAT the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a Meeting of the Board of Directors thereof, held on the ____ day of _____, 2004.

Secretary