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RIVER RUN CONDOMINIUM

PUBLIC OFFERING STATEMENT

February, 1993

TABLE OF CONTENTS
RIVER RUN CONDOMINIUM
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	<u>Page</u>
Cover Sheet	1
1. Sales Contract	3
Part 1A: Standard Contract of Sale	4
Part 1B: Financing Addendum	21
Part 1C: Addendum to Standard Contract of Sale	23
2. Constituent Documents	24
2A. River Run Condominium Declaration	25
2B. River Run Condominium By-Laws	41
2C. River Run Community Association, Inc. Articles of Incorporation	74
2D. River Run Community Association, Inc. By-Laws	79
2E. River Run Community Association Declaration of Covenants, Conditions and Restrictions	88
2F. River Run Maryland Homeowners Association Act Disclosure Statement	114
3. Contracts	119
4. River Run Condominium and Community Association Budgets	146
5. Leases	163
6. Expansion Plans	164
7. Floor Plans	165
8. Facilities	174
9. Streets	175
10. Condominium Control	176

COVER SHEET**PUBLIC OFFERING STATEMENT FOR RIVER RUN CONDOMINIUM**

This Public Offering Statement provides the following information concerning River Run Condominium, as required by Section 11-126 of the Maryland Condominium Act (Title II of the Real Property Article of the Annotated Code of Maryland):

1. A copy of the proposed Contract of Sale for the Unit;
2. A copy of the proposed Declaration, Bylaws and Rules and Regulations of the Condominium, as well as copies of the Declaration, Articles of Incorporation and Bylaws of the River Run Community Association, Inc.;
3. Summaries of proposed terms of management contract and insurance to which it is anticipated the Unit Owners or the Council of Unit Owners will be a party following closing; and a copy of the Water Service and Shared Facility Agreements with the Worcester County Sanitary District.
4. A copy of the projected annual operating budget for the Condominium, including reasonable details concerning: (i) the estimated monthly payments by the Purchaser for assessments, (ii) monthly charges for the use, rental or lease of any facilities not a part of the condominium, and (iii) the amount of the reserve fund for repair and replacement and its intended use;
5. A description of any contemplated expansion of the Condominium with a general description of each stage of expansion and the maximum number of units that can be added to the Condominium;
6. A copy of the floor plans of the Units;
7. A description of any recreational or other facilities which are to be used by the Unit Owners or maintained by them or by the Council of Unit Owners, and a statement as to whether or not they are to be part of the Common Elements;
8. A statement as to whether streets within the Condominium are to be dedicated to public use or maintained by the Council of Unit Owners;
9. A description of any provision in the Declaration or Bylaws limiting the duration of developer control or requiring the phasing in of Unit Owner participation, or a statement that there is no such provision;
10. Any other information required by regulation duly adopted and issued by the Secretary of State.

YOU MAY AT ANY TIME (1) WITHIN FIFTEEN (15) DAYS FOLLOWING RECEIPT OF THIS PUBLIC OFFERING STATEMENT OR THE SIGNING OF THE CONTRACT OF SALE, WHICHEVER IS LATER, OR (2) WITHIN FIVE (5) DAYS FOLLOWING RECEIPT OF ANY AMENDMENT TO THIS PUBLIC OFFERING STATEMENT WHICH YOU HAVE THE RIGHT TO APPROVE PURSUANT TO SECTION 11-126(d) OF THE CONDOMINIUM ACT, CANCEL THE CONTRACT OF

SALE BY SENDING WRITTEN NOTICE OF SUCH CANCELLATION TO THE DEVELOPER. IF SUCH RIGHT OF CANCELLATION APPLIES AND YOU ELECT TO EXERCISE SUCH RIGHT, (1) YOU WILL NOT BE REQUIRED TO STATE ANY REASON FOR SUCH CANCELLATION, (2) YOU WILL NOT INCUR ANY LIABILITY TO THE DEVELOPER AS A RESULT OF SUCH CANCELLATION AND (3) YOU WILL BE ENTITLED TO THE RETURN OF ANY DEPOSITS MADE ON ACCOUNT OF THE PURCHASE PRICE.

All terms used in this Public Offering Statement shall have the meanings accorded to them by the Declaration, Bylaws and other documents which are attached hereto.

In the event of a conflict between any provision of the Declaration, Bylaws, Condominium Plat or other document which is or will be recorded among the Land Records of Worcester County, on the one hand, and any statement contained in this Public Offering Statement, on the other hand, provisions of the Declaration, Bylaws, Condominium Plat or other recorded documents shall be controlling.



PART 1. SALES CONTRACT

- Part 1A: Standard Contract of Sale (mandatory)**

- Part 1B: Financing Addendum to the Standard Contract of Sale (optional)**

- Part 1C: Addendum to Standard Contract of Sale (optional)**

RIVER RUN
STANDARD CONDOMINIUM UNIT CONTRACT OF SALE

THIS CONTRACT OF SALE, made this ___ day of _____, 19__ by and between RIVER RUN DEVELOPMENT ASSOCIATES, a New York partnership, having an office at 11433 Beauchamp Road, Berlin, MD 21811, Seller, and _____ and _____, both residing at _____ (Telephone: _____ - Business; _____ - Residence), Buyer, herein designated by the singular pronoun of the masculine gender. As used in this Contract of Sale, the following terms shall have the meanings ascribed to them in Article I of the Declaration identified in the Background Statement: land, building, property, condominium or condominium project, condominium plat, unit or condominium unit, boat slip, common elements, limited common elements, unit owner, council of unit owners, percentage interest factor, common expenses, boat slip expenses, declaration, and by-laws.

BACKGROUND STATEMENT

This Background Statement of Facts is not merely prefatory, but is expressly made a part of this Contract of Sale.

The declaration, by-laws and condominium plat of River Run Condominium, all as amended from time to time, are intended to be recorded among the Land Records of Worcester County, Maryland for the purpose of subjecting one or more stages of the property described in said declaration to a condominium regime under the Maryland Condominium Act, which regime shall be known as "River Run Condominium". The ultimate number of condominium units and the mix of condominium units and fee simple lots at River Run have not been fixed, but will be determined by market demand. The aforesaid declaration and by-laws are contained in the Public Offering Statement given to Buyer at or prior to the execution by Buyer of this Contract of Sale. The Public Offering Statement may be amended from time to time at the sole discretion of Seller, subject to the provisions of Paragraphs 8.g and 13 of this Contract of Sale. The condominium plat when prepared will be on file at the sales office of Seller, and by reference thereto, is made a part hereof as fully, and to the same extent, as though incorporated herein.

The River Run Condominium will become effective immediately upon recordation among the Land Records of Worcester County, Maryland, of the declaration, the by-laws and the condominium plat. Thereupon, the council of unit owners, an association comprised of all the unit owners, will be established for the purpose of governing and administering the affairs of the condominium, with those powers, rights, duties and authority set forth in the by-laws of the condominium.

River Run Condominium is intended to include only the condominium buildings and the land directly beneath them. All land surrounding the condominium buildings, the parking areas appurtenant thereto, and the interior roads in the River Run project are to be owned initially by the Seller and then by River Run Community Association, Inc. (the "Association"). The Association will operate and maintain its property subject to the Maryland Homeowners Association Act, and will levy assessments against the units in River Run Condominium as well as all other lots in River Run owned by anyone other than the Seller. The Association will delegate to River Run Condominium the duty of collecting the Association assessments on a monthly basis. Every owner of a condominium unit will be a member of the Association.

River Run Condominium is part of a Residential Planned Community ("RPC") in Worcester County, Maryland, which includes also single family and semi-detached homes, as well as certain recreational amenities which will ultimately consist of a clubhouse, golf course, tennis courts and marina. However, Seller makes no guarantees regarding the date by which any of these amenities other than the golf course and club house will be completed.

The unit sold under this Contract of Sale has been or shall be erected by Seller and except to the extent otherwise expressly provided herein, shall conform substantially to the plans and drawings on file at the office of Seller. Seller shall have the right, however, to vary and depart from the plans by the substitution of materials and/or equipment of comparable kind and quality and by the relocation of any of the common elements, if such substitution or relocation be deemed necessary or advisable in the opinion of Seller to expedite or facilitate the construction, operation, maintenance or care of the condominium, or the convenience or services of the council of unit owners, provided that no such substitution or relocation shall materially affect the area or location of the unit sold under this Contract of Sale, or the access thereto.

The types, thicknesses and R-values of the insulation that has been or will be installed in the building in which the unit is or will be located are described in the attached Exhibit A. Each R-value set forth in Exhibit A is that provided by the manufacturer for the stated thickness of the insulation material mentioned.

Seller desires to sell to Buyer, and the latter desires to purchase from the former, the hereinafter described condominium unit, all upon the terms, conditions and provisions set forth in this Contract of Sale.

NOW, THEREFORE, THIS CONTRACT OF SALE WITNESSETH: That for and in consideration of the premises and the mutual covenants and agreements of the parties, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **THE UNIT.** The Seller does hereby bargain and sell unto the Buyer, and the Buyer does hereby purchase from the Seller, Condominium Unit Number ___ in Building ___, being a type _____ unit upper/lower (the "unit"), in fee simple, in the River Run Condominium, as said unit is shown on the condominium plat, together with (a) an undivided fee simple interest in the common elements equal to the percentage interest factor provided for the aforesaid unit in Article III of the Declaration, and (b) the fixtures and items of personal property described in the attached Exhibit B. Seller shall have the right, however, to substitute fixtures and items of personal property of comparable kind and quality.

2. **PURCHASE PRICE.** Buyer agrees to pay, and Seller agrees to accept, as the total purchase price of the above described unit, fixtures and personalty, the sum of _____ Dollars (\$ _____). Buyer agrees to pay to Seller an Earnest Money Deposit on account of the purchase price in the total amount of _____ (\$ _____), in the following installments: 4% of the sales price [_____ Dollars (\$ _____)], or \$5,000, whichever is greater, to be paid prior to or simultaneously with the execution of this Contract of Sale; 2% of the sales price when unit foundation has been completed; 2% when unit roof is enclosed, and the Balance of said purchase price to be paid by Buyer to Seller in cash at the time of settlement. Buyer may elect to pay the required Deposit in full upon execution hereof in which event the deposit funds shall be placed in an interest-bearing escrow account for the benefit of Buyer.

3. **ESCROW OF DEPOSITS.** All deposits, downpayments or other sums paid on account of the purchase price by Buyer to Seller, or its agent (collectively called the "Deposit"), shall be deposited forthwith either in a trust account as required by Section 1806 of Title 38 of the United States Code, if VA guaranteed mortgage financing is herein provided for, or with a licensed broker selected by Seller or by Seller in an escrow account as required by Section 10-301 of the Real Property Article of the Annotated Code of Maryland (if that section is applicable). If the Deposit is held by a real estate broker, and the owner and beneficial owner of the Deposit do not instruct otherwise, (i) a Deposit of less than \$5,000 shall be placed in an interest-bearing account that pays all interest to the Maryland Housing Resource Corp.; and (ii) a Deposit of \$5,000 or more shall be placed, at the sole discretion of the real estate broker, in a noninterest-bearing account or an interest-bearing account that pays all interest to the Maryland Housing Resource Corp.

4. **TITLE.** Upon payment of the unpaid purchase money at the time of settlement, as above provided, a special warranty deed conveying the unit and the undivided interest in the common elements, in fee simple, shall be executed by Seller, at Buyer's expense, which deed shall convey the same to Buyer by a good and merchantable title, free and clear of liens and other encumbrances, except as follows: the declaration, by-laws and condominium plat for the condominium, all as may be amended from time to time, including rights of the unit owners, other than Buyer, in the common elements and the operation of the condominium property; the declaration for the Association; rights-of-ways and easements for public utilities servicing the property and the subdivision in which it is situate; rights, rights-of-ways and easements itemized in the declaration; any encroachment which a correct survey of the condominium unit would disclose; any matter disclosed in the Public Offering Statement; and all laws, ordinances, regulations, public charges, taxes and assessments applicable to or relating to the unit or the condominium of which it is a part.

5. **ADJUSTMENTS.** The annual assessments for common expenses for the condominium and the Association, the taxes, water and water service charges, sewer and sewer service charges and all other public charges and assessments, against the unit (or temporarily, the condominium property but allocated among the units, in accordance with the percentage interest factor of each in the common expenses), boat slip expenses (as applicable), and charges for electricity, shall be adjusted at and to the time of settlement and assumed thereafter by Buyer. Additionally, at settlement, a working capital fee equal to two (2) monthly installments of the first annual assessments against the unit for common expenses for the condominium and the Association, as mentioned in Paragraph 13 below (which fee shall be in addition to, and not a prepayment of, said monthly installments) shall be paid by Buyer to the council of unit owners, unless such fee has already been paid by Seller, in which case Buyer shall pay such amount to Seller as reimbursement therefor. The cost of all lien reports, notary fees, recording fees and State and County transfer taxes, recordation taxes and documentary stamps, whether now or hereafter imposed, shall be paid by Buyer. SECTION 14-104 OF THE REAL PROPERTY ARTICLE OF THE ANNOTATED CODE OF MARYLAND PROVIDES THAT, UNLESS OTHERWISE NEGOTIATED IN THE CONTRACT OR PROVIDED BY LOCAL LAW, THE COST OF ANY RECORDATION TAX OR ANY STATE OR LOCAL TRANSFER TAX SHALL BE SHARED EQUALLY BETWEEN THE BUYER AND SELLER.

6. **RISK OF LOSS.** The unit is to be held at the risk of Seller until legal title has passed or possession is given to Buyer. However, (a) if, at any time prior to the settlement hereunder, the unit sustains damage (from act of God, fire or other casualty) necessitating repairs or replacements costing in excess of Fifty Thousand Dollars (\$50,000.00), or (b) if, at any time prior to the subjection to the condominium of the stage (Phase 1, 2, 3 or 4, etc., as applicable) in which said unit is to be located (the "subject stage"), any other improvement(s) constructed or installed in the subject stage sustain(s) damage (from act of God, fire or other casualty) necessitating repairs or replacements costing

8. CONSTRUCTION.

a. Seller reserves the right to change the location or elevation of the condominium buildings. Seller reserves the right to remove any and all trees, plants and shrubbery from the property as Seller may determine. Seller will not be responsible for damage to existing trees, plants or shrubbery.

b. Model units, furnishings, special construction, and landscaping shown in and around model units are not a part of this Contract.

c. Advertising and promotional materials are not part of this Contract. Only what is shown on the plans shall be supplied by Seller. Measurements and plans are approximate and may be varied in the field.

d. In the event that Buyer desires extra work on the unit being sold herein, it shall be done only by the agreement of Seller after having received written authorization from Buyer as the work to be done and on the conditions set forth in said authorization, and Buyer has agreed on the cost of said extra work and shall have paid such sum prior to the work being done, unless otherwise agreed upon. Seller may, at its sole option, refuse to do any extra work. Buyer shall be entitled to a refund from Seller for any such extra work which may have been omitted by Seller in or upon the unit herein purchased and said refund shall be limited to the agreed upon cost for said extra work, and Seller shall have no further liability to Buyer for the failure to perform said extra work. All prepaid extras are non-refundable if this Contract becomes null and void due to Buyer's inability to obtain financing as set forth herein. All changes and additions in the unit must be made or constructed by Seller's subcontractors and material suppliers. Other subcontractors and/or suppliers employed by Buyer may not enter the unit prior to settlement. Buyer may not enter upon the unit prior to settlement without Seller's express permission.

e. Buyer agrees to select optional colors and kitchen and vanity selections made available by Seller, within 30 days after request by Seller to do so. Unless otherwise chosen by Seller, such selection must be made from colors, grades, manufacturers, and samples made available by Seller. Seller may approve all colors and may disapprove colors if, solely in its opinion, they are objectionable to the overall appearance of the unit and/or projects. Buyer acknowledges the obligation to deliver such selections to the Seller within such time period and further agrees that if such selections shall not be so delivered to Seller, Seller shall use its discretion for such selection and Buyer shall be bound by the same. Buyer's right to select colors relates only to items in the interior of the unit, and not to the exterior or to wall colors. Seller will paint all finished walls with two coats of white paint.

f. Buyer acknowledges that, to the extent not already constructed, the exact placement of the improvements on the property and the size and number of exit steps, platforms and risers as well as the determination of whether the improvements shall be built left or right or vice versa shall be determined by Seller and shall be constructed in a manner consistent with the grading of the lot.

g. After the original grading and seeding of the area around the building by the Seller, the council of unit owners shall have the sole responsibility to maintain the grounds against erosion, settlement, and other like problems. Only disturbed areas will be seeded by Seller. Seller does not guarantee maintenance of landscaping or that trees planted or existing on common areas will live or assume liability for removal of trees that die. Units will be delivered broom cleaned. The Seller agrees to notify Buyer of any major changes, specifications, deviations, additions or deletions which

may be beyond the scope of the limitations thereon set forth above. If said major change affects the common areas it will be disclosed by a duly filed amendment to the Public Offering Statement. Such changes shall include, but not be limited to, the substitution of lots in the event topographical conditions on the lot selected are not conducive to construction of a particular building type on that lot. In the event that Seller notifies Buyer of such changes and modifications, Buyer shall be deemed to have approved of same, unless Seller receives Buyer's written disapproval of such modifications and amendments within ten (10) days from date of the aforesaid notice by Seller. In such event, Seller may, at its option elect to withdraw its proposed changes and modifications and shall have thirty (30) days from receipt of Buyer's notice to do so. Thereupon, the unit shall be constructed as provided herein. Or, Seller may elect to effectuate the aforementioned changes and modifications irrespective of Buyer's notice of disapproval. In such event, Buyer may declare this Contract to be null and void and shall be entitled to the return, within thirty (30) days from receipt of Buyer's notice of disapproval, of the Deposit, at which time the parties shall be relieved of all further obligations hereunder.

h. If street paving is not completed at the time the unit is ready for occupancy, a temporary roadway will be installed at no expense to Buyer. Failure to have street paving completed at the time the unit is ready for occupancy shall not relieve Buyer from the obligation to settle for purchase of the unit, to make payments on any financing supplied by Seller, or to pay assessments to the condominium and the Association.

9. **SUBORDINATION.** Buyer agrees that all terms and provisions of this Contract are and shall be subject and subordinate to the lien of any institutional mortgage heretofore or hereafter made, and any advances heretofore and hereafter made thereon, and any purchase money mortgages, and any payments or expenses already made or incurred, pursuant to the terms thereof, to the full extent thereof, without the execution of any further legal documents by the Buyer. This subordination shall apply whether such advances are voluntary or involuntary, and whether made in accordance with the schedule of payments, or accelerated thereunder by virtue of the lender's right to make advances before they become due in accordance with the schedule of payments. Seller shall obtain a release of the unit from the lien of any such mortgages, at or prior to settlement, except for the individual mortgage securing any mortgage loan taken out by Buyer.

10. **SETTLEMENT.** Settlement under this Contract of Sale shall take place between the seventh (7th) and thirtieth (30th) days, inclusive, following the date on which Seller notifies Buyer that the unit is available for occupancy. Seller's delay in furnishing such notice shall not confer upon Buyer any right or cause of action whatsoever, but, upon Seller giving the notice, time shall be of the essence of this Contract of Sale. Said settlement shall be held during regular business hours at such place in Baltimore City, Maryland, or Worcester County, Maryland, as Seller may direct, the exact time, date and place of settlement to be established by Seller in its aforesaid notice to Buyer. Buyer shall have the right to defer such settlement for not more than ten (10) days, if additional time is necessary for title examination, preparation of any document or other paper required for settlement, or action by any lending institution committed to finance any portion of the instant sale, but settlement shall not be delayed or deferred for any other cause or reason. Accordingly, if any presettlement inspection by Seller and Buyer discloses any incomplete work or faulty construction, faulty material or faulty installation, including, but not limited to, final grading, walkways, driveways, landscaping, exterior painting, requiring completion, repair, adjustment, or replacement, whether attributable to Seller or Buyer, or any subcontractor or material supplier of either, but not rendering the unit unfit for habitation, this Contract of Sale shall be consummated through settlement at the time fixed by Seller, as hereinabove provided for. Seller, however, shall promptly complete its work, or make any necessary repairs, adjustments or replacements to the unit for which it may be obligated, despite prior settlement, its obligation therefor in no way to be merged in the settlement or by any deed or other paper executed

at settlement. In no event shall Seller be required to escrow or otherwise deposit any funds at settlement to assure performance of its obligation hereunder, which shall continue, as above set forth.

11. **POSSESSION.** Possession of the unit and the fixtures and items of personal property specified in Exhibit B shall be given to Buyer at settlement. Buyer has no right to, and agrees not to, enter the unit before settlement without written approval of Seller.

12. **EXTENSION OF TIME AND TERMINATION.** Seller's notification pursuant to Paragraph 10 hereof that the unit is available for occupancy by Buyer shall be given within ___ days/months (if the preceding space is left blank, said time shall be deemed to be 24 months) after the date hereof, which time shall be extended for a reasonable period if one or more delays in completing (a) the unit or (b) the subject stage (as defined in Paragraph 6 hereof) ensue by reason of strike, material shortages, casualty or other cause beyond Seller's control. However, at any time prior to settlement Seller may, at its discretion, cancel this Contract upon the occurrence of any of the following events: (1) imposition by the federal, state, county or municipal government, or any agency, bureau, department or subdivision thereof, of any material restriction on the manufacture, sale, distribution or use of any material needed in construction of the condominium, or on the installation of or connection with any public utility necessary to the operation thereof or failure by Seller to obtain all necessary governmental permits and approvals; or (2) Seller's determination, in its sole discretion, that Buyer has not submitted evidence satisfactory to Seller of Buyer's ability to complete payment at Settlement; or (3) Seller's inability to obtain any labor or material from its usual source of supply, because of strike, lockout, labor dispute, abnormal price or requirement, war, military operation, national emergency, governmental control or any other cause beyond Seller's control. Such cancellation shall be effected by a notice thereof to Buyer, accompanied by refund of the Deposit, and thereafter neither party shall have any right, remedy, obligation or liability under this Contract.

13. **COVENANTS AND RESTRICTIONS.** Buyer acknowledges that in addition to the Condominium Declaration, the unit is subject to a Declaration of Covenants, Conditions, and Restrictions Relating to River Run for the operation of River Run Community Association, Inc. (the "Association"). This Declaration provides, among other things, for maintenance and control of the open spaces in the River Run project, easements and rights for development of the project, architectural control and requirements, assessments for maintenance and operation of the open spaces and Association. Buyer agrees to be bound by the provisions of this Declaration and the regulations and By-Laws of River Run Community Association, Inc., and to pay the assessments established thereby. A Disclosure Statement for the Association and its operations is being delivered herewith as required by Maryland law. Any summary description in the Disclosure Statement is for Buyer's convenience only and will not control over contrary or more extensive provisions in the Declaration and By-Laws. Buyer acknowledges reviewing a copy of the Declaration prior to Buyer's execution of this Contract.

Buyer also agrees that in addition to the above-mentioned purchase price, Buyer will pay to the Council of Unit Owners and to the Association, at or before conveyance of title, the sum of \$ _____, representing Buyer's non-refundable proportionate share of the Council's and Association's required working capital. Notwithstanding any limitation imposed by Worcester County Zoning Regulations, Buyer hereby consents to the location, development and construction within any recreation area shown on the approved master plan for River Run of such facilities as the Seller deems appropriate. Buyer acknowledges receipt of a description of planned amenities. Buyer further consents to any such amendments of the master plan and any record plat as may be required to effect the construction and development of such facilities. Buyer expressly waives any objection to the amendment of the record plat or master plan as may be required to effect the construction and development of such facilities, which objection might otherwise be raised by the Buyer under the

Zoning Regulations. Buyer also expressly waives any objection to the amendment of the record plat or master plan which does not directly affect the building in which the unit is located. The terms of this section shall survive Settlement.

14. **TERMINATION AND DEFAULT.** If Buyer exercises any right of cancellation set forth (a) in Paragraph 19(b) or 20 of this Contract or (b) in the Financing Addendum, if any, executed by Seller and Buyer in conjunction herewith, Buyer shall be entitled to the return of the Deposit. If Buyer: (i) fails to make any payment when due; (ii) fails to accept title and pay the balance of the purchase price at Settlement; or (iii) fails to comply with any of the terms and conditions of this Contract, including any riders, then Seller shall have the right, at its election, either (i) to terminate this Contract and to retain all sums theretofore paid to Seller, deemed earnest money, not as a penalty but as liquidated damages fixed by the parties in view of the difficulty in quantifying the damages actually sustained by Seller; or (ii) to seek such relief as may be available to Seller at law or in equity, including, but not limited to, injunctive relief for specific performance, and direct and consequential damages, retaining and applying the Deposit against any such damage award.

15. **NOTICES.** All notices required or authorized to be delivered by either party to the other under any provision of this Contract shall be in writing, and shall be deemed to be properly served if sent by certified or registered mail, return receipt requested, postage prepaid, to Seller, or Buyer, at the address specified for the respective parties in the first paragraph on page 1 of this Contract, or if actually received, regardless of the manner in which, or address to which, delivered. Either party may, by written notice to the other, change the address to which notices may be sent. A notice shall be deemed given when deposited by certified or registered mail, return receipt requested, postage prepaid, in the United States mail, addressed to the party at the address herein specified there for, or in all other events, when actually received.

16. **SUCCESSORS AND ASSIGNS.** The parties hereto bind themselves, their respective personal representatives, heirs, successors and assigns, for the faithful performance of this Contract of Sale. This Contract, however, shall not be assignable by Buyer without Seller's written consent. If Seller, in its discretion, permits an assignment of this Contract by Buyer, then Seller may impose an assignment fee on Buyer equal to ten percent (10%) of the purchase price. However, in no way shall the foregoing be construed as a requirement that Seller consent to any such assignment, and Seller reserves the right to refuse to permit any assignment of the Contract by Buyer. Any party to whom such assignment may be made in contravention of this provision shall have no claim, right or remedy whatsoever against Seller, and it is further understood and agreed that Seller shall not be required to recognize any such assignment by Buyer or to recognize or deal with any assignee of this Contract.

17. **NOTICE TO BUYER: YOU HAVE THE RIGHT TO SELECT YOUR OWN TITLE INSURANCE, SETTLEMENT, OR ESCROW COMPANY OR TITLE ATTORNEY, TO THE EXTENT PROVIDED FOR IN SECTION 16-524 OF THE BUSINESS OCCUPATIONS AND PROFESSIONS ARTICLE OF THE ANNOTATED CODE OF MARYLAND (1989 EDITION, AS AMENDED).**

18. **NOTICE TO BUYER AND ALL OTHER PARTIES.** Any person aggrieved in accordance with Section 16-405 of the Business Occupations and Professions Article of the Maryland Code (or any successor thereto) may be entitled to recover compensation from the Maryland Real Estate Guaranty Fund for his or her actual loss, as proven before the Maryland Real Estate Commission, in an amount not exceeding \$25,000 in consideration of any claim. A buyer or other aggrieved person is not protected by the Guaranty Fund in an amount in excess of \$25,000 for any claim.

19. NOTICE TO BUYER - MARYLAND CONDOMINIUM ACT.

a. THIS CONTRACT OF SALE IS NOT ENFORCEABLE BY THE SELLER UNLESS THE SELLER FURNISHES TO YOU (THE BUYER) AT OR PRIOR TO THE TIME THIS CONTRACT OF SALE IS ENTERED INTO, A PUBLIC OFFERING STATEMENT CONTAINING ALL OF THE INFORMATION SET FORTH IN SECTION 11-126(b) OF THE MARYLAND CONDOMINIUM ACT.

b. YOU MAY AT ANY TIME (i) WITHIN FIFTEEN (15) DAYS FOLLOWING RECEIPT OF THE PUBLIC OFFERING STATEMENT OR THE SIGNING OF THIS CONTRACT OF SALE, WHICHEVER IS LATER, OR (ii) WITHIN FIVE (5) DAYS FOLLOWING RECEIPT OF ANY AMENDMENT TO THE PUBLIC OFFERING STATEMENT WHICH YOU HAVE THE RIGHT TO APPROVE PURSUANT TO SECTION 11-126(d) OF THE MARYLAND CONDOMINIUM ACT, CANCEL THIS CONTRACT OF SALE BY SENDING WRITTEN NOTICE OF SUCH CANCELLATION TO SELLER. IF SUCH RIGHT OF CANCELLATION APPLIES AND YOU ELECT TO EXERCISE SUCH RIGHT, (i) YOU WILL NOT BE REQUIRED TO STATE ANY REASON FOR SUCH CANCELLATION, (ii) YOU WILL NOT INCUR ANY LIABILITY TO SELLER AS A RESULT OF SUCH CANCELLATION, AND (iii) YOU WILL BE ENTITLED TO THE RETURN OF ANY DEPOSIT MADE ON ACCOUNT OF THE PURCHASE PRICE.

c. SECTION 11-131 OF THE MARYLAND CONDOMINIUM ACT IMPLIES A WARRANTY ON THE UNIT FROM THE SELLER TO THE BUYER. THE WARRANTY ON EACH UNIT COMMENCES WITH THE TRANSFER OF TITLE TO THAT UNIT AND EXTENDS FOR A PERIOD OF ONE YEAR. THE WARRANTY PROVIDES:

(1) THAT THE SELLER IS RESPONSIBLE FOR CORRECTING ANY DEFECTS IN MATERIALS OR WORKMANSHIP IN THE CONSTRUCTION OF WALLS, CEILINGS, FLOORS, AND HEATING AND AIR CONDITIONING SYSTEMS IN THE UNIT; AND

(2) THAT THE HEATING AND ANY AIR CONDITIONING SYSTEMS HAVE BEEN INSTALLED IN ACCORDANCE WITH ACCEPTABLE INDUSTRY STANDARDS AND:

(i) THAT THE HEATING SYSTEM IS WARRANTED TO MAINTAIN A 70 DEGREE FAHRENHEIT TEMPERATURE INSIDE WITH THE OUTDOOR TEMPERATURE AND WINDS AT THE DESIGN CONDITIONS ESTABLISHED BY ARTICLE 78, SECTION 54-I OF THE ANNOTATED CODE OF MARYLAND ("ENERGY CONSERVATION BUILDING STANDARDS ACT"), OR THOSE ESTABLISHED BY THE POLITICAL SUBDIVISION AS PROVIDED IN ARTICLE 78, SECTION 54-I; AND

(ii) THAT THE AIR CONDITIONING SYSTEM IS WARRANTED TO MAINTAIN A 78 DEGREE FAHRENHEIT TEMPERATURE INSIDE WITH THE OUTDOOR TEMPERATURE AT THE DESIGN CONDITIONS ESTABLISHED BY ARTICLE 78, SECTION 54-I OF THE ANNOTATED CODE OF MARYLAND ("ENERGY CONSERVATION BUILDING STANDARDS ACT"), OR THOSE ESTABLISHED BY THE POLITICAL SUBDIVISION AS PROVIDED IN ARTICLE 78, SECTION 54-I; AND

SECTION 11-131(c) OF THE CONDOMINIUM ACT IMPLIES A WARRANTY ON THE COMMON ELEMENTS OF THE CONDOMINIUM FROM THE SELLER TO THE COUNCIL OF UNIT OWNERS. THE WARRANTY APPLIES, TO THE EXTENT THAT

THE FOLLOWING ARE COMMON ELEMENTS, TO: THE ROOF, FOUNDATION, EXTERNAL AND SUPPORTING WALLS, MECHANICAL, ELECTRICAL AND PLUMBING SYSTEMS, AND OTHER STRUCTURAL ELEMENTS. THE WARRANTY ON COMMON ELEMENTS PROVIDES THAT THE SELLER IS RESPONSIBLE FOR CORRECTING ANY DEFECT IN MATERIALS OR WORKMANSHIP, AND THAT THE SPECIFIED COMMON ELEMENTS ARE WITHIN ACCEPTABLE INDUSTRY STANDARDS IN EFFECT WHEN THE BUILDING WAS CONSTRUCTED. THE WARRANTY ON COMMON ELEMENTS COMMENCES WITH THE FIRST TRANSFER OF TITLE TO A UNIT OWNER. THE WARRANTY OF ANY COMMON ELEMENTS NOT COMPLETED AT THAT TIME COMMENCES WITH THE COMPLETION OF THAT ELEMENT OR WITH ITS AVAILABILITY FOR USE BY ALL UNIT OWNERS, WHICHEVER OCCURS LATER. THE WARRANTY EXTENDS FOR A PERIOD OF THREE YEARS.

A SUIT FOR ENFORCEMENT OF THE WARRANTY ON GENERAL COMMON ELEMENTS MAY BE BROUGHT ONLY BY THE COUNCIL OF UNIT OWNERS. A SUIT FOR ENFORCEMENT OF THE WARRANTY ON LIMITED COMMON ELEMENTS MAY BE BROUGHT BY THE COUNCIL OF UNIT OWNERS OR ANY UNIT OWNER TO WHOSE USE IT IS RESERVED. NOTICE OF DEFECT MUST BE GIVEN WITHIN THE WARRANTY PERIOD AND SUIT FOR ENFORCEMENT ON THE WARRANTY MUST BE BROUGHT WITHIN ONE YEAR OF THE WARRANTY. THESE WARRANTIES DO NOT APPLY TO ANY DEFECTS CAUSED THROUGH ABUSE OR FAILURE TO PERFORM MAINTENANCE BY A UNIT OWNER OR THE COUNCIL OF UNIT OWNERS.

20. NOTICE TO BUYER - MARYLAND HOMEOWNERS ASSOCIATION ACT.

THIS SALE IS SUBJECT TO THE REQUIREMENTS OF THE MARYLAND HOMEOWNERS ASSOCIATION ACT (THE "ACT"). THE ACT REQUIRES THAT THE SELLER DISCLOSE TO YOU AT OR BEFORE THE TIME THE CONTRACT IS ENTERED INTO, OR WITHIN 7 CALENDAR DAYS OF ENTERING INTO THE CONTRACT, CERTAIN INFORMATION CONCERNING THE DEVELOPMENT IN WHICH THE LOT YOU ARE PURCHASING IS LOCATED. THE CONTENT OF THE INFORMATION TO BE DISCLOSED IS SET FORTH IN SECTION 11B-105(B) OF THE ACT (THE "MHAA INFORMATION") AS FOLLOWS:

(1) (I) THE NAME, PRINCIPAL ADDRESS, AND TELEPHONE NUMBER OF THE VENDOR AND OF THE DECLARANT, IF THE DECLARANT IS NOT THE VENDOR; OR

IF THE VENDOR IS A CORPORATION OR PARTNERSHIP, THE NAMES AND ADDRESSES OF THE PRINCIPAL OFFICERS OF THE CORPORATION, OR GENERAL PARTNERS OF THE PARTNERSHIP;

(2) (I) THE NAME, IF ANY, OF THE HOMEOWNERS ASSOCIATION; AND

(II) IF INCORPORATED, THE STATE IN WHICH THE HOMEOWNERS ASSOCIATION IS INCORPORATED AND THE NAME OF THE MARYLAND RESIDENT AGENT;

(3) A DESCRIPTION OF:

(I) THE LOCATION AND SIZE OF THE DEVELOPMENT, INCLUDING THE MINIMUM AND MAXIMUM NUMBER OF LOTS CURRENTLY PLANNED OR PERMITTED, IF APPLICABLE, WHICH MAY BE CONTAINED WITHIN THE DEVELOPMENT; AND

(II) ANY PROPERTY OWNED BY THE DECLARANT OR THE VENDOR CONTIGUOUS TO THE DEVELOPMENT WHICH IS TO BE DEDICATED TO PUBLIC USE;

(4) IF THE DEVELOPMENT IS OR WILL BE WITHIN OR PART OF ANOTHER DEVELOPMENT, A GENERAL DESCRIPTION OF THE OTHER DEVELOPMENT;

(5) IF THE DECLARANT HAS RESERVED IN THE DECLARATION THE RIGHT TO ANNEX ADDITIONAL PROPERTY TO THE DEVELOPMENT, A DESCRIPTION OF THE SIZE AND LOCATION OF THE ADDITIONAL PROPERTY AND THE APPROXIMATE NUMBER OF LOTS CURRENTLY PLANNED TO BE CONTAINED IN THE DEVELOPMENT, AS WELL AS ANY TIME LIMITS WITHIN WHICH THE DECLARANT MAY ANNEX SUCH PROPERTY;

(6) A COPY OF:

(I) THE ARTICLES OF INCORPORATION, THE DECLARATION, AND ALL RECORDED COVENANTS AND RESTRICTIONS OF THE PRIMARY DEVELOPMENT AND OF OTHER RELATED DEVELOPMENTS TO THE EXTENT REASONABLY AVAILABLE, TO WHICH THE PURCHASER SHALL BECOME OBLIGATED ON BECOMING AN OWNER OF THE LOT, INCLUDING A STATEMENT THAT THESE OBLIGATIONS ARE ENFORCEABLE AGAINST AN OWNER AND THE OWNER'S TENANTS, IF APPLICABLE; AND

(II) THE BYLAWS AND RULES OF THE PRIMARY DEVELOPMENT AND OF OTHER RELATED DEVELOPMENTS TO THE EXTENT REASONABLY AVAILABLE, TO WHICH THE PURCHASER SHALL BECOME OBLIGATED ON BECOMING AN OWNER OF THE LOT, INCLUDING A STATEMENT THAT THESE OBLIGATIONS ARE ENFORCEABLE AGAINST AN OWNER AND THE OWNER'S TENANTS, IF APPLICABLE;

(7) A DESCRIPTION OR STATEMENT OF ANY PROPERTY WHICH IS CURRENTLY PLANNED TO BE OWNED, LEASED, OR MAINTAINED BY THE HOMEOWNERS ASSOCIATION;

(8) A COPY OF THE ESTIMATED PROPOSED OR ACTUAL ANNUAL BUDGET FOR THE HOMEOWNERS ASSOCIATION FOR THE CURRENT FISCAL YEAR, INCLUDING A DESCRIPTION OF THE REPLACEMENT RESERVES FOR COMMON AREA IMPROVEMENTS, IF ANY, AND A COPY OF THE CURRENT PROJECTED BUDGET FOR THE HOMEOWNERS ASSOCIATION BASED UPON THE DEVELOPMENT FULLY EXPANDED IN ACCORDANCE WITH EXPANSION RIGHTS CONTAINED IN THE DECLARATION;

(9) A STATEMENT OF CURRENT OR ANTICIPATED MANDATORY FEES OR ASSESSMENTS TO BE PAID BY OWNERS OF LOTS WITHIN THE DEVELOPMENT FOR THE USE, MAINTENANCE, AND OPERATION OF COMMON AREAS AND FOR OTHER

PURPOSES RELATED TO THE HOMEOWNERS ASSOCIATION AND WHETHER THE DECLARANT OR VENDOR WILL BE OBLIGATED TO PAY THE FEES IN WHOLE OR IN PART;

(10) (I) A BRIEF DESCRIPTION OF ZONING AND OTHER LAND USE REQUIREMENTS AFFECTING THE DEVELOPMENT; OR

(II) A WRITTEN DISCLOSURE OF WHERE THE INFORMATION IS AVAILABLE FOR INSPECTION;

(11) A STATEMENT REGARDING:

(I) WHEN MANDATORY HOMEOWNERS ASSOCIATION FEES OR ASSESSMENTS WILL FIRST BE LEVIED AGAINST OWNERS OF LOTS;

(II) THE PROCEDURE FOR INCREASING OR DECREASING SUCH FEES OR ASSESSMENTS;

(III) HOW FEES OR ASSESSMENTS AND DELINQUENT CHARGES WILL BE COLLECTED;

(IV) WHETHER UNPAID FEES OR ASSESSMENTS ARE A PERSONAL OBLIGATION OF OWNERS OF LOTS;

(V) WHETHER UNPAID FEES OR ASSESSMENTS BEAR INTEREST AND IF SO, THE RATE OF INTEREST;

(VI) WHETHER UNPAID FEES OR ASSESSMENTS MAY BE ENFORCED BY IMPOSING A LIEN ON A LOT UNDER THE TERMS OF THE MARYLAND CONTRACT LIEN ACT; AND

(VII) WHETHER LOT OWNERS WILL BE ASSESSED LATE CHARGES OR ATTORNEYS' FEES FOR COLLECTING UNPAID FEES OR ASSESSMENTS AND ANY OTHER CONSEQUENCES FOR THE NONPAYMENT OF THE FEES OR ASSESSMENTS;

(12) IF ANY SUMS OF MONEY ARE TO BE COLLECTED AT SETTLEMENT FOR CONTRIBUTION TO THE HOMEOWNERS ASSOCIATION OTHER THAN PRORATED FEES OR ASSESSMENTS, A STATEMENT OF THE AMOUNT TO BE COLLECTED AND THE INTENDED USE OF SUCH FUNDS; AND

(13) A DESCRIPTION OF SPECIAL RIGHTS OR EXEMPTIONS RESERVED BY OR FOR THE BENEFIT OF THE DECLARANT OR THE VENDOR, INCLUDING:

(I) THE RIGHT TO CONDUCT CONSTRUCTION ACTIVITIES WITHIN THE DEVELOPMENT;

(II) THE RIGHT TO PAY A REDUCED HOMEOWNERS ASSOCIATION FEES OR ASSESSMENT; AND

(III) EXEMPTIONS FROM USE RESTRICTIONS OR ARCHITECTURAL CONTROL PROVISIONS CONTAINED IN THE DECLARATION OR PROVISIONS BY WHICH THE DECLARANT OR THE VENDOR INTENDS TO MAINTAIN CONTROL OVER THE HOMEOWNERS ASSOCIATION.

IF YOU HAVE NOT RECEIVED ALL OF THE MHAA INFORMATION 5 CALENDAR DAYS OR MORE BEFORE ENTERING INTO THE CONTRACT, YOU HAVE 5 CALENDAR DAYS TO CANCEL THIS CONTRACT AFTER RECEIVING ALL OF THE MHAA INFORMATION. YOU MUST CANCEL THE CONTRACT IN WRITING, BUT YOU DO NOT HAVE TO STATE A REASON. THE SELLER MUST ALSO PROVIDE YOU WITH NOTICE OF ANY CHANGES IN MANDATORY FEES EXCEEDING 10% OF THE AMOUNT PREVIOUSLY STATED TO EXIST AND COPIES OF ANY OTHER SUBSTANTIAL AND MATERIAL AMENDMENT TO THE INFORMATION PROVIDED TO YOU. YOU HAVE 3 CALENDAR DAYS TO CANCEL THIS CONTRACT AFTER RECEIVING NOTICE OF ANY CHANGES IN MANDATORY FEES, OR COPIES OF ANY OTHER SUBSTANTIAL AND MATERIAL AMENDMENT TO THE MHAA INFORMATION WHICH ADVERSELY AFFECTS YOU. IF YOU DO CANCEL THE CONTRACT YOU WILL BE ENTITLED TO A REFUND OF ANY DEPOSIT YOU MADE ON ACCOUNT OF THE CONTRACT. HOWEVER, UNLESS YOU RETURN THE MHAA INFORMATION TO THE SELLER WHEN YOU CANCEL THE CONTRACT, THE SELLER MAY KEEP OUT OF YOUR DEPOSIT THE COST OF REPRODUCING THE MHAA INFORMATION, OR \$100, WHICHEVER AMOUNT IS LESS.

BY PURCHASING A LOT WITHIN THIS DEVELOPMENT, YOU WILL AUTOMATICALLY BE SUBJECT TO VARIOUS RIGHTS, RESPONSIBILITIES, AND OBLIGATIONS, INCLUDING THE OBLIGATION TO PAY CERTAIN ASSESSMENTS TO THE HOMEOWNERS ASSOCIATION WITHIN THE DEVELOPMENT. THE LOT YOU ARE PURCHASING MAY HAVE RESTRICTIONS ON:

- (1) ARCHITECTURAL CHANGES, DESIGN, COLOR, LANDSCAPING, OR APPEARANCE;
- (2) OCCUPANCY DENSITY;
- (3) KIND, NUMBER OR USE OF VEHICLES;
- (4) RENTING, LEASING, MORTGAGING, OR CONVEYING PROPERTY;
- (5) COMMERCIAL ACTIVITY; OR
- (6) OTHER MATTERS.

YOU SHOULD REVIEW THE MHAA INFORMATION CAREFULLY TO ASCERTAIN YOUR RIGHTS, RESPONSIBILITIES, AND OBLIGATIONS WITHIN THE DEVELOPMENT.

21. NOTICE TO BUYER - DEFERRED WATER AND SEWER CHARGES. The Condominium will initially be served by a water and sewer system built and paid for by the Seller and to be owned by the Worcester County Sanitary Commission. The Commission has not yet established a schedule of charges for any future water and sewer projects that will benefit the River Run project.

22. ENTIRE AGREEMENT. This Contract (together with the attached Addendum(s), if signed by the parties hereto, and the warranties provided to a condominium unit purchaser by the Maryland Condominium Act) contains the final and entire agreement between the parties hereto, and no statement, term, condition, provision, promise, representation, certification or warranty not herein written shall be binding upon any party hereto. Further, Buyer hereby

acknowledges that all newspaper and other advertisements, advertising literature, brochures, floor plans, renderings and the like, placed or displayed by the Seller, were based on Seller's estimates only, and same are superseded by and merged in the terms, conditions and provisions contained in this Contract, same to have no further force or effect.

23. **ORAL STATEMENTS OR PROMISES.** Oral statements or promises often cause serious disputes between sellers and buyers of new homes and lots. This section of the Contract attempts to alleviate potential problems. Unless oral statements or promises are included in this Contract, they may not be enforceable under law. By including the terms below, Buyer and Seller are making them part of this Contract. **THIS SECTION SHOULD NOT BE LEFT BLANK IF YOU ARE RELYING ON ANY ORAL STATEMENTS OR PROMISES.** The following oral statements or promises have been made by Seller, an employee or agent of Seller, or Buyer (if no such oral statements or promises have been made or are being relied upon, please write "NONE" in the space below). Performance of each of these statements or promises is incorporated into each party's obligation to fully perform the terms of this Contract: (ATTACH ADDITIONAL PAGES IF NECESSARY)

24. **MISCELLANEOUS.** This Contract shall not be modified, changed or supplemented, nor shall any obligation hereunder be waived, except by a written instrument signed by the party to be charged or by its agent duly authorized in writing or as otherwise expressly permitted herein. No reliance upon or waiver of one or more provisions of this Contract shall constitute a waiver of any other provision hereof. As used herein, each gender shall include all other genders, and the singular shall include the plural, and vice versa. If any provision of this Contract or the application thereof to any person or circumstance shall be held to be invalid or unenforceable, the validity an enforceability of the remaining provisions of this Contract, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Contract shall be valid and be enforced to the fullest extent permitted by law. This Contract shall be governed in all respects by the laws of Maryland.

WITNESS the hands of the parties the day and year first above written.

WITNESS:

RIVER RUN DEVELOPMENT ASSOCIATES

By: _____ (SEAL)
Authorized Agent

Seller



WITNESS:

_____ (SEAL)
Buyer

_____ (SEAL)
Buyer

[SAMPLE]

EXHIBIT A

Insulation Specifications

Phase I

INSULATION SCHEDULE

Exterior walls

6", R-19 Fiberglass batts with vapor barrier.

Interior walls facing unheated spaces

3-1/2", R-13 Fiberglass batts with vapor barrier.

Roofs (at sloped ceilings)

9-1/2", R-30 Fiberglass batts with vapor barrier.

Ceilings (flat ceilings with attic space above}

6-1/4", R-19 Fiberglass batts with vapor barrier.

Perimeter Foundation

1", R-5.4 extruded polystyrene rigid foam insulation.

Floors over unheated space

6-1/4", R-30 unfaced Fiberglass batt insulation.

Each R-value set forth above is that provided by the manufacturer for the stated thickness of the insulation material mentioned.

[SAMPLE]

EXHIBIT B

List of Fixtures and Items of Personal Property

Stage

Appliance

Manufacturer

Model Number

Range

Refrigerator

Washer

Dryer

Spacemaker Frame Kit

Dishwashers

Microwave Oven

Seller reserves the right to substitute fixtures and items of personal property of comparable kind and quality.

ADDENDUM NO. ____ TO STANDARD CONTRACT OF SALE
OF A CONDOMINIUM UNIT IN
RIVER RUN CONDOMINIUM
(FINANCING)

It is understood that Buyer intends to finance the purchase of Condominium Unit No. __ in Building ____ (the "unit") in River Run Condominium, Worcester County, Maryland, referred to in the foregoing Contract of Sale, by borrowing _____ dollars (\$____) from a bank, savings and loan association or other institutional lender. Repayment of the sum borrowed shall be secured by a mortgage or deed of trust covering the unit, the undivided interest in the common elements appurtenant thereto, the parking space(s) assigned to the unit and the fixtures and items of personal property specified in the Contract of Sale as being located in said unit, which mortgage or deed of trust shall be effectively executed by Buyer at the time of settlement and shall provide for monthly amortization of principal over a period and at an interest rate or rates to be agreed upon between Buyer and lender when Buyer applies for the loan. In addition, said mortgage or deed of trust note may require payment on each principal payment date of one-twelfth (1/12th) of the annual taxes and other public charges and assessments applicable to the unit, and premiums on any insurance policy or policies, including mortgage insurance, required by lender. The foregoing mortgage or deed of trust shall contain the usual covenants, clauses and provisions generally applicable in Worcester County and found in the usual form of mortgage or deed of trust used by the lender.

Buyer shall pay all loan application, origination, placement, processing, closing and insurance fees or charges, imposed by the lender or by the insurer of the mortgage loan, if any, including particularly, but not by way of limitation, the cost of any report, application, appraisal, inspection, survey, judgment and lien report or certification, preparation and recordation of mortgage or deed of trust and related instruments, title insurance or certification, and mortgage insurance premiums and costs.

Buyer agrees to exert his best efforts to obtain the aforesaid loan and, within ten (10) days after notice from Seller to do so, to apply for the aforesaid loan and to sign such papers, instruments and documents and to furnish truthfully and accurately such information and data as are required by the lender or any insurer in connection with the loan and its procurement. Buyer shall promptly furnish Seller with a copy of any written loan application made by Buyer and any commitment obtained by Buyer for the financing of the unit. Upon notification by Seller, Buyer agrees to exert his best efforts to obtain a commitment for aforesaid loan and, within fifteen (15) days after notification, to apply for the aforesaid loan and to sign such papers, instruments and documents and to furnish truthfully and accurately such information and data as are required by the lender or any insurer in connection with the loan and its procurement.

If, after fulfilling his obligations under this Addendum, Buyer fails to obtain a written commitment for the aforesaid loan within forty-five (45) days after making application therefor, then the Contract of Sale shall become null, void, and of no further force or effect, in which event Seller shall refund to Buyer all monies paid on account of the purchase price, except that Seller reserves the right, but not the obligation, to (a) require that Buyer apply for a mortgage loan from a lending

institution designated by Seller, or (b) grant Buyer a purchase money mortgage on prevailing terms and rates. If such other designated lending institution, or Seller, as the case may be, does not approve such mortgage loan within an additional sixty (60) days after the expiration of the initial sixty (60) day period, then the Contract of Sale shall become null, void, and of no further force or effect, in which event Seller shall refund the Buyer all monies paid on account of the purchase price. Upon Seller's making any refund pursuant to this financing addendum, or tendering same to Buyer, neither party shall have any further right or cause of action against the other under the Contract of Sale, either at law or in equity.

IN WITNESS WHEREOF, the parties hereto have signed this Addendum on this ___ day of _____, 19__

WITNESS:

RIVER RUN DEVELOPMENT ASSOCIATES

_____ By: _____(SEAL)
Authorized Agent

Seller

_____ (SEAL)
Buyer

_____ (SEAL)
Buyer

ADDENDUM NO. ____ TO STANDARD CONTRACT OF SALE
OF A CONDOMINIUM UNIT IN
RIVER RUN CONDOMINIUM
EXTRAS TO BE INCLUDED

Item

Price

PART 2. CONSTITUENT DOCUMENTS

PART 2A: Condominium Declaration: To be recorded among the Land Records of Worcester County, Maryland.

PART 2B: Condominium By-Laws and Rules and Regulations: To be recorded among the Land Records of Worcester County, Maryland.

PART 2C: Articles of Incorporation of River Run Community Association, Inc.

PART 2D: By-Laws of River Run Community Association, Inc.

PART 2E: River Run Community Association Declaration of Covenants, Conditions and Restrictions:
To be recorded among the land records of Worcester County, Maryland.

PART 2F: Maryland Homeowners' Association Act Disclosure Statement.

**DECLARATION ESTABLISHING A HORIZONTAL PROPERTY REGIME
TO BE KNOWN AS RIVER RUN CONDOMINIUM**

THIS DECLARATION is made this ___ day of _____, 199_, by RIVER RUN DEVELOPMENT ASSOCIATES, a New York general partnership, hereinafter called "Developer".

WHEREAS Developer holds the fee simple title to the land hereinafter described and desires to subject certain portions of said land, together with the buildings and improvements erected thereon, and all rights, alleys, ways, waters, privileges, appurtenances and advantages thereunto belonging, or in anywise appertaining, to a condominium regime, as provided for in the Maryland Condominium Act, and hereby to establish for the property, a condominium regime to be known as "RIVER RUN CONDOMINIUM".

NOW, THEREFORE, THIS DECLARATION WITNESSETH: That Developer, for itself, its successors and assigns, does hereby expressly establish and declare the following:

ARTICLE I

DEFINITIONS

As used in this Declaration, and the By-laws annexed hereto, except to the extent otherwise expressly provided, or otherwise resulting from necessary implication, the following terms shall have the meanings herein ascribed thereto. The terms herein defined are:

(a) **Condominium Act.** Condominium Act means and refers to Title 11 of the Real Property Article of the Annotated Code of Maryland, as heretofore and hereafter amended.

(b) **Land.** Land means and includes all that parcel of ground, located in the Tenth Election District of Worcester County, in the State of Maryland, and more particularly described on that certain condominium plat entitled "River Run Condominium."

TOGETHER WITH the buildings and improvements thereon or therein erected and the rights, easements and rights of way, waters, privileges, appurtenances, and advantages to the same belonging or among those appertaining.

Except as otherwise expressly set forth in this Paragraph (b) of Article I of this Declaration, it is understood and agreed that the rights and privileges hereinabove set forth shall inure to the benefit of the unit owners, or the Developer, as the case may be, their respective personal representatives, heirs, successors and assigns, as appurtenances running with the land involved, but not to the benefit of any tenant or licensee of said parties, or to any other person, firm, corporation or legal entity having no legal or equitable interest in the land or units to which such rights and privileges appertain; it being the intent hereof that any right, privilege or benefit of any tenant, licensee or other person shall be dependent upon and derived solely from the rights and privileges of the unit owners holding an interest in the condominium regime to which subjected, or the Developer, holding those rights and privileges excluded and reserved from the condominium regime, as legal or equitable owners

of the land involved, to which each such right, privilege and benefit shall be deemed appurtenant, same to run with said land.

The term "land" also means and includes each parcel of ground, if any, hereafter subjected to this condominium regime as provided in Article VIII hereof.

(c) Buildings. Building means and includes the residential cluster structure, containing _____ residential units, to be constructed in accordance with the architectural drawings entitled "River Run Condominiums".

The term "buildings" means the initial condominium buildings and any future buildings subjected to this Declaration pursuant to Article IX hereof.

<u>Building No.</u>	<u>Units in Building</u>
1	1-6
2	7-12

(d) Property, Condominium, or Condominium Project. Property, condominium, or condominium project means and includes the buildings and the land directly beneath the buildings only, and all rights, ways, easements, privileges and appurtenances thereunto belonging, or in anywise appertaining, including all space in, upon, above or below the foregoing.

(e) Condominium Plat. Condominium plat means and includes the plat prepared by L. E. Bunting, Surveyor, entitled "River Run Condominium", dated _____, 1992, and recorded among the Land Records of Worcester County in Condominium Plat Book W.C.L. No. _____, folios ____ through _____, and comprised of the following _____ () sheets:

(f) Unit or Condominium Unit. Unit or condominium unit means and includes the three dimensional areas described as follows:

Each Condominium unit shall include the space bounded by and contained within the outside surface or stud or masonry side of the paneling, sheet rock or dry wall portion of the perimeter walls, the upper surface of the unfinished structural concrete floor slab (except as to second floor units, the upper surface of the wooden subflooring), and the upper side or furring side of the drywall ceiling of each unit, and the interior surface of the window glass and frames of each unit and the glass and frame of the greenhouse area, if any, of each unit. Each Condominium unit also includes the portions of the building as so described and the airspace so encompassed, including the doors to the outside surfaces thereof. Each such unit shall contain all built-in kitchen appliances installed therein and all electrical installations and fixtures for the use of such unit as well as all wiring and conduit running from and including the circuit breaker panel to all such installations and fixtures, and without limiting the generality of the foregoing, each unit shall include all outlets, switches, lamp holders and other electrical service terminals, wherever located, for the exclusive use of said unit. Each unit shall include all of the heating and air conditioning machinery, equipment, plumbing and electrical service lines and structural supports, located within or serving exclusively said unit, and all of its controls and control wiring, and all supply, return and drain pipes to the point of their connection with their

respective common risers. Each unit shall also contain all duct work, if any, running from said heating and air conditioning equipment to, and including, the outlets thereof into the said unit, wherever located. Each unit shall contain the range hood fan, bath fan, dryer exhaust, if any are situate within the unit, and the connecting duct work or flues to the exterior of the building. Each unit shall also include all bathroom and kitchen plumbing fixtures and connections therefor, including all sinks, faucets, dishwashers, disposals, commodes, bathtubs and shower stalls, and clothes washing machines, and including hot and cold water pipes to, and drain pipes from, respectively, the point of connection with each such fixture to the point where each such pipe or drain connects with its common riser. Unless specifically excluded by the terms of this Article, each unit shall include all improvements, fixtures and installations of every kind and nature whatsoever located within the boundaries of said unit as set forth herein, as well as the improvements, fixtures and installations specifically included by the terms hereof, whether or not said improvements, fixtures and installations specifically included by the terms hereof, whether or not said improvements, fixtures and installations are located within said boundaries; provided, however, that whenever load-bearing walls, partitions or columns are located within said boundaries, said unit shall be deemed to include only the nonload-bearing or nonstructural portions of said walls, partitions or columns respectively.

In interpreting deeds, declarations and plans, the existing physical boundaries of a unit constructed or reconstructed in substantial accordance with the original plans therefor shall be conclusively presumed to be its boundaries rather than the metes and bounds (or other description) expressed in a deed, plat or this Declaration, regardless of settling or lateral movement of the building and regardless of minor variances between boundaries shown on the plat or in the deed and those of the building.

The term "unit" also means and includes each additional unit included within any subsequent phase which the Developer may designate as a residential unit in the Declaration amendment adding such subsequent phase to the condominium.

(g) Common Elements. Common elements mean and include all the property, except the units. Said common elements include particularly, but not by way of limitation, the following: (i) the land; (ii) all foundations, pilings, columns, girders, beams, planks, slabs, roofs, partitions, supports, and other structural elements or improvements of the residential buildings, including all exterior walls and partition walls, and all glass in windows, doors and elsewhere, not contained within any unit; (iii) all maintenance rooms of, all balconies and exterior walkways, stairways and landings appurtenant to, the buildings, and all storage rooms and parking spaces located on the garage level of buildings so exposed; (iv) all central and appurtenant installations for utilities and services including power, light, electricity, telephone, water, sewerage, ventilation, and plumbing, together with all pipes, lines, ducts, wires, cables, conduits, fixtures, facilities, equipment and installations used in connection with the foregoing, including those located within a unit for the service of two or more units or for the service of a unit other than the one in which located, and all pipes, lines, ducts, wires, cables and conduits which run between any unit and the air conditioning system compressor which serves, and its part of, such unit; (v) all tanks, pumps, generators, motors, fans, controls, devices, installations, machinery, equipment, apparatus, and other facilities required or deemed advisable for use in operation of the condominium project or for the care and maintenance of the land or buildings; (vi) the portion of each chimney flue located above the unit which it serves; (vii) all attics above residential units; (viii) all other parts of the property necessary or convenient to the maintenance, care, safety and operation of the condominium project or to the use of the property by the unit owners in common. It is recognized that certain items outside the buildings, but appurtenant to them, are owned by Developer or the River Run

Community Association, Inc. (the "Association"), a membership corporation formed to operate and maintain the roads, open spaces, water and sewer systems, and other common facilities at River Run. The Developer or the Association may assign to the council of unit owners the right to manage, administer, repair and maintain the parking areas and walkways appurtenant to the buildings. In such event, the facilities so assigned shall be deemed to be common elements for all purposes. Additionally, the common water supply and sewer connectors located between the Buildings and the water and sewer mains beneath the streets of the Association shall be deemed to be common elements for all purposes.

The term "general common elements" means and includes all the common elements, except the limited common elements; and the term "limited common elements" means and includes only those common elements, such as (i) windows, doors and doorways furnishing access between each unit and the common elements, (ii) chimney flues above residential units, (iii) attics above residential units, (iv) certain storage rooms and entranceways related thereto, (v) certain electrical and cable television lines, wires, cables, conduits and similar facilities running between a unit, and the junction box serving said unit; (vi) balconies, walkways, stairways, risers, ramps, landings, patios, pads, driveways, parking spaces and certain exterior wall lamps and electrical outlets, identified herein, or in the condominium plat, or by later formal action of the council of unit owners, as reserved for the exclusive use of one or more, but less than all, of the unit owners.

(h) Developer. Developer means and includes only River Run Development Associates, its successors, and any assignee to whom the Developer specifically assigns in writing its rights under this Declaration.

(i) Unit Owner. Unit owner means any person, firm, corporation, trust or other legal entity, or any combination thereof, holding legal title to a condominium unit, and, without regard to the number of gender thereof, is referred to by the singular pronoun of the masculine gender. However, no mortgagee, as such, shall be deemed a unit owner.

(j) Council of Unit Owners. Council of unit owners means the unincorporated legal entity, comprised of all unit owners, charged with the government and administration of the affairs of the condominium.

(k) Mortgage and Mortgagee. Mortgage shall mean and include a mortgage, deed of trust and other conveyance in the nature of a mortgage; and mortgagee shall mean and include the holder of any recorded mortgage, the beneficiary of any recorded deed of trust, or the grantee (including personal representatives, successors and assigns of such grantee) named in any recorded conveyance in the nature of a mortgage, encumbering one or more units.

(l) Common Expense or Common Expenses. Common expense or common expenses means and includes all expenses of the council of unit owners, including particularly, but not by way of limitation, the following: The cost and expense of administration, operation, care, maintenance, repair or replacement of the common elements; payment into a repair and replacement reserve fund established for the foregoing; premiums on any policy of insurance, indemnity or bond required to be procured or maintained under the Declaration or By-laws, or deemed necessary or advisable by the council of unit owners or board of directors, compensation for accountants, attorneys, engineers, financial experts, superintendents, managers, and such other employees and agents as may be deemed necessary or advisable for the operation or maintenance of the condominium project, and all other costs

and expenses declared to be common expenses by any provision of the Condominium Act, this Declaration or the By-laws, or by the council of unit owners or board of directors.

(m) Percentage Interest Factor. Percentage interest factor means and refers to the proportionate interest of each unit owner in the common elements and in the common expenses, expressed as a fraction, the percentage interest in the common elements and in the common expenses being identical. The particular percentage interest factor of each unit owner, referred to in this Declaration as "such unit owner's percentage interest factor", or "his percentage interest factor", equals the percentage interest factor of the unit owned by the unit owner, as specified in Article III hereof.

(n) Manager. Manager means and includes the person, firm or corporation from time to time employed by the council of unit owners or the board of directors to administer or supervise the condominium project. If there be no person, firm or corporation employed by the council of unit owners or board of directors to administer or supervise the project, the board of directors shall be deemed the manager. However, if there be no board of directors elected by the unit owners, then the council unit owners shall be deemed the manager. Manager is referred to in this Declaration, without regard to the number or sex thereof, or of those comprising same, by the singular pronoun of the neuter gender.

(o) Declaration and By-laws. Declaration means and refers to this Declaration, as same may, from time to time, be amended; and By-laws means and refers to the By-laws annexed to this Declaration, as said By-laws may, from time to time, be amended.

ARTICLE II

CREATION OF CONDOMINIUM REGIME

The Developer subjects the property to the Maryland Condominium Act and establishes a condominium regime therefor to be known as "River Run Condominium" to the end and intent that: in each unit owner shall vest the exclusive fee simple ownership of his unit and, as set forth in Article IV hereof, an undivided fee simple interest in the common elements. Each condominium unit, together with the undivided interest in the common elements appurtenant thereto, may be purchased, leased, optioned or otherwise acquired, held, developed, improved, mortgaged, sold, exchanged, rented, conveyed, devised, inherited, or in any manner encumbered, dealt with, disposed of, or transferred as fee simple real estate, all as fully, and to the same extent, as though each unit were entirely independent of all other units and of the building in which such unit is located and constituted a single, independent, fee simple, improved lot or parcel of ground.

A condominium unit may be held or owned by more than one person, firm or corporation, as joint tenants, tenants in common, or in any other real property tenancy relationship recognized under the laws of the State of Maryland, including, in the case of husband and wife, tenants by the entirety.

ARTICLE III

CONDOMINIUM UNITS

The property is hereby subdivided into a total of twelve (12) condominium units, each of which is shown, identified by numerical symbol and described on the condominium plat. Each unit is, and shall be, designated by the numerical symbol specified therefor on the condominium plat.

The owner of each unit shall have an equal undivided percentage interest in the common elements and in the common expenses of the council of unit owners.

The number of votes at meetings of the council of unit owners appurtenant to each unit contained in the condominium from time to time shall be one (1) vote.

No percentage interest factor or voting rights shall be separated from the unit to which they appertain. Accordingly, any instrument, matter, circumstance, action, occurrence, or proceeding in any manner affecting a condominium unit shall also affect, in like manner, the percentage interest factor and voting rights appurtenant to the unit.

Except as otherwise required by the Condominium Act or as otherwise provided by Article VIII of this Declaration, neither the percentage interest factor nor the voting rights appurtenant to any unit shall be changed without the written consent of all unit owners and mortgagees. Any change in such percentage interests or voting rights shall be evidenced by an amendment to this Declaration recorded among the Land Records of Worcester County, Maryland.

A unit shall not be subdivided into two or more units, nor shall any part of a unit be sold, leased, mortgaged, rented, conveyed, devised, or in any manner encumbered, disposed of or transferred, but each unit shall forever contain the minimum area shown therefor on the aforesaid condominium plat of River Run Condominium. Further, the conveyance or other disposition of a condominium unit by any unit owner shall be deemed to include and convey the entire undivided interest of the unit owner in the common elements, general and limited, together with all rights and easements appertaining to his unit, such as assigned parking spaces, if any, without specific or particular reference to such undivided interest in the common elements or the appurtenances to the condominium unit.

The Developer, the council of unit owners, the board of directors and every owner are prohibited from subjecting the Property or any unit to a time share regime, as that term is defined in the Maryland Real Estate Time Sharing Act.

ARTICLE IV

COMMON ELEMENTS AND COMMON EXPENSES

The fee simple title to the common elements is vested in the unit owners, each unit owner having the proportionate undivided interest therein equal to his percentage interest factor. No percentage interest in the common elements shall be separated from the unit to which such percentage interest appertains. Further, the common elements shall remain undivided, and no unit owner, or group of unit owners, or anyone claiming by, through or under him or them, shall bring any action for the

partition of division of the co-ownership of the common elements. Except as otherwise expressly provided in Article V hereof, each unit owner may use the common elements for the purposes for which intended, without, however, hindering or encroaching upon the right of the other unit owners likewise to use the same.

The council of unit owners, board of directors and manager, if any, employed by said board or by the council of unit owners, for themselves, their agents, servants, employees and contractors, shall have the irrevocable right and perpetual easement to enter any unit, or upon any limited common element appurtenant to any unit, to inspect the common elements and to maintain, repair or replace any common element located in or upon, near, or accessible from any unit or limited common element, whether or not such common element is also accessible from any other unit or common element, provided, however, that, except in cases involving manifest danger to public safety or property, the council of unit owners, board of directors or manager shall make a reasonable effort to give notice to the unit owner who owns the unit, or has the right to use the limited common element, which is to be entered for the purpose of such inspection, maintenance, repair or replacement. If damage is inflicted upon any unit or common element as a result of such entry, the party making such entry shall be responsible for the prompt repair of such damage.

Each unit owner shall contribute toward payment of the common expenses in proportion to his percentage interest factor, and no unit owner shall be exempt from contributing toward said common expenses, either by waiver of the use or enjoyment of the common elements, or any thereof, or by the abandonment of his condominium unit. The contribution of each unit owner toward common expenses shall be determined, levied and assessed as a lien all in the manner set forth in the By-laws, and each unit owner shall be liable for all common expenses levied and assessed against him or his unit, and each installment thereof, falling due while he is the owner of the unit, except for assessments on unoccupied units owned by the Developer, as set forth in the By-Laws.

Notwithstanding any provision of this Declaration to the contrary, Developer will indemnify the Council in an amount equal to the operating deficit of the land for so long as Developer maintains (i) an active sales program at River Run and (ii) control over the Council.

Any assessment of common expenses, until paid, together with interest thereon, late charges actual costs of collection, and reasonable attorney's fees shall constitute a lien on the unit on or against which levied and assessed in accordance with the Maryland Contract Lien Act, Maryland Real Property Code Ann. Secs. 14-201 et seq. (1988), as amended. Such lien shall have preference over any other assessment, lien, judgment, or charge of whatever nature except: (i) general and special assessments for each estate taxes on the condominium unit; and (ii) any mortgage covering the condominium unit, duly recorded prior to the recordation of the statement of lien, or duly recorded on said unit after receipt from the board of directors or the manager employed thereby, or by the council of unit owners, of a written statement acknowledging that payments on the lien for common expenses are current as of the date of recordation of the mortgage.

ARTICLE V

LIMITED COMMON ELEMENTS

(a) The owner of each unit, to the exclusion of the owners of all other units, has the exclusive right to use and enjoy the windows, doors and doorways furnishing access between such unit and the common elements, including the casings, seals, glass and screens of such windows and doors.

(b) The owner of each unit, to the exclusion of the owners of all other units, has the exclusive right to use and enjoy the chimney flue, if any, located above, and serving, his unit.

(c) The owner of each unit, to the exclusion of the owners of all other units, has the exclusive right to use and enjoy the attic located above his unit, if any, and any pull down stair providing access between his unit and the attic.

(d) The owner of each unit, to the exclusion of the owners of all other units, has the exclusive right to use and enjoy, only for the purposes for which designed, all pipes, lines, ducts, wires, cables and conduits which run between his unit and the air conditioning system compressor, if any, which serves, and is part of, his unit.

(e) The owner of each unit, to the exclusion of the owners of all other units, has the exclusive right to use and enjoy all wall lamps and electrical outlets attached to the exterior surface of the exterior wall separating any balcony or walkway adjacent to his unit from the interior of his unit.

(f) The owner of each unit, to the exclusion of the owners of all other units, has the exclusive right to use and enjoy all electrical and cable television lines, wires, cables, conduits and other electrical and cable television facilities which are designed for the exclusive use of said unit and which are located between said unit, on the one hand, and the junction box serving said unit, on the other hand.

(g) The owner of each unit, to the exclusion of the owners of all other units, has the exclusive right to use and enjoy any walkway, driveway and parking spaces designed for the exclusive use of said unit and which serve said unit.

(h) No limited common element shall be divided into two or more parts nor shall the right to use any limited common element, or any part thereof, be sold, mortgaged, conveyed, devised, leased, rented or otherwise encumbered disposed of or transferred, except conveyed, devised, leased, rented or otherwise encumbered, disposed of or transferred. As provided for in Article III hereof, the conveyance or other disposition of a condominium unit by an unit owner shall be deemed to include and convey the entire right, title and interest of the unit owner in the limited common elements then appurtenant to his unit, without specific or particular reference to such right, title or interest in such limited common elements in connection with the conveyance of any interest in the unit to which the limited common element is appurtenant.

ARTICLE VI

CONDOMINIUM UNITS AND COMMON ELEMENTS

The existing physical boundaries of each unit constructed in substantial conformity with the condominium plat shall be conclusively presumed to be its boundaries, regardless of variations between existing physical boundaries of the unit and physical boundaries described in the Declaration or those boundaries shown on the condominium plat. However, if any common element, or any part thereof, now or at any time hereafter, encroaches upon any unit, or any unit encroaches upon any common element, or any other unit, whether such encroachment is attributable to or results from construction, settlement, shifting of the building, any fully authorized reconstruction designed to remedy, repair or restore any damage or destruction from fire or other casualty, or from condemnation or eminent domain proceedings, or any other reason whatsoever beyond the control of the council of unit owners and any unit owner, there shall forthwith arise, without the necessity of any further additional act or instrument, a good and valid easement for the maintenance of such encroachment, either of the benefit of the council of unit owners or for the unit owner, their respective heirs, personal representatives, successors and assigns, to provide for the encroachment and nondisturbance of the common element, or the unit, as the case may be. Such easement shall remain in full force and effect so long as the encroachment shall continue and shall be relocated, if necessary, to permit the maintenance of such encroachment wherever found. Additionally, and in all events, an easement for mutual support shall exist in the units and common elements.

The conveyance or other disposition of a condominium unit shall be deemed to include and convey, or be subject to, any easement rising under the provisions of this Article without specific or particular reference to such easement.

ARTICLE VII

AUTHORITY FOR GRANT OF SPECIFIC EASEMENTS

The council of unit owners shall have the right, power and authority to grant any specific easement, right-of-way, license or similar interest affecting the common elements of the condominium, to the extent permitted by the By-laws and the Condominium Act, if the grant is approved by the affirmative vote of unit owners having at least sixty-six and two-thirds percent (66 2/3%) of the total number of votes appurtenant to all units, and with the express written consent of the mortgagees holding an interest in the units whose owners vote affirmatively, provided that if the grant affects any limited common element, such grant shall require the express written consent of all unit owners having the right to use such limited common element, and of all mortgagees holding an interest in the units to which such limited common element is appurtenant. Any easement, right of way, license or similar interest granted by the council of unit owners shall state that the grant was approved (a) by unit owners having at least sixty-six and two thirds percent (66 2/3%) of the votes, and by the corresponding mortgagees, and (b) if appropriate, by all unit owners having the right to use any limited common element affected by the easement, and by the corresponding mortgagees.

ARTICLE VIII

RESERVATION OF EASEMENTS BY DEVELOPER

(a) The Developer shall have, and hereby reserves, an easement for ingress and egress in, over and through the Condominium and any land leased by the council of unit owners to and from each of the streets and roadways which at the time of the exercise of such easement shall abut the Condominium and any land leased by the council of unit owners from and to each of the units, for access by:

(i) the Developer, for any purpose whatsoever consistent with applicable law in connection with the construction, replacement, repair, maintenance, development, marketing or leasing of any or all of the land and improvements within the Condominium;

(ii) any contractor or subcontractor utilized by the Developer in the construction, replacement, repair or maintenance of any of the improvements which are being or are to be constructed within the Condominium;

(iii) any real estate agent or broker utilized or employed by the Developer in connection with the development, marketing or leasing of any of the units, for the purposes of such development, marketing or leasing; and

(iv) the agents, employees, invitees, licensees, visitors, designees and guests of each of the persons or entities referred to in the foregoing provisions of this Section, for any purpose attendant or relating to any of the purposes which are referred to in the said provisions.

(b) (i) The burden of the easement which is reserved under the foregoing provisions of this Section shall not terminate until such time, if any, as the benefit of such easement shall have terminated with respect to all of the units pursuant to the provisions of Section 8(c) hereof, at which time the burden of such easement shall terminate with respect to all of the Condominium and any land leased by the council of unit owners.

(ii) Anything contained in the foregoing provisions of this subsection (b) to the contrary notwithstanding, the burden of such easement shall, with respect to each unit, terminate immediately upon there having occurred the conveyance or transfer by the Developer (to a person who, by virtue of such conveyance, shall be the unit owner of such unit and who shall not have succeeded to the Developer's right, title and interest under this Declaration) of both the legal title to such unit and the beneficial ownership thereof.

(c) The benefit of the easement which is reserved under the foregoing provisions of this Section shall terminate as to all of the Condominium upon the conveyance of record by the Developer (to a person who, by virtue of such conveyance, shall be the unit owner of such unit and who shall not have succeeded to the Developer's right, title and interest as the Developer under the Declaration), of the legal title to all units.

(d) In addition to the easement reserved under the foregoing provisions of this Section, the Developer and the other persons which are enumerated therein shall be entitled to use and maintain the improvements included within any one or more of the units of which the Developer shall then be

the unit owner as offices or sample dwellings, in connection with the Developer's development, construction, replacement, repair, maintenance, marketing or leasing of any or all of the units then included within the Condominium until the Developer shall no longer hold the legal title to any unit.

(e) Nothing in this Declaration shall be deemed to prohibit or restrict the Developer from taking any action with respect to any unit of which the Developer is the owner (including, by way of example rather than by limitation, the leasing of such unit) unless any other person would, were he the unit owner of such unit, be limited or restricted in the same manner.

ARTICLE IX

AUTHORITY FOR EXPANSION OF THE CONDOMINIUM

The Condominium will initially consist of two buildings, and may be expanded on a building-by-building basis depending upon market demand. The Developer makes no representation of the ultimate number of units to be included in the Condominium. The Developer hereby expressly reserves, for a period of ten (10) years from and after the date hereof, the right and privilege to expand and add to the condominium by subjecting to the condominium regime the other phases shown on the condominium plat making a total of 370 units as fully expanded. The percentage interests in the common elements, common expenses and common profits of each unit following the expansion of the Condominium will be based upon the total number units in the Condominium as expanded, with each unit having an equal percentage interest.

ARTICLE X

DEVELOPMENT AND MARKETING OF THE CONDOMINIUM

(a) The Developer shall have the right to use any units which it may own from time to time as sales offices and model units and for such other uses as the Developer shall deem appropriate for the development and marketing of the condominium, and the Developer shall have the right to make such structural and non-structural additions, alterations, improvements and decorations to such units, to the limited common elements which the Developer, as owner of such units, has the exclusive right to use, and to the party wall located between any adjoining units owned by the Developer, as the Developer shall deem appropriate to facilitate the uses hereinabove set forth.

(b) The Developer and its employees, agents and guests shall have the right to park and store in the parking spaces appurtenant to the units which it owns such commercial and non-commercial vehicles as the Developer shall deem appropriate for the development and marketing of the condominium, provided, however, that the Developer shall not unreasonably interfere with the rights of the other unit owners, if any, having the right to use such spaces.

(c) The Developer shall have the right to erect upon, maintain and remove from the unit or units which it owns, the limited common elements appurtenant to said unit(s), and all general common elements, such advertising and directional signs and other materials as the Developer shall deem appropriate for the development and marketing of the condominium.

(d) All rights of the Developer pursuant to Paragraphs (a), (b) and (c) of this Article X shall terminate upon the expiration of ten (10) years after the creation of the condominium or upon the expiration of one hundred eighty (180) days after all subsequent stages have been added to the condominium, whichever shall first occur.

(e) The Developer shall have the right and an easement to enter upon any general or limited common element and any unit for the purpose of making repairs to any common element or unit to the extent that such repairs are required pursuant to any express or implied warranty provided by the Developer or by the operation of any federal, state or local law. Such right and easement shall exist so long as the Developer's obligations under any such warranty shall exist.

ARTICLE XI

GENERAL PROVISIONS

The Condominium Regime established by this Declaration shall be subject to the following:

(a) The administration of the condominium shall be governed by the By-laws, which shall not be changed, modified or supplemented without the affirmative vote of the unit owners having at least sixty-six and two-thirds percent (66 2/3%) of the total number of votes appurtenant to all units.

(b) Except for those matters as to which the Condominium Act permits an amendment to the Declaration by the council of unit owners without a vote of its members, and except where §11-103 of the Condominium Act requires otherwise, (i) this Declaration shall not be amended without the written consent of 80% of the unit owners listed on the current roster, unless a smaller percentage is hereafter permitted by Maryland law; and (ii) no amendment adopted pursuant to item (i) of this Paragraph (b) shall take effect until an appropriate written instrument is recorded among the Land Records of Worcester County, which instrument shall be executed by the President or Vice-President of the council of unit owners and accompanied by a certificate of the Secretary that the amendment was approved by the required percentage of unit owners.

(c) If the unit owners decide pursuant to Section 2 of Article XI of the By-laws not to rebuild one or more units following a fire or other casualty, but the condominium regime is not terminated, then:

(i) the percentage interests (in the common elements and common expenses) appurtenant to each damaged or destroyed unit which is not rebuilt shall be divested from the unit and reallocated among the remaining units immediately prior to the damage or destruction.

(ii) the votes appurtenant to each damaged or destroyed unit which is not rebuilt shall be divested from said unit and shall not be reallocated among the remaining units; and

(iii) the council of unit owners promptly shall prepare, execute and record an amendment to the Declaration reflecting the new arrangement of percentage interests and votes as above provided.

(d) Notwithstanding any other provision of this Declaration, if the condominium is destroyed or damaged to the extent of at least two-thirds (2/3) of its then replacement cost, the condominium may be terminated by the agreement of unit owners having at least eighty percent (80%) of the total number of votes appurtenant to all units, provided that no such termination shall be effected after the expiration of one year from the date such destruction or damage occurred. Upon such termination, the property shall be sold and the net proceeds of sale and the net proceeds of insurance shall be combined into one fund, which shall be distributed among all the unit owners in accordance with their respective undivided interests in the property as tenants in common, as determined pursuant to Paragraph (g) of this Article XI.

(e) The council of unit owners shall represent the unit owners in any condemnation proceeding (for the purposes of this Declaration, a condemnation includes any sale in settlement of a pending or threatened condemnation) brought with respect to all or any part of the common elements, and any award made in connection with such condemnation proceeding, including the net proceeds of any sale in settlement thereof, shall be payable of the council of unit owners to be held in trust for the unit owners and mortgagees as their interests may appear. Any award made in connection with the condemnation of all or part of the property, including the net proceeds of any sale in settlement of a condemnation proceeding, to the entire award for the taking of all or part of his unit and for the consequential damages to said unit resulting from said condemnation, (ii) any award for the taking of any limited common element shall be allocated among the unit owners having the right to use said limited common elements in proportion to their respective percentage interests in the common elements; and (iii) any award for the taking of general common elements shall be allocated among all unit owners in proportion to their respective percentage interests in the common elements. Each share of any such award shall be distributed in accordance with the priority of interests in such unit, to the end and intent that all mortgage and other liens on such unit shall first be paid out of the award payable to such unit owner, all in the order in which same appear. The council of unit owners shall not be obligated to replace property taken, but promptly shall undertake to restore the remaining property, and the limited common elements appurtenant thereto, to a safe and habitable condition. The cost of such restoration shall be a common expense. Following the taking of all or part of any unit, the percentage interests (in the common elements and common expenses) appurtenant to said unit shall be reduced in the same proportion as the amount of floor area of said unit so taken bears to the floor areas of said unit immediately prior to the taking, provided, however, that with respect to any unit, if the taking specifically includes part or all of the percentage interests appurtenant to said unit, the taking authority shall have the portion of said percentage interests which is so taken, and the owner of said unit shall retain the portion of said percentage interests which is not so taken. To the extent that the total percentage interests appurtenant to a unit are reduced as above provided, rather than being split between the taking authority and the unit owner, the severed percentage interests shall be reallocated among the remaining units in proportion to the percentage interests appurtenant to such units immediately prior to the taking. Following the taking of part of a unit, the votes appurtenant to that unit shall be appurtenant to the remainder of that unit, and following the taking of all of a unit, the right to vote appurtenant to the unit shall terminate, except, in each case, that if the taking specifically includes part or all of the votes appurtenant to a unit, the taking authority shall have the portion of the votes so taken, and the owner of the unit taken shall retain the portion of the votes which is not taken. If the votes appurtenant to a unit are terminated, said votes shall not be reallocated among the remaining units. Promptly after the taking is effected, the council of unit owners shall prepare, execute and record an amendment to this Declaration reflecting the new arrangement of percentage interests and votes as above provided.

Notwithstanding any other provision of this Declaration, if at least two-thirds (2/3) of the fair market value of the property is taken under the power of eminent domain, the condominium may be terminated by the agreement of unit owners having at least eighty percent (80%) of the total number of votes appurtenant to all units, provided that no such termination shall be effected after the expiration of one year from the effective date of the taking. Upon such termination, (i) the award made in connection with the taking shall be distributed among the unit owners in the manner provided in this Paragraph (e) for the allocation of taking awards, if such award has not already been so distributed, (ii) the percentage interests and votes appurtenant to the units taken in whole or in part shall be allocated in the manner provided in this Paragraph (e) for the allocation of percentage interests and votes appurtenant to units so taken.

(f) Except as otherwise provided in Paragraphs (d) and (e) of this Article XI, (i) the condominium shall not be terminated without written consent of every unit owner, and (ii) no termination implemented pursuant to item (i) of this Paragraph (f) shall take effect until an appropriate written instrument executed by all unit owners is recorded among the Land Records of Worcester County. No termination implemented pursuant to Paragraphs (d) or (e) of this Article XI shall take effect until an appropriate written instrument executed by unit owners having at least eighty percent (80%) of the total number of votes appurtenant to all units is recorded among said Land Records.

(g) Upon any termination of the condominium regime, except for a termination implemented after a taking under the power of eminent domain as provided in Paragraph (e) of this Article XI, each unit owner shall own, as a tenant in common, until the property is sold, an undivided interest in the property determined, to the extent permitted by law, as follows: Such undivided interest shall equal a fraction, the numerator of which is the sum of the fair market value of his unit, plus the fair market value of his right to use the limited common elements appurtenant to his unit, plus his share, based upon his percentage interest in the common elements, of the fair market value of the general common elements, and the denominator of which is the sum of the fair market values of all units, limited common elements and general common elements.

(h) Upon any termination of the condominium regime:

(i) In determining the respective unit owners' undivided interests in the property as tenants in common, the fair market value of the units and common elements immediately prior to the termination of the regime shall be used, except that if any unit or any general or limited common element has been damaged or destroyed by fire or other casualty prior to said termination, the fair market value of such unit or general common element, or of the right to use such limited common element, immediately prior to such damage or destruction shall be used, no matter how difficult it may be to determine the fair market value of the unit or common element in such manner. The alternative method provided by the Condominium Act (codified in Section 11-123(f)(2) as of July 1, 1982) whereby the respective unit owners' undivided interests in the property owned as tenants in common after the termination of the regime may be determined solely on the basis of their respective percentage interests in the common elements shall not be used under any circumstances.

(ii) The fair market value of the units and of votes appurtenant to all units shall be determined by an appraiser selected by the council of unit owners. Owners may disapprove such decision of the appraiser by written notice to the council of unit owners within thirty (30) days after said distribution. If such decision is disapproved, the unit owners submitting such notices of disapproval shall, as a group, by majority vote, select a second independent appraiser within fourteen (14) days after

the council of unit owners notifies all unit owners in writing of such disapproval, and the original appraiser and the second appraiser shall select a third appraiser within seven (7) days after the selection of the second appraiser. If the owners disapproving the decision of the original appraiser fail to select an appraiser within the time specified, or if the two appraisers fail to agree upon a third appraiser within the time specified, or if the two appraisers fail to agree upon a third appraiser within the time specified, the one or two designated appraisers, as the case may be, shall request the then Chief Judge of the Circuit Court for Worcester County to designate an appraiser or appraisers so that there will be three (3) appraisers. A decision of the majority of the appraisers as to all fair market values required to be determined pursuant to this Article X shall be final, conclusive and binding upon all parties. Each decision submitted by one or more appraisers to the council of unit owners shall be in writing, signed by the appraiser(s) making same, and shall briefly state the grounds of each determination of fair market value. The cost of the appraiser(s) shall be allocated among the unit owners in proportion to their respective percentage interests in the common elements of the condominium.

(iii) So long as the tenancy in common exists, each unit owner and his successors in interest shall have the exclusive right to occupy the portion of the property that formerly constituted his unit, and shall retain all rights which he had immediately prior to the termination of the condominium with respect to those portions of the property that formerly constituted limited common elements.

(iv) Each unit owner's share of any proceeds, including, without limitation, sales proceeds, insurance proceeds and taking awards, distributed to the unit owners upon or in connection with the termination of the condominium shall be distributed in accordance with the priority of interests in such unit, to the end and intent that all mortgages and other liens on such unit shall first be paid out of the proceeds payable to such unit owner, all in the order in which same appear.

(i) The failure of the council of unit owners, or any unit owner, to insist in any one or more instances upon the strict performance or enforcement of any term, condition or provision of this Declaration shall not be construed as a waiver or relinquishment for the future of such right, but the same shall remain in full force and effect unless expressly waived in writing.

(j) The terms, conditions, restrictions and provisions of this Declaration, and the By-laws, shall be binding upon the Developer, its successors and assigns, all as part of a general plan or scheme for development of the condominium, and all said terms, conditions, restrictions and provisions shall be held and construed to run with and bind the property, each condominium unit thereon, against any one violating or attempting to violate any of the terms, conditions, restrictions or provisions, provided, however, that all rights reserved by and for the benefit of the Developer under the Declaration and the By-laws shall be exercisable and enforceable only by the Developer, its successors, and any assignee to whom the Developer specifically assigns such rights in writing.

(k) Nothing contained in this Declaration or the By-laws shall be deemed or construed by any unit owner, nor by any third party, as creating the relationship of principal and agent, partnership or joint venture between the unit owners or any of them. Further, no provisions contained in this Declaration or the By-laws shall be deemed to create any relationship between any unit owners other than the relationship expressly created under a condominium regime, nor to confer upon a unit owner any interest in any other unit owner's condominium unit, nor to create any responsibility whatsoever on a unit owner for any debt, liability or obligation of any other unit owner.

(l) If any term, condition or provision of this Declaration is held or determined to be invalid, the validity of the remainder of this Declaration shall not be affected thereby but shall continue in full force and effect, as fully and to the same extent as if the invalid term, condition or provision had not been included herein.

(m) In the event of any conflict among the provisions of this Declaration, the condominium plat or the By-laws, the provisions of each shall control in the succession hereinbefore listed on this Paragraph (m), commencing with this Declaration.

WITNESS the hand of the Developer on the day and year first above written.

ATTEST/WITNESS: RIVER RUN DEVELOPMENT ASSOCIATES

By: LSM RIVER RUN CORP.
General Partner

By: _____ (SEAL)
Lewis S. Meltzer
President

STATE OF _____, CITY/COUNTY OF _____, TO WIT:

I HEREBY CERTIFY, that on this _____ day of _____, 199_, before me, the subscriber, a Notary Public of the State of aforesaid, personally appeared Lewis S. Meltzer, President of LSM River Run Corp., which is a partner in River Run Development Associates, and he acknowledged the foregoing Declaration to be the act and deed of said partnership.

AS WITNESS my hand and Notarial Seal.

Notary Public

My Commission expires:

TABLE OF CONTENTS

RIVER RUN CONDOMINIUM BY-LAWS

	Page
ARTICLE I ADMINISTRATION	1
Section 1. Form of Administration	1
Section 2. Applicability of By-laws	1
Section 3. Mailing Address	1
ARTICLE II COUNCIL OF UNIT OWNERS	1
ARTICLE III UNIT OWNERS	3
Section 1. Annual Meetings	3
Section 2. Special Meetings	3
Section 3. Notice of Meetings	4
Section 4. Quorum	4
Section 5. Proxies	4
Section 6. Voting	4
Section 7. List of Unit Owners	5
Section 8. Order of Business	5
ARTICLE IV BOARD OF DIRECTORS	5
Section 1. Number and Qualification	5
Section 2. Powers	6
Section 3. Election and Term of Office	7
Section 4. Vacancies	7
Section 5. Removal	7
Section 6. Regular and Special Meetings	8
Section 7. Quorum	8
Section 8. Informal Action	8
Section 9. Compensation	8
Section 10. Fidelity Bonds	8
ARTICLE V NOMINATION OF DIRECTORS	9
Section 1. Nominating Committee	9
Section 2. Other Nominations	9
ARTICLE VI OFFICERS	9
Section 1. Executive Officers	9
Section 2. President	10
Section 3. Vice President	10
Section 4. Secretary or Secretary-Treasurer	10
Section 5. Treasurer or Secretary-Treasurer	10
Section 6. Assistant Officers	10
Section 7. Subordinate Officers	10

Section 8. Delegation of Duties 11

Section 9. Compensation 11

Section 10. Removal 11

Section 11. Vacancies 11

Section 12. Contracts, Agreements and other Instruments 11

ARTICLE VII LIMITED LIABILITY AND INDEMNITY OF OFFICERS AND DIRECTORS 11

ARTICLE VIII MANAGER 12

ARTICLE IX COMMON EXPENSES 12

Section 1. Assessments 12

Section 2. Reserve Funds 13

Section 3. Additional Assessments 13

Section 4. Payment of Assessments 14

Section 5. Other Charges and Fines 14

Section 6. Liens 15

Section 7. Collection of Common Expenses and Other Charges 15

Section 8. User Fees 16

ARTICLE X BOOKS AND RECORDS 16

ARTICLE XI INSURANCE 17

Section 1. Protective Policies 17

Section 2. Disbursement of Insurance Proceeds 19

ARTICLE XII MAINTENANCE OF THE PROPERTY 20

ARTICLE XIII RULES AND REGULATIONS 22

ARTICLE XIV ADOPTION OF RULES AND REGULATIONS BY THE BOARD 24

ARTICLE XV LITIGATION; DISPUTE RESOLUTION 25

ARTICLE XVI MORTGAGES 27

Section 1. Notice to Board 27

Section 2. Notice and Information to Mortgagees 27

ARTICLE XVII RESIDENT AGENT; FILING REQUIREMENTS 29

ARTICLE XVIII GENERAL PROVISIONS 29

Section 1. Notice 29

Section 2. Waiver 29

Section 3. Captions 30

Section 4. Amendment of By-laws 30

Section 5. Invalidity 30

BY-LAWS
OF
RIVER RUN CONDOMINIUM

Dated: _____, 19__

ARTICLE I
ADMINISTRATION

Section 1. Form of Administration. The condominium project, known as River Run Condominium, located in Worcester County, Maryland, has been subjected to the provisions of the Maryland Condominium Act, and a condominium regime has been established therefor by the Declaration to which these By-laws are attached. The affairs of the condominium shall be governed by the Council of Unit Owners (the "Council"), an unincorporated legal entity, comprised of all the unit owners, acting through its Board of Directors (the "Board"), elected or appointed for the purpose of carrying out the responsibilities of the Council, all in the manner and to the extent hereinafter provided, and subject to the right and power of the Council, or the Board, to employ a manager to administer and supervise the condominium project.

Section 2. Applicability of By-laws. The terms, conditions, provisions and restrictions of these By-laws are applicable to the condominium project and to the use, occupancy, benefit and enjoyment thereof, and shall inure to the benefit of the unit owners and be binding upon said unit owners, their tenants, guests and other invitees, the agents, servants and employees of such unit owners, tenants, guests and invitees, and any other person, firm or corporation using any facility of the property. The acceptance of any deed, lease, contract or other paper covering any interest in a condominium unit, or the use, occupancy, benefit or enjoyment of such unit, without further act, shall signify that the By-laws of the condominium are approved and ratified and that the person accepting the deed, lease, contract or other paper, or using, occupying, or otherwise enjoying any unit shall comply with the terms, conditions, provisions and restrictions of the By-laws.

Section 3. Mailing Address. The mailing address of the council of unit owners shall be River Run Condominium, c/o River Run Development Associates, 11433 Beauchamp Road, Berlin, Maryland 21811, or at such other address as the Council, the Board or manager may, from time to time, designate by written notice to the unit owners and the mortgagees.

ARTICLE II
COUNCIL OF UNIT OWNERS

The rights and powers of the Council are as follows:

- A. To have perpetual existence subject to the right of the unit owners to terminate the condominium regime, as provided in the Condominium Act or in the Declaration;
- B. To adopt and amend reasonable rules and regulations;

- C. To adopt and amend budgets for revenues, expenditures and reserves, and collect assessments for common expenses from unit owners;
- D. To sue and be sued, and complain and defend, in any court;
- E. To transact its business, carry on its operations and exercise the powers provided in the Condominium Act, in any state, territory, district or possession of the United States, and in any foreign country;
- F. To make contracts and guarantees, incur liabilities, borrow money, and to sell, mortgage, lease, pledge, exchange, convey, transfer and otherwise dispose of any part of its property and assets;
- G. To issue bonds, notes and other obligations, and secure the same by mortgage or deed of trust, on any part of its property, franchises and income;
- H. To acquire by purchase or in any other manner, and to take, receive, own, hold, use, employ, improve and otherwise deal with any property, real or personal, or any interest therein, wherever located;
- I. To hire and terminate managing agents and other employees, agents and independent contractors;
- J. To purchase, take, receive, subscribe for or otherwise acquire, own, hold, vote, use, employ, sell, mortgage, loan, pledge or otherwise dispose of, and otherwise use and deal in and with, shares or other interests in, or obligations of, corporations of this State, or foreign corporations, and of associations, partnerships and individuals;
- K. To invest its funds and to lend money in any manner appropriate to enable it to carry on the operations or to fulfill the purposes named in the Declaration or By-laws, and to take and to hold real and personal property as security for the payment of funds so invested or loaned;
- L. To regulate the use, maintenance, repair, replacement and modification of the common elements;
- M. To cause additional improvements to be made as a part of the general common elements;
- N. To grant easements, leases, licenses and concessions through or over the common elements in accordance with the Condominium Act and the Declaration;
- O. To impose and receive any payments, fees, or charges for the use, rental, or operation of the common elements, except as otherwise provided in the Condominium Act, the Declaration and these By-laws;
- P. To impose charges for late payments of assessments and, subject to the provisions of Article XVI of these By-laws, levy reasonable fines for violations of the Declaration, these By-laws,

and rules and regulations of the council of unit owners adopted pursuant to Article XV of these By-laws;

Q. To impose reasonable charges for the preparation and recordation of rules, regulations, resolutions, resale certificates, or statements of unpaid assessments, and amendments to such documents, and for the preparation and recordation of amendments to the Declaration, By-laws and condominium plat;

R. To provide for the indemnification of and maintain liability insurance for officers, directors, and any managing agent or other employee charged with the operation or maintenance of the Condominium;

S. To enforce the implied warranties made to the Council by the Developer under the Condominium Act;

T. To enforce the provisions of the Condominium Act, the Declaration, these By-laws, and the rules and regulations, if any, adopted by the Board against any owner or occupant of a unit; and

U. Generally to exercise the powers set forth in the Condominium Act and the Declaration or By-laws, and to do every other matter, act or thing not inconsistent with law, which may be appropriate to promote and attain the purposes set forth in the Condominium Act, the Declaration or By-laws, including the right to elect directors, officers and agents, and to define their rights, powers and duties.

ARTICLE III

UNIT OWNERS

Section 1. Annual Meetings. The annual meeting of unit owners shall be held at such place within the State of Maryland as may be designated by a majority of the unit owners, the Board or the manager of the condominium project, at 1:00 P.M., on the last Saturday of October of each year (or on such other date, or at such other time as may be fixed by such majority, Board, or manager), for the election of directors and for the transaction of general business, provided that a meeting of the Council shall be held within sixty (60) days after the date that units representing fifty percent (50%) of the votes in the condominium project have been conveyed by the Developer (as that term is defined in the Declaration) to the initial purchasers of the units. Such annual meetings shall be general meetings, i.e., open for the transaction of any business without special notice of such business, provided, however, that no new business shall be introduced or otherwise submitted at the meeting unless a written summary thereof is filed with the Secretary-Treasurer of the Council before commencement of the meeting.

Section 2. Special Meetings. Special meetings of the Council may be called at any time by a majority of the unit owners, the Board, or the manager, either by vote or in writing. Upon the written request of a majority of unit owners, specifying the purpose, delivered to the Board or manager, it shall be the duty of the Board or manager forthwith to call a meeting of the Council. Notice thereof shall be given as provided in Section 3 of this Article III. No business other than that stated in the

notice of the meeting shall be transacted at any special meeting of the Council, however called. Special meetings of the Council shall be held at such place within the State of Maryland as may be fixed by a majority of the unit owners, Board, or manager calling the same.

Section 3. Notice of Meetings. At least ten (10, but not more than ninety (90), days written or printed notice of every annual meeting and every special meeting of the Council shall be given to each unit owner whose name appears as such upon the roster or books of the condominium project on the date of the notice. Such notices of annual or special meetings shall state the place, day and hour of such meetings, and, in the case of special meetings, shall also state the business proposed to be transacted thereat. Such notice shall be given to each unit owner either by delivering the same to him or by mailing it postage prepaid and addressed to him at his address as it appears upon the roster or books of the condominium project, as aforesaid. No notice of the time, place or purpose of any meeting of unit owners, whether prescribed by law, by the Declaration, or by these By-Laws, need be given to any unit owner who attends in person, or by proxy, or who, in writing, executed and filed with the records of the meeting, either before or after the holding thereof, waives such notice.

Section 4. Quorum. Unless otherwise specifically provided in the Condominium Act, or in the Declaration or these By-laws, the presence in person or by proxy of persons entitled to cast ten percent (10%) of the total number of votes appurtenant to all units shall be necessary and sufficient at any meeting of the Council to constitute a quorum for the election of directors, for the adoption of decisions, or for the transaction of other business, and any such meeting may be adjourned from time to time until the transaction of business has been completed. In the absence of a quorum, the unit owners who shall be present in person or by proxy at any meeting (or adjournment) may, by vote of a majority of such unit owners, adjourn the meeting from time to time, but not for a period of over thirty (30) days at any one time, by announcement at the meeting, until a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 5. Proxies. Unit owners may vote either in person or by proxy, but no proxy shall be effective for more than 180 days following its issuance, unless granted to a lessee or mortgagee, in which case the proxy shall remain in force for such longer period as shall be designated therein unless earlier terminated by the unit owner executing the proxy. Every proxy shall be in writing, subscribed by the unit owner or by his duly authorized attorney, and shall be dated, but need not be sealed, witnessed or acknowledged; each proxy shall be presented at the meeting and be then deposited with the Secretary of the Council, the Board, or the manager. A proxy who is not appointed to vote as directed by a unit owner may only be appointed for purposes of meeting quorums and to vote for matters of business before the Council other than an election of officers and members of the Board.

Section 6. Voting. Subject to the succeeding paragraph of this Section 6, at every meeting of the Council, every unit owner shall be entitled to cast the number of votes appurtenant to his unit, as determined under the provisions of the Declaration and registered in his name on the roster or books of the condominium project on the date for the determination of voting rights at the meeting. Upon demand of twenty-five percent (25%) of the unit owners present in person or by proxy, the votes for directors, or upon any question before a meeting, shall be by ballot; and except in cases in which it is by statute, by the Declaration, or by these By-laws otherwise specifically provided, the vote of a majority of unit owners present and voting shall be necessary and sufficient to elect or pass any measure.

Notwithstanding the foregoing, no unit owner shall be entitled to vote at any meeting of the Council after a Statement of Contract Lien has been recorded among the Land Records of Worcester County, constituting a lien against his condominium unit, as provided for in Sections 6 and 7 of Article IX of these By-Laws, unless the amount necessary to release such lien has been paid at or before the time of the meeting.

Section 7. List of Unit Owners. The Council shall maintain a current roster of the names and addresses of each unit owner to whom notice of meetings of the Council and the Board shall be sent in accordance with the provisions of the Condominium Act and these By-Laws. Each unit owner shall furnish his name and current mailing address to the Council, and a unit owner may not vote at any meeting of the Council until he has furnished such information. Prior to each meeting of the Council, the Secretary thereof, the Board, or manager, shall prepare a full, true and complete list, in alphabetical order, of all unit owners entitled to vote at such meeting, indicating the number of votes to be cast by each, and shall be responsible for the production of such list at the meeting. The record date for determining the unit owners entitled to vote at any meeting of the Council shall be the date established in Section 3 of this Article III for determining the unit owners entitled to notice of such meeting.

Section 8. Order of Business. At all meetings of the Council, the order of business shall be, as far as applicable and practicable, as follows:

1. Organization and roll call.
2. Proof of notice of meeting or of waivers thereof. The Certificate of the Secretary of the Council, the Board, or the manager, or the affidavit of any other person who mailed the notice or caused the same to be mailed, shall be accepted as proof of service of notice by mail.
3. At any annual meeting, or at a meeting call for that purpose, reading of unapproved minutes of preceding meetings and action thereon.
4. Reports of the Board, officers, committees, and any manager employed by the Council or the Board.
5. At an annual meeting, the election of directors and employment of a manager.
6. Unfinished business.
7. New business
8. Adjournment.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. Number and Qualification. Subject to the right of the Council and of the Board to employ a manager, as provided in Article VIII of these By-laws, the affairs of the condominium

project shall be managed by a Board of Directors comprised of five (5) members (directors), each of whom except for the Developer or its designees, shall be a unit owner, either in his own name, or as a joint tenant, tenant in common, tenant by the entirety, or co-partner, if his unit is held in a real property tenancy or partnership relationship, or shall be an officer or agent of a corporate unit owner. For each unit owned, there shall be no limit as to the number of tenants, co-partners, officers, or agents of the unit owner who may serve as directors at the same time. The number of directors fixed by these By-laws may, by a vote of a majority of the unit owners, be increased to not exceeding seven (7), or decreased to not less than three (3).

Section 2. Powers. The Board shall have all rights and powers necessary to the administration of the affairs of the condominium project and may do and perform all matters, acts and things not expressly reserved to the Council. The powers of the Board shall include particularly, but not by way of limitation, the right to do the following:

A. Supervise, manage, operate, examine, inspect, care for, preserve, repair, replace, restore and maintain the common elements; keep and maintain said elements in a clean, neat, trim, orderly, sanitary and safe condition, free of garbage, trash, rubbish and other refuse, free of insects, rodents, vermin and other pests, free from objectionable odors, and free of sand, water, ice and snow; procure all labor, material, services and utilities necessary or desirable to the foregoing; obtain all permits and licenses required for the property; comply with all laws, ordinances, rules, and regulations of the Government of the United States, State of Maryland or Worcester County, or any agency or subdivision of the foregoing, applicable to the maintenance and care of the common elements; and generally carry out all matters and things deemed necessary or advisable to the economic or efficient maintenance and operation of the condominium project.

B. Employ all personnel necessary or desirable for the maintenance, operation and management of the condominium project; and engage any attorney or attorneys to handle the legal affairs of said project, including collection of the common expenses due by any unit owner, and any accountant or accountants to handle and maintain the financial records of the property, including the preparation of any tax return or other form required to be filed with the Federal, State or local government.

C. Procure bids or otherwise establish the fixed cost of all labor, materials, services, utilities and other items required for the operation, maintenance and care of the condominium project, and the convenience of the unit owners; review and analyze all cost and expense factors arising out of or otherwise related to the property, together with the benefits and advantages to be derived therefrom; determine and fix detailed annual budgets for the common expenses of the project, and upon the establishment of such budgets, assess and collect the funds therefor.

D. Impose reasonable charges for the preparation, copying and recordation of any documents related to the condominium project; and impose and collect charges and fines for the late payment of assessments and for violations of the Declaration, these By-laws and the rules and regulations of the Council.

E. Adopt reasonable rules and regulations, not inconsistent with the Declaration or By-laws, for the care and preservation of the common elements, the comfort, health, safety and general welfare of the unit owners, and the efficient operation of the condominium project.

F. Establish and maintain an accurate and efficient cash and accounting system, make collections and deposit of funds in such banks, trust companies, or other depositories as the board shall from time to time approve, verify and account for all receipts and expenditures involved in the operation of the condominium project, approve or disapprove all requisitions, bills, statements and vouchers, pay all costs and expenses incurred in the operation and maintenance of the property, designate signatories to which bank or other accounts shall be subject, keep and preserve, at the principal office of the condominium project, rosters, books, accounts and records covering the operation of the property, and execute and file any statement, certificate, affidavit, return or other forms required to be filed with the Federal, State, or local government in connection with any income or unemployment, social security or employee benefit tax, or the withholding of any tax, or any information relative to the foregoing, and prepare and submit such account or accounts of the financial condition of the condominium project as may from time to time be required or advisable.

G. Procure and maintain all policies of insurance required by these By-laws, or by the Council, or otherwise deemed advisable; designate a trustee or trustees, or other person, firm or corporation as the nominal beneficiary of any policy, to hold proceeds payable thereunder for the use and benefit of the council of unit owners; negotiate and adjust any loss occurring under any policy of insurance; and make any repair, replacement or restoration of the property damaged or destroyed by fire or other casualty insured against.

H. Prepare, with the assistance of an accountant, if deemed necessary, and file, all Federal, State and local income tax returns or other tax returns, declarations, and other forms required of the Council by law, and arrange for payment of any tax shown thereby to be due.

Section 3. Election and Term of Office. At the first annual meeting of the Council, five (5) directors shall be elected. The term of office of two (2) such directors shall be fixed at three (3) years, the term of office of two (2) directors shall be fixed at two (2) years, and the term of office of the remaining director shall be fixed at one (1) year. At any succeeding annual meeting of the Council, additional directors shall be elected if required under the provisions of Section 1 of this Article IV. The term of any such additional director shall be fixed at two (2) years. At the expiration of the initial or other term of office of each director, his successor shall be elected at the annual meeting of the Council to serve for a term of two (2) years. Each director elected at any annual meeting shall hold office until his successor shall have been elected and qualified, or until he shall die or resign, or shall have been removed, or shall cease to qualify.

Section 4. Vacancies. If any director shall die or resign, or shall cease to qualify for directorship under Section 1 of Article IV of these By-laws, or if the Council shall remove any director without appointing another in his place, a majority of the remaining directors, although such majority is less than a quorum, may elect a successor to hold office for the unexpired portion of the term of the director whose place shall become vacant and until his successor shall have been duly chosen and qualified. Vacancies in the Board created by an increase in the number of directors may be filled by the vote of a majority of the Board as constituted prior to such increase, and directors so elected to fill such vacancies shall hold office until the next succeeding annual meeting of the Council and, thereafter, until their successors shall be elected and qualified.

Section 5. Removal. At any annual meeting of the Council, or at any special meeting of the unit owners called for that purpose, any director may, by a majority of the unit owners, be removed

from office, with or without cause, and another may be appointed in the place of the person so removed to serve for the remainder of his term. Removal of any director under the provisions of this Section shall, ipso facto, terminate the right of such director to hold any executive office of the condominium project.

Section 6. Regular and Special Meetings. Within seven (7) days after the annual meeting of the Council, the Board shall meet at such time and place as shall be fixed by the unit owners at said annual meeting, in which case no notice to the directors shall be necessary, or if no time and place was fixed for such meeting at the annual meeting of the Council, then the Board shall meet within seven days following the day of such annual meeting, at such time, date and place, within the State of Maryland, as may be fixed by a majority of the directors. In addition to the foregoing first meeting, regular meetings of the Board shall be held at such other time and place as may be fixed from time to time by a majority of the directors, but at least two (2) such meetings shall be held within each fiscal year of the condominium project. Special meetings of the Board may be called by the President or by a majority of the directors either in person or by vote. Notice of the place, day and hour of every regular and special meeting shall be given to each director in writing, either mailed to him, postage prepaid, not later than the third day before the day set for the meeting, or delivered to him personally or left at his residence not later than the second day before the day fixed for the meeting, or by telegram or telephone not later than the day before the date set for the meeting. No notice of the time or place of the meeting need be given to any member who in writing, executed and filed with the records of the meeting, either before or after the holding thereof, waives such notice, or, in fact, attends the meeting.

Section 7. Quorum. A majority of the Board shall be necessary and sufficient to constitute a quorum for the transaction of business at every meeting of the Board, but if at any meeting there be less than a quorum present, a majority of those present may adjourn the meeting from time to time, but not for a period of over ten (10) days at any one time, without notice other than by announcement at the meeting, until a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which may have been transacted at the meeting as originally notified. Except as otherwise provided herein, all questions shall be decided by a majority of the Board present. On request of any director the yeas and nays shall be taken and entered on the minutes.

Section 8. Informal Action. To the extent not inconsistent with the requirements of the Condominium Act regarding the manner of operation of the Board, any matter, act or thing required or permitted to be taken at any meeting of the Board may be taken without such meeting if a written consent to such action, matter or thing is signed by all the directors and such written consent is filed with the minutes of the proceedings of the Board.

Section 9. Compensation. No director, as such, shall receive any compensation for his services, but, by resolution of the council of unit owners, a fixed sum, not in excess of Ten Dollars (\$10.00) per year, may be allowed for attendance at the regular and special meetings of the Board.

Section 10. Fidelity Bonds. The Council shall maintain blanket fidelity bonds for all officers, directors and employees of the Council and all other persons handling, or responsible for, funds of, or administered by, the Council. If a manager has the responsibility for handling or administering funds of the Council, the manager shall be required to maintain fidelity bond coverage for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Council.

Such fidelity bonds shall name the Council as an obligee and shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Council or the manager, as the case may be, at any given time during the term of each bond. However, in no event may the aggregate amount of such bonds be less than an amount equal to one hundred and fifty percent (150%) of the sum of (a) the estimated annual common expenses, and (b) all amounts then held in the working capital and reserve funds. The bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees", or similar terms or expressions. The premiums on all bonds required herein, except those maintained by the manager, shall be paid by the Council as a common expense. The bonds shall provide that they may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least 10 days prior written notice to the Council or insurance trustee, if any. So long as the Federal National Mortgage Association ("FNMA") shall hold a first mortgage on any unit, such bonds shall also provide that the FNMA Servicer, on behalf of FNMA, must receive such notice of cancellation or modification.

ARTICLE V

NOMINATION OF DIRECTORS

Section 1. Nominating Committee. On or before September 1 of each year, the Board shall appoint a nominating committee, comprised of at least five (5) members, and shall promptly notify the Secretary of the Council, in writing, of the names of the committee members. This nominating committee shall, at least thirty (30) days prior to the annual meeting of the Council, nominate not less than such number of candidates for membership on the Board as may be required to be filled through election at such annual meeting, and forthwith submit its nominations to the Secretary of the Council. The Secretary shall, at least ten (10) days prior to the election, notify the unit owners, in writing, of the names and addresses of the nominees submitted by the nominating committee for membership on the Board. The decision of a majority shall be reported as the decision of the nominating committee.

Section 2. Other Nominations. In addition to the nominations made by the nominating committee for membership on the Board, as aforesaid, nominations may be made by the unit owners in the following manner: at any annual meeting of the Council, five or more unit owners may nominate candidates for membership on the board to be filled through election, provided their nominations are reduced to writing and signed by five or more of the nominators, accompanied by the written acceptance or acceptances of the nominee or nominees so nominated; and provided further that original copies of such nominations and such acceptances are filed with the Secretary of the Council before commencement of the meeting at which members of the Board are to be elected.

ARTICLE VI

OFFICERS

Section 1. Executive Officers. The executive officers of the Council shall be a president, a vice president, a secretary, and a treasurer, or, if there be less than four (4) members of the Board, then a secretary-treasurer, instead of a secretary and a treasurer, each of whom shall be a member of the Board, and such other officers as the Board from time to time considers necessary for the proper

conduct of the affairs of the Council. The executive officers shall be elected every other year by the Board at its first meeting following the annual meeting of the Council. Each such officer shall hold office for a term of two (2) years, and thereafter, until his successor is elected and qualified, or until his death, disqualification, resignation or removal. The powers and duties of the executive officers of the Council shall be subject to the powers of any manager employed by the Council or the Board, to the extent set forth in the contract of employment of such manager.

Section 2. President. The President shall be the chief executive officer of the Council. He shall, when present, preside at all meetings of the Council and Board; he shall have the power of general management and direction of the affairs of the Council, subject to the control of the Board. He shall, in general, have the right to perform all acts incident to his office or which may be prescribed by the Board. He shall also annually prepare or cause to be prepared a full and true statement of the affairs of the Council, which shall be submitted at the annual meeting of the Council, and shall be filed within ten (10) days thereafter with the records of the Council.

Section 3. Vice President. In the absence, inability or disqualification of the President, the Vice President shall have the right to perform all acts incident to the office of the President, and when so acting shall have all the powers of the President of the Council.

Section 4. Secretary or Secretary-Treasurer. The Secretary or Secretary-Treasurer shall keep or cause to be kept the minutes of the meetings of the Council and of the Board in books provided for the purpose and shall count and record votes at all such meetings; he shall see that all notices are duly given in accordance with the provisions of the By-laws; he shall be the custodian of the records of the Council; and, in general, he shall have the right to perform all acts ordinarily incident to the office of a secretary, and such other acts as, from time to time, may be assigned to him by the Board, or by the President.

Section 5. Treasurer or Secretary-Treasurer. The Treasurer or Secretary-Treasurer shall have charge of all funds, securities, receipts and disbursements of the Council, whether common expenses or other funds, and shall deposit, or cause to be deposited, in the name of the Council, all monies or other valuable effects in such banks, trust companies or other depositories as shall, from time to time, be selected by the Board; he shall keep, or cause to be kept, a just, true and correct copy of all receipts and expenses, and he shall make, or cause to be made, and submit an account of the financial condition of the Council when so requested by the President, Vice President, or by resolution of said Council, or the Board; and he shall make, or cause to be made, all reports, financial or otherwise, now or hereafter required by law; and, in general, shall have the right to perform all acts ordinarily incident to the office of a treasurer, and such other acts as may be assigned to him by the Board, or by the President.

Section 6. Assistant Officers. The Board may elect one or more Assistant Secretaries and one or more Assistant Treasurers. Each such Assistant Secretary and Assistant Treasurer shall hold office for such period and shall have such authority and perform such duties as the Board may prescribe.

Section 7. Subordinate Officers. The Board may elect such subordinate officers as it may deem desirable. Each such officer shall hold office for such period and shall have such authority and

perform such duties as the board may prescribe. The Board may, from time to time, authorize any officer to appoint subordinate officers and to prescribe the powers and duties thereof.

Section 8. Delegation of Duties. In the absence, inability or disqualification of any officer, other than the President, the duties of such officer shall be discharged by his assistant or associate officer, if any there be, or, no other arrangements having been made for the performance of such duties, the President may delegate the powers and duties of such officer to another officer or director or may appoint some other person to act in the stead of such officer until his place shall be filled by the Board.

Section 9. Compensation. Each officer of the Council shall receive the sum of Five Dollars (\$5.00) per year as a salary or compensation for his services as such officer. Any manager, however, its agents, servants or employees, performing any duty of any officer of the condominium project shall be compensated for such performance or services by the Council.

Section 10. Removal. The Board shall have power at any regular or special meeting to remove any officer, with or without cause, and such action shall be conclusive on the officer so removed. The Board may authorize any officer to remove subordinate officers.

Section 11. Vacancies. The Board at any regular or special meeting shall have power to fill a vacancy occurring in any office for any unexpired portion of the term.

Section 12. Contracts, Agreements and other Instruments. No deed, mortgage, bond, bill of sale, assignment, contract, agreement, or any other instrument or document, including any check, bill of exchange and promissory note, intended to bind the Council, shall be valid or binding unless signed by any two officers of the Council, one of whom shall be the President or Vice President, or by the manager of the condominium project.

ARTICLE VII

LIMITED LIABILITY AND INDEMNITY OF OFFICERS AND DIRECTORS

No officer or director of the Council shall be liable to any unit owner for any mistake in judgment, negligence or otherwise, unless attributable to willful misconduct or bad faith. Further, no officer or director shall be personally liable for any agreement made by such officer or the Board for and on behalf of the Council; and subject to the Corporations and Associations Article of the Annotated Code of Maryland and to the limitation hereinafter set forth, the unit owners shall indemnify and hold each officer of the Council and each member of the Board harmless from and against all personal liability under any agreement, provided such agreement is made in good faith for and in the name of the Council, and in accordance with the provisions of the Declaration and of these By-laws.

The responsibility or liability of any unit owner to any third party, to any officer of the Council, or to members of the Board, under any contract made by such officer or the Board, or under any indemnity to the officers or directors on account thereof, shall not exceed his percentage interest factor of the total liability. Further, each agreement made by the officers of the Council or by the Board on behalf of the Council shall provide that such officers and the Board are acting solely as agent

for the Council and that the responsibility or liability of each unit owner upon said agreement shall not exceed such portion of the total liability under the contract as shall equal the interest of such unit owner in the common elements (his percentage interest factor).

ARTICLE VIII

MANAGER

The Council or the Board, on behalf of the unit owners, may employ a manager to administer or supervise the condominium project, and delegate to such manager all rights, duties and powers conferred upon the Board under these By-laws, so that the manager shall thereupon have all the rights, duties and powers of the Board necessary to the administration of the affairs of the condominium project and to do and perform all matters, acts and things not expressly reserved to the Council, provided, however, that no assessment or levy of any common expense, and no adoption or amendment of any rule or regulation for the condominium project, shall take effect until approved by the Board, or if there be no Board, by the Council, and, provided further, that any agreement for management of the condominium project shall be subject to the following: No management contract shall exceed a term of three years; and each such contract shall provide that same may be terminated for cause on not more than ninety days written notice. Further, any and all duties of any officer of the Council, including the President, may be delegated to the manager.

Upon the employment of a manager by the Council, or by the Board, as aforesaid, then the rights, duties and powers conferred upon the Board and upon the executive officers of the Council under these By-laws shall be subject to the rights, duties and powers of the manager, to the extent set forth in its contract of employment.

The fee or other compensation payable to the manager, including reimbursement of any cost or expenses advances or incurred by the manager for or on account of the Council, or the condominium project, shall be deemed a common expense.

ARTICLE IX

COMMON EXPENSES

Section 1. Assessments. (a) The fiscal year of the Council shall consist of twelve (12) calendar months, commencing on January 1, except that any fiscal year(s) ending prior to January 1, 19___ shall begin and end on such dates as shall be determined by the Board.

(b) Not later than seventy-five (75) days prior to the commencement of each fiscal year beginning with the second fiscal year, the Board shall estimate the total common expenses required for the operation and maintenance of the condominium during the ensuing year, including particularly, but not by way of limitation, all sums required to provide labor, materials, services, utilities and insurance for the operation, maintenance and care of the property and the conveniences deemed desirable to the use and enjoyment thereof, together with a reasonable amount deemed necessary by the Board as an operating reserve for contingencies and an adequate reserve for the painting, repair and replacement of the common elements and within seven (7) days thereafter, shall notify each such owner, in writing,

of the aggregate estimated common expenses for the coming fiscal year and such unit owner's proportionate share thereof, based on his percentage interest factor. On or about the fifteenth (15th) day prior to the commencement of the fiscal year, the Board shall finally determine and assess the common expenses, and formally levy against each unit owner his share thereof, in accordance with his percentage interest factor, by noting the assessment and levy on the books of the Council and submitting a written billing to the unit owner for the sum due by him. The failure or delay of the Board to prepare an estimate or determine the common expenses for any year, or notify any unit owner of the total common expenses of the Council, or of such unit owner's proportionate share of the common expenses, shall not in any manner constitute a waiver or release of the unit owner's obligation to pay his share of the common expenses whenever the same may be determined or assessed. Each common expense budget adopted by the Board is subject to the applicable requirements, if any, of the Condominium Act. In the absence of an annual determination of the common expenses or a formal assessment against the unit owners, each unit owner shall continue to pay the monthly installments due by him during the last fiscal year in which an assessment or levy had been made, all subject to acceleration or modification by the Board.

(c) In addition, if so requested by the River Run Community Association, Inc. (the "Association") the Board shall collect and remit the assessments levied on each unit in accordance with the Declaration of Covenants, Conditions and Restrictions of even date, which assessments shall be deemed part of the common expenses of the Condominium.

Section 2. Reserve Funds. The Board shall establish and maintain a reasonable operating reserve fund and a reasonable repair and replacement reserve fund with respect to the common expenses. Such reserves shall be deposited in a special account, but may be invested in (i) obligations fully guaranteed as to principal by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation and/or (ii) money market funds distributed by New York Stock Exchange member firms. The operating reserve fund shall be used to defray extraordinary expenditures for common expenses not originally included in the annual determination of common expenses, provided, however, that such reserves may be used for such other purposes as are approved by a majority vote of the unit owners at any annual or special meeting of the Council. The repair and replacement reserve fund shall be used for the painting, repair and replacement of the common elements for which the Council is responsible; provided, however, that such reserve may be used for such other purposes as are approved (i) by unit owners having at least sixty-six and two-thirds percent (66-2/3%) of the total number of votes appurtenant to all units, and (ii) by a majority vote of the first mortgagees who are eligible to receive the notices and information provided by Section 2(b) of Article XVII of these By-laws, provided that each such mortgagee shall have the number of votes appurtenant to the unit or units upon which it holds a mortgage or mortgages. All funds assessed for payment into, or otherwise credited to, said operating reserve fund or said repair and replacement reserve fund shall be deemed contributions to the capital of the Council made or to be made by the unit owners, and same shall be shown on the balance sheet and other financial records of the Council as "paid-in-surplus", or its equivalent, to the end and intent that none of the reserve funds received or retained by the Council shall be considered as income for tax purposes.

Section 3. Additional Assessments. If the Board at any time determines that the common expenses assessed under the provisions of Subsection 1(b) of this Article IX or the common expense reserve funds established and maintained under Subsection 2 of this Article IX are inadequate, or that additional funds are otherwise required for the operation and maintenance of the condominium it may,

subject to the applicable requirements, if any, of the Condominium Act, assess such further sums, as common expenses, as it may deem necessary and levy the same against each owner in accordance with his percentage interest factor.

Section 4. Payment of Assessments. Each unit owner shall be obligated to pay to the Board, or its designee, the common expenses levied against him by the Board under the provisions of Section 1 or Section 3 of this Article IX, or otherwise, as follows:

A. The annual assessments of common expenses levied under the provisions of Section 1 of this Article IX shall each be paid in twelve (12) equal successive monthly installments, each installment to be equal to one-twelfth (1/12) of the annual assessment of common expenses, respectively, commencing on the first day of the first month of the fiscal year for which levied, and continuing on the first day of each and every succeeding month thereafter until fully paid; provided, however, that (i) the annual assessments of common expenses for each fiscal year ending prior to January 1, 19____ shall be paid in such number of equal or unequal monthly installments as the Board shall determine, (ii) the first annual assessments of common expenses shall not be due until the first day of the first fiscal year, and further provided, however, that upon default in the payment of any installment of an annual assessment of common expenses on its due date, the entire unpaid principal balance thereof may be accelerated, unless prohibited by law, at the option of the Board, so that said entire assessment of common expenses shall forthwith be due and payable.

B. Any additional assessment of common expenses levied under the provisions of Section 3 of this Article IX, or otherwise, shall be due and payable fifteen (15) days after the date of levy of such assessment and notice thereof to the unit owners, or at such other time or times as may be provided by the Board in making the assessment, and further provided that, if such assessment is payable in installments, then upon default in the payment of any such installment on its due date, the entire unpaid principal balance thereof may be accelerated, unless prohibited by law, at the option of the Board, so that said entire assessment shall forthwith be due and payable.

C. Notwithstanding anything to the contrary set forth in the Declaration or in these By-laws, the Developer shall not be required to pay either annual or additional assessments of common expenses on unoccupied units owned by the Developer. In lieu of payment of assessments, the Developer shall indemnify the Council in an amount equal to the operating deficit of the Council for so long as the Developer maintains (i) an active sales program at River Run and (ii) control over the Council.

Section 5. Other Charges and Fines. (a) Any charge or fine imposed by the Board under subparagraph (d) of Section 2 of Article IV of these By-laws shall be due and payable fifteen (15) days after the date of imposition and notice thereof to the unit owner or at such other time or times as may be provided by the Board in imposing the charge or fine, and such charge or fine shall be considered an assessment of common expenses for the purposes of this Article IX and, to the extent permitted by law, shall be enforceable in accordance herewith.

(b) There shall be imposed on any delinquent assessment or installment of common expenses a late charge of Fifteen Dollars (\$15.00) or one-tenth (1/10th) of the total amount of the delinquent assessment or installment, whichever is greater, provided the late charge may not be imposed

more than once for the same delinquent payment and may only be imposed if the delinquency has continued for at least fifteen (15) calendar days.

Section 6. Liens. Any unpaid assessment of common expenses levied against any unit owner under any of the provisions of this Article IX, together with interest thereon at the lesser of (i) eighteen percent (18%) per annum or (ii) the highest rate allowed by law, late charges, actual costs of collection, and reasonable attorney's fees, shall constitute a lien against the condominium unit of such unit owner in accordance with the Maryland Contract Lien Act. Suit for any deficiency following foreclosure may be maintained in the same proceeding, and suit to recover any money judgment for unpaid assessments may also be maintained in the same proceeding without waiving the right to seek to impose a lien under the Maryland Contract Lien Act.

Section 7. Collection of Common Expenses and Other Charges. If there be any default in payment of the common expenses or other charges or fines, in the manner and at the time or times provided therefor in Sections 4 and 5 of this Article IX, and same shall continue for a period of fifteen (15) days, the Council shall have the immediate right: (i) to institute suit for collection of the sum due, with interest thereon at the lesser of (i) eighteen percent (18%) per annum or (ii) the highest rate allowed by law, accounting from the date of default; and (ii) to record a statement of lien against the unit of the defaulting unit owner, and proceed forthwith, or at any time after recordation of the statement, to enforce the same through sale, foreclosure, or otherwise, as permitted under the Condominium Act and the Maryland Contract Lien Act. By the acceptance of any title to, or ownership of, his condominium unit, the unit owner shall be deemed to have expressly: (i) authorized enforcement and foreclosure of the lien by the Council, in the same manner, and subject to the same requirements, as the foreclosure of mortgages on real property in this State, containing a power of sale or an assent to a decree, or both; (ii) assented to the passage of a decree for the sale of his condominium unit after the continuance of his default, following recordation of the statement of lien; and (iii) covenanted, agreed and declared that, after the continuance of his default following recordation of the statement of lien, the then President of the Council, acting as agent of the unit owners and the natural person authorized to exercise the power of sale on their behalf, shall have the absolute power, right and privilege to sell his condominium unit in accordance with the Annotated Code of Maryland and the Maryland Rules of Procedure relating to foreclosure of mortgages, as such Code and Rules are from time to time amended and supplemented.

Upon any sale hereunder of a condominium unit of a defaulting unit owner, the proceeds shall be applied as follows: first, to the payment of expenses incident to such sale, including a commission to the party making the sale and an attorney's fee of One Thousand Dollars (\$1,000) or such higher amount as may be awarded by the Circuit Court for Worcester County; second, to the payment of the cost of any painting, papering, redecorating, floor finishing, repair or replacement which the Board deems necessary or advisable to render the unit marketable third, to the payment of all claims of the Board or the Council against the defaulting unit owner, whether the same shall have matured or not; and fourth, the surplus, if any, to said defaulting unit owner, or to whomever may be entitled to the same. It is expressly understood that, at any such sale, the Council may be a purchaser of the condominium unit, free and clear of any right or equity of redemption of the defaulting unit owner, such right and equity being deemed expressly waived and released.

The Council shall have the right both to institute suit for collection of the unpaid assessment and to enforce the lien of such assessment against the condominium unit of the defaulting

unit owner, provided there be but one satisfaction of the claim. Further, the Board shall have the absolute right to suspend the voting rights of any defaulting unit owner at any meeting of the Council, following recordation of any statement of lien against his unit, which suspension shall remain in full force and effect until the amount necessary to satisfy and release the lien has been paid.

The foregoing enumeration of the rights of the Council and Board is made in furtherance, and not in limitation of the rights and remedies conferred by law upon the Council, or the Board, to collect the common expenses and other charges and fines or enforce any lien against the unit of a default unit owner, and is not intended, by mention of any particular right or remedy, to limit or restrict the Council, or the Board, which shall have all powers and rights necessary or convenient for collection of the common expenses and other charges and fines.

Section 8. User Fees. The Board shall not impose any fee against any unit owner or the tenant of any unit owner for the use of such facilities or of any other general or limited common element, except as otherwise expressly set forth in the Declaration or these By-laws, including, without limitation, Sections 1 and 3 of this Article IX of these By-laws. The Board may, however, in addition to availing itself of other legal and equitable remedies, impose reasonable charges and fines against any unit owner, tenant or guest for any violation of the Declaration, these By-laws or any rule or regulation.

ARTICLE X

BOOKS AND RECORDS

The Board shall keep the books of the Council, with detailed accounts in chronological order, noting all receipts and expenditures affecting the property and its administration, and specifying the maintenance and repair expenses of the common elements and any other expenses incurred. A separate account shall be maintained for each condominium unit, showing the amount of each assessment of common expenses, the date or dates same may be due, the amount paid thereon, and the unpaid balance thereof. Upon any sale or other transfer of a unit, the new unit owner or his agent shall provide to the Council, to the extent available, the name and forwarding address of the prior unit owner, the name and address of the new unit owner, the date of settlement, and the proportionate amounts of any outstanding common expense assessment assumed by each of the parties to the transaction, and all such information shall be recorded in the assessment accounts which are maintained for such unit. The books, together with all bills, statements and vouchers accrediting the entries made thereupon, all other records kept by the board, and copies of the Declaration, condominium plat, By-Laws and rules and regulations, including all amendments thereto, shall be available for examination and copying by any unit owner and any holder, insurer or guarantor of a mortgage on any unit, and the duly authorized agents or attorneys of such unit owner, holder, insurer or guarantor, during normal business hours, and after reasonable notice. All books and records of the Council shall be kept in accordance with good accounting practices, on a consistent basis, and an outside audit shall be made at least once a year with respect to common expenses. The cost of such audit or audits shall be considered part of the common expense.

A written report summarizing all receipts and expenditures of the Council with respect to common expenses shall be rendered semi-annually by the Board to the unit owners. Promptly after the close of each fiscal year, an annual report of the receipts and expenditures of the Council with respect

to common expenses, certified by an independent accountant, shall be rendered by the Board free of charge to each unit owner, and to any holder, insurer or guarantor of a mortgage on any unit within a reasonable time after receipt of a written request therefor from such holder, insurer or guarantor.

In addition to keeping the foregoing financial books and records, the Board shall keep detailed records of its actions, minutes of its meetings and minutes of meetings of the Council.

ARTICLE XI

INSURANCE

Section 1. Protective Policies. Except to the extent that the Condominium Act requires otherwise, the Board shall procure and maintain, in the name of the Council, or the name of the manager or other designee, as agent or trustee for the benefit of the unit owners and the Council, who shall be deemed the parties insured, policies of insurance in stock insurance companies which are (i) licensed to do business in the State of Maryland and (ii) are customarily acceptable to mortgage lenders in Worcester County, to the extent obtainable, as follows:

A. A blanket property policy or policies covering (i) all common elements, except land, foundations, excavations and other items normally excluded from coverage, (ii) all structural components, including walls, floors and ceilings, of the units, and all fixtures attached thereto, and (iii) all building service equipment and supplies and other personal property belonging to the Council, provided, however, that such policy shall not cover any improvements, fixtures or personal property made or attached to, or brought within, the units or limited common elements by unit owners, the insurance for the latter improvements, fixtures and personal property being the responsibility of the respective unit owners. The blanket policy (i) shall insure against those risks of direct physical loss commonly insured against, including, without limitation, fire, lightning, hail, explosion, riot, civil commotion, aircraft, vehicle, falling object, smoke, malicious mischief, vandalism, and collapse through weight of snow, ice, sleet or water and other perils normally covered by the standard extended coverage endorsement, and be in an amount equal to 100% of the current replacement cost of the insured property, (ii) shall, if applicable, also insure against flood loss in the amount not less than the lesser of the maximum coverage available for the property under the National Flood Insurance Act of 1968, as from time to time extended, amended or supplemented, or 100% of the current replacement cost of all buildings and other insurable property of the condominium located in the flood hazard area, and (iii) so long as FNMA or the Federal Home Loan Mortgage Corporation (FHLMC) holds a mortgage on any unit in the condominium, shall include, to the extent required by such holder, an all-risk endorsement, an agreed amount endorsement, an inflation guard endorsement, a demolition cost endorsement, a contingent liability from operation of building laws endorsement, and an increased cost of construction endorsement. In lieu of the foregoing insurance, the Board may procure and maintain such other insurance against loss, damage or destruction of the common elements and the condominium units, as shall give substantially equal or greater protection to the unit owners and mortgagees, as their interests may appear.

B. Such insurance as the Board may deem advisable with respect to the machinery, equipment and other fixtures and personal property forming part of any unit or common element, including boiler insurance (in the amount of at least \$100,000 for each accident at each location), if

required, on the heating and air-conditioning fixtures and facilities serving any unit or other improvement of the condominium.

C. Such insurance as will protect the Council, and each unit owner, from claims under workmen's compensation acts and other employee benefit acts.

D. Such insurance as will protect the Council, the Board, officers of the Council, the manager, and each unit owner, from claims for damage because of bodily injury, including death, to all others, including employees of the insured, and from claims for damage to property, any or all of which may arise out of or result from ownership of any interest in the condominium or the management or operation of said condominium, or because of any injury or damage sustained on or attributable to the property, including the ownership, maintenance or use of parking areas, driveways, alleys and sidewalks, on or abutting the property. It is intended that the insurance described in this subparagraph be: officers' and directors' liability insurance; and a comprehensive general liability policy endorsed to protect each unit owner and the Council against all liability arising out of or otherwise attributable to the property, products liability, liability attributable to work or other acts of an independent contractor, or let or sublet work, landlord-tenant liability, contractual liability, and, if applicable, employer's liability and comprehensive automobile liability. Further, the insurance shall cover the liability of one or more unit owners as parties insured to one or more of the remaining unit owners, though also parties insured. Such public liability insurance shall be in the amount of at least \$1,000,000 for bodily injury, including deaths of persons, and property damage arising out of a single occurrence. The public liability insurance policy shall be so endorsed as to protect the insured against liability imposed or assumed by any contract.

E. In all events, each policy of insurance procured under this Section 1 of Article XI shall contain (i) all provisions required by state law, including a severability of interest provision, which shall preclude the insurer from denying the claim of the Council or for Owner because of the negligent act of other owners, (ii) a waiver of the insured's subrogation rights against each unit owner or member of his household, (iii) a waiver of any defense maintainable by the insurer by reason of any coinsurance provision of any policy or by reason of any act or neglect of any unit owner, whether before or after the loss, damage or destruction may occur, and (iv) a provision making the policy primary coverage if there is other insurance in the name of a unit owner covering the same property, and shall provide for the recognition of any insurance trust agreement to which the Council is a party. Certificates of insurance pertaining to each such policy shall be issued to the Council, and to each unit owner and mortgagee requesting the same. No such policy of insurance shall be cancelled or substantially modified until at least thirty (30) days after notice thereof has been mailed to the Council and each unit owner, and to each mortgagee to whom a certificate of insurance has been issued. Further, each policy of insurance shall provide that any unit owner in his own right may procure other insurance, fire, casualty, liability or otherwise, and that such other insurance shall in no wise serve to reduce, abate, diminish or cause any proration in payment of the total loss by the insurer.

F. Each policy of insurance procured under subparagraphs (a) or (b) of this Section 1 shall state that the exclusive right and authority to adjust losses under the policy shall be vested in the Board. The insurance proceeds for such loss shall be payable to any insurance trustee designated for that purpose or otherwise to the Council, and not to any mortgagee. Each such policy shall contain a standard mortgagee clause, however, and the insurance trustee or the Council shall hold any insurance proceeds in trust for unit owners and lien holders as their interests may appear.

G. Each unit owner shall furnish such information and execute such application forms as may be required of him in order to procure and maintain any policies of insurance provided for by this Section 1 of Article X. Additionally, each unit owner shall notify the Board of any addition, alteration or improvement made in or to his unit, so that the Board may procure other or additional insurance on account of same, if deemed necessary or advisable.

H. The Council shall maintain and make available for inspection and copying by all unit owners and mortgagees, and the agents of each, all insurance policies maintained by the Council.

I. Nothing provided in this Article XI shall prejudice the right of any unit owner to insure his condominium unit on his account and for his own benefit; or to insure himself against liability to others. If the unit owner, however, shall procure fire or other casualty insurance covering his condominium unit or his interest in the condominium, he shall file with the Board a duplicate of the insurance policy.

Section 2. Disbursement of Insurance Proceeds. The proceeds of any fire or casualty insurance policy procured under subparagraphs (a) or (b) of Section 1 of this Article XI shall be applied or disbursed in the following manner, except to the extent that the Condominium Act requires otherwise:

(i) Any portion of the condominium damaged or destroyed shall, to the extent covered by said blanket policy, be repaired or replaced promptly by the Council substantially in accordance with the architectural and other drawings described in paragraph (c) of Article I of the Declaration, unless:

(a) The condominium regime is terminated;

(b) Repair or replacement would be illegal under any state or local health or safety statute or ordinance; or

(c) Unit owners having at least eighty percent (80%) of the total number of votes appurtenant to all units, including the owner of each unit which will not be rebuilt and each unit having the right to use any limited common element which will not be rebuilt, vote not to rebuild.

(ii) Unless the condominium regime is terminated, if any portion of the condominium which is damaged or destroyed is not repaired or replaced, the insurance proceeds attributable to the portion which is not rebuilt shall be disbursed as follows:

(a) The insurance proceeds attributable to the damaged or destroyed general common elements which are not rebuilt shall be used to restore the damaged or destroyed portion of the condominium which is not rebuilt to a condition compatible with the remainder of the condominium.

(b) The insurance proceeds attributable to the damaged or destroyed units and limited common elements which are not rebuilt shall be distributed to the owners of those units and to the unit owners having the right to use those limited common elements;

(c) The remainder of the proceeds shall be distributed to all the unit owners in proportion to their respective percentage interests in the common elements.

Each unit owner's share of the insurance proceeds shall thereafter be distributed in accordance with the priority of interests in such unit, to the end and intent that all mortgages and other liens on such unit shall first be paid out of the proceeds payable to such unit owner, all in the order in which same appear.

(iii) If the condominium regime is terminated following a fire or other casualty, the property shall be sold and the net proceeds of sale and the net proceeds of insurance shall be combined into one fund, which shall be divided among the unit owners in the manner provided in Article X of the Declaration.

ARTICLE XII

MAINTENANCE OF THE PROPERTY

Section 1. Except to the extent otherwise provided in this Section 1 and in Sections 2 and 3 of this Article XII, the Council shall be responsible for the cleaning, maintenance, repair and replacement of the general and limited common elements, and the cost thereof shall be assessed against the unit owners as a common expense. The cleaning of a common element includes, among other things, keeping the same free and clear of litter, debris, sand, snow, ice and any accumulation of water. The Board may make any addition, alteration or improvement in or to the common elements, provided that fifteen (15) days notice of intent to make the same is furnished to each unit owner, and provided further that no such addition, alteration or improvement costing more than Fifteen Thousand Dollars (\$15,000.00) shall be made until such action has been approved by a majority vote of the unit owners. The cost of any such addition, alteration or improvement shall be assessed against the unit owners as a common expense. Each unit owner shall pay to the Council or to the Board, the cost of repairing any injury done to the common elements by himself, his family, guests, servants or employees, whether said injury be caused by negligence, default, willful act or otherwise.

Section 2. (a) Except as otherwise provided in this Section 2 and in Section 4 of this Article XII, the owner of each unit shall be responsible, at his own expense, for the cleaning, maintenance, repair and replacement of (i) his unit; (ii) the windows, doors and doorways furnishing access between his unit and the common elements, including the casings, seals, glass and screens of such windows and doors; (iii) the chimney flue, if any, appurtenant to his unit; (iv) the pull down stair, if any, providing access between his unit and the attic, if any, located above his unit; (v) all electrical and cable television lines, wires, cables, conduits and other electrical and cable television facilities which are designed for the exclusive use of his unit and the junction box serving said unit; and (vi) all wall lamps and electrical outlets, if any, attached to the exterior surface of the exterior wall separating any balcony or walkway adjacent to his unit from the interior of his unit.

(b) Except as otherwise provided in Section 4 of this Article XII, the owner of each unit shall also be responsible, at his own expense, for the cleaning of: (i) the attic, if any, above his unit; (ii) any storage room on the garage level of buildings so equipped which are appurtenant exclusively to his unit; (iii) the balconies appurtenant to the second floor of his unit, the walkways appurtenant to the first floor of his unit, and the stairways and landings appurtenant to said walkways, which he has the exclusive right to use, provided, however, that where any two or more unit owners have the right to share the use of any such walkway and/or the stairway and landing appurtenant thereto, such unit owners shall be responsible together, at their own expense, share and share alike, for the cleaning of

such walkway and/or stairway and landing; (iv) No unit owner shall have the right to install, care for, maintain or replace any vegetation in the yard appurtenant to his unit.

(c) The Council shall be responsible for the maintenance, repair and replacement of (i) the attics above the units; (ii) the storage rooms on the garage levels of the buildings so equipped, and the walkways appurtenant to said storage rooms; (iii) the balconies and walkways attached to the buildings, all stairways and landings appurtenant to said walkways.

(d) Except to the extent otherwise provided in Paragraph (k) of Article V of the Declaration, each unit owner shall, when reasonably necessary for the maintenance, repair or replacement of any limited common element which he is responsible for maintaining, repairing and replacing, have the right to enter upon the common elements, including, without limitation, the land adjacent to said limited common element for the purpose of performing such work, including the right to make temporary alterations in said common elements and excavations in said land, provided that all common elements which are so altered or excavated shall be kept safe and secure by said owner during such work, and upon the completion of such work, said common elements shall be promptly returned by said owner to their condition immediately prior to the commencement of said work.

(e) If any unit owner defaults in the performance of any of his obligations under this Section 2 with respect to the cleaning, maintenance, repair or replacement of any limited common element appurtenant to his unit, the Board may, but is in no manner required to, remedy such default, in which event the unit owner responsible therefor shall pay the cost thereof to the board promptly upon demand.

Section 3. Each unit owner, at his own expense, shall maintain the temperature inside his unit at not less than 40 degrees dry bulb or such higher temperature as the Board may require throughout each calendar year. Further, each owner shall be responsible for all damage caused to the common elements or to any other unit by reason of his failure to properly perform any of his obligations under Sections 2 and 3 of this Article XII.

Section 4. If any damage to, or destruction of, a unit or common element is covered by the blanket property insurance policy held by the Council, then the Council shall be responsible for the repair and replacement of the damaged or destroyed property pursuant to Section 2 of Article XI hereof.

Section 5. (a) Except as otherwise provided in Subsection (c) of this Section 5, no unit owner, except the Developer, shall make (i) any structural addition, alteration, improvement or decoration to or of any limited common element which he has the right to use, including, without limitation, the addition of any awning or screen to any window or balcony, unless and until plans and specifications, in duplicate, showing the nature, kind, shape, height, color, materials, location and approximate cost of such addition, alteration, improvement or decoration shall have been submitted to and approved in writing by the Board, which shall have the right to refuse for good cause to approve any such plans or specifications which it deems unsuitable or undesirable, whether based on aesthetic or other reasons, provided, however, that if the Board fails to deny said request within sixty (60) days after receipt of a complete set of plans and specifications, such request shall be deemed approved. The Board may delegate its authority under this Subsection (a) to an architectural committee appointed by the Board. Furthermore, no such structural addition, alteration or improvement shall be made unless effected pursuant to (i) a revised or supplemental drawing which shall be described in an amendment

to Paragraph (c) of Article I of the Declaration, and (ii) if appropriate, an amendment to the condominium plat, all in the same manner and to the same extent as required for the making of any other structural change or revision in the buildings.

(b) The Board may adopt reasonable rules and regulations pursuant to Article XV hereof establishing general standards for the making of one or more types of non-structural additions, alterations, improvements or decorations to or of the limited common elements and such rules and regulations may provide that to the extent any particular addition, alteration, improvement or decoration is made in complete compliance with such general standards, such addition, alteration, improvement or decoration may be made without the submission of plans and specifications therefor to the Board and without written approval by the Board of said plans and specifications.

(c) Notwithstanding any provision in Paragraph (a) or (c) of this Section 5 to the contrary, no unit owner, except the Developer, shall place, install, erect or maintain, or allow or permit anyone to place, install, erect or maintain, in the yard appurtenant to his unit, any fence, wall, sign, tank, pool, game facility or structure of any kind, including any outside lighting, except for those improvements, including, without limitation, exterior wall lamps and electrical outlets, which (i) are shown on the architectural drawings described in Paragraph (c) of Article I of the Declaration, and (ii) the unit owner is required pursuant to Section 2 of this Article XII to maintain, repair and replace.

Section 6. Electricity is furnished to the general common elements and to the limited common elements through a separate meter or meters, and the Board shall pay, as a common expense, the cost of all electricity furnished through said meter or meters. However, electricity is furnished to the units and to the limited common elements appurtenant to the units through separate meters, and each unit owner shall promptly pay for all electricity furnished to his unit and the limited common elements appurtenant thereto through said separate meters, except as above provided.

ARTICLE XIII

RULES AND REGULATIONS

For the purpose of creating and maintaining a uniform scheme of development and operation of the condominium project for the benefit of each unit owner, his respective personal representatives, heirs, successors and assigns, the common elements and each condominium unit shall be held subject to the following rules and regulations:

Section 1. All units, the limited common elements appurtenant to the units, and the general common elements shall be used, occupied and maintained only for residential purposes.

Section 2. No advertisement, poster, sign or other informational material may be displayed upon any general common element, limited common element except as authorized by the Council or as permitted by Article IX of the Declaration.

Section 3. No inoperable, junk or junked cars or any motor vehicle other than private passenger vehicles shall be permitted in the common elements and no commercial or other vehicles on which are displayed commercial messages shall be left parked on any part of the common elements,

including, without limitation, any street or lot, longer than is necessary to perform the business function of such vehicle in the area; it being the express intention of this restriction to prevent the parking of commercial vehicles upon the common elements, for a time greater than that which is necessary to accomplish the aforesaid business purposes. For purposes hereof, a vehicle shall be deemed inoperable unless it contains all parts and equipment, including properly inflated tires, in such good condition and repair as may be necessary for any person to drive the same on a public highway and has both current license tags and registration documents. However, during construction of houses, Declarant, Owners and builders may maintain commercial vehicles and trailers on the common elements for the purposes of construction, and for use as a field or sales office. The repair or ordinary maintenance of any vehicles shall not be performed on the general common elements. No motor vehicle shall be washed, rinsed, waxed or repaired upon the common elements.

Section 4. Nothing shall be done upon the property (a) in violation of any zoning, health, fire, noise control, police, or other governmental law or regulation, including, without limitation, the National Flood Insurance Act of 1968 and any regulations adopted thereunder, or (b) which constitutes a nuisance to the unit owners or neighborhood. Any violation of any law, order, rule, regulation or requirement of any governmental authority or agency shall be remedied by and at the sole cost and expense of the unit owner or unit owners whose unit or units are the subject of such violation.

Section 5. No cat, dog, bird, monkey or other animal or fowl shall be kept upon the property without the written consent of the Board, which consent shall not unreasonably be withheld; nor shall any such animal or fowl, despite prior consent, be retained after notice from the Board to remove it from the property for a reasonable cause, stated in the notice.

Section 6. Those walkways, stairways, sidewalks, which two or more unit owners have the right to use, in common, shall be used for ingress and egress only, and children shall not be permitted to play therein or thereon, nor shall same be used in any manner for picnicking or cooking, or for permanent or temporary storage of any article of personal property, including particularly, chairs, umbrellas and other beach paraphernalia, or of any bottles, trash or garbage, nor shall any of the foregoing ever be permitted to remain or stand upon said walkways, stairways, landings, sidewalks, driveways or parking areas.

Section 7. No portion of the common elements shall be in any manner defaced, nor shall same be utilized for the making of connections of any sort for radio, television, or other devices or equipment of any kind, all of which connections are specifically prohibited, except to the ordinary outlets furnished within units and limited common elements, and except additional electric outlets which may be installed with the consent of the Board. Further, the common elements shall be used only for the purposes for which same were installed and none of said common elements shall be loaded or taxed beyond the capacity for which designed.

Section 8. No vermin, insects, or other pests shall be allowed to remain in any condominium unit or limited common element, nor shall any such unit or limited common element be permitted to remain in an unclean or unsanitary condition. In order to assure compliance with this subparagraph, the Board, its agents, servants, employees and contractors may enter any unit or limited common element at any reasonable hour of the day, after reasonable notice, for the purpose of inspecting such unit or limited common element for the presence of any vermin, insects or other pests, and for

the purpose of taking such measures as may be necessary to control or exterminate any such vermin, insects or other pests.

Section 9. Neither clothing, curtains, rugs, towels, or other articles shall be shaken from or on the windows, doors, balconies, walkways, stairways, or general common elements, nor shall anything be placed on or hung from windows, doors, balconies, walkways, stairways, sills, ledges, or railings, or thrown from windows, doors, balconies, walkways, stairways, or general common elements.

Section 10. No electrical or cable TV wiring serving any unit shall be overloaded or misused.

Section 11. All leases shall be in writing and shall be in form supplied and approved by the Board, and shall be made expressly subject to the Declaration, Condominium Plat, By-laws and rules and regulations duly adopted by the Board each as may be amended from time to time theretofore or thereafter. The owner of any leased unit shall promptly deliver a copy of the lease, and all amendments which may be made from time to time thereto, to the Board. No unit shall be rented for a period of less than one (1) month, and no unit shall be rented more frequently than twice per calendar year. Units to which record title are held by corporations shall only be occupied by bona fide employees of the corporation and gratis guests thereof. Units to which record title is held by partnership shall only be occupied by the partners and employees thereof and partners' and employees' immediate families. The Developer for a period of five (5) years from the date hereof, and thereafter the Board, shall be authorized to alter or amend the aforesaid rental policy from time to time without a vote of the Council, notwithstanding anything to the contrary contained in these By-laws.

ARTICLE XIV

ADOPTION OF RULES AND REGULATIONS BY THE BOARD

Section 1. The Board may, subject to the provisions of this Article XIV, and in lieu of any procedure now or hereafter set forth in the Condominium Act for the adoption of rules and regulations by the Board, adopt reasonable rules and regulations for the care and preservation of the common elements, the comfort, health, safety and general welfare of the unit owners, and the efficient operation of the condominium project. All rules and regulations adopted pursuant hereto shall supplement the rules and regulations set forth in the By-laws, but in the event of any conflict between the two, the rules and regulations set forth in the By-laws shall take precedence over the rules and regulations adopted pursuant hereto.

Section 2. At least fifteen (15) days prior to any regular or special meeting of the Board at which it is contemplated that a proposed rule or regulation will be voted upon, written notice of such meeting shall be given to each unit owner. Such notice shall include the date, time, location and subject of the meeting, and a copy of the proposed rule or regulation. No notice of such meeting need be given to any unit owner who in writing, executed and filed with the records of such meeting, either before or after the holding thereof, waives such notice, or, in fact, attends such meeting.

Section 3. After all unit owners attending such meeting have had the opportunity to comment on the proposed rule or regulation and any modification thereof which is proposed at such

meeting, the Board may, by the vote of a majority of the entire board, adopt the proposed rule or regulation or any such proposed modification thereof. On the request of any director, the yeas and nays shall be taken and entered on the minutes.

Section 4. Any rule or regulation adopted by the Board pursuant to the procedure set forth in this Article XIV may be modified or repealed by the Board pursuant to the same procedure.

Section 5. The Board shall determine the effective date of the adoption, modification or repeal of any such rule or regulation, provided that no such adoption, modification or repeal shall become effective until five (5) days after written notice of such adoption, modification or repeal, including a copy of such rule or regulation and disclosure of such effective date, has been mailed or personally delivered to each unit owner or placed on the condominium property in a location previously designated by the Board for the communication of such rules and regulations.

Section 6. No unit owner shall have an automatic right of appeal to the Board for an individual exception to any rule or regulation, unless the rule or regulation so provides.

ARTICLE XV

LITIGATION: DISPUTE RESOLUTION

Section 1. Except for an action to enforce payment of any condominium assessment, special assessment, installment thereof, or fine (which the Board of Directors may institute as provided in Article IX of the By-Laws), and subject to any provision of the Condominium Act, the Declaration or these By-Laws requiring a different or greater majority, no civil action, legal, administrative or other proceeding or complaint, including an action or proceeding in the nature of arbitration as set forth hereinbelow, may be instituted by the Council, by the Board, or by one or more past or present unit owners, as such, on behalf of himself, herself, or themselves or on behalf of the Council or the Board against any person or for any cause affecting the Condominium or any part thereof or relating thereto in any manner whatsoever, except pursuant to the express authority of a majority of the unit owners within the Condominium as then constituted at any regular or special meeting of the Council, duly convened upon notice as provided elsewhere in the By-Laws, upon motion duly made and carried after full discussion of the likelihood of success, risks and likely expenses and other relevant considerations involved in the proposed litigation.

Section 2. If there be any dispute, concerning rules and regulations or any other matter related to the condominium, between the Council, the Board or manager of the Condominium, on the one part, and any unit owner, on the other part, same shall be submitted to arbitration in accordance with Section 4 of this Article XV.

Section 3. Any dispute, disagreement or controversy whatsoever between the Council, the Board, any officer, agent or employee thereof or one or more past or present unit owners, as such, on the one hand and the Developer on the other hand, which the two sides are unable to resolve within sixty (60) days by negotiation between them, shall be resolved and decided by arbitration in accordance with Section 3 of this Article XV.

Section 4. Arbitration.

A. Designation of Arbitration Panel. Each of the two parties to the dispute or disagreement, within fifteen (15) days after the expiration of the sixty (60) day negotiation period, shall appoint one (1) arbitrator; the two arbitrators thus appointed shall, within fifteen (15) days after the second of them is appointed, jointly appoint a disinterested, mature and competent person as the third impartial arbitrator. If the two original arbitrators cannot agree on the third impartial arbitrator, either of them (and/or the parties to the arbitration) may petition the Circuit Court for Worcester County to make such appointment pursuant to Section 3-211 of the Md. Annotated Code, Courts and Judicial Proceedings Article (hereinafter the Maryland Uniform Arbitration Act); or they may jointly request, informally, that one of the Judges of said Court make such appointment. In the event that an arbitrator dies, becomes incapacitated, resigns, or ceases to act at any time up to the rendition of the award, the party who designated that arbitrator (or, in the case of the third impartial arbitrator, the two original arbitrators or the Circuit Court in the event of their inability to agree) shall have the right to replace such arbitrator unable or ceasing to act.

B. Hearing; Decision and Award. Not later than sixty (60) days after the third, impartial arbitrator is selected in accordance with the above procedure, the three arbitrators shall hold and conduct a hearing as provided in the Maryland Uniform Arbitration Act; and shall settle and decide the disagreement by issuing a written arbitration award, as provided in said Uniform Act, within sixty (60) days of the conclusion of the hearing. The concurrence of a majority of the arbitrators shall be sufficient to determine any question which arises in the course of the arbitration and to render a final award which shall be final and binding upon the parties to the arbitration proceeding.

Section 5. If either party as discussed in Sections 1 and 2 of this Article XV shall fail to comply with the decision of the arbitrators, the other party may seek enforcement by appropriate legal proceedings, either an action at law for damages, or a suit in equity to enjoin a breach or violation, or enforce performance, of any restriction, rule, regulation or other obligation.

Section 6. All of the rules and regulations set forth in Article IV of these By-laws or adopted by the Board pursuant to Article XIV of these By-laws shall be held and construed to run with and bind the common elements and each condominium unit located on the property and all owners and occupants of such units, their respective heirs, personal representatives, successors and assigns, forever, all except as otherwise expressly set forth in the Declaration, these By-laws or such rules and regulations. Said rules and regulations shall inure to the benefit of and be enforceable by the Developer, the Council, the Board or manager in accordance with the procedure set forth in Sections 1 and 3 of this Article XV against anyone violating or attempting to violate any of said rules and regulations, provided, however, that if the person who commits or attempts such a violation is neither an owner nor an occupant of a unit, the Developer, Council, Board or manager may enforce such rule or regulation in accordance with the procedure set forth in Section 3 of this Article XV without resort to the procedure set forth in Section 2 of this Article XV. Furthermore, and in any event, the Board, for itself, its agents, servants, employees and contractors, after notice to a unit owner of any breach or violation of any rule or regulation within his unit or within or upon any limited common element which he has the right to use, and the failure of the unit owner responsible for said breach or violation to correct the same within a reasonable time thereafter, shall have the right to enter said condominium unit or limited common element and, at the expense of the defaulting unit owner, summarily abate or remove the breach or violation occurring in said unit or limited common element.

Section 7. The procedure set forth in this Article XV shall be used in lieu of any dispute settlement mechanism now or hereafter set forth in the Condominium Act.

ARTICLE XVI

MORTGAGES

Section 1. Notice to Board. Each unit owner who conveys his unit by way of any mortgage shall give written notice thereof to the Board, setting forth the name and address of his mortgagee and submitting a conformed copy of his mortgage and the note secured thereby, if any. The Board shall maintain all mortgage information in a book or other record designated "Mortgage Book".

Section 2. Notice and Information to Mortgagees. (a) The Board shall furnish to each mortgagee of record in its "Mortgage Book", a copy of any default or other notice given by said board to the owner of the mortgaged unit. Further, the board shall notify each mortgagee of record in its "Mortgage Book", about any damage or destruction by fire or other casualty, or any taking by eminent domain, of any of the property having a value or replacement cost of more than Fifteen Thousand Dollars (\$15,000.00), and, in addition, furnish to each such mortgagee confirmation of its right to such notice, if requested.

(b) Any holder, insurer or guarantor of a first mortgage, upon written request to the Council (such request to state the name and address of such holder, insurer or guarantor and the address of the mortgaged unit) shall be entitled to:

(i) Timely written notice of: (A) any condemnation loss or any casualty loss which affects a material portion of the condominium or which affects any unit on which there is a first mortgage held, insured or guaranteed by such eligible holder; (B) any delinquency in the payment of assessments or charges owned by an owner of a unit subject to the mortgage of such eligible holder, insurer or guarantor, where such delinquency has continued for a period of 60 days; (C) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Council, and (D) any proposed action which would require the consent of a specified percentage (such as a majority, 75% or 100%) of the first mortgagees or of all mortgagees;

(ii) Any information to which the owner of the mortgaged unit may be entitled, including, without limitation, information as to the status of (A) any assessment, (B) the performance of any obligation imposed under the Declaration or these By-laws, and (C) any default of any kind or nature which may exist or be outstanding on the part of the owner of the mortgaged unit.

(c) Except as provided by statute in case of condemnation or substantial loss to the units and/or common elements of the Condominium, unless at least two-thirds (2/3) of the first mortgagees (based upon one vote for each first mortgage owned) or owners (other than the Developer) of the units have given prior written approval, the Council shall not be entitled to

(i) by act or omission seek to abandon or terminate the Condominium;

(ii) change the prorata interest or obligations of any unit for the purpose of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards or determining the prorata share of ownership of each unit in the common elements;

(iii) partition or subdivide any unit;

(iv) by act or omission seek to abandon, partition, sub divide, encumber, sell or transfer the common elements. The granting of easements for public utilities or for other public purposes consistent with the intended use of the common elements by the Condominium shall not be deemed a transfer within the meaning of this clause.

(v) use hazard insurance proceeds for losses to any Condominium property (whether to units or to common elements) for other than the repair, replacement or reconstruction of such Condominium property.

(d) In addition to the above, no amendment of a material nature of the Declaration, Plats, these By-Laws (including any Rules adopted pursuant to law or these By-Laws or other Condominium Documents) may be made unless approved by at least sixty-six and two-thirds percent (66 2/3%) of the total votes appurtenant to all units in the Condominium (unless a greater vote is required by law, in which case the greater vote shall be required) and approval is obtained from eligible mortgage holders representing at least fifty-one percent (51%) of the votes of units that are subject to mortgages held by eligible holders. A change to any of the following would be considered as material:

- (i) voting rights;
- (ii) assessments, assessment liens, or subordination of assessment liens;
- (iii) reserves for maintenance, repair and replacement of common areas;
- (iv) responsibility for maintenance and repairs;
- (v) reallocation of interests in the general or limited common areas, or rights to their use;
- (vi) boundaries of any unit;
- (vii) convertibility of units into common areas or vice versa;
- (viii) expansion or contraction of the project, or the addition, annexation or withdrawal of property to and from the project;
- (ix) insurance or fidelity bonds;
- (x) leasing of units;
- (xi) imposition of any restrictions on a unit owner's right to sell or transfer his or her unit;

(xii) a decision by the owners association to establish self management when professional management had been required previously by an eligible mortgage holder;

(xiii) restoration or repair of the project (after a hazard damage or partial condemnation) in a manner other than that specified in the Condominium documents;

(xiv) any action to terminate the legal status of the project after substantial destruction or condemnation occurs; or

(xv) any provisions that expressly benefit mortgage holders, insurers or guarantors.

ARTICLE XVII

RESIDENT AGENT: FILING REQUIREMENTS

Section 1. The name and post office address of the Resident Agent for River Run Condominium in this State is David H. Fishman, 233 East Redwood Street, Baltimore, Maryland 21202. Said resident agent is a citizen of the State of Maryland and actually resides therein.

Section 2. In accordance with Section 11-119(d) of the Condominium Act, following the first annual meeting of the Condominium, the Council shall register with the Maryland State Department of Assessments and Taxation (the "Department"). The Council shall provide the Department with names and mailing addresses of the officers and directors of the Council. The Council shall on each successive April 15, furnish to the Department an updated list, including the name and address of the resident agent and managing agent of the Condominium, if any. Said agent or address may be changed from time to time by the Council, or the Board, in the same manner and to the same extent as names and addresses of resident agents may be changed by Corporations of this State.

ARTICLE XVIII

GENERAL PROVISIONS

Section 1. Notice. All notices required or permitted to be given under the Declaration or these By-laws shall be deemed to be properly served if sent by registered or certified mail: to the Board of River Condominium, c/o River Run Development Associates, 11433 Beauchamp Road, Berlin, Maryland 21811, or such other address as may hereafter be designated as the mailing address of the Council; to each unit owner, at his unit, or in any event, at such other address as may be specified therefor on the roster or books of the condominium; and to the Mortgagee of any unit owner at the address thereof furnished to the Board and recorded in its "Mortgage Book", but any unit owner or Mortgagee may, at any time, by written notice to the Board, stipulate a different address.

Section 2. Waiver. The failure of the Council, or any unit owner, or the Board, or the manager, in any one or more instances, to enforce or otherwise insist upon the strict performance of any restriction, condition, obligation or provision of these By-laws, or the failure of any such party to exercise any right, shall not be construed as a waiver or relinquishment for the future, whether in the

same or in any other instance or occasion, of the benefit of such restriction, condition, obligation, provision or right, but the same shall remain in full force and effect.

Section 3. Captions. Captions are inserted in these By-laws as a matter of convenience and to facilitate reference to the provisions hereof. Said captions are not intended to define, describe or limit the scope of these By-laws, or any term, condition, or provision hereof, and shall have no effect whatsoever in resolving any construction or interpretation of the By-laws.

Section 4. Amendment of By-laws. These By-laws, or any of them, or any additional or supplementary By-laws, may be changed, modified or supplemented at any annual meeting of the Council without notice, or at any special meeting thereof, the notice of which shall set forth the terms of the proposed amendment or addition, by the vote of the unit owners having sixty-six and two-thirds percent (66-2/3%) or more of the total number of votes appurtenant to all units, provided, however, that each particular required in the By-laws by the Condominium Act, shall be set forth in the By-laws as changed, modified or supplemented. No change, modification or supplement of the By-laws shall take effect unless evidenced by an appropriate written instrument or instruments, which shall be signed by the President or Vice President of the Council, accompanied by a certificate of the Secretary of said Council, stating that such amendment or addition to the By-laws was approved by the required vote of unit owners and mortgagees and recorded among the Land Records of Worcester County. Such Certificate of the Secretary as to approval of any change, modification or supplement in or to the By-laws shall be conclusive evidence of such approval.

Section 5. Invalidity. If any term, condition, or provision of these By-laws is held or determined to be invalid, the validity of the remainder of the By-laws shall not be affected thereby, but shall continue in full force and effect, as fully and to the same extent as if the invalid term, condition or provision had not been included herein. These By-laws are designed to comply with and properly supplement the Condominium Act and the Declaration establishing the condominium regime and, if there be any conflict between the By-laws and any term, condition or provision of the Condominium Act, or between these By-laws and the Declaration, the provision of the Act or Declaration, as the case may be, shall prevail and control.

WITNESS the hand of the Developer on the day and year first above written.

ATTEST/WITNESS: RIVER RUN DEVELOPMENT ASSOCIATES

By: LSM RIVER RUN CORP.
General Partner

_____ By: _____ (SEAL)
Lewis S. Meltzer, President

STATE OF _____, CITY/COUNTY OF _____, to wit:

I HEREBY CERTIFY, that on this ____ day of _____, 19____, before me, the subscriber, a Notary Public of the State of _____, personally

appeared Lewis S. Meltzer, President of LSM River Run Corp., which is a partner in River Run Development Associates, and he acknowledged the foregoing By-Laws to be the Act and deed of said partnership.

AS WITNESS my hand and Notarial Seal.

Notary Public

My Commission Expires: _____

PART 4. BUDGET

A copy of the actual or projected annual operating budget for the condominium, including reasonable details concerning:

- 1. The estimated payments by the purchaser for assessments;**
- 2. Monthly charges for the use, rental, or lease of any facilities not part of the condominium;**
- 3. The amount of the reserve fund for repair and replacement and its intended use, or a statement that there is no reserve fund; and**

(Include details concerning the method of calculating the reserve fund (i.e. life expectancy and replacement costs).)

- 4. Any initial capital contributions or similar fees; other than assessments for common expenses to be paid by unit owners to the council of unit owners or vendor; and a statement of how the fees will be used.**

GENERAL NOTES TO RIVER RUN CONDOMINIUM OPERATING BUDGETS

I. Introduction.

Separate budgets have been prepared for the two operating entities of the River Run development, (1) the River Run Community Association, Inc. and (2) the River Run Condominium. Each budget sets forth projections for the initial phase of development and the respective developments expanded to the maximum extent permitted by their constituent documents.

II. Assumptions.

1. Estimates of each category of expenses for calendar year 1993 are contained in both budgets. Budgets have been prepared by the developer based upon information available as of September 1, 1992. It is understood that increases in such expenses may occur, and are beyond the control of the developer.

2. Structure: The First Year budgets show the estimated income and expenses from operation of the condominium with both 12 units and 38 units, comprising the maximum development of the first phase. The developer will either pay full assessments for the condominium or fund any operating deficit in the budgets, at its option.

III. Income.

1. Annual Assessments and Monthly Installments: To obtain funds for payment of the common expenses, the condominium levies annual assessments against the units. All owners are required to share equally in the annual assessment toward the payment of common expenses.

2. 1993 Budgets: The First Year budgets call for owners to pay the following assessments: \$58.07 per month for 38 units, and \$60.99 per month for 12 units.

3. Collection of Assessments: There is no guarantee that the annual assessments set forth in the First Year budgets will actually be collected from the owners by the board of directors. For instance, some or all owners may default on the payment of part or all of the annual assessments, and upon the occurrence of any such default, the board of directors may fail to exercise the remedies provided by state law, the declaration and by-laws for the collection of past due installments of annual assessments.

4. Interest Income and Taxes Thereon: Neither the interest income (if any) which may be earned from the investment of reserve funds and the working capital fund, nor the federal and state income taxes (if any) which may be payable by the condominium on account of such income, have been included within the attached budgets.

IV. Expenses.

1. Operating Expenses: The First Year budgets briefly describe the purposes for which the funds derived from common expense assessments are slated to be spent.

2. Insurance: The insurance cost estimates included in the First Year budgets were reasonable at the time such budgets were prepared by the developer. The scope of certain types of

coverage may decrease. Some types of coverage which were available at affordable rates when the First Year budgets were prepared may not be available at affordable rates, or at all, when the insurance policies are actually acquired.

3. **Replacement Reserves:** The amounts budgeted for replacement reserves were derived as set forth in the budget narrative, based upon replacement costs estimated by responsible contractors. Each of the reserves is subject to the following qualifications:

(a) All of the costs and useful life figures used in calculating the reserves are only estimates, not guarantees.

(b) The cost estimates are based upon price levels in effect at or prior to the time the budgets were prepared, with allowance for price increases which may occur. If reserve funds are invested in an interest-bearing account prior to the time reserve funds are expended for painting and replacement, such interest income (net of any income taxes which may be payable thereon) may at least partially offset future inflation.

(c) It is unlikely that the cost of administering the condominium will rise in direct proportion to the number of units, if any, which are added to the development. The average cost per unit of some budget items may decrease as the development is expanded, due to economies of scale, and the average cost per unit of other budget items may increase as the development is expanded due to diseconomies of scale. The actual costs of administering each such subsequent stage are likely to depend in part upon the order in which the subsequent stages are added to the development, the location and size of such subsequent stages, and the nature of the general common elements which are located within each subsequent stage. The developer reserves the right to recalculate budgets in subsequent years during the development of the project.

(d) The estimated expenses set forth in the attached budgets do not reflect expenditures for debt service, real property taxes and other items for which each owner is individually and/or directly responsible.

V. Special Assessments.

If the board of directors of the condominium determines at any time that the annual assessments then in effect or the reserve funds then existing are inadequate, or that additional funds are otherwise required for the payment of common expenses, the board of directors may levy a special assessment against the owners. All owners would be required to share equally in the burden of any special assessment for the payment of common expenses. Each special assessment could be imposed in the form of a lump sum or periodic installments, all as set forth in the constituent documents of the condominium.

VI. Working Capital Fund.

The initial purchaser of each unit in each stage of the development is required to pay two months installments of assessments to the condominium when such purchaser receives legal title to his/her unit. Such payments are used to establish a working capital fund, which is not reflected in the common expense budgets because of the one time nature of the contribution. This working capital fee is in addition to, and not a prepayment of, the first monthly installment which the owners will be required to pay to the condominium on account of the annual assessments for common expenses. During the first year after each phase is incorporated into the condominium, the contributions made by

purchasers of units in those stages are to be used only to cover unanticipated common expenses. Any amounts remaining in the working capital fund thereafter are to be deposited in a replacement reserve fund established under each common expense budget. There is no guarantee that the working capital fund will be properly maintained, invested or applied by the condominium, or that even if properly maintained, invested and applied, the working capital funds will sufficiently protect the financial stability of the condominium.

VII. Further Information.

More detailed information concerning the nature of the common expenses, the budgetary process and the manner in which the various annual and special assessments are established, collected and enforced is set forth in the constituent documents of the condominium.

**RIVER RUN CONDOMINIUM
PRO FORMA FIRST YEAR BUDGET**

Phase 1 - 12 Units

<u>INCOME</u>	<u>TOTAL</u>	<u>PER UNIT PER YEAR</u>	<u>PER UNIT PER MONTH</u>
Assessments	\$8,782.56	\$731.88	\$60.99
<u>EXPENSES</u>			
<u>Maintenance</u>			
Building Repairs	632.16	52.68	4.39
Exterior Plumbing	315.00	26.28	2.19
<u>General and Administrative</u>	2,880.00	240.00	20.00
<u>Insurance</u>	1,600.00	133.33	11.11
<u>Contingency Reserves</u>	288.00	24.00	2.00
Roof Replacement	666.72	55.56	4.63
Exterior Repainting	<u>2,400.00</u>	<u>200.00</u>	<u>16.67</u>
TOTAL EXPENSES	8,781.88	731.85	60.99

**RIVER RUN CONDOMINIUM
PRO FORMA FIRST YEAR BUDGET**

Phase 1 - 38 Units

<u>INCOME</u>	<u>TOTAL</u>	<u>PER UNIT PER YEAR</u>	<u>PER UNIT PER MONTH</u>
Assessments	\$26,480.00	\$696.84	\$58.07
<u>EXPENSES</u>			
<u>Maintenance</u>			
Building Repairs	2,000.00	52.63	4.39
Exterior Plumbing	1,000.00	26.32	2.19
<u>General and Administrative</u>	8,368.00	220.21	18.35
<u>Insurance</u>	5,000.00	131.58	10.97
<u>Contingency Reserves</u>	912.00	24.00	2.00
Roof Replacement	2,000.00	52.68	4.39
Exterior Repainting	<u>7,200.00</u>	<u>189.48</u>	<u>15.79</u>
TOTAL EXPENSES	26,480.00	696.84	58.07

RIVER RUN CONDOMINIUM
BUDGET NOTES

1. Condominium Fees - Based on fully funding all expenses from condominium assessments; the condominium is expected to be managed by the River Run Community Condominium, Inc.; the condominium may, however, subsequently engage a professional management company to manage the condominium.
2. Building Repairs and Exterior Plumbing - Repairs to building common elements and exterior plumbing apparatus. For purposes of these budgets, exterior plumbing apparatus is defined to mean common element water supply pipes and sewer collection pipes (which are located within the condominium buildings but which are not located within a particular unit or which do not solely serve a particular unit), as well as connectors thereto which join those pipes within the buildings with the water mains and sewer mains located beneath the streets of the River Run community.
3. General and Administrative - Allows for the cost of
 - a. Management fee for Phase I of \$3 per unit per month and \$7 per unit per month when built-out, in each case paid to the River Run Community Association, Inc.
 - b. Legal representation as needed;
 - c. Accounting: annual review;
 - d. Miscellaneous administrative expenses.
4. Insurance - Allows for full (100%) replacement cost coverage on the units and the common elements (exclusive of foundations and land beneath the buildings), general liability insurance on the units and the common elements with maximum coverage of \$1 million per occurrence, and directors' and officers' liability insurance coverage. Policies are expected to contain \$5,000 deductibles.
5. Miscellaneous - Allows \$2 per unit per month toward unforeseen expenses.
6. Reserves for Replacement/Redecorating
 - a. Roof - \$6,666.67 per roof with 20-year life expectancy, divided among 12 or 38 units
 - b. Exterior Repainting - repainting every 5 years at \$6,000 per building, divided among 12 or 38 units.
7. Working Capital - In addition to assessments of annual condominium fees, each initial purchaser of a unit from the developer shall pay a working capital contribution equal to two (2) months' installments of condominium assessments. The capital contributions may be used by the Board of Directors of the condominium to cover start-up costs of the condominium, and future extraordinary needs which may arise.

GENERAL NOTES TO RIVER RUN COMMUNITY ASSOCIATION OPERATING BUDGETS

I. Introduction.

Separate budgets have been prepared for the two operating entities of the River Run development, (1) the River Run Community Association, Inc. and (2) the River Run Condominium. Each budget sets forth projections for the initial phase of development and the respective developments expanded to the maximum extent permitted by their constituent documents.

II. Assumptions.

1. Estimates of each category of expenses for calendar year 1992 are contained in both budgets. Budgets have been prepared by the developer based upon information available as of September 1, 1992. It is understood that increases in such expenses may occur, and are beyond the control of the developer.

2. Structure: The 1992 budgets show the estimated income and expenses from operation of the project with 79 total fee simple lots and condominium units, comprising the first phase. Maximum development of the community association is 408 lots and/or units, of which 370 units comprise maximum expansion of the condominium. The developer will either pay full assessments for the association or fund any operating deficits in the budget. Owners of fee simple lots (but not condominium units) will pay a reduced HOA assessment until construction and initial occupancy of homes on their lots.

III. Income.

1. Annual Assessments and Monthly Installments: To obtain funds for payment of the common expenses, both associations levy annual assessments against the units. All owners are required to share equally in the annual assessment toward the payment of common expenses (except for owners of fee simple lots prior to the first to occur of: (a) issuance by appropriate governmental authorities of a certificate of occupancy for; (b) substantial completion of (as reasonably determined by Declarant or by the River Run Architectural Review Committee); or (c) six (6) months following ground breaking for; in each case, the homes on the lots (other than condominium units) during that time who will not pay for costs of water or sewer service, or common area groundskeeping or road maintenance).

2. 1992 Budgets: The 1992 community association budget calls for owners to pay the following assessment: Phase I - \$154.23 per month; complete development - \$145.93 per month. Notwithstanding the foregoing, prior to the occurrence of the first of (a), (b) or (c) set forth in the preceding paragraph, community association assessments are anticipated to be \$58.76 per month.

3. Collection of Assessments: There is no guarantee that the annual assessments set forth in the 1992 budget will actually be collected from the owners by the boards of directors. For instance, some or all owners may default on the payment of part or all of the annual assessments, and upon the occurrence of any such default, the board of directors may fail to exercise the remedies provided by state law, the declaration and by-laws for the collection of past due installments of annual assessments.

4. Interest Income and Taxes Thereon: Neither the interest income (if any) which may be earned from the investment of reserve funds and the working capital fund, nor the federal and state

income taxes (if any) which may be payable by the association on account of such income, have been included within the attached budgets.

IV. Expenses.

1. **Operating Expenses:** The 1992 budget briefly describes the purposes for which the funds derived from common expense assessments are slated to be spent.

2. **Insurance:** The insurance cost estimates included in the 1992 budget were reasonable at the time such budget was prepared by the developer. The scope of certain types of coverage may decrease. Some types of coverage which were available at affordable rates when the 1992 budgets were prepared may not be available at affordable rates, or at all, when the insurance policies are actually acquired.

3. **Replacement Reserves:** The amounts budgeted for replacement reserves were derived as set forth in the budget narratives, based upon replacement costs estimated by responsible contractors. Each of the reserves is subject to the following qualifications:

a. All of the costs and useful life figures used in calculating the reserves are only estimates, not guarantees.

b. The cost estimates are based upon price levels in effect at or prior to the time the budget was prepared, with allowance for price increases which may occur. If reserve funds are invested in an interest-bearing account prior to the time reserve funds are expended for painting and replacement, such interest income (net of any income taxes which may be payable thereon) may at least partially offset future inflation.

c. It is unlikely that the cost of administering the association will rise in direct proportion to the number of lots and/or units, if any, which are added to the development. The average cost per home of some budget items may decrease as the development is expanded, due to economies of scale, and the average cost per unit or home of other budget items may increase as the development is expanded due to diseconomies of scale. The actual costs of administering each such subsequent stage are likely to depend in part upon the order in which the subsequent stages are added to the development, the location and size of such subsequent stages, and the nature of the general common elements and/or common areas which are located within each subsequent stage. The developer reserves the right to recalculate budgets in subsequent years during the development of the project.

d. The estimated expenses set forth in the attached budget do not reflect expenditures for debt service, real property taxes and other items for which each owner is individually and/or directly responsible.

V. Special Assessments.

If the board of directors of the association determines at any time that the annual assessments then in effect or the reserve funds then existing are inadequate, or that additional funds are otherwise required for the payment of common expenses, the board of directors may levy a special

assessment against the owners. All owners would be required to share equally in the burden of any special assessment for the payment of common expenses. Each special assessment could be imposed in the form of a lump sum or periodic installments, all as set forth in the constituent documents of the associations.

VI. Working Capital Fund.

The initial purchaser of each unit or lot in each stage of the development is required to pay two months installments of assessments to the association when such purchaser receives legal title to his/her unit or lot. Such payments are used to establish a working capital fund, which is not reflected in the common expense budgets because of the one time nature of the contribution. This working capital fee is in addition to, and not a prepayment of, the first monthly installment which the owners will be required to pay to the association on account of the annual assessments for common expenses. During the first year after each phase is incorporated into the association, the contributions made by purchasers of units in those stages are to be used only to cover unanticipated common expenses. Any amounts remaining in the working capital fund thereafter are to be deposited in a replacement reserve fund established under each common expense budget. There is no guarantee that the working capital fund will be properly maintained, invested or applied by the association, or that even if properly maintained, invested and applied, the working capital funds will sufficiently protect the financial stability of the association.

VII. Further Information.

More detailed information concerning the nature of the common expenses, the budgetary process and the manner in which the various annual and special assessments are established, collected and enforced is set forth in the constituent documents of the association.

**RIVER RUN COMMUNITY ASSOCIATION
PRO FORMA FIRST YEAR BUDGET**

PHASE 1 - 79 UNITS

<u>INCOME</u>	<u>TOTAL</u>	<u>PER UNIT OR LOT PER YEAR</u>	<u>LOTS PRIOR TO COMPLETION *</u>	<u>PER UNIT OR LOT PER MONTH FROM AND AFTER COMPLETION AND INITIAL OCCUPANCY</u>
HOA Fees	\$146,213.88	\$1,850.81	\$58.76	\$154.23
Condo management fee @ \$3.00 per condo unit	<u>1,368.00</u>	<u>17.32</u>	<u>1.45</u>	<u>1.45</u>
TOTAL INCOME	\$147,581.88	\$1,868.13	\$60.21	\$155.68
 <u>EXPENSES</u>				
<u>Utilities</u>				
Electric	3,000.00	38.46	3.21	3.21
Water	28,080.00	355.44	--	29.62
Sewer	23,484.24	297.27	--	24.77
 <u>Maintenance</u>				
Lawn care/Landscaping/ Maintenance; Road Snow Removal	39,003.00	493.71	--	41.67
Irrigation System	1,800.00	22.78	1.92	1.92
<u>General and Administrative</u>	23,084.00	304.86	25.41	25.41
<u>Insurance</u>	1,263.60	16.00	1.33	1.33
<u>Contingency</u>	4,740.00	60.00	5.00	5.00
<u>Reserves for Replacement</u>	<u>22,127.04</u>	<u>280.09</u>	<u>23.34</u>	<u>23.34</u>
TOTAL EXPENSES	147,581.88	1,868.13	60.21	155.68

*** NOTE:**

For purposes of this Budget, "Completion" is defined as the first to occur of:

- (a) issuance by appropriate governmental authorities of a certificate of occupancy for;
- (b) substantial completion of (as reasonably determined by the Declarant or by the River Run Architectural Review Committee); or
- (c) six (6) months following groundbreaking for;
- (d) in each case, a home on a Lot (other than a condominium unit); or
- (d) three (3) years from the date of settlement.

- c. Roads, curbs and gutters at \$40 per linear foot for resurfacing, based on a 10-year life expectancy:
- (1) Main loop road - 9,586 linear feet = \$38,344 per year reserve (spread among 408 units)
 - (2) Roadway within each phase at approximately 2,700 linear feet per phase (4 phases total) = \$43,200.00 per year per phase reserve.
9. Working Capital: In addition to assessments of annual association fees, each initial purchaser of a unit or a lot from the developer shall pay a working capital contribution equal to 2 months installments of association assessments. The capital contributions may be used by the board of directors of the association to cover start-up costs of the association, and future extraordinary needs which may arise.

29:1/6/93

PART 5. LEASES

It is not anticipated that the unit owners or the Council of Unit Owners will be a party to any lease agreement following closing.

PART 6. EXPANSION PLANS

It is planned that River Run if fully built will contain 408 dwelling units. The condominium regime to be initially created will be part of Phase I which is expected to contain as few as 12 and as many as 38 units, comprised of a mixture of single family and semi-detached fee simple houses, and condominium units in cluster-style town homes, ranch-style units and flats. Future phases may contain similar cluster-style homes and/or other types of residential structures. The exact mixture of condominium units and other residences will be determined by market demand.

Voting rights in the Council of Unit Owners will be allocated equally among the owners of all units contained within the Condominium from to time. Each Unit Owner will be allocated an equal interest in the common elements and common expenses.

For more detailed information concerning the possible expansion of the Condominium, and the effect of such expansion upon the voting rights and percentage interests of the Unit Owners, see the Condominium Declaration, a copy of which is included as Part 2A of this public offering statement.

Voting rights in the River Run Community Association (the "HOA"), the master home owners' association, shall be allocated in a like manner. Each Unit Owner shall have one vote in the HOA.

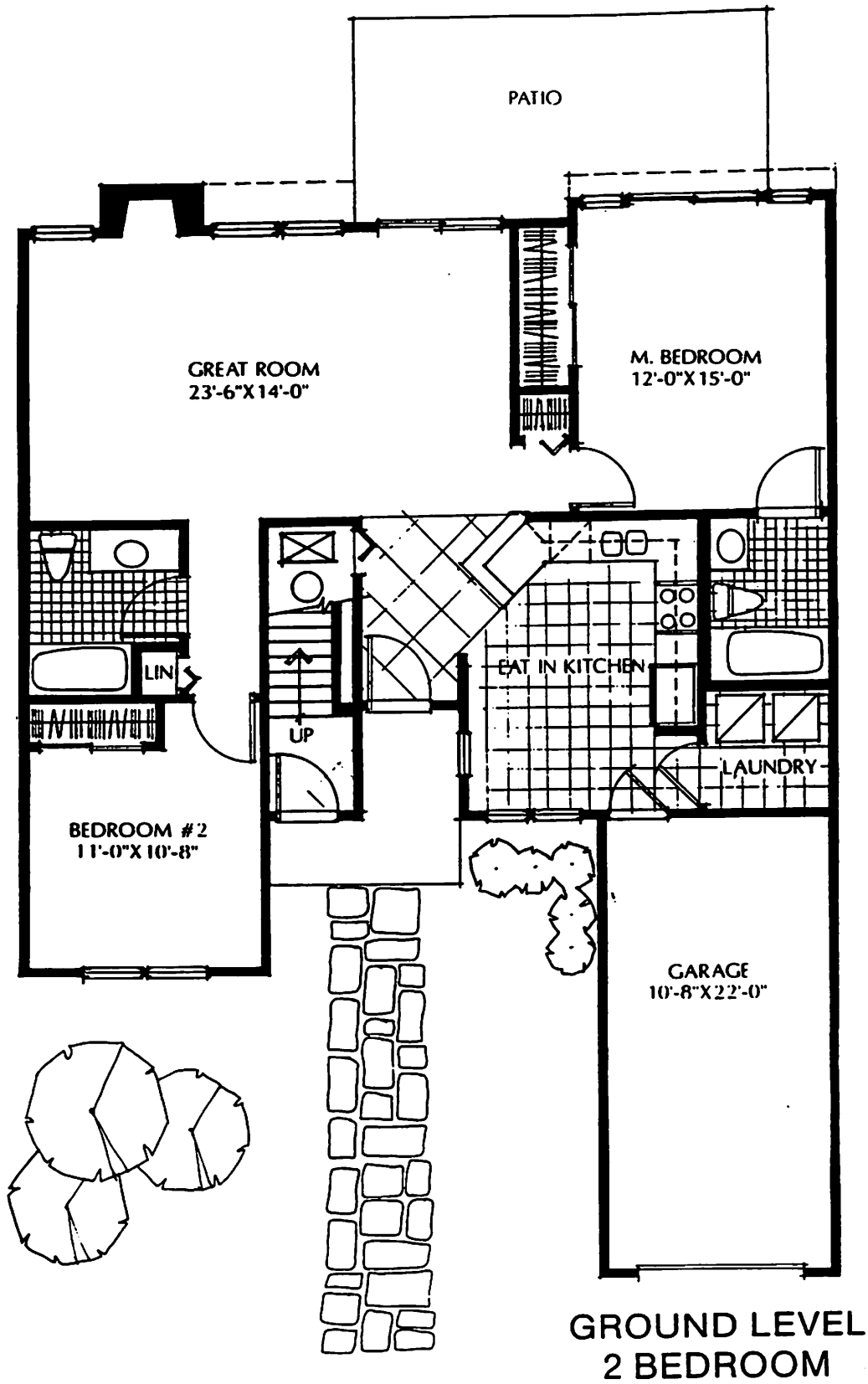
PART 7. FLOOR PLANS

Introduction to Floor Plans

The first part of Phase I of the Condominium will consist of two cluster style buildings containing Wentworth, Augusta, Pinehurst and Greenbriar units. Future additions to the Condominium will be other cluster style buildings consisting of different combinations of Wentworth, Augusta, Pinehurst and Greenbriar units.

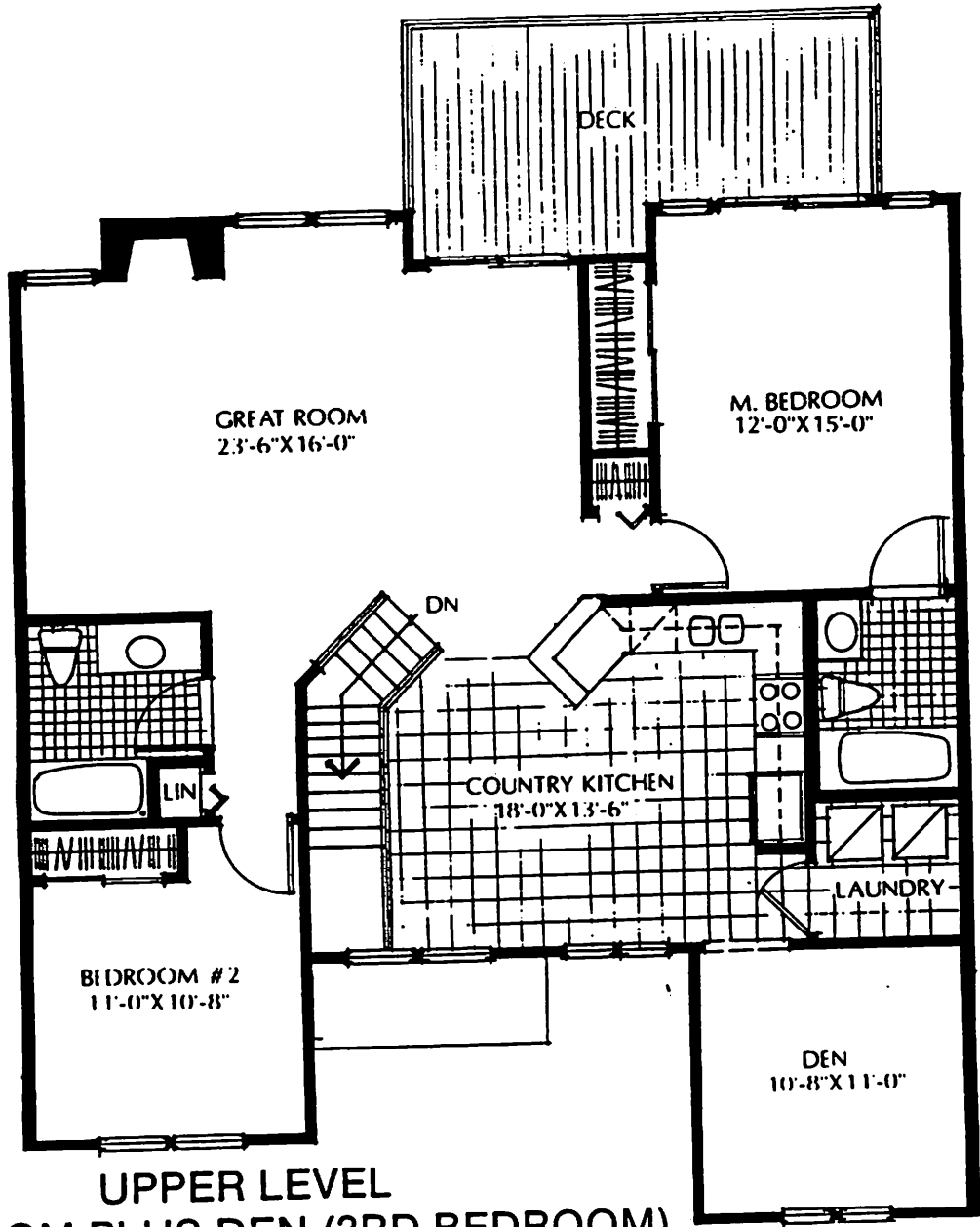
EACH FLOOR PLAN IS SUBJECT TO THE FOLLOWING QUALIFICATIONS:

- 1) All dimensions are approximate and may vary with location.
- 2) The floor plan of some units to which any particular floor plan applies may be mirror image of the floor plan shown herein.
- 3) Actual locations and positions of the buildings may vary slightly due to topography and layout of roads and other infrastructure.

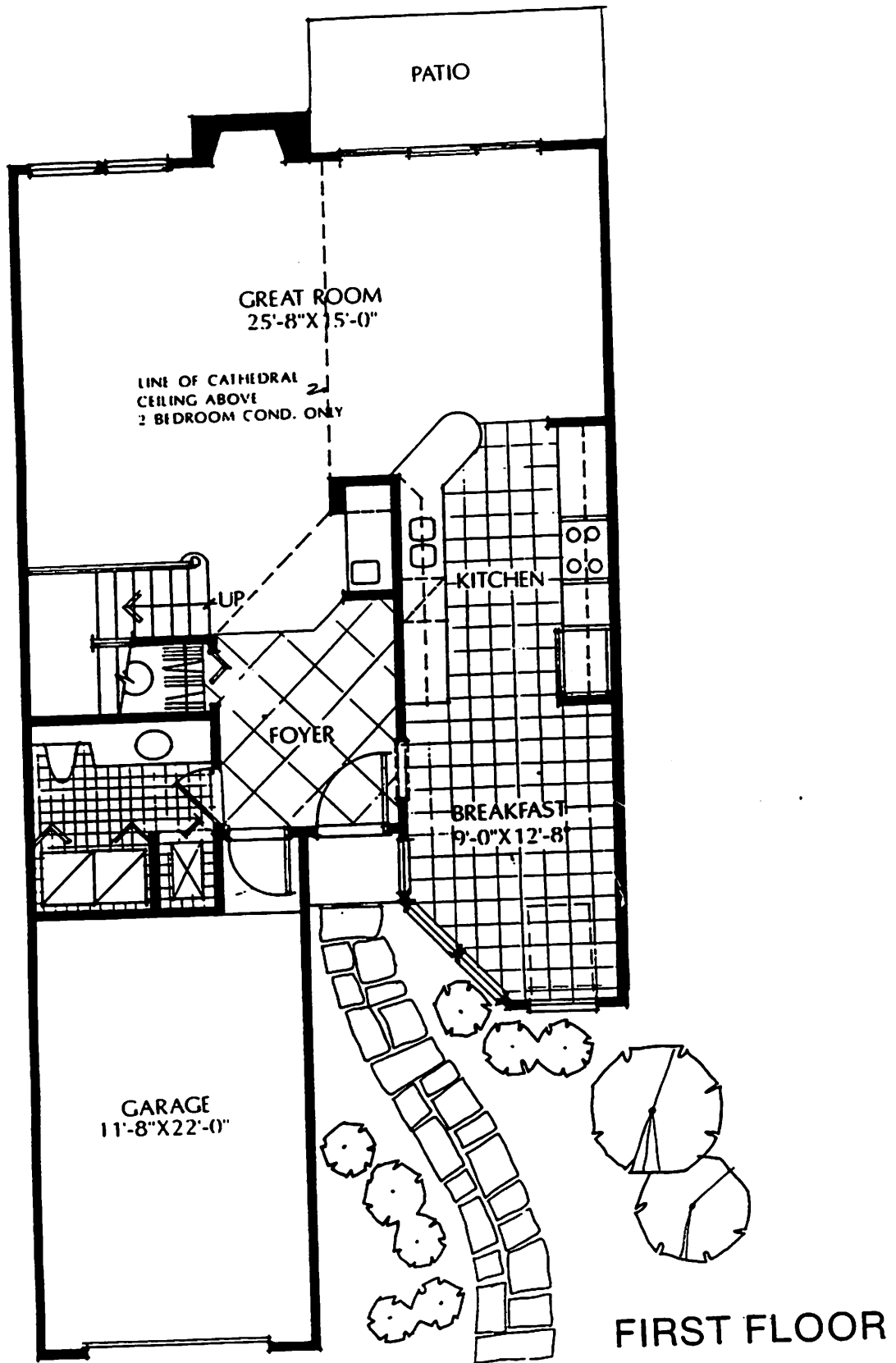


River Run

Just wait till you play it!

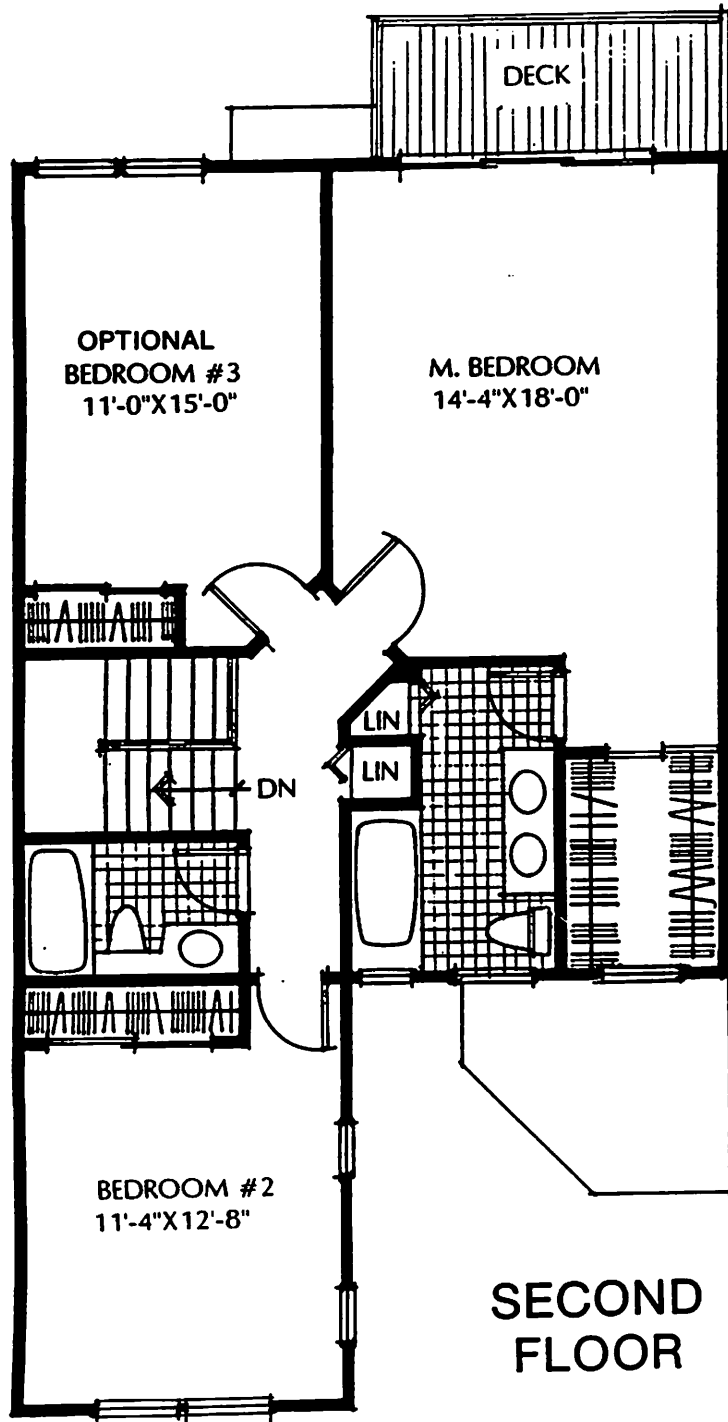


UPPER LEVEL
2 BEDROOM PLUS DEN (3RD BEDROOM)

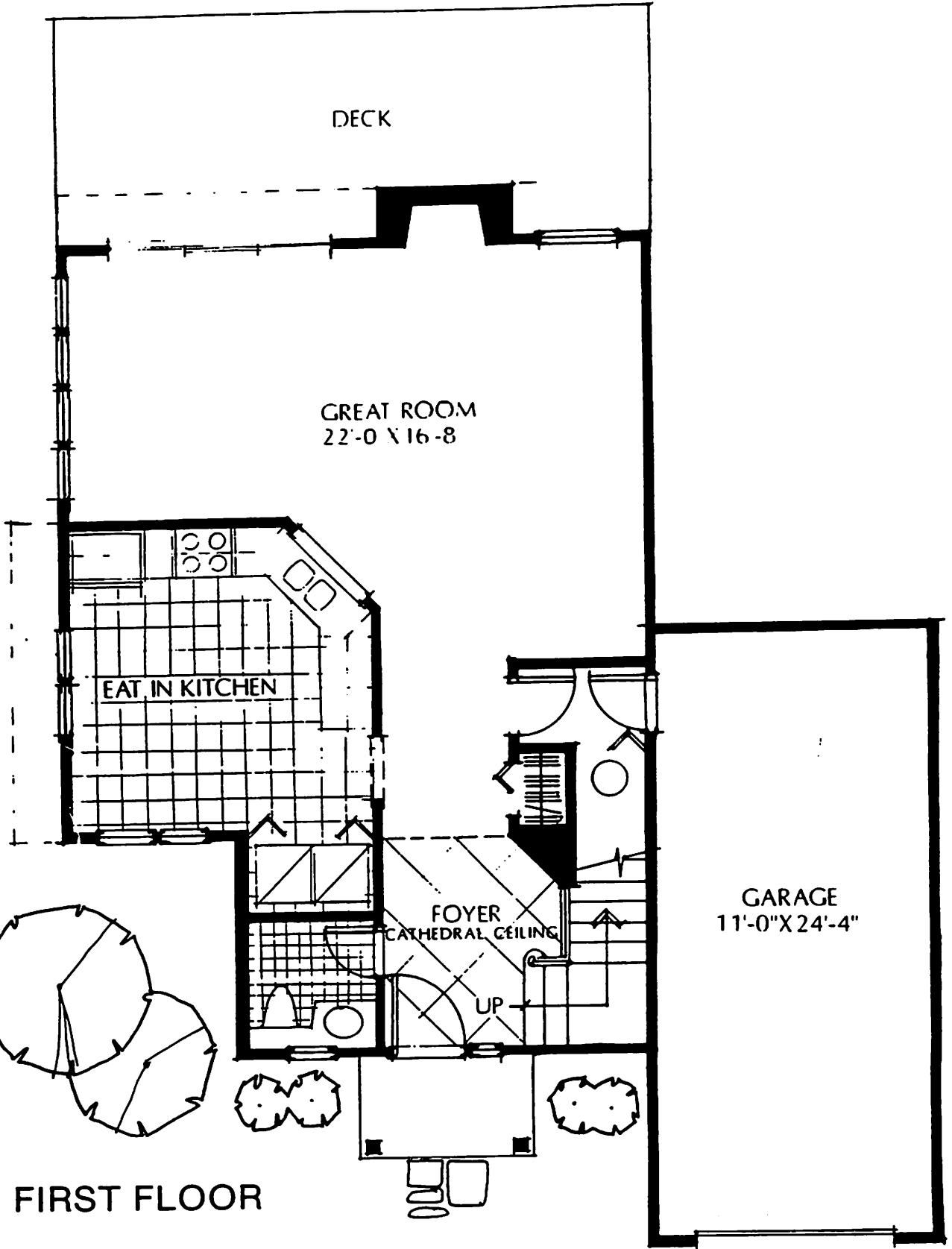


River Run

Just Wait till you play it!



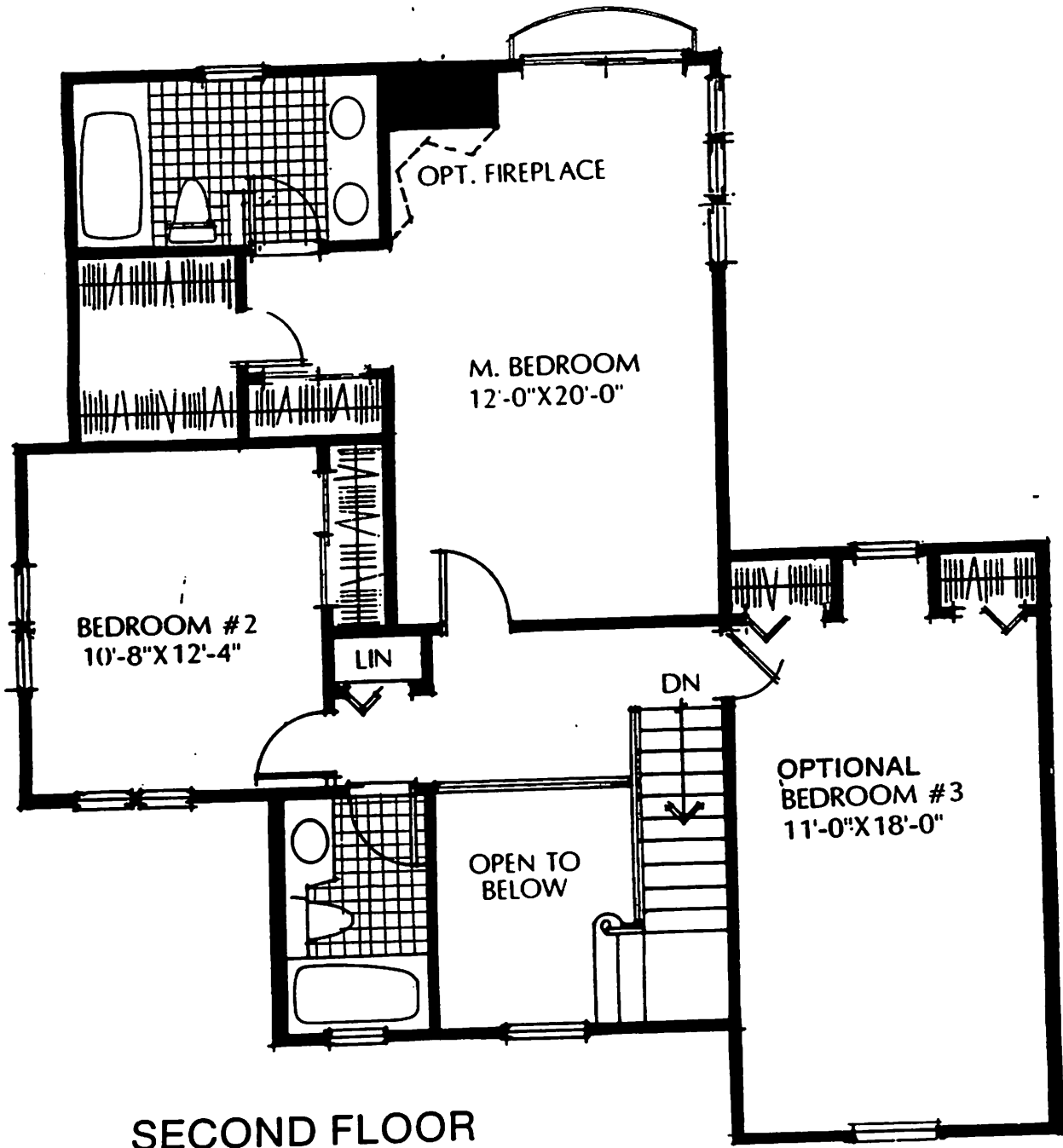
All room dimensions are approximate and may vary according to actual conditions. Actual locations and positions of the buildings may vary slightly due to topography and i



River Run

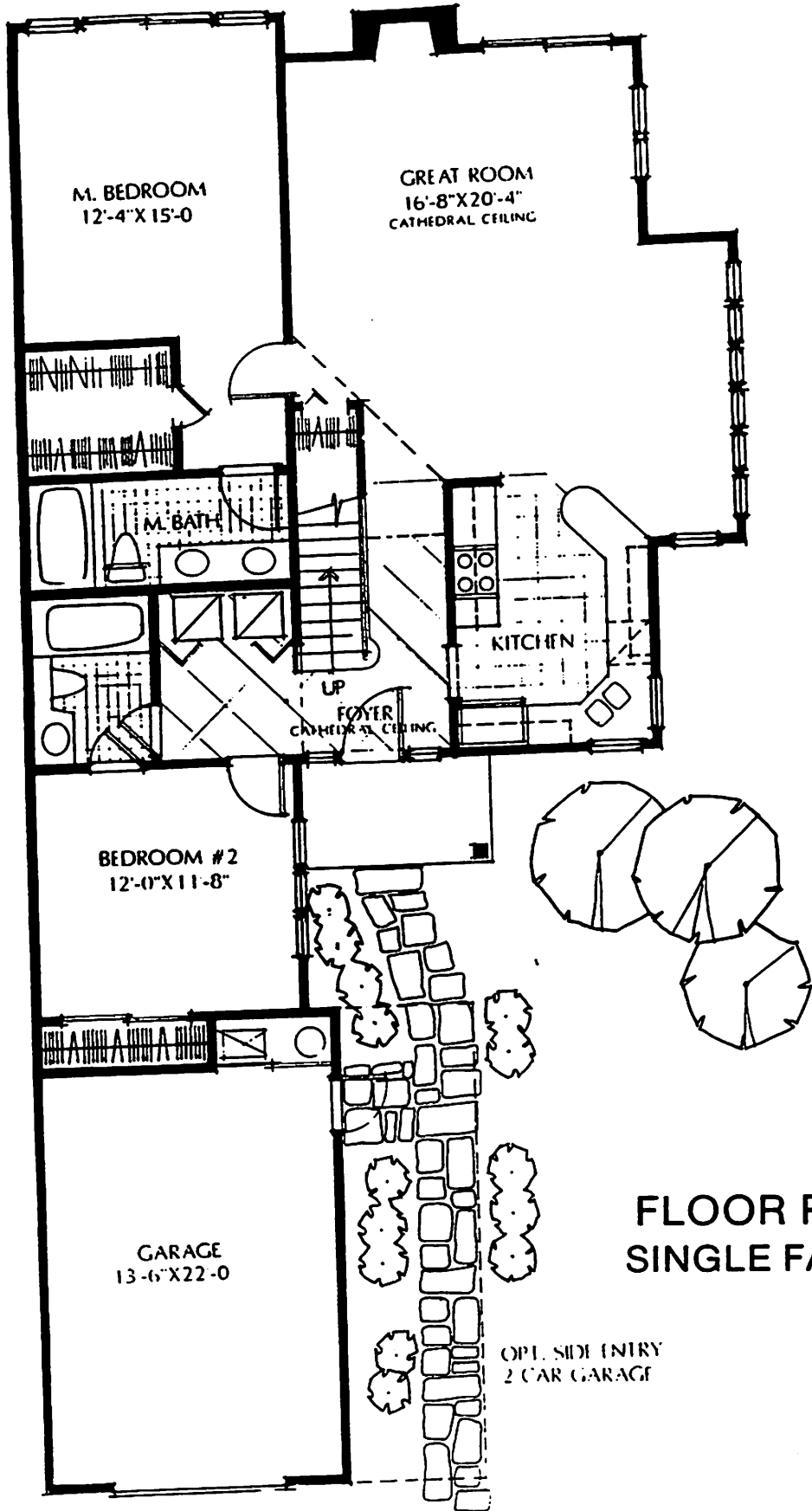
Just wait till you play it!

AUGUSTA



SECOND FLOOR

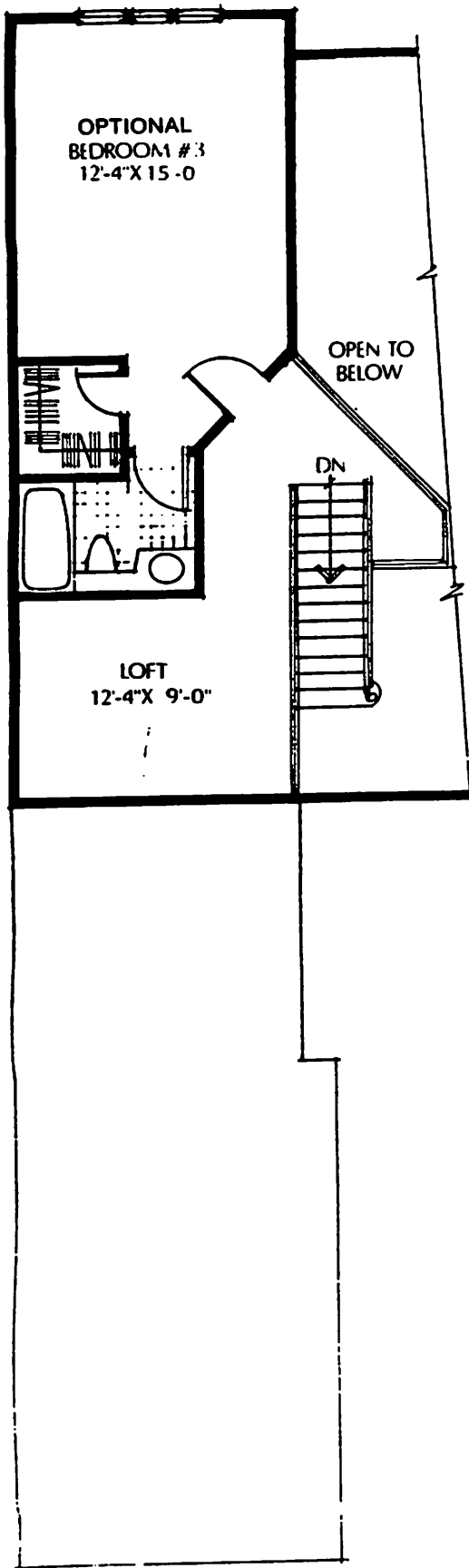
All room dimensions are approximate and may vary according to location.
Actual locations and positions of the buildings may vary slightly due to topography and layout of roads and other infrastructure.



**FLOOR PLAN
SINGLE FAMILY**

River Run

Just Wait till you play it!



WENTWORTH RANCH SECOND FLOOR OPTIONAL

All room dimensions are approximate and may vary according to location.
Actual locations and positions of the buildings may vary slightly due to topography and layout of roads and other infrastructure.

PART 8. FACILITIES

Although unit owners in River Run Condominium will have the use of substantial recreational facilities, no recreational or other facilities are to be used and maintained by the unit owners in their capacity as unit owners or by the Council of Unit Owners, and no such facilities are to be part of the common elements of the Condominium. However, River Run unit owners will have access to the various recreational facilities which are to be owned and operated by the Developer or its assigns, and will further have access to the open space owned by the River Run Community Association, Inc., a Maryland corporation, which will be the master homeowners association in the River Run community. River Run unit owners will be members of the River Run Community Association.

The facilities referred to above are presently intended to include (i) an eighteen hole golf course, along with a practice putting green and driving range, (ii) at least two tennis courts and an outdoor swimming pool, (iii) a maximum of 204 boat slips located in a marina, and (iv) clubhouse, including locker room facilities, a restaurant, a pro shop and other amenities. Items (i) and (iv) are complete and item (ii) will be complete on or about June 1, 1993. The Developer makes no guarantee or representation as to when item (iii) will be started or completed.

The Developer will initially own and manage the said Facilities.

A unit owner may use the aforementioned facilities by paying the usage charges established from time to time by the Developer (or other operator). Unit owners will have the right to use all facilities on terms equal to or more favorable than non-owners. It is expected that the Developer will arrange to reserve preferred tee times on the golf course for unit owners. Before selling the golf course to an unrelated third party, the Developer will first offer to sell the same to all the owners of lots and condominium units in River Run, as a group.

PART 9. STREETS

The streets planned for inclusion within the River Run Community will not be part of the general common elements and will not be maintained by the Council of Unit Owners. Instead, the roads will be owned, cleaned and maintained by the River Run Community Association, Inc., the master homeowner association for the River Run Community, and of which all unit owners will be members.

PART 10. CONDOMINIUM CONTROL

Article III of the Declaration provides for one vote per unit at meetings of the council of unit owners. As long as it owns one or more units in the condominium, the Developer will have all of the rights which are appurtenant to each unit which it owns, including the right to vote in elections of directors. During periods when the Developer owns a majority of the units, it will be able to control the council of unit owners and determine the membership of the board of directors. When purchasers not affiliated with the Developer own a majority of the units, such purchasers will, as a group, have the opportunity to control the council of unit owners and determine the membership of the board of directors. After the Developer no longer owns any units in the condominium, it will not be entitled to cast any votes at meetings of the council of unit owners.

This document consisting of 62 pages constitutes an amendment to the River Run Condominium Public Offering Statement heretofore registered with the Maryland Secretary of State in February, 1993 and last amended in March, 1993. The date of this amendment is October 7, 1996 and incorporates all modifications and amendments heretofore made from 1993 until the present.

RIVER RUN CONDOMINIUM

AMENDMENT TO PUBLIC OFFERING STATEMENT

OCTOBER 1996

TABLE OF CONTENTS

AMENDMENT TO

RIVER RUN CONDOMINIUM

PUBLIC OFFERING STATEMENT

		<u>Page</u>
1.	Sales Contract	
	Part 1A: Modifications to Standard Contract of Sale	1
	Part 1B: Modifications to Financing Addendum	4
2.	Constituent Documents	5
	2A. River Run Condominium Declaration	
	(i) First Amendment to Condominium Declaration	6
	(ii) Second Amendment to Condominium Declaration	10
	2F. River Run Maryland Homeowners Association Act - Modification to Disclosure Materials Including Amendments to Declaration of Covenants, Conditions and Restrictions	14
3.	Contracts	40
4.	River Run Condominium and Community Association Budgets for the fiscal year 6/1/96 - 5/31/97	41
6.	Expansion Plans	56
7.	Floor Plans	57
8.	Facilities	61

RIVER RUN
PART IA - MODIFICATIONS TO STANDARD
CONDOMINIUM UNIT CONTRACT OF SALE

THE MODIFIED STANDARD CONTRACT OF SALE IS THE SAME AS THE STANDARD CONTRACT OF SALE IN THE ORIGINAL PUBLIC OFFERING STATEMENT EXCEPT AS FOLLOWS:

I. The introductory paragraph has been modified to read as follows:

THIS CONTRACT OF SALE, made this ___ day of _____, 19__ by and between RIVER RUN DEVELOPMENT ASSOCIATES, LLC, a New York Limited Liability Company having an office at 11605 Masters Lane, Berlin, MD 21811, Seller, and _____ and _____, both residing at _____ (Telephone: _____ - Business; _____ - Residence), Buyer, herein designated by the singular pronoun of the masculine gender. As used in this Contract of Sale, the following terms shall have the meanings ascribed to them in Article I of the Declaration identified in the Background Statement: land, building, property, condominium or condominium project, condominium plat, unit or condominium unit, boat slip, common elements, limited common elements, unit owner, council of unit owners, percentage interest factor, common expenses, boat slip expenses, declaration, and by-laws.

II. Paragraph five of the Background Statement has been modified to read as follows:

River Run Condominium is part of a Residential Planned Community ("RPC") in Worcester County, Maryland, which includes also single family and semi-detached homes, as well as certain recreational amenities which will ultimately consist of a clubhouse (future), golf course (existing), tennis courts (existing), swimming pool (existing) and marina (future). However, Seller makes no guarantees regarding the date by which any of these future amenities will be completed.

III. Article 2 of the Standard Contract of Sale, PURCHASE PRICE, has been modified to read as follows:

2. PURCHASE PRICE. Buyer agrees to pay, and Seller agrees to accept, as the total purchase price of the above described unit, fixtures and personalty, the sum of _____ Dollars (\$_____). Buyer agrees to pay to Seller an Earnest Money Deposit on account of the purchase price in the total amount of _____ (\$_____) simultaneously with the execution of this Contract of Sale, and the Balance of said purchase price to be paid by Buyer to Seller in cash at the time of settlement. Buyer may elect to pay the required Deposit in full upon execution hereof in which event the deposit funds shall be placed in an interest-bearing escrow account for the benefit of Buyer.

IV. Article 7 of the Standard Contract of Sale, WARRANTIES, has been modified to read as follows:

7. WARRANTIES. The unit and common elements have been or are being constructed substantially in accordance with the construction plans therefor, subject, however, to Seller's right to vary and depart therefrom, as above provided. Settlement under this Contract shall be conclusive evidence that Seller has fully complied with all its obligations hereunder and that Buyer has approved the condominium unit and common elements as they stand, "as is", and as being satisfactorily built, equipped and complete, and thereafter no further performance can or shall be required of Seller, except for the warranty liability of Seller under Section 11-131 of the Maryland Condominium Act as detailed in Paragraph 19c. below. Seller furnishes no warranty or guaranty on any consumer product sold hereunder, whether the consumer product is (a) a fixture or item of personal property, (b) part of the unit, or (c) part of the common elements. As to each such consumer product, Buyer must look solely to the manufacturer's warranty, if any, to the extent it may extend to him. For the purpose of the Contract, the term "consumer product" means and includes each item of property covered, for warranty purposes, by the Magnuson - Moss Warranty Act (Public Law 93-637), as amended, or any rule or regulation relating thereto.

V. The signature lines beneath the NOTICE TO BUYER OF NON-PARTICIPATION IN A NEW HOME WARRANTY SECURITY PLAN section of the Standard Contract of Sale has been modified to read as follows:

_____	_____, 199__
SIGNATURE OF BUYER	DATE
_____	_____, 199__
SIGNATURE OF SELLER	DATE

VI. Article 8, paragraph f. of the Standard Contract of Sale, CONSTRUCTION, has been modified to read as follows:

8. CONSTRUCTION.

f. Buyer acknowledges that, to the extent not already constructed, the exact placement of the improvements on the property and the size and number of exit steps, platforms and risers as well as the determination of whether the improvements shall be built left or right or vice versa and, whether lower level shall contain wooden deck or concrete patio shall be determined by Seller and shall be constructed in a manner consistent with the grading of the lot.

VII. Article 21, of the Standard Contract of Sale, NOTICE TO BUYER - DEFERRED WATER AND SEWER CHARGES has been modified to read as follows:

21. NOTICE TO BUYER - DEFERRED WATER AND SEWER CHARGES. The Condominium will be served by a water and sewer system owned and operated by Worcester County. Worcester County has not yet established a schedule of charges for any future water and sewer projects that will benefit the River Run project.

VIII. Article 22, of the Standard Contract of Sale, ENTIRE AGREEMENT has been modified to read as follows:

22. ENTIRE AGREEMENT. This Contract (together with the attached Addendum(s), if signed by the parties hereto, and the warranties provided to a purchaser by the Maryland Law) contains the final and entire agreement between the parties hereto, and no statement, term, condition, provision, promise, representation, certification or warranty not herein written shall be binding upon any party hereto. Further, Buyer hereby acknowledges that all newspaper and other advertisements, advertising literature, brochures, floor plans, renderings and the like, placed or displayed by the Seller, were based on Seller's estimates only, and same are superseded by and merged in the terms, conditions and provisions contained in this Contract, same to have no further force or effect.

IX. Article 24, of the Standard Contract of Sale, MISCELLANEOUS has been modified to read as follows:

24. MISCELLANEOUS. This Contract shall not be modified, changed or supplemented, nor shall any obligation hereunder be waived, except by a written instrument signed by the party to be charged or by its agent duly authorized in writing or as otherwise expressly permitted herein. No reliance upon or waiver of one or more provisions of this Contract shall constitute a waiver of any other provision hereof. As used herein, each gender shall include all other genders, and the singular shall include the plural, and vice versa. If any provision of this Contract or the application thereof to any person or circumstance shall be held to be invalid or unenforceable, the validity and enforceability of the remaining provisions of this Contract, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Contract shall be valid and be enforced to the fullest extent permitted by law. This Contract shall be governed in all respects by the laws of Maryland.

**RIVER RUN
PART IB - MODIFICATIONS TO FINANCING ADDENDUM**

THE MODIFIED FINANCING ADDENDUM IS THE SAME AS THE FINANCING ADDENDUM IN THE ORIGINAL PUBLIC OFFERING STATEMENT EXCEPT AS FOLLOWS:

I. The following should be added to the Addendum as its first paragraph:

For valuable consideration, receipt of which is hereby acknowledged, we, the undersigned parties, hereby agree as follows:

II. The last paragraph of the Addendum should be replaced with the following:

All other terms and conditions of the Agreement shall remain the same and in full force and effect.

III. The signature lines of the Addendum have been modified to read as follows:

Seller	Buyer
RIVER RUN DEVELOPMENT ASSOCIATES, LLC	

Seller	Buyer

Date	Date

R14700.112 S
4:7/14/94

RIVER RUN CONDOMINIUM
FIRST AMENDMENT TO CONDOMINIUM DECLARATION

THIS FIRST AMENDMENT TO CONDOMINIUM DECLARATION ("Amendment"), made this 20 day of July, 1994 by RIVER RUN DEVELOPMENT ASSOCIATES, a New York Partnership ("Declarant").

INTRODUCTORY STATEMENT

A. By Declaration Establishing a Horizontal Property Regime to be Known as River Run Condominium (the "Condominium") dated May 17, 1993, and recorded on June 24, 1993, among the Land Records of Worcester County, Maryland (the "Land Records") in Liber 1944, folio 431 (the "Declaration of Plat" and associated plats recorded in Liber 136, folios 4-17 (the "Condominium Plats"), Declarant submitted certain property more particularly described in the Declaration to a condominium regime pursuant to the Annotated Code of Maryland. 2.00
28.00
22.00
Code # 4895
R14700 R14700
Jul 25, 1994 10:01 AM

B. Pursuant to Article IX of the Declaration, Declarant reserved for a period of ten (10) years from the date of recording the Declaration the right to expand the Condominium by adding to it certain properties. A description of part of the said property is attached hereto and made a part hereof as Exhibit A (the "Phase 2 Property").

C. Declarant is the owner of the Phase 2 Property and has constructed a new building thereon. Declarant now intends to subject that building and the land thereunder to the operation and effect of the Declaration.

NOW, THEREFORE, this First Amendment to Condominium Declaration

WITNESSETH, that the Declaration is amended in the following respects:

ARTICLE I

AMENDMENTS TO DECLARATION

1. The definition of "Land" in Article I, item (b) of the Declaration is expanded to include all that parcel of ground known as Parcel 1-B Revised on the record plat of River Run Section II, recorded among the Plat Records of Worcester County on July 22, 1994, in Liber 139, folio 42, containing 2.218 acres, more or less.

2. The definition of "Buildings" in Article I, item (c) of the Declaration is expanded by adding Building 13, containing 6 units.

3. The definition of "Condominium Plat" in Article I, item (e) of the Declaration is expanded by adding the plat comprised of nine(9) sheets prepared by L. E. Bunting Surveys, Inc., Surveyor, entitled "Expansion #1, River Run Condominium" (hereinafter referred to as the Phase 2 Condominium Plat"). The Phase 2 Condominium Plat is recorded or intended to be recorded simultaneously herewith among the Land Records.

JUL 25 10 02 AM '94
RICHARD H. CLX. C. WOR.

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4. In order to correct a typographical error, the last paragraph of Article I, item (b) of the Declaration is corrected by changing the cross-reference in the second line of said paragraph from "Article VIII" to "Article IX".

ARTICLE II DESCRIPTION OF CONDOMINIUM - PHASE 2

Phase 2 of the Condominium consists of the improvements known as Building 13 erected on Parcel 1-B and the land directly beneath Building 13 as shown on Sheet 3 of the Phase 2 Condominium Plat, and the appurtenances thereto and the improvements erected thereon. The Condominium as expanded consists of the land shown on Sheet 3 of the Condominium Plat and the land shown on Sheet 3 of the Phase 2 Condominium Plat.

Building 13 contains six (6) residential condominium units and common elements, all as more particularly shown on the Phase 2 Condominium Plats. The improvements are known as Units 67 through 72, inclusive.

The entire Condominium as hereby expanded now consists of three (3) buildings and is divided into eighteen (18) condominium units and common elements in the manner and to the extent depicted on the Condominium Plats filed with the Declaration and the Section 2 Condominium Plats filed herewith. The common elements are further subdivided into limited common elements and general common elements.

ARTICLE III PERCENTAGE INTEREST IN COMMON ELEMENTS

The owner of each unit in the Condominium, as expanded, shall have an equal one-eighteenth (1/18) undivided interest in the common elements and a one-eighteenth (1/18) interest in the common expenses and common profits of the council of unit owners.

ARTICLE IV CONDOMINIUM PLATS

The term "Condominium Plats" as used in the Declaration and as used herein, is defined to mean the Condominium Plats filed with the Declaration and the Phase 2 Condominium Plats filed herewith.

ARTICLE V

VOTES

Each unit in the Condominium after expansion is entitled to one vote in meetings of the council of unit owners.

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6:7/19/94

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STATE OF MARYLAND }
 } TO WIT:
COUNTY OF Worcester }

I HEREBY CERTIFY, that on this 20th day of July, 1994, before me, the subscriber, a Notary Public in and for the State aforesaid, personally appeared Lewis S. Meltzer, President of LSM River Run Corp., a partner in River Run Development Associates, a partnership, who acknowledged the foregoing Amendment to be the act of said partnership, and that he executed the foregoing for the purposes therein contained.

AS WITNESS my hand and Notarial Seal.



Barbara G. Passwater

BARBARA G. PASSWATER
Notary Public

MY COMMISSION EXPIRES APRIL 1, 1998

My Commission Expires: _____

I HEREBY CERTIFY that the within instrument was prepared by the undersigned attorney admitted to practice before the Court of Appeals of Maryland.

David H. Fishman
David H. Fishman

Return to: David H. Fishman, Esquire
233 E. Redwood Street
Baltimore, MD 21202

Plats recorded in Plat Book RHO 139 Folios 43 thru 51.

1994 July 25 the foregoing Amendment to Declaration of Plats filed
for record and is accordingly recorded among the land records of
Worcester County, Md. in Liber, R.H.O. No. 2080 folios 521 thru 524

Richard H. Cutton Clerk

R17866.587 S
2:06/06/96

RIVER RUN CONDOMINIUM
SECOND AMENDMENT TO CONDOMINIUM DECLARATION

THIS SECOND AMENDMENT TO CONDOMINIUM DECLARATION ("Amendment"), made this 10th day of June, 1996 by RIVER RUN DEVELOPMENT ASSOCIATES, LLC, a New York limited liability company ("Developer").

INTRODUCTORY STATEMENT

A. By Declaration Establishing a Horizontal Property Regime to be Known as River Run Condominium (the "Condominium") dated May 17, 1993, and recorded on June 24, 1993, among the Land Records of Worcester County, Maryland (the "Land Records") in Liber RHO No. 1944, folio 431 (the "Original Declaration"), and associated plats recorded in Plat Book RHO No. 136, folios 4-17 (the "Condominium Plats"), and that certain First Amendment to Condominium Declaration dated July 20, 1994, and recorded among the Land Records as aforesaid at Liber RHO No. 2080, folio 521 (the "First Amendment"), together with associated plats recorded among the Land Records at Plat Book RHO No. 139, folio 42 et seq. (the "First Expansion Plat") (the Original Declaration as amended by the First Amendment is sometimes referred to as, the "Declaration"), River Run Development Associates, a New York general partnership, submitted certain property more particularly described in the Declaration to a condominium regime pursuant to the Annotated Code of Maryland.

FD SURE \$ 2.00
RECORDING FEE 28.00
TOTAL 30.00
REC # 22194
BLK # 382
JUL 07 1996 02:21 PM

B. Article IX of the Declaration reserved for a period of ten (10) years from the date of recording the Declaration the right to expand the Condominium by adding to it certain properties. ~~A description of part of the said property is attached hereto and made a part hereof as Exhibit A (the "Second Expansion Property").~~

C. By Assignment dated as of December 27, 1995, and recorded, or intended to be recorded, among the Land Records immediately prior hereto, River Run Development Associates, a New York general partnership, assigned its status as Developer to River Run Development Associates, LLC, and designated the latter as the successor developer with respect to the entire Condominium, as contemplated by Article I, paragraph (h) of the Declaration.

D. Developer is the owner of the Second Expansion Property and has constructed a new building thereon. Developer now intends to amend the Declaration to include that building and the land directly thereunder as a part of the Condominium.

WITNESSETH, THEREFORE, this Second Amendment to Condominium Declaration

WITNESSETH, that the Declaration is amended in the following respects:

FILED

JUL 2 2 17 PM '96
RICHARD S. CUTLER
CLERK OF COURT
WOR. CO.

Baltimore, MD

ARTICLE I

AMENDMENTS TO DECLARATION

1. The definition of "Buildings" in Article I, item (c) of the Declaration is amended by adding "Building 14, containing 6 units".
2. The definition of "Condominium Plat" in Article I, item (e) of the Declaration is expanded by adding the plat comprised of nine (9) sheets prepared by L. E. Bunting Surveys, Inc., Surveyor, entitled "Expansion #2, River Run Condominium" (hereinafter referred to as, the "Second Expansion Plat"). The Second Expansion Plat is recorded or intended to be recorded simultaneously herewith among the Land Records.

ARTICLE II

DESCRIPTION OF CONDOMINIUM - PHASE 3

Phase 3 of the Condominium consists of the improvements known as Building 14, erected on Parcel 1-B and the land directly beneath Building 14 as shown on Sheet 3 of the Second Expansion Plat, and the appurtenances thereto and the improvements erected thereon. The Condominium, as expanded, consists of the land shown on Sheet 3 of the Plats, the land shown on Sheet 3 of the First Expansion Plat, and the land shown on Sheet 3 of the Second Expansion Plat.

Building 14 contains six (6) residential condominium units and common elements, all as more particularly shown on the Second Expansion Plat. The improvements are known as Units 73 through 78, inclusive.

The entire Condominium as hereby expanded now consists of four (4) buildings and is divided into twenty-four (24) condominium units and common elements in the manner and to the extent depicted on the Condominium Plats filed with the Declaration, the First Expansion Plat filed with the First Amendment and the Second Expansion Plat filed herewith. The common elements are further subdivided into limited common elements and general common elements.

ARTICLE III

PERCENTAGE INTEREST IN COMMON ELEMENTS

The owner of each unit in the Condominium, as expanded, shall have an equal one-twenty-fourth (1/24) undivided interest in the common elements and a one-twenty-fourth (1/24) interest in the common expenses and common profits of the council of unit owners.

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LIBER 2292 FOLIO 024

ARTICLE IV
CONDOMINIUM PLATS

The term "Condominium Plats" as used in the Declaration and as used herein, is hereby defined to mean the Condominium Plats filed with the Declaration, the First Expansion Plats filed with the First Amendment, and the Second Expansion Plat filed herewith.

ARTICLE V
VOTES

Each unit in the Condominium after expansion is entitled to one vote in meetings of the council of unit owners.

ARTICLE VI
FURTHER EXPANSION

Developer reserves the right to further expand the Condominium as provided in Article IX of the Declaration.

ARTICLE VII
EFFECTIVE DATE

The amendments of the Declaration as set forth hereinabove shall be effective as of the date of recordation of this Amendment and from and after the effective date of this Amendment, each unit owner in the Condominium, as expanded, shall have the percentage interests in the common elements, and in the common expenses and common profits, and shall have the votes, as set forth in this Amendment.

WITNESS the hand and seal of Developer, the day and year first above written.

WITNESS:

RIVER RUN DEVELOPMENT ASSOCIATES, LLC

By: Lewis S. Meltzer (SEAL)
Lewis S. Meltzer, Member

Barbara L. Simpson

**PART 2F. RIVER RUN MARYLAND HOMEOWNERS ASSOCIATION ACT -
MODIFICATION TO DISCLOSURE MATERIALS INCLUDING AMENDMENTS
TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS**

The River Run Maryland Homeowners Association Act - Modification to Disclosure Materials Including Amendments to Declaration of Covenants, Conditions and Restrictions, modifies the River Run Community Association Declaration of Covenants, Conditions and Restrictions and the River Run Maryland Homeowners Association Act Disclosure Material.

**GENERAL NOTES TO RIVER RUN COMMUNITY ASSOCIATION
OPERATING BUDGETS**

I. Introduction.

Separate budgets have been prepared for the two operating entities of the River Run development, (1) the River Run Community Association, Inc. and (2) the River Run Condominium. Each budget sets forth projections for the initial phase of development and the respective developments expanded to the maximum extent permitted by their constituent documents.

II. Assumptions.

1. Estimates of each category of expenses for fiscal calendar year 6/1/96-5/31/97 are contained in both budgets. Budgets have been prepared by the developer based upon information available as of September 1, 1996. It is understood that increases in such expenses may occur, and are beyond the control of the developer.

2. Structure: The fiscal year budget shows the estimated income and expenses from operation of the project with 77 total fee simple lots and condominium units, comprising the first phase. Maximum development of the community association is 408 lots and/or units. The developer will either pay full assessments for the association or fund any operating deficits in the budget. Owners of fee simple lots (but not condominium units) will pay a reduced HOA assessment until construction and initial occupancy of homes on their lots.

III. Income.

1. Annual Assessments and Monthly Installments: To obtain funds for payment of the common expenses, both associations levy annual assessments against the units. All owners are required to share equally in the annual assessment toward the payment of common expenses (except for owners of fee simple lots prior to the first to occur of: (a) issuance by appropriate governmental authorities of a certificate of occupancy for; (b) substantial completion of (as reasonably determined by Declarant or by the River Run Architectural Review Committee); or (c) six (6) months following ground breaking for; in each case, the homes on the lots (other than condominium units) during that time who will not pay for costs of water or sewer service, or common area groundskeeping or road maintenance).

2. Fiscal Year 6/1/96-5/31/97 Budget: The 1996/97 community association budget calls for owners to pay the following assessment: Phase I - \$100.00 per month; complete development - \$100 per month. Notwithstanding the foregoing, prior to the occurrence of the first of (a), (b) or (c) set forth in the preceding paragraph, community association assessments are anticipated to be \$60.00 per month.

3. Collection of Assessments: There is no guarantee that the annual assessments set forth in the budget will actually be collected from the owners by the boards of directors. For instance, some or all owners may default on the payment of part or all of the annual assessments, and upon the

occurrence of any such default, the board of directors may fail to exercise the remedies provided by state law, the declaration and by-laws for the collection of past due installments of annual assessments.

4. **Interest Income and Taxes Thereon:** Neither the interest income (if any) which may be earned from the investment of reserve funds and the working capital fund, nor the federal and state income taxes (if any) which may be payable by the association on account of such income, have been included within the attached budgets.

IV. Expenses.

1. **Operating Expenses:** The budget describes the purposes for which the funds derived from common expense assessments are slated to be spent.

2. **Insurance:** The insurance cost estimates included in the budget were reasonable at the time such budget was prepared by the developer. The scope of certain types of coverage may decrease. Some types of coverage which were available at affordable rates when the budget was prepared may not be available at affordable rates in the future.

3. **Replacement Reserves:** The amounts budgeted for replacement reserves were derived as set forth in the budget narratives, based upon replacement costs estimated by responsible contractors. Each of the reserves is subject to the following qualifications:

a. All of the costs and useful life figures used in calculating the reserves are only estimates, not guarantees.

b. The cost estimates are based upon price levels in effect at or prior to the time the budget was prepared, with allowance for price increases which may occur. If reserve funds are invested in an interest-bearing account prior to the time reserve funds are expended for painting and replacement, such interest income (net of any income taxes which may be payable thereon) may at least partially offset future inflation.

c. It is unlikely that the cost of administering the association will rise in direct proportion to the number of lots and/or units, if any, which are added to the development. The average cost per home of some budget items may decrease as the development is expanded, due to economies of scale, and the average cost per unit or home of other budget items may increase as the development is expanded due to diseconomies of scale. The actual costs of administering each such subsequent stage are likely to depend in part upon the order in which the subsequent stages are added to the development, the location and size of such subsequent stages, and the nature of the general common elements and/or common areas which are located within each subsequent stage. The developer reserves the right to recalculate budgets in subsequent years during the development of the project.

d. The estimated expenses set forth in the attached budget do not reflect expenditures for debt service, real property taxes and other items for which each owner is individually and/or directly responsible.

V. Special Assessments.

If the board of directors of the association determines at any time that the annual assessments then in effect or the reserve funds then existing are inadequate, or that additional funds are otherwise required for the payment of common expenses, the board of directors may levy a special assessment against the owners. All owners would be required to share equally in the burden of any special assessment for the payment of common expenses. Each special assessment could be imposed in the form of a lump sum or periodic installments, all as set forth in the constituent documents of the associations.

VI. Working Capital Fund.

The initial purchaser of each unit or lot in each stage of the development is required to pay two months installments of assessments to the association when such purchaser receives legal title to his/her unit or lot. Such payments are used to establish a working capital fund, which is not reflected in the common expense budgets because of the one time nature of the contribution. This working capital fee is in addition to, and not a prepayment of, the first monthly installment which the owners will be required to pay to the association on account of the annual assessments for common expenses. During the first year after each phase is incorporated into the association, the contributions made by purchasers of units in those stages are to be used only to cover unanticipated common expenses. Any amounts remaining in the working capital fund thereafter are to be deposited in a replacement reserve fund established under each common expense budget. There is no guarantee that the working capital fund will be properly maintained, invested or applied by the association, or that even if properly maintained, invested and applied, the working capital funds will sufficiently protect the financial stability of the association.

VII. Further Information.

More detailed information concerning the nature of the common expenses, the budgetary process and the manner in which the various annual and special assessments are established, collected and enforced is set forth in the constituent documents of the association.

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**RIVER RUN COMMUNITY ASSOCIATION
FISCAL YEAR 6/1/96 - 5/31/97 BUDGET**

PHASE I - 77 UNITS

<u>INCOME</u>	<u>TOTAL</u>	<u>PER UNIT OR LOT PER YEAR</u>	<u>PER UNIT OR LOT PER MONTH</u>
HOA Fees	92,400.00	1,200.00	100.00 *
TOTAL INCOME	92,400.00	1,200.00	100.00
<u>EXPENSES</u>			
<u>Utilities</u>			
Electric	4,620.00	60.00	5.00
Water	1,848.00	24.00	2.00
Sewer	924.00	12.00	1.00
<u>Maintenance</u>			
Open and Close Pool and Tennis	4,620.00	60.00	5.00
Lawn care/Landscaping/ Maintenance; Road Snow Removal, Pool and Tennis Maintenance	41,580.00	540.00	45.00
Irrigation Systems	1,848.00	24.00	2.00
General and Administrative	7,161.00	93.00	7.75
Insurance	924.00	12.00	1.00
Contingency	4,620.00	60.00	5.00
Reserves for Replacement	24,255.00	315.00	26.25
TOTAL EXPENSES	92,400.00	1,200.00	100.00

*Lots prior to completion

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**RIVER RUN COMMUNITY ASSOCIATION
PRO FROMA BUDGET**

408 UNITS

<u>INCOME</u>	<u>TOTAL</u>	<u>PER UNIT OR LOT PER YEAR</u>	<u>PER UNIT OR LOT PER MONTH</u>
HOA Fees	<u>465,120.00</u>	<u>1,140.00</u>	<u>95.00 *</u>
TOTAL INCOME	465,120.00	1,140.00	95.00
<u>EXPENSES</u>			
<u>Utilities</u>			
Electric	24,480.00	60.00	5.00
Water	9,792.00	24.00	2.00
Sewer	4,896.00	12.00	1.00
<u>Maintenance</u>			
Open and Close Pool and Tennis	9,792.00	24.00	2.00
Lawn care/Landscaping/ Maintenance; Road Snow Removal, Pool and Tennis Maintenance	210,528.00	516.00	43.00
Irrigation Systems	9,792.00	24.00	2.00
<u>General and Administrativ</u>	37,944.00	93.00	7.75
<u>Insurance</u>	4,896.00	12.00	1.00
<u>Contingency</u>	24,480.00	60.00	5.00
<u>Reserves for Replacement</u>	128,520.00	315.00	26.25
TOTAL EXPENSES	465,120.00	1,140.00	95.00

*Lots prior to completion

RIVER RUN COMMUNITY ASSOCIATION
BUDGET NOTES

1. Income.
 - a. Homeowner Association Fees ("HOA") - Based on fully funding all expenses from community association assessments.
2. Utilities:
 - a. Electric: Electricity for common area lighting (street lights with 100 watt sodium vapor lamps, serviced and supplied with electricity by Choptank Electric at \$8.66 per light per month), the entranceway irrigation system and fountains.
 - b. Water: The HOA pays for water for the swimming pool and tennis courts.
3. Lawn Care/Landscaping: Road Snow Removal: Based on bids received by developer, allows for \$45.00 per unit per month toward cost of:
 - a. Weed control, cutting, overseeding, fertilizing and leaf removal from common areas and lot lawns;
 - b. Roadway snow removal.
4. Irrigation: Based on bids received by developer, allows \$2.00 per unit per month for cost of maintaining common area irrigation system (parts and labor).
5. General Administrative: The association will be managed by the developer; allows for services as follows:

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**RIVER RUN COMMUNITY ASSOCIATION
FISCAL YEAR 6/1/96 - 5/31/97 BUDGET**

PHASE I - 77 UNITS

<u>ITEM</u>	<u>TOTAL</u>	<u>PER UNIT OR LOT PER YEAR</u>	<u>PER UNIT OR LOT PER MONTH</u>
Management Fee (Includes bookkeeping, secretarial, telephone and office supplies)	4,620.00	60.00	5.00
Accounting	924.00	12.00	1.00
Legal	1,617.00	21.00	1.75

Notwithstanding the foregoing, by the time the development has been fully expanded, the HOA may be managed by an outside management company.

- 6. **Insurance:** Provides (a) 100% replacement cost property insurance for improvements in common areas subject to a \$250 deductible; (b) \$10,000 coverage for lost or stolen money and securities (on-premises) and \$2,500 coverage for lost or stolen money and securities (off-premises); (c) liability insurance for common areas (\$1,000,000 each occurrence).
- 7. **Miscellaneous:** Allows for \$5.00 per unit per month toward unforeseen expenses.
- 8. **Reserves for Replacement:**
 - a. **Street lights:** 10 street lights per phase of the development (4 phases in total), at \$2,500.00 per street light, with a 10-year life expectancy.
 - b. **Irrigation system:** Replace (at \$2,500 per building) with a 10-year life expectancy.
 - c. **Roads, curbs and gutters** at \$40 per linear foot for resurfacing, based on a 10-year life expectancy:
 - (1) Main loop road - 9,586 linear feet = \$38,344 per year reserve (spread among 408 units)
 - (2) Roadway within each phase at approximately 2,700 linear feet per phase (4 phases total) = \$43,200.00 per year per phase reserve.
- 9. **Working Capital:** In addition to assessments of annual association fees, each initial purchaser of a unit or a lot from the developer shall pay a working capital contribution equal to 2 months installments of association assessments. The capital contributions may be used by the board of directors of the association to cover start-up costs of the association, and future extraordinary needs which may arise.

PART 3. CONTRACTS**PART 4A: Management Contract**

The Council of Unit Owners will enter into a management contract for the Condominium with River Run Development Associates, LLC (the "Developer"). The Developer will manage the affairs of the Condominium and prepare the Condominium budget, as well as manage the day to day operations of the River Run Condominium. The Developer will be paid a monthly fee of Four Dollars (\$4.00) per unit for its services in managing the Condominium. The management contract is terminable at any time by the Council of Unit Owners on thirty (30) days prior written notice to the Developer.

PART 4B: Insurance Contract

The Council of Unit Owners will carry insurance with policy limits and insurance types set forth in the proforma budget included in this offering statement as Part 5, with an annual premium of \$3,492 for a 24-unit condominium, chargeable to the Council of Unit Owners.

PART 4C: Contracts With Worcester County

The Water Agreement dated June 29, 1992 and the Shared Facility Agreement dated September 23, 1992 between River Run Development Associates and the Worcester County Sanitary District are of no further force and effect.

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Within three years following the date on which units have been conveyed by the Developer to Unit Owners having the majority of the votes in the Council of Unit Owners, any lease, and any management contract, employment contract, or other contract to which the Council of Unit Owners is a party entered into between the date that the property subjected to the condominium regime was granted to the Developer and the date on which units have been granted by the Developer to Unit Owners having a majority of votes in the Council of Unit Owners may be terminated by a majority vote of the Council of Unit Owners without liability for the termination. The termination shall become effective upon thirty (30) days written notice of the termination from the Council of Unit Owners. This right of termination does not apply to any contract or grant between the Council of Unit Owners and any governmental agency or public utility.

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PART 4. BUDGET

A copy of the actual or projected annual operating budget for the condominium, including reasonable details concerning:

1. The estimated payments by the purchaser for assessments;
2. Monthly charges for the use, rental, or lease of any facilities not part of the condominium;
3. The amount of the reserve fund for repair and replacement and its intended use, or a statement that there is no reserve fund; and

(Include details concerning the method of calculating the reserve fund (i.e. life expectancy and replacement costs.)

4. Any initial capital contributions or similar fees; other than assessments for common expenses to be paid by unit owners to the council of unit owners or vendor; and a statement of how the fees will be used.

GENERAL NOTES TO RIVER RUN CONDOMINIUM OPERATING BUDGETS

I. Introduction.

Separate budgets have been prepared for the two operating entities of the River Run development, (1) the River Run Community Association, Inc. and (2) the River Run Condominium. Each budget sets forth projections for the initial phase of development and the respective developments expanded to the maximum extent permitted by their constituent documents.

II. Assumptions.

1. Estimates of each category of expenses for fiscal year 6/1/96-5/31/97 are contained in both budgets. Budgets have been prepared by the developer based upon information available as of September 1, 1996. It is understood that increases in such expenses may occur, and are beyond the control of the developer.

2. Structure: The fiscal year budget show the estimated income and expenses from operation of the condominium with 42 units, comprising the maximum development of the first phase. The developer will either pay full assessments for the condominium or fund any operating deficit in the budgets, at its option.

III. Income.

1. Annual Assessments and Monthly Installments: To obtain funds for payment of the common expenses, the condominium levies annual assessments against the units. All owners are required to share equally in the annual assessment toward the payment of common expenses.

2. Fiscal Year 6/1/96 - 5/31/97: The budget calls for owners to pay the following assessments: \$62.50 per month.

3. Collection of Assessments: There is no guarantee that the annual assessments set forth in the budget will actually be collected from the owners by the board of directors. For instance, some or all owners may default on the payment of part or all of the annual assessments, and upon the occurrence of any such default, the board of directors may fail to exercise the remedies provided by state law, the declaration and by-laws for the collection of past due installments of annual assessments.

4. Interest Income and Taxes Thereon: Neither the interest income (if any) which may be earned from the investment of reserve funds and the working capital fund, nor the federal and state income taxes (if any) which may be payable by the condominium on account of such income, have been included within the attached budgets.

IV. Expenses.

1. Operating Expenses: The budget describes the purposes for which the funds derived from common expense assessments are slated to be spent.

2. Insurance: The insurance costs included in the budget are based on the actual costs for the fiscal year.

3. Replacement Reserves: The amounts budgeted for replacement reserves were derived as set forth in the budget narrative, based upon replacement costs estimated by responsible contractors. Each of the reserves is subject to the following qualifications:

a. All of the costs and useful life figures used in calculating the reserves are only estimates, not guarantees.

b. The cost estimates are based upon price levels in effect at or prior to the time the budget was prepared, with allowance for price increases which may occur. If reserve funds are invested in an interest-bearing account prior to the time reserve funds are expended for painting and replacement, such interest income (net of any income taxes which may be payable thereon) may at least partially offset future inflation.

c. It is unlikely that the cost of administering the condominium will rise in direct proportion to the number of units, if any, which are added to the development. The average cost per unit of some budget items may decrease as the development is expanded, due to economies of scale, and the average cost per unit of other budget items may increase as the development is expanded due to diseconomies of scale. The actual costs of administering each such subsequent stage are likely to depend in part upon the order in which the subsequent stages are added to the development, the location and size of such subsequent stages, and the nature of the general common elements which are located within each subsequent stage. The developer reserves the right to recalculate budgets in subsequent years during the development of the project.

d. The estimated expenses set forth in the attached budgets do not reflect expenditures for debt service, real property taxes and other items for which each owner is individually and/or directly responsible.

V. Special Assessments.

If the board of directors of the condominium determines at any time that the annual assessments then in effect or the reserve funds then existing are inadequate, or that additional funds are otherwise required for the payment of common expenses, the board of directors may levy a special assessment against the owners. All owners would be required to share equally in the burden of any special assessment for the payment of common expenses. Each special assessment could be imposed in the form of a lump sum or periodic installments, all as set forth in the constituent documents of the condominium.

VI. Working Capital Fund.

The initial purchaser of each unit in each stage of the development is required to pay two months installments of assessments to the condominium when such purchaser receives legal title to his/her unit. Such payments are used to establish a working capital fund, which is not reflected in the common expense budgets because of the one time nature of the contribution. This working capital fee is in addition to, and not a prepayment of, the first monthly installment which the owners will be required to pay to the condominium on account of the annual assessments for common expenses. During the first year after each phase is incorporated into the condominium, the contributions made by purchasers of units in those stages are to be used only to cover unanticipated common expenses. Any amounts remaining in the working capital fund thereafter are to be deposited in a replacement reserve fund established under each common expense budget. There is no guarantee that the working capital fund will be properly maintained, invested or applied by the condominium, or that even if properly maintained, invested and applied, the working capital funds will sufficiently protect the financial stability of the condominium.

VII. Further Information.

More detailed information concerning the nature of the common expenses, the budgetary process and the manner in which the various annual and special assessments are established, collected and enforced is set forth in the constituent documents of the condominium.

**RIVER RUN CONDOMINIUM
FISCAL YEAR 6/1/96 - 5/31/97 BUDGET**

PHASE I - 24 UNITS

<u>INCOME</u>	<u>TOTAL</u>	<u>PER UNIT OR LOT PER YEAR</u>	<u>PER UNIT OR LOT PER MONTH</u>
Assessments	<u>18,000.00</u>	<u>750.00</u>	<u>62.50</u>
TOTAL INCOME	18,000.00	750.00	62.50
<u>EXPENSES</u>			
Water	2,880.00	120.00	10.00
<u>Maintenance</u>			
Building Repairs	1,296.00	54.00	4.50
Exterior Plumbing	720.00	30.00	2.50
Trash Removal	1,440.00	60.00	5.00
<u>General and Administrative</u>	2,016.00	84.00	7.00
<u>Insurance</u>	3,744.00	156.00	13.00
<u>Contingency</u>	432.00	18.00	1.50
<u>Reserves</u>			
Roof Replacement	1,440.00	60.00	5.00
Exterior Repainting	<u>4,032.00</u>	<u>168.00</u>	<u>14.00</u>
TOTAL EXPENSES	18,000.00	750.00	62.50

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**RIVER RUN CONDOMINIUM
PRO FORMA BUDGET**

PHASE I - 42 UNITS

<u>INCOME</u>	<u>TOTAL</u>	<u>PER UNIT OR LOT PER YEAR</u>	<u>PER UNIT OR LOT PER MONTH</u>
Assessments	31,500.00	750.00	62.50
TOTAL INCOME	31,500.00	750.00	62.50
<u>EXPENSES</u>			
Water	5,040.00	120.00	10.00
<u>Maintenance</u>			
Building Repairs	2,268.00	54.00	4.50
Exterior Plumbing	1,260.00	30.00	2.50
Trash Removal	2,520.00	60.00	5.00
<u>General and Administrative</u>	3,528.00	84.00	7.00
Insurance	6,552.00	156.00	13.00
<u>Contingency</u>	756.00	18.00	1.50
<u>Reserves</u>			
Roof Replacement	2,520.00	60.00	5.00
Exterior Repainting	7,056.00	168.00	14.00
TOTAL EXPENSES	31,500.00	750.00	62.50

RIVER RUN CONDOMINIUM
BUDGET NOTES

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1. Condominium Fees - Based on fully funding all expenses from condominium assessments; the condominium is expected to be managed by the Developer; the condominium may, however, subsequently engage a professional management company to manage the condominium.
2. Building Repairs and Common Plumbing - Repairs to building common elements and exterior plumbing apparatus. For purposes of these budgets, exterior plumbing apparatus is defined to mean common element water supply pipes and sewer collection pipes (which are located within the condominium buildings but which are not located within a particular unit or which do not solely serve a particular unit), as well as connectors thereto which join those pipes within the buildings with the water mains and sewer mains located beneath the streets of the River Run community.
3. General and Administrative - Allows for the cost of
 - a. Management fee for Phase I of \$4 per unit per month paid to the Developer.
 - b. Legal representation as needed;
 - c. Accounting: annual review (\$2.00 per month);
 - d. Miscellaneous administrative expenses.
4. Insurance - Allows for full (100%) replacement cost coverage on the units and the common elements (exclusive of foundations and land beneath the buildings), general liability insurance on the units and the common elements with maximum coverage of \$1 million per occurrence. Property policies contain \$1,000 deductibles.
5. Miscellaneous - Allows \$2 per unit per month toward unforeseen expenses.
6. Reserves for Replacement/Redecorating
 - a. Roof - \$8,000 per roof with 20-year life expectancy.
 - b. Exterior Repainting - repainting every 5 years at \$5,400 per building.
7. Working Capital - In addition to assessments of annual condominium fees, each initial purchaser of a unit from the developer shall pay a working capital contribution equal to two (2) months' installments of condominium assessments. The capital contributions may be used by the Board of Directors of the condominium to cover start-up costs of the condominium, and future extraordinary needs which may arise.

GENERAL NOTES TO RIVER RUN COMMUNITY ASSOCIATION
OPERATING BUDGETS

I. Introduction.

Separate budgets have been prepared for the two operating entities of the River Run development, (1) the River Run Community Association, Inc. and (2) the River Run Condominium. Each budget sets forth projections for the initial phase of development and the respective developments expanded to the maximum extent permitted by their constituent documents.

II. Assumptions.

1. Estimates of each category of expenses for fiscal calendar year 6/1/96-5/31/97 are contained in both budgets. Budgets have been prepared by the developer based upon information available as of September 1, 1996. It is understood that increases in such expenses may occur, and are beyond the control of the developer.

2. Structure: The fiscal year budget shows the estimated income and expenses from operation of the project with 77 total fee simple lots and condominium units, comprising the first phase. Maximum development of the community association is 408 lots and/or units. The developer will either pay full assessments for the association or fund any operating deficits in the budget. Owners of fee simple lots (but not condominium units) will pay a reduced HOA assessment until construction and initial occupancy of homes on their lots.

III. Income.

1. Annual Assessments and Monthly Installments: To obtain funds for payment of the common expenses, both associations levy annual assessments against the units. All owners are required to share equally in the annual assessment toward the payment of common expenses (except for owners of fee simple lots prior to the first to occur of: (a) issuance by appropriate governmental authorities of a certificate of occupancy for; (b) substantial completion of (as reasonably determined by Declarant or by the River Run Architectural Review Committee); or (c) six (6) months following ground breaking for; in each case, the homes on the lots (other than condominium units) during that time who will not pay for costs of water or sewer service, or common area groundskeeping or road maintenance).

2. Fiscal Year 6/1/96-5/31/97 Budget: The 1996/97 community association budget calls for owners to pay the following assessment: Phase I - \$100.00 per month; complete development - \$100 per month. Notwithstanding the foregoing, prior to the occurrence of the first of (a), (b) or (c) set forth in the preceding paragraph, community association assessments are anticipated to be \$60.00 per month.

3. Collection of Assessments: There is no guarantee that the annual assessments set forth in the budget will actually be collected from the owners by the boards of directors. For instance, some or all owners may default on the payment of part or all of the annual assessments, and upon the occurrence of any such default, the board of directors may fail to exercise the remedies provided by state law, the declaration and by-laws for the collection of past due installments of annual assessments.

4. Interest Income and Taxes Thereon: Neither the interest income (if any) which may be earned from the investment of reserve funds and the working capital fund, nor the federal and state income taxes

(if any) which may be payable by the association on account of such income, have been included within the attached budgets.

IV. Expenses.

1. **Operating Expenses:** The budget describes the purposes for which the funds derived from common expense assessments are slated to be spent.

2. **Insurance:** The insurance cost estimates included in the budget were reasonable at the time such budget was prepared by the developer. The scope of certain types of coverage may decrease. Some types of coverage which were available at affordable rates when the budget was prepared may not be available at affordable rates in the future.

3. **Replacement Reserves:** The amounts budgeted for replacement reserves were derived as set forth in the budget narratives, based upon replacement costs estimated by responsible contractors. Each of the reserves is subject to the following qualifications:

a. All of the costs and useful life figures used in calculating the reserves are only estimates, not guarantees.

b. The cost estimates are based upon price levels in effect at or prior to the time the budget was prepared, with allowance for price increases which may occur. If reserve funds are invested in an interest-bearing account prior to the time reserve funds are expended for painting and replacement, such interest income (net of any income taxes which may be payable thereon) may at least partially offset future inflation.

c. It is unlikely that the cost of administering the association will rise in direct proportion to the number of lots and/or units, if any, which are added to the development. The average cost per home of some budget items may decrease as the development is expanded, due to economies of scale, and the average cost per unit or home of other budget items may increase as the development is expanded due to diseconomies of scale. The actual costs of administering each such subsequent stage are likely to depend in part upon the order in which the subsequent stages are added to the development, the location and size of such subsequent stages, and the nature of the general common elements and/or common areas which are located within each subsequent stage. The developer reserves the right to recalculate budgets in subsequent years during the development of the project.

d. The estimated expenses set forth in the attached budget do not reflect expenditures for debt service, real property taxes and other items for which each owner is individually and/or directly responsible.

V. Special Assessments.

If the board of directors of the association determines at any time that the annual assessments then in effect or the reserve funds then existing are inadequate, or that additional funds are otherwise required for the payment of common expenses, the board of directors may levy a special assessment against the owners. All owners would be required to share equally in the burden of any special assessment for the payment of common expenses. Each special assessment could be imposed in the form of a lump sum or periodic installments, all as set forth in the constituent documents of the associations.

VI. Working Capital Fund.

The initial purchaser of each unit or lot in each stage of the development is required to pay two months installments of assessments to the association when such purchaser receives legal title to his/her unit or lot. Such payments are used to establish a working capital fund, which is not reflected in the common expense budgets because of the one time nature of the contribution. This working capital fee is in addition to, and not a prepayment of, the first monthly installment which the owners will be required to pay to the association on account of the annual assessments for common expenses. During the first year after each phase is incorporated into the association, the contributions made by purchasers of units in those stages are to be used only to cover unanticipated common expenses. Any amounts remaining in the working capital fund thereafter are to be deposited in a replacement reserve fund established under each common expense budget. There is no guarantee that the working capital fund will be properly maintained, invested or applied by the association, or that even if properly maintained, invested and applied, the working capital funds will sufficiently protect the financial stability of the association.

VII. Further Information.

More detailed information concerning the nature of the common expenses, the budgetary process and the manner in which the various annual and special assessments are established, collected and enforced is set forth in the constituent documents of the association.

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**RIVER RUN COMMUNITY ASSOCIATION
FISCAL YEAR 6/1/96 - 5/31/97 BUDGET**

PHASE I - 77 UNITS

<u>INCOME</u>	<u>TOTAL</u>	<u>PER UNIT OR LOT PER YEAR</u>	<u>PER UNIT OR LOT PER MONTH</u>
HOA Fees	92,400.00	1,200.00	100.00 *
TOTAL INCOME	92,400.00	1,200.00	100.00
<u>EXPENSES</u>			
<u>Utilities</u>			
Electric	4,620.00	60.00	5.00
Water	1,848.00	24.00	2.00
Sewer	924.00	12.00	1.00
<u>Maintenance</u>			
Open and Close Pool and Tennis	4,620.00	60.00	5.00
Lawn care/Landscaping/ Maintenance; Road Snow Removal, Pool and Tennis Maintenance	41,580.00	540.00	45.00
Irrigation Systems	1,848.00	24.00	2.00
<u>General and Administrative</u>	7,161.00	93.00	7.75
<u>Insurance</u>	924.00	12.00	1.00
<u>Contingency</u>	4,620.00	60.00	5.00
<u>Reserves for Replacement</u>	24,255.00	315.00	26.25
TOTAL EXPENSES	92,400.00	1,200.00	100.00

*Lots prior to completion

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**RIVER RUN COMMUNITY ASSOCIATION
PRO FROMA BUDGET**

408 UNITS

<u>INCOME</u>	<u>TOTAL</u>	<u>PER UNIT OR LOT PER YEAR</u>	<u>PER UNIT OR LOT PER MONTH</u>
HOA Fees	465,120.00	1,140.00	95.00 *
TOTAL INCOME	465,120.00	1,140.00	95.00
<u>EXPENSES</u>			
<u>Utilities</u>			
Electric	24,480.00	60.00	5.00
Water	9,792.00	24.00	2.00
Sewer	4,896.00	12.00	1.00
<u>Maintenance</u>			
Open and Close Pool and Tennis	9,792.00	24.00	2.00
Lawn care/Landscaping/ Maintenance; Road Snow Removal, Pool and Tennis Maintenance	210,528.00	516.00	43.00
Irrigation Systems	9,792.00	24.00	2.00
<u>General and Administrativ</u>	37,944.00	93.00	7.75
<u>Insurance</u>	4,896.00	12.00	1.00
<u>Contigency</u>	24,480.00	60.00	5.00
<u>Reserves for Replacement</u>	128,520.00	315.00	26.25
TOTAL EXPENSES	465,120.00	1,140.00	95.00

*Lots prior to completion

RIVER RUN COMMUNITY ASSOCIATION
BUDGET NOTES

1. Income.
 - a. Homeowner Association Fees ("HOA") - Based on fully funding all expenses from community association assessments.
2. Utilities:
 - a. Electric: Electricity for common area lighting (street lights with 100 watt sodium vapor lamps, serviced and supplied with electricity by Choptank Electric at \$8.66 per light per month), the entranceway irrigation system and fountains.
 - b. Water: The HOA pays for water for the swimming pool and tennis courts.
3. Lawn Care/Landscaping; Road Snow Removal: Based on bids received by developer, allows for \$45.00 per unit per month toward cost of:
 - a. Weed control, cutting, overseeding, fertilizing and leaf removal from common areas and lot lawns;
 - b. Roadway snow removal.
4. Irrigation: Based on bids received by developer, allows \$2.00 per unit per month for cost of maintaining common area irrigation system (parts and labor).
5. General Administrative: The association will be managed by the developer; allows for services as follows:

Notwithstanding the foregoing, by the time the development has been fully expanded, the HOA may be managed by an outside management company.

6. **Insurance:** Provides (a) 100% replacement cost property insurance for improvements in common areas subject to a \$250 deductible; (b) \$10,000 coverage for lost or stolen money and securities (on-premises) and \$2,500 coverage for lost or stolen money and securities (off-premises); (c) liability insurance for common areas (\$1,000,000 each occurrence).
7. **Miscellaneous:** Allows for \$5.00 per unit per month toward unforeseen expenses.
8. **Reserves for Replacement:**
 - a. **Street lights:** 10 street lights per phase of the development (4 phases in total), at \$2,500.00 per street light, with a 10-year life expectancy.
 - b. **Irrigation system:** Replace (at \$2,500 per building) with a 10-year life expectancy.
 - c. **Roads, curbs and gutters** at \$40 per linear foot for resurfacing, based on a 10-year life expectancy:
 - (1) Main loop road - 9,586 linear feet = \$38,344 per year reserve (spread among 408 units)
 - (2) Roadway within each phase at approximately 2,700 linear feet per phase (4 phases total) = \$43,200.00 per year per phase reserve.
9. **Working Capital:** In addition to assessments of annual association fees, each initial purchaser of a unit or a lot from the developer shall pay a working capital contribution equal to 2 months installments of association assessments. The capital contributions may be used by the board of directors of the association to cover start-up costs of the association, and future extraordinary needs which may arise.

PART 6. EXPANSION PLANS

It is planned that River Run if fully built will contain 408 dwelling units. The condominium regime to be initially created will be part of Phase I which is expected to contain as few as 24 and as many as 77 units, comprised of a mixture of single family and semi-detached fee simple houses, and condominium units in cluster-style town homes, ranch-style units and flats. Future phases may contain similar cluster-style homes and/or other types of residential structures. The exact mixture of condominium units and other residences will be determined by market demand.

Voting rights in the Council of Unit Owners will be allocated equally among the owners of all units contained within the Condominium from to time. Each Unit Owner will be allocated an equal interest in the common elements and common expenses.

For more detailed information concerning the possible expansion of the Condominium, and the effect of such expansion upon the voting rights and percentage interests of the Unit Owners, see the Condominium Declaration, a copy of which is included as Part 2A of this public offering statement.

Voting rights in the River Run Community Association (the "HOA"), the master home owners' association, shall be allocated in a like manner. Each Unit Owner shall have one vote in the HOA.

PART 7. FLOOR PLANS

Introduction to Floor Plans

The Condominium will consist of cluster style buildings containing Wentworth and Pinehurst units. Future additions to the Condominium will be similar or other cluster style buildings consisting of different combinations of Wentworth, Pinehurst or other units.

EACH FLOOR PLAN IS SUBJECT TO THE FOLLOWING QUALIFICATIONS:

- 1) All dimensions are approximate and may vary with location.
- 2) The floor plan of some units to which any particular floor plan applies may be mirror image of the floor plan shown herein.
- 3) Actual locations and positions of the buildings may vary slightly due to topography and layout of roads and other infrastructure.

WORTH THREE BEDROOM TOWNHOME

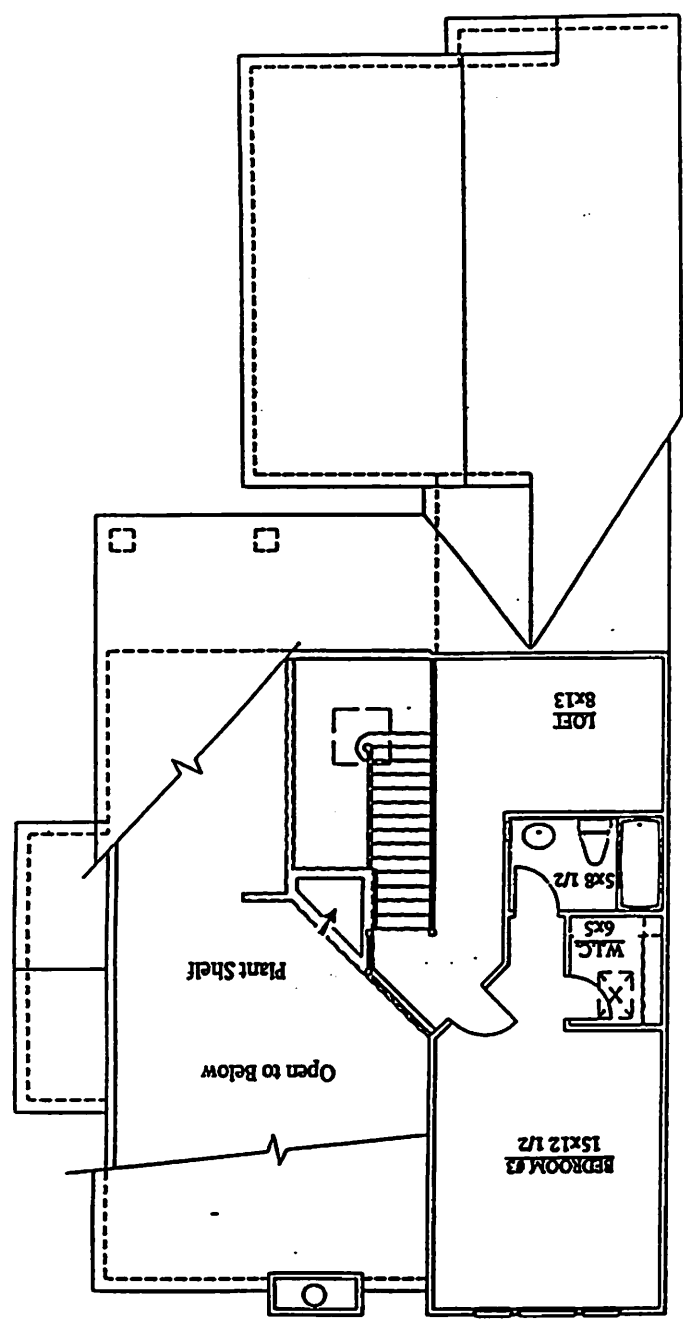
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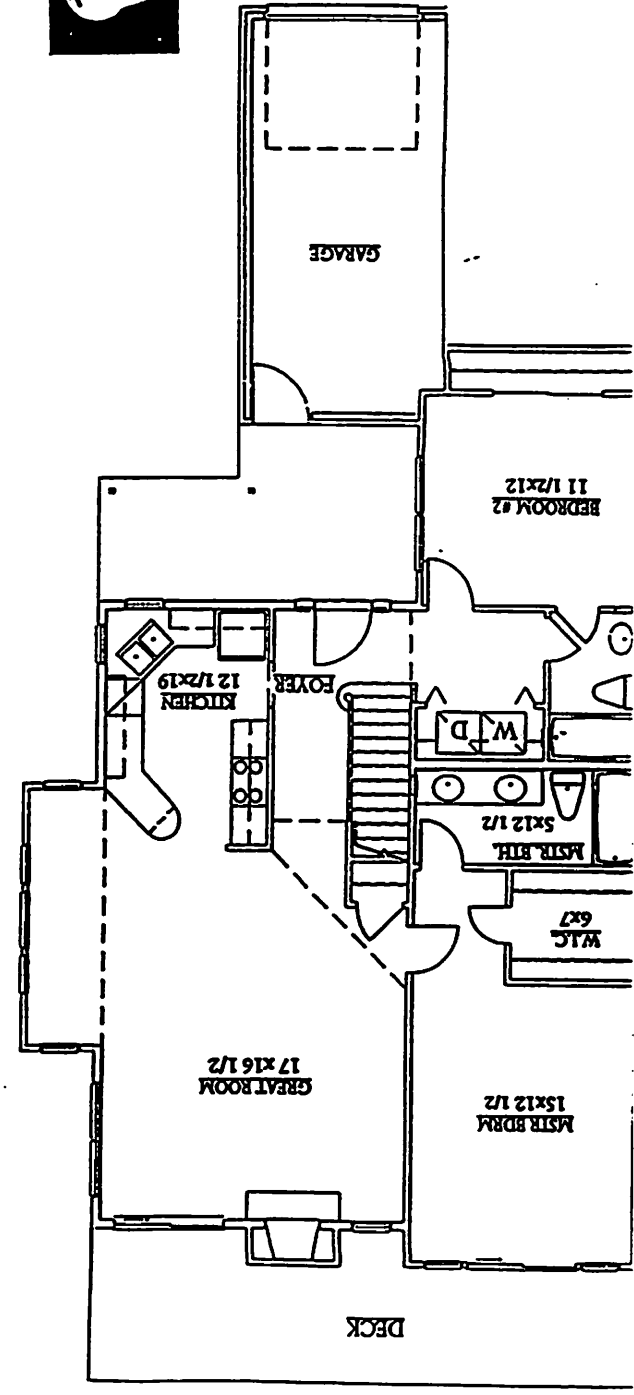
RIVER RUN

Sales and Marketing by

COUF CLUB & COMPANY, INC.
River Run

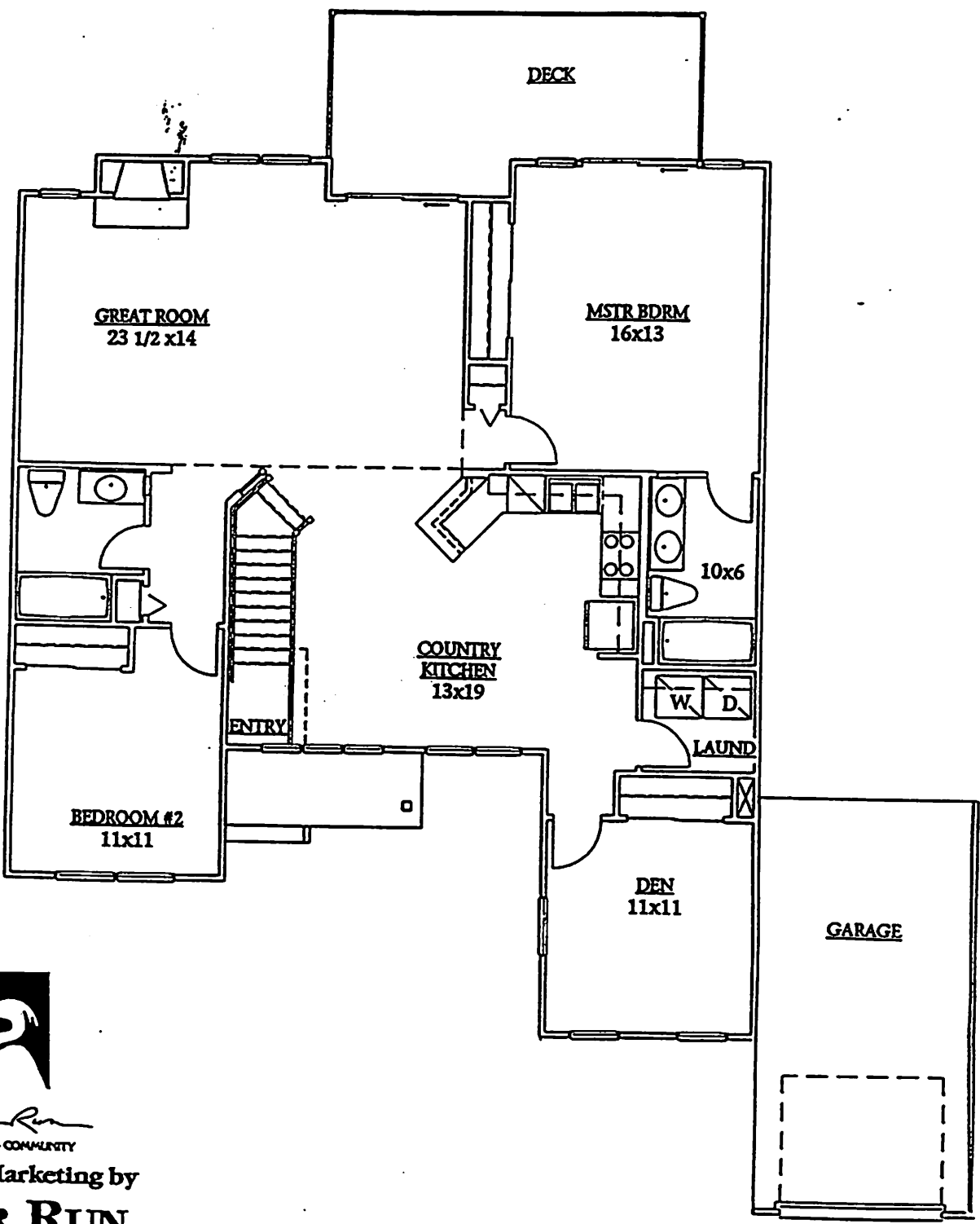


Second Floor



First Floor

TWO BEDROOM/DEN PINEHURST



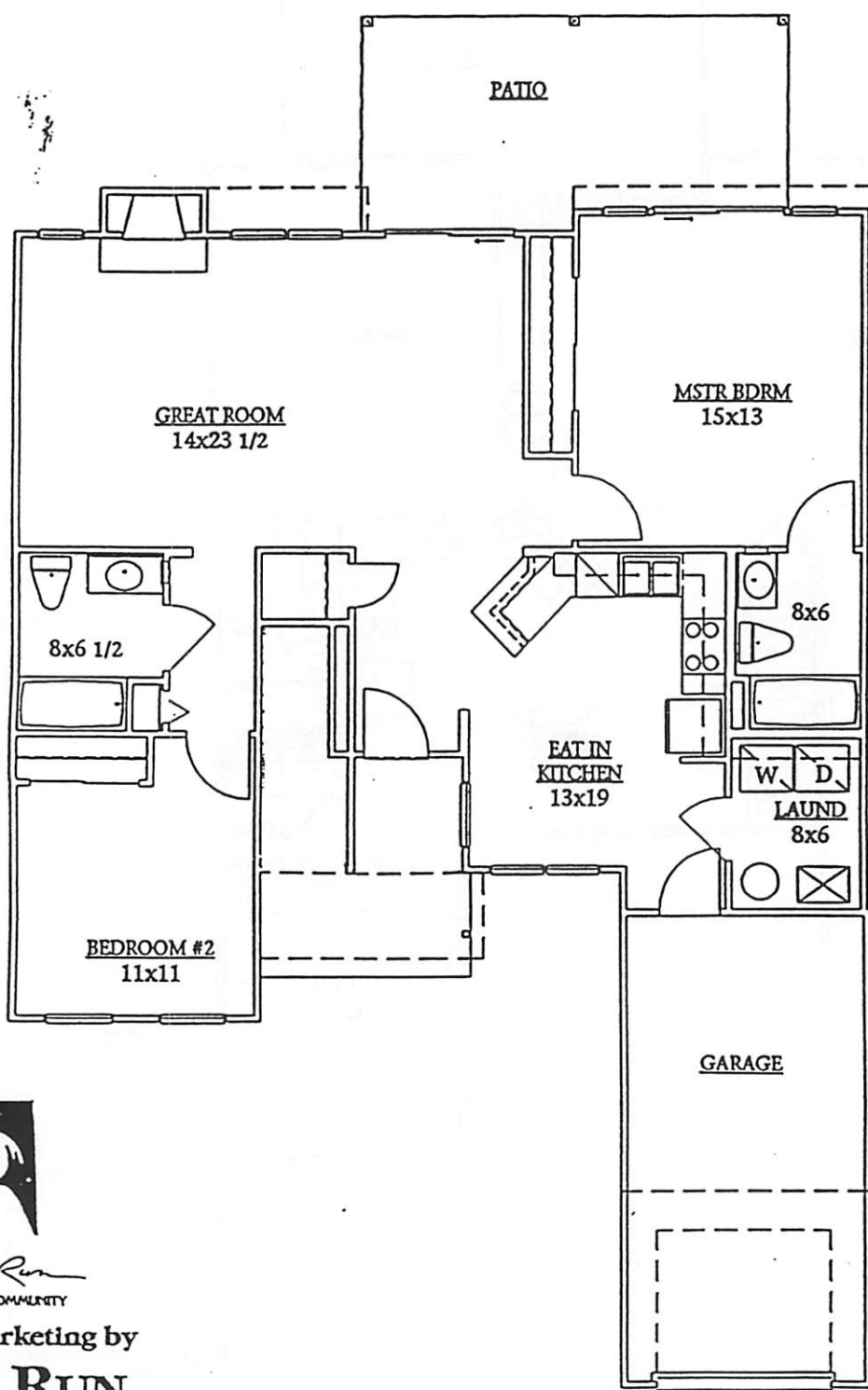
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TWO BEDROOM PINEHURST



River Run
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PART 8. FACILITIES

Although unit owners in River Run Condominium will have the use of substantial recreational facilities, no recreational or other facilities are to be used and maintained by the unit owners in their capacity as unit owners or by the Council of Unit Owners, and no such facilities are to be part of the common elements of the Condominium. However, River Run unit owners will have access to the various recreational facilities which are to be owned and operated by the Developer or its assigns, and will further have access to the open space owned by the River Run Community Association, Inc., a Maryland corporation, which will be the master homeowners association in the River Run community. River Run unit owners will be members of the River Run Community Association.

The facilities referred to above are presently intended to include (i) an eighteen hole golf course, along with a practice putting green, (ii) at least two tennis courts and an outdoor swimming pool and are intended in the future to include, (iii) a maximum of 200 boat slips located in a marina, and (iv) clubhouse, including locker room facilities, a restaurant, a pro shop and other amenities. Items (i) and (ii) are complete. The Developer makes no guarantee or representation as to when item (iii) and (iv) will be started or completed, although an interim clubhouse containing a pro shop, restaurant, locker rooms, and fitness room do exist.

The Developer will initially own and manage the said Facilities.

A unit owner may use the aforementioned facilities by paying the usage charges established from time to time by the Developer (or other operator). Unit owners will have the right to use all facilities on terms equal to or more favorable than non-owners. It is expected that the Developer will arrange to reserve preferred tee times on the golf course for unit owners. Before selling the golf course to an unrelated third party, the Developer will first offer to sell the same to all the owners of lots and condominium units in River Run, as a group.

1/17/03
1/31/03

AMENDMENTS TO
BY-LAWS
OF
RIVER RUN CONDOMINIUM

The Council of Unit Owners ("the "Council") of River Run Condominium (the "Condominium"), by its undersigned officers, pursuant to § 11-104 of the Real Property Article of the Annotated Code of Maryland and Article XVIII, Section 4 of the existing By-Laws of the Condominium (the "By-Laws"), hereby certifies that the following amendments to the Condominium's By-Laws were duly adopted by vote of not less than sixty-six and two-thirds percent (66 & 2/3 %) of the total votes appurtenant all units in the Condominium at meetings of the Council properly constituted for such purpose, and, where applicable, were duly consented to by mortgage holders upon units comprising not less than fifty-one percent (51%) of the votes of units encumbered by mortgages of record.

FIRST: Amend Article XII, Section 4 of the By-Laws, by adding the following, following the word "hereof":

[. . . hereof]; provided, however, that if the cause of any damage to or destruction of any portion of the condominium project originates, as determined the insurance carrier that provides the Council of Unit Owners' blanket property insurance policy, in or from any part of a unit, then:

(a) The Council of Unit Owners' blanket property insurance deductible is not a common expense up to the sum of One Thousand Dollars (\$1,000.00);

(b) The Unit (and the owner(s) thereof) from which the cause of the damage or destruction originated shall be responsible for the Council of Unit Owners' blanket property insurance deductible, which responsibility shall not exceed One Thousand Dollars (\$1,000.00); and

(c) The Council of Unit Owners' blanket property insurance deductible amount exceeding the Unit's/Unit Owner(s) One Thousand Dollar responsibility shall be a common expense.

ii). To Article XI, Section 1.E.(iv) ADD the following, after the word "party" in the 9th line:

[party]; provided, however, that if the damage or destruction originates in or from any part of a unit, then such unit and the owner(s) thereof shall be

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STEPHEN V HALEY
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105 Campbell St
Baltimore, MD 21201

primarily responsible up to the sum of One Thousand Dollars (\$1,000.00) as is more particularly stated in Article XII, Section 4.

SECOND: Amend Article XIII, Section 11 of the By-Laws by deleting existing Section 11, and replacing it with the following new Section 11:

Section 11. All leases shall be in writing and shall be in form supplied and approved by the Board, and shall be made expressly subject to the Declaration, Condominium Plat, By-laws and rules and regulations duly adopted by the Board each as may be amended from time to time theretofore or thereafter. The owner of any leased unit shall promptly deliver a copy of the lease, and all amendments which may be made from time to time thereto, to the Board. Except as provided in Article XIII, Section 12 hereof, no unit shall be rented for a period of less than one (1) month, and no unit shall be rented more frequently than twice per calendar year. Units to which record title are held by corporations shall only be occupied by bona fide employees of the corporation and gratis guests thereof. Units to which record title is held by partnership shall only be occupied by the partners and employees thereof and the partners' and employees' immediate families. The Developer for a period of five (5) years from the date hereof shall be authorized to alter or amend the aforesaid rental policy from time to time without a vote of the Council, notwithstanding anything to the contrary contained in these By-laws.

New
Rental
Policy

THIRD: Amend Article XIII of the By-Laws by adding a new Section 12, as follows:

Section 12. From time to time and subject to the following general requirements, a unit owner, acting singularly, may elect to utilize the unit as a service provider engaged in providing short-term housing accommodations to golfers ("Golf Package Rentals").

- a. On or after January 1 of each calendar year, but prior to January 15 of such year, any owner desiring to engage in such service provision to provide Golf Package Rentals must communicate his, her, or its intention to the Board or Manager in writing by completing the form provided by the Board for such notice.
- b. Such owner shall share, on a pro-rata basis with other unit owners also providing such similar services, the full amount of the annual cost of providing such emergency and/or complaint response as shall be determined to be appropriate from time to time by the Board (hereinafter referred to as the "Supervisory Fee").
- c. Such owner shall pay to the Council such unit owner's pro-rata share of the total annual Supervisory Fee within 15 days notice by the Council of the amount due from such unit owner.
- d. Such owner shall strictly adhere to any and all rules and regulations established from time to time by the Board with respect to the provision of such services emergency and/or complaint response.

- e. Such owner shall release, hold harmless and indemnify the Board, the Council and any and every other unit owner from any and all losses or claims resulting from the provision of Golf Package Rentals in their unit, including the emergency and/or complaint response service or the cost of legal defense, arising in conjunction with the provision of such services.
- f. Such owner shall pay to the Council any fines or penalties imposed for violations by any unit occupant of the rules and regulations established for the provision of such services, or claims for damages or other like charges within 30 days notice by the Council of the amount due from such unit owner.
- g. Failure by a unit owner to timely pay the Supervisory Fee, or any fines, penalties, claims for damages or other like charges shall result in immediate forfeiture of ability to continue providing such short-term housing accommodations to golfers until all such amounts then due and owing are paid in full. Supervisory Fees, fines, penalties damage claims or other like charges assessed under this Section shall be collectable in the discretion of the Board in the same manner as unpaid common expenses and other charges as provided under Article IX hereof.

IN WITNESS WHEREOF, the President of the Council has hereunto affixed his signature as of the 1st day of January, 2003; and the Secretary of the Council has appended the certificate required by the By-laws and the Maryland Condominium Act.

ATTEST:

Valter A. Christa

RIVER RUN CONDOMINIUM
COUNCIL OF UNIT OWNERS

By: Barry G. Beeman
Barry G. Beeman, President

Certificate of Secretary

I HEREBY CERTIFY as the duly elected Secretary to the Council having the duty to give notice of and count votes at meetings of the Council, that the foregoing amendments to the By-Laws of the River Run Condominium were duly adopted at meetings duly called and constituted for the purpose of adopting same by a vote of not less than 66 & 2/3% of the total number of votes appurtenant to all units in the Condominium; and that the same were duly approved and/or

consented to by eligible mortgage holders representing at least fifty-one percent (51%) of the votes of units that are subject to mortgages held by eligible holders.

Mary B. Miller
Secretary

STATE OF MARYLAND
COUNTY OF WORCESTER

On this 3rd day of January, 2003, before me, the undersigned officer personally appeared, Barry G. Beeman, who acknowledged himself to be the President of River Run Condominium Council of Unit Owners, a condominium association, and that he, as such President, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the condominium association by himself as President.

In witness whereof, I hereunto set my hand and official seal.

Melanie M. Buchanan
Notary Public



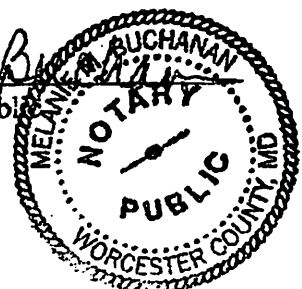
My Commission expires: 1/1/2004

STATE OF MARYLAND
COUNTY OF WORCESTER

On this 3rd day of January, 2003, before me, the undersigned officer personally appeared, Mary B. Miller, who acknowledged himself/herself to be the Secretary of River Run Condominium Council of Unit Owners, a condominium association, and that he/she, as such Secretary, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the condominium association by himself/herself as Secretary.

In witness whereof, I hereunto set my hand and official seal.

Melanie M. Buchanan
Notary Public



My Commission expires: 1/1/2004

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PREPARER CERTIFICATION

This is to certify that this document was prepared by or under the supervision of the undersigned, an attorney duly admitted to practice before the Court of Appeals of Maryland.

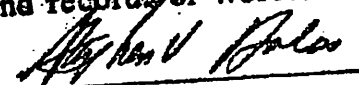


John C. Seipp

\\Dobbie\debbie\work files\John\Condo Work\River Run Composite Amendment#1.wpd

IMP FD SUR \$5	5.00
RECORDING FEE	20.00
TOTAL	25.00
Res# 4082	Acct # 96737
SWN 9681	RIK # 1678
Jan 22, 2003	03:04 PM

JAN 22 2003 The foregoing instrument
filed for record and is accordingly recorded
among the land records of Worcester County,
Maryland.



Clerk

River Run Condominium Association

**C/O Henry C. Rockel, President
12540 River Run Lane, Unit #95
Berlin, Maryland 21811**

NOTICE OF INTENT TO PROVIDE SHORT-TERM HOUSING ACCOMODATIONS TO GOLF PACKAGES

**To the Board of Directors
River Run Condominium Association
C/O Henry C. Rockel, President
12540 River Run Lane, Unit #95
Berlin, Maryland 21811**

In consideration of the opportunity to offer short-term housing accommodations to golf packages in our unit, the undersigned, who are Owners of Unit # _____, of River Run Condominium (the "Owners"), hereby inform you of our intention to be a service provider engaged in providing short-term housing accommodations to golfers (per Article XIII, Section 11 and 12 of the River Run Condominium By-Laws) during the period of January 1, 2012 to December 31, 2012. The commitments made herein shall be revocable for such calendar year.

Owners hereby acknowledge and confirm that we:

- 1) Are hereby committing to share on a pro-rata basis with all other unit owners also giving notice of their intent to provide such similar services, the full amount of the annual cost for the designated supervisory management service which is determined annually by the Board of Directors. If the fee is required for 2012 it will be based upon the total supervisory fee of \$3,430 for the period of March 19, 2012 through November 30, 2012, for 24 hours a day/ 7 days a week on-call service;
- 2) Shall pay to the River Run Condominium Association our proportionate share of the total annual fee within (15) days of invoicing by the Condominium Association;
- 3) Shall assure that all individuals renting or lodging in our unit adhere to any and all rules and regulations which have been established by the Board of Directors with respect to the provision of such services, a copy which has been provided to us;
- 4) Shall post a copy of such rules and regulations in a prominent location inside the unit, and cause a copy of same to be attached to the lodging agreement for all golf packages;
- 5) Hereby release, hold harmless and indemnify the River Run Condominium Association, its Board of Directors, its counsel, its representatives, officers, employees and any and every other unit owner from any and all losses or claims arising in conjunction with the provision of such short-term housing;
- 6) Shall pay to the Condominium Association any fines or penalties for violations of the rules and regulations by any occupant of the above unit, or claims for damages or other like charges within 30 days of notice by the Condominium Association, and that any such amount will be a payment obligation from us , enforceable in the manner of condominium assessments;

River Run Condominium Association

C/O Henry C. Rockel, President
12540 River Run Lane, Unit #95
Berlin, Maryland 21811

Rules and Regulations for Utilization of a Unit to Provide Short-Term Housing Accommodations for Golfers

- 1) Occupancy of the unit for short-term rentals shall be for golf package participants only. (This means that every person in the group must play golf the majority of the days they reside at River Run.) All such participants are subject to these rules and regulations.
- 2) No loud parties, music, or disturbances of any kind are permitted at any time.
- 3) Noise levels shall be kept at a minimum at all times and will include the interior of the unit as well as the outside patio and deck. Consideration of others is expected at all times. No significant noise that originates from within a unit is allowed after 10:00 pm.
- 4) Parking of vehicles of participants and their guests is limited to the driveway of the unit being occupied and/or the designated parking space with the unit. Improperly parked vehicles will be immediately towed at the expense of the vehicle owner. No mobile homes, campers, or RVs are permitted.
- 5) No pets are permitted in or about the unit being occupied.
- 6) Some units are designated "NO SMOKING", and therefore smoking is not allowed. If the unit does permit smoking, participants are responsible for the proper disposal of all smoking materials (not on the grounds).
- 7) All trash and garbage must be properly secured in trash bags and disposed of by participants in the condominium association's trash dumpster located in the main golf parking lot.
- 8) Nothing (towels, clothing, etc.) may be hung from any part of a unit or common elements of the Condominium.
- 9) All participants shall comply with any and all rules applicable to the use of the pool and tennis courts as established by the River Run Association.
- 10) Individual unit owners subscribe for delivery of newspapers to their condominium units. Newspapers are to be left outside for the subscribers who paid for them.
- 11) Many of the units at River Run ARE NOT rental units. There are many people who reside at River Run on a full time basis. Golf package participants shall show due consideration for the owner-occupants at River Run; and shall use the designated sidewalks and roadways to access the golf course, clubhouse and other amenities at River Run.

Rules Enforcement

These rules will be strictly enforced by the River Run Condominium Association and will be reviewed and subject to change pursuant to the Condominium Act. Any alleged violation of the rules or any complaint shall be called to the attention of the supervisory management services engaged and designated by the River Run Condominium Association as listed below.

A first violation shall be communicated to the participants creating such violations by the designated supervisory management service as a verbal warning, and delivered in writing to the participants, if feasible. A second violation by the same unit participants will result in a warning from the supervisory management service that any further violation may result in the removal of the occupants from the unit in which they are staying. Upon any subsequent violation by the same participants, they will be immediately removed from the unit in which they are staying along with their property.

For the purposes of these rules, the term "same participants" shall mean anyone in the same group of unit occupants occupying the same unit for any lodging period. Violations notices and fines will be imposed on the owner of a unit if any member of the group of participants violates the rules, even if the violation was made by separate individuals with that group.

Fines and Penalties

Incident reports by the supervisory management service shall be delivered to the Board of Directors or its management designee within 15 hours of each incident. Upon receipt of each incident report, the Board of Directors or its management designee shall impose on the owner of the unit involved, a fine per the schedule below which shall be due by the owner to the River Run Condominium Association within thirty (30) days, and enforceable in the manner provided in the By-Laws for collection of assessments against units.

First Incident Involving Participants - \$55.00

Second Incident Involving Same Participants - \$75.00

Third Incident Involving Unit Occupants - \$100.00 plus any additional costs associated with the removal of the same participants and their property from the unit.

Designated Supervisory Management

For the time periods indicated, the below listed supervisory management organizations have been designated by the Board of Directors for 2012

River Run Condominium Assoc January 1, 2012 – December 31, 2011
(410) 641-5054

River Run Condominium Association

c/o Beach to Bay Management, Inc.
5000 Coastal Highway, Suite 1
Ocean City, Maryland 21842

River Run Pet Policy

1. All unit owners must register their pets with the River Run Condominium Association annually. Pets such as birds, rabbits, hamsters or snakes do not have to be registered. Any other type of household pet must be registered.
2. Pet owners must agree to abide by the Rules and Regulations of the River Run Condominium Association regarding pets. A signed form, certifying that the owner has read and agrees to abide by the rules and regulations is required.
3. Pet owners must keep all pets properly vaccinated and provide proof of current vaccinations. (A veterinary statement is required.)
4. Pet owners must purchase a pet tag, which must be worn by the pet whenever it is outside the unit on River Run property. The pet tag fee is \$5.00, checks to be made payable to River Run Condominium Association.
5. Pet owners must provide proof of liability insurance to the River Run Condominium Association. The insurance certificate must be accompanied by a letter from the owner's insurance agent indicating that the insurer knows it is insuring the owner for liability caused by a pet at the River Run property.
6. The following rules and regulations concern pets:
 - A. Only owners may keep pets. Renters are not permitted to keep pets on the property. Friends or family members of owners may keep pets on the property while residing with and in the presence of the unit owner.
 - B. Owners and their guests are responsible for damages caused by their pets.
 - C. Pets shall not be permitted to roam about the property and must be leashed, carried or crated while on the River Run Condominium or Homeowners Association property.
 - D. Pets shall not be left unattended on balconies or chained outside the unit on walkways or on the common grounds.
 - E. Pets are not permitted in any area marked NO PETS.
 - F. Owners must ensure that their pets do not create a disturbance by continually or frequently barking.
 - G. Owners are responsible for picking up, removing and disposing of pet waste materials in a sanitary manner and to keep pets from urinating on the lawns, plantings or shrubbery.
7. Violations of the rules and regulations regarding pets, or any incident involving a pet which threatens the life, health or safety of the River Run community and / or its occupants shall result in immediate revocation of an owner's pet tag and that owner's ability to keep pets at River Run.

I have read and agree to abide by the River Run Pet Policy and Rules and Regulations regarding pets that are made part of that policy.

_____ Type of Pet to be Registered: _____ Unit Number: _____
Signature of Unit Owner

For Association Use Only - Please do not write in this area.

Application: _____ Approved _____ Disapproved

- ▶ _____ Approved by Board of Directors.
- ▶ _____ Signed River Run Pet Policy Form with Rules and Regulations.
- ▶ _____ Proof of Current Vaccination from Licensed Veterinarian.
- ▶ _____ Proof of Liability Insurance with Acknowledgement of Insuring Pet.
- ▶ _____ Pet Tag Fee Paid - Tag Number Issued ▶ _____

River Run Condominium Association

**C/O Henry C. Rockel
12540 River Run Lane, Unit 95
Berlin MD 21811-3800**

1/8/2012

Dear River Run Owners:

On January 7, 2012, your Board of Directors met and approved the following rule pertaining to the use of grills.

Use of Grills – The use of grills on the balconies and decks are prohibited. Grills located on ground level decks or patios must be used at least 10 feet away from any part of the structure and shall not be left unattended while being used.

It is important for owners that rent their units to make sure tenants are aware of the new rule. It is recommended this restriction be included as a part of rental leases for all future tenants.

Thank you for your cooperation and support in this matter.

Sincerely,

Henry C. Rockel
President
River Run Condominium Association
410-641-5054

CC: The Harford Mutual Insurance Co.
Insurance Management Group, Inc