

## MEMORANDUM OF UNDERSTANDING

This MEMORANDUM OF UNDERSTANDING (this "Memorandum") made this 27<sup>th</sup> day of JANUARY, 2007 by and among THE COUNCIL OF UNIT OWNERS OF CONDOMINIUM RESIDENCE I OF FALLSGROVE, INC. ("Council I"), THE COUNCIL OF UNIT OWNERS OF CONDOMINIUM RESIDENCE II OF FALLSGROVE, INC. ("Council II"), and THE COUNCIL OF UNIT OWNERS OF CONDOMINIUM RESIDENCES III & IV OF FALLSGROVE, INC. ("Council III & IV"). (Council I, Council II, and Council III & IV are sometimes hereinafter individually referred to as a "Council" and collectively referred to as the "Condominiums" or "Councils.")

WHEREAS, the Board of Directors of Council I is the governing body vested with decision making authority with respect to the matters set forth in this Memorandum of Understanding ("Board I"); the Board of Directors of Council II is the governing body vested with decision making authority with respect to the matters set forth in this Memorandum of Understanding ("Board II"); and the Board of Directors of Council III & IV is the governing body vested with decision making authority with respect to the matters set forth in this Memorandum of Understanding ("Board III & IV") (Board I, Board II, and Board III & IV are sometimes collectively referred to herein as the "Boards"); and

WHEREAS, Condominium Residence I of Falls Grove, Inc., Condominium Residence II of Falls Grove, Inc., and Condominium Residences III & IV of Falls Grove, Inc. are separate condominium associations located adjacent to one another in Rockville, Maryland; and

WHEREAS, ARTICLE VI, Section 6.3.5 of each Declaration of the Condominiums grants to each unit owner and each Council of Unit Owners a non-exclusive easement for the use of the General Common Elements that are located outside the building(s) of the Condominiums that are constructed on such property; and

WHEREAS, the Declaration of Easements of BP Falls Grove LLC recorded at Liber 23582, Folio 221 grants and conveys for the use and benefit of each Condominium and its unit owners a non-exclusive and perpetual easement on, over, across, and through all four ownership parcels upon which the three (3) Condominiums are located; and

WHEREAS, the Councils entered into a Memorandum of Understanding, dated January 7, 2005 ("2005 MOU"), and on January 14, 2006, entered into an Addendum to Memorandum of Understanding Dated January 7, 2005 ("2006 Addendum"); and

WHEREAS, the Councils have entered into this Memorandum on behalf of their respective Condominiums and unit owners to set forth certain agreements with respect to shared services and shared maintenance obligations among the Condominiums for the General Common Elements, with the intent to supersede and replace the 2005 MOU and the 2006 Addendum;

NOW THEREFORE, in consideration of the above recitals, each of which is made a part of this Agreement, and for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Councils agree as follows:

1. Definitions. The term "landscaping" as used in paragraph 2, below, includes replacing flowers, trees and shrubs. The term "maintenance" as used in paragraph 2, below, includes maintenance, repair and replacement, as may be required by the attendant circumstances. The term "maintaining" as used in paragraph 4, below, includes maintaining, repairing and replacing, as may be required by the attendant circumstances. In the event it becomes necessary to replace dead bushes or trees, it is agreed that the replacements do not necessarily have to be comparably mature trees or bushes, especially where the individual cost exceeds \$250.00. Any individual bush or tree replacement with a replacement cost in excess of \$250.00 will require approval from each of the three Boards of Directors. However, any Condominium may make improvements on its own parcel at its own expense, regardless of the cost.

2. The Boards, on behalf of each of their respective Councils, have determined that it is in the best interest of the Condominiums to cooperate with one another in order to take advantage of certain economies of scale with respect

to the following services that are required in connection with the operation, use and maintenance of the Condominiums: trash removal services and maintenance of trash facilities, snow removal, grass mowing, landscaping maintenance, lighting maintenance, and water and sewer for the General Common Areas (collectively, the "services"). The Boards, on behalf of their respective Condominiums, hereby agree to make reasonable efforts to cause the Condominiums to engage single providers with respect to the services. The Boards agree to instruct their respective management companies to work together and to cooperate in order to accomplish the foregoing. The cost of the services will be borne by each Council on the following percentage basis:

- a. Trash Removal Services. The cost of trash removal services will be borne by each Council as allocated on the basis of the percentage of total units within each Condominium in relation to the total number of units of all three Condominiums. Council I's share is 49/119 (41.1765%) of the total, Council II's share is 48/119 (40.3365%) of the total and Council III & IV's share of the total is 22/119 (18.4870% of the total).
- b. Landscaping Maintenance for 2007 Season. The costs associated with the Landscaping Maintenance contract for 2007 that is in existence with Greenlink, Inc. as of the date the Councils have executed this Memorandum, as first written above, will be borne by each Council as allocated on the basis of the percentage of total units within each Condominium in relation to the total number of units of all three. Council I's share is 49/119 (41.1765%) of the total, Council II's share is 48/119 (40.3365%) of the total and Council III & IV's share of the total is 22/119 (18.4870% of the total). Upon expiration of the 2007 contract, the percentages specified in Section 2.d. below, will apply. *38.5 / 38.5 / 23*
- c. Water. Water will be billed on actual usage by each of the three Councils after the main water meter and all water sub-meters are read and reconciled by the property manager designated. In the event any sub-meter readings are not available for any given quarter, cost sharing will be allocated as in paragraph 2.a. above.
- d. All Other Services. The cost of All Other Services not listed above shall be borne by the Condominium Associations in accordance with the following percentage shares:

Condo I	38.5 %
Condo II	38.5 %
Condo III & IV	23.0 %

The term "All Other Services" refers to the maintenance, repair and replacement of the General Common Elements as defined in the Declaration for each Council, which includes, but is not limited to the Community Concrete Curbs, Exterior Light Poles, Asphalt Drives, Asphalt Parking Areas, Brick & Concrete Entry Sign and Entry Sign Lights at median, other common area signage agreed to by all three Boards of Directors, Landscaping, Cast Stone Fountains, Gazebo and Bridge, Gazebo Lights, Pond Railing, Pond Wall, Brick Retaining Walls, Retaining Wall Railings, Electrical Lines and Fixtures, Brick Screen Walls, Trash Areas' Fences, Concrete Walkways, Paver Walkways, Domestic Water Pipes and Fixtures and Surface Water Drainage Pipes and Fixtures serving our Councils' several buildings and properties, all of the various elements of the bio-retention area and any of the Councils' common area fencing.

3. The Councils further agree that in the event any Council has paid more than its allocable share for any Service because of the failure of any other Council to pay their allocable share, such Council shall be entitled to pursue collection against the Council that has failed to pay its allocable share, which cause of action shall include a right to recover interest at the maximum rate permitted under the Maryland Condominium Act (presently 18% per annum). In the event that litigation becomes necessary to collect monies not paid by any of the Councils, and/or should there be a breach of contract by any of the Councils, the prevailing Council(s) are also entitled to reimbursement from the non-prevailing Council(s) of all attorney fees and costs, and court fees, as well as any other costs and fees that may arise as a result of the breaching Council(s)' actions.

4. The Councils, on behalf of their respective Condominiums, further agree that the costs of maintaining the storm water management area (bio-retention area) including all of its various elements, located at Condominiums III & IV, the fountain located at Condominium I, the fountain located at Condominium II, driveways, parking areas, curbs,

walkways, signage and any other General Common Element feature located at any of the Condominiums shall also be borne by the Condominiums in the same manner as described in Section 2d. above.

5. The Boards, on behalf of their respective Condominiums and unit owners, agree that their Capital Reserve Funds established pursuant to their respective condominium documents will be adequately funded for their proportionate share of the cost for repair and replacement of the General Common Elements and for operating contingencies of a non-recurring nature. The Boards further agree that they will provide a copy of the section of their current Capital Reserve Schedule pertaining to the General Common Elements to each of the other Councils for the purpose of establishing for each Council its total proportionate share for capital reserve budgeting and funding. The Boards agree to provide evidence to the other Boards, within thirty (30) days, upon written request, that it is maintaining its respective adequately funded share of the cost of repair and replacement of the General Common Elements, which shall include but shall not be limited to, financial statements and/or audit reports.

6. It is the intent of the Boards, on behalf of their respective Councils and unit owners, to promote the enforcement of the terms and conditions of their respective condominium documents, including all rules and regulations set forth therein, so as to encourage an overall sense of community, maintain a uniform exterior appearance of the buildings, and cooperation among the Condominiums. The Boards recognize that enforcement of the terms and conditions of their respective condominium documents, including all rules and regulations set forth therein, is limited to each individual Board with respect to each Council's parcel. Each Board will continue to take into consideration the views of the other Board(s) for the other Councils in such matters.

7. The Boards agree on behalf of their respective Condominiums to establish a Committee to be comprised of two members from each Council to make recommendations to all three Councils regarding matters referred to it by the Board of Directors of their respective Councils. Any recommendations to the respective Boards by the Committee must be based on a majority vote of the six (6) Committee members. The Committee shall select an initial Chairperson, by majority vote of the six (6) Committee members, who shall be empowered to call meetings of the Committee as may be necessary to conduct the business of the Committee. On an annual basis in January, the Chairperson of the Committee shall rotate to a Committee member from a different Council, which has not had Chairperson during the prior two-year period.

8. Except as provided in paragraph No. 3 above, in the event of a disagreement or dispute among the three Councils regarding any and all provisions of this Memorandum of Understanding, the three Councils agree to first participate in non-binding mediation with the Rockville Community Mediation Program (sponsored by the City of Rockville Human Rights Commission) or its successor, assignee or transferee. In the event the City of Rockville does not offer this program or a similar program, the Councils agree to participate in non-binding no-fee mediation sponsored by Montgomery County. In the event the parties cannot resolve the dispute after non-binding mediation by either of the two referenced governmental bodies, or if such non-binding no fee mediation is not available to the parties within thirty (30) days after a written request is submitted for the same, the parties agree to submit such disputes to binding arbitration, wherein the costs shall be shared on an equal basis among the three associations. Arbitration shall be considered in accordance with the applicable rules of the American Arbitration Association (AAA) then in effect in an expeditious manner. The arbitration shall be conducted by the office of the AAA in closest proximity to Rockville, Maryland, or at such other location as the parties agree to in order to avoid travel fees from the arbitrator, and shall be held within sixty (60) days after the parties have selected an arbitrator, or as soon thereafter as possible. The parties will request that the arbitrator render a written decision within no more than thirty (30) days after the hearing has concluded.

9. The trash areas located on the various parcels are regarded as General Common Elements and are available for use by unit owners/residents in any of the three Councils, as are exterior parking spaces [not including those spaces located behind any garage door and/or Telephone/Electric room garage door or designated for specific purposes (i.e., handicap parking) by a Condominium on its parcel].

10. Miscellaneous.

a. The 2005 MOU and the 2006 Addendum are hereby superseded by this Memorandum and those prior agreements will have no further binding effect.

b. The term of this Memorandum shall be ten (10) years from the date as first written above. This Memorandum may only be modified or terminated during its term by the unanimous written consent of all three Boards.

c. Subject to the provisions of paragraph 10.d. below, after ten years from the date this Memorandum of Understanding is ratified, this Memorandum of Understanding shall automatically renew on a year-to-year basis.

d. After ten years from the date of this Memorandum of Understanding, this Memorandum of Understanding may be renegotiated or terminated upon the written request of any one of the three Councils submitted not less than ninety (90) days in advance of the anniversary date, or any yearly renewal thereof.

This Memorandum of Understanding constitutes the entire agreement among the parties with respect to the subject matter hereof and shall not be modified except by a written agreement dated subsequent to the date of this Memorandum and signed by the authorized representative of each of the three condominium associations. Any modification must be unanimously approved by the three Councils as authorized by their respective Boards.

If any provision of this Memorandum of Understanding shall be held by a court of competent jurisdiction to be illegal, invalid or unenforceable, the remaining provisions shall remain in full force and effect.

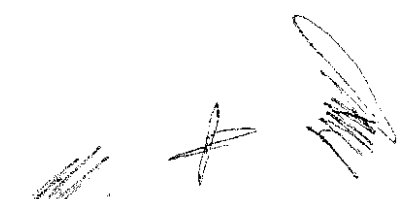
This Memorandum of Understanding and any amendments hereof shall be governed by and construed in accordance with the laws of the State of Maryland, Montgomery County, and the City of Rockville applicable to contracts made and to be performed therein.

Notices allowed or required hereunder shall be sent by United States mail, postage prepaid to the addresses of the parties set forth below, or as otherwise notified in writing, and an additional copy of the notice shall be delivered to the then Board President of each Council.

The Council of Unit Owners of Condominium Residence I of Falls Grove, Inc.  
c/o Abaris Realty, Inc.  
12009 Nebel Street  
Rockville, MD 20852

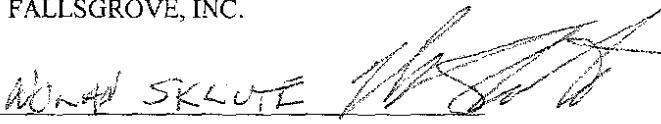
The Council of Unit Owners of Condominium Residence II of Falls Grove, Inc.  
c/o Abaris Realty, Inc.  
12009 Nebel Street  
Rockville, MD 20852

The Council of Unit Owners of Condominium Residences III and IV of Falls Grove, Inc.  
c/o Abaris Realty, Inc.  
12009 Nebel Street  
Rockville, MD 20852




IN WITNESS WHEREOF, THE COUNCILS HAVE EXECUTED THIS MEMORANDUM AS OF THE DATE FIRST WRITTEN ABOVE.

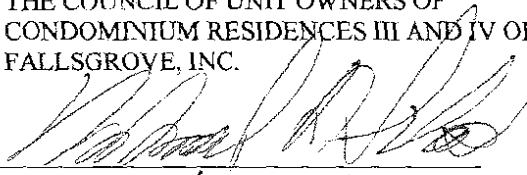
THE COUNCIL OF UNIT OWNERS OF  
CONDOMINIUM RESIDENCE I OF  
FALLSGROVE, INC.

By:   
Name: NOLAN SKLUTE  
Title: PRESIDENT

THE COUNCIL OF UNIT OWNERS OF  
CONDOMINIUM RESIDENCE II OF  
FALLSGROVE, INC.

By:   
Name: Thel Sullivan  
Title: President

THE COUNCIL OF UNIT OWNERS OF  
CONDOMINIUM RESIDENCES III AND IV OF  
FALLSGROVE, INC.

By:   
Name: RICARDO A-SUAREZ  
Title: PRESIDENT