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DECLARATION

OF

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COVENANTS, CONDITIONS AND RESTRICTIONS

THIS DECLARATION, made this 14th day of November, in the year of One Thousand Nine Hundred Eighty-Four by MILES RIVER HOMES, INC., a Maryland corporation, hereinafter referred to as "Declarant".

W I T N E S S E T H :

WHEREAS, Declarant is the owner of that certain tract or parcel of land in the Town of St. Michaels, Talbot County, State of Maryland, containing 16.399 acres of land, more or less, shown on the subdivision plat entitled "Plat Showing Revised Phase One of Perry Cabin at St. Michaels", prepared by J.R. McCrone, Jr., Inc., dated October, 1984, and recorded among the Land Records of Talbot County, Maryland at Plat Book J.T.B. No. 64, folio 17; and

WHEREAS, Declarant intends to convey the fifty (50) individual lots and improvements to be constructed thereon, subject to certain protective covenants, conditions and restrictions, reservations, charges and liens as hereinafter set forth.

NOW, THEREFORE, Declarant hereby declares that the tract or parcel of land described above and hereinafter called the "Property" shall be held, sold and conveyed subject to the following Easements, Covenants, Conditions, Restrictions, Charges and Liens for the purpose of enhancing the value, desirability and attractiveness of the Property and each lot thereon. These Easements, Covenants, Conditions, Restrictions, Charges and Liens shall run with the land and be binding upon and inure to the benefit of all parties having or acquiring any right, title or interest in the Property or any part thereof,

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Easton, Md. 21601

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Examined and returned to Z. H. Stafford, Esq.

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and their personal representatives, successors and assigns, in perpetuity, except as hereinafter limited.

ARTICLE 1
DEFINITIONS

As used in this Declaration, the following terms shall have the meanings herein specified:

1. "Association" shall mean and refer to Fogg Cove Homeowners Association, Inc., a non-stock corporation, organized and existing under and by virtue of the laws of Maryland.

2. "The Plat" shall mean and refer to that plat entitled "Plat Showing Revised Phase One of Perry Cabin at St. Michaels", prepared by J.R. McCrone, Jr., Inc., dated October, 1984, and recorded among the Land Records of Talbot County at Plat Book J.T.B. No. 64, folio 17.

3. "Property" shall mean, refer to, and include all of the tract or parcel of land described above and being all of the land shown on The Plat, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

4. "Owner" shall mean and refer to the record owner, from time to time, whether one or more persons or entities, of fee simple title (or of leasehold title pursuant to a lease for a term of at least fifteen (15) years) to any Lot which is a part of the Property.

5. "Common Areas" shall mean and include all real property (including improvements thereon) from time to time owned by the Association for the common use, benefit and enjoyment of the Owners, plus any additional property conveyed to the Association. The Common Areas to be owned by the Association are described as follows:

All of the areas containing in the aggregate 8.66 acres, more or less, designated as Common Area "A" and

Common Area "B" on The Plat, and the roads, driveways, parking areas and walkways, shown on The Plat unless dedicated to and accepted by the Town of St. Michaels.

SUBJECT, HOWEVER, to the access easement shown on the plat entitled "Phase One Perry Cabin at St. Michaels" dated September, 1983 and recorded as aforesaid in Liber J.T.B. No. 61, folio 28, and subject to the right of Declarant to lay, install, construct, place and maintain on, over, or under the Common Areas, or any portion thereof, pipes, mains, conduits, drains, lines, and other facilities for water, storm sewer, sanitary sewer, gas, electric, telephone, cable television and other utilities to provide adequate service to any Lot on the Property or on other lands contiguous to or in the vicinity of the Property, together with the right and privilege of entering upon the Common Areas for such purposes and making openings and excavations; provided that, subject to any required change in grade, the ground shall be restored and left in good condition; all reserved by Declarant for itself, its successors and assigns, including the Town of St. Michaels, and any utility company, to whom Declarant may grant, convey, transfer, set over and assign the same, or any part thereof.

6. "Lot" shall mean and refer to a specific, identifiable, and bounded portion or subdivision of the Property, and shall consist of a Townhouse plus attachments and appurtenances. The location and boundaries of each Lot are as shown and designated on The Plat.

7. "Townhouse" shall mean and refer to the principal structure erected upon a Lot. Each Townhouse shall be physically connected to a Townhouse on one or more adjacent Lots.

8. "Party Wall" shall mean, refer to, and include the entirety of the physical structure between and separating Townhouses on adjacent Lots, placed on the dividing line between

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them, provided it is connected to and is an integral part of both Townhouses.

9. "Adjacent Owner" shall mean and refer to the Owner of a Lot adjacent to another Owner's Lot.

10. "Declarant" shall mean and refer to Miles River Homes, Inc., and any successor or assignee to whom Miles River Homes, Inc. shall (i) convey any or all its right, title and interest in the Property, as an entirety without reservation of any kind; or (ii) transfer and assign any or all its rights, powers and interests under this Declaration.

11. "Sales Period" shall mean and refer to the period of time which shall begin upon the start of construction on the Property and end upon the sale of all the Lots.

ARTICLE II

PROPERTY RIGHTS

1. Owners' Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment, in common with others entitled thereto, in and to the Common Areas which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) the right of the Association to suspend the voting rights and right to use the Common Areas by an Owner for any period during which an assessment against the Lot remains unpaid.

(b) the right of the Association to dedicate or transfer all or any part of the Common Areas to The Commissioners of St. Michaels, or any agency thereof, or to a utility company for such purposes and subject to such conditions as may be agreed to by the Association. Except as has been previously agreed to by Declarant or its predecessors in title, or as may be required from time to time by law, no dedication or transfer

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shall be effective unless an instrument agreeing to dedication or transfer signed by 2/3rds of each class of members of the Association has been recorded among the Land Records of Talbot County.

(c) the right of the Association, in accordance with its Charter and By-Laws, to borrow money for the purpose of maintaining and improving the Common Areas, and any additions thereto, however the liens of any mortgage thereon shall be subordinate to the rights of the Owners and rights of The Commissioners of St. Michaels and utility companies for public easements and utility rights of way;

(d) the right of all Owners to use the parking spaces on the Common Areas.

2. Delegation of Use. Any Owner may delegate, in accordance with the By-Laws of the Association, the right to use the Common Areas to family members who actually reside on the Lot and guests.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

1. Every Owner shall be a member of the Association.

Membership shall be appurtenant to and may not be separated from ownership of the Lot.

2. The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners, with the exception of Declarant, and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any Lot.

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Class B. The Class B member shall be Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease when all of the Lots are sold.

ARTICLE IV

COVENANT FOR MAINTENANCE ASSESSMENTS

1. Creation of the Lien and Personal Obligation For Assessments. Declarant, for each Lot owned within the Property, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in the deed, is deemed to covenant and agree to pay the Association: (1) annual assessments or charges, and (2) special assessments for capital improvements, which may be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which the assessment is made. Each assessment, together with interest, costs, and reasonable attorney's fees, shall also be the personal obligation of the Owner of the Lot at the time the assessment is due and payable.

2. Purpose of Assessments. The assessments shall be used exclusively to promote the recreation, health, safety, and welfare of the residents of the Lots and for the improvement and maintenance of the Common Areas, to provide periodic cutting of the grass areas of each Lot during the appropriate seasons, and for the maintenance of the street lights on Perry Cabin Drive, and to keep the Common Areas free of ice, snow, dirt and litter.

3. Annual Assessment. The Board of Directors of the Associations shall fix the annual assessment at an amount necessary to accomplish the purposes stated in Section 2 of this Article IV.

4. Special Assessments for Capital Improvements.

The special assessment for capital assessments authorized above, shall be only applicable to the year in which assessed and only to pay for the purpose of defraying, in whole or in part, the cost of construction, reconstruction, repair or replacement of the Common Areas; and provided that any such assessment shall have the assent of two-thirds (2/3rds) of the votes of each class of members who are voting in person or by proxy at a meeting duly called for these purposes.

5. Notice and Quorum for an Action Authorized

Under Sections 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Sections 3 or 4 shall be sent to all members not less than 30 days nor more than 60 days in advance of the meeting. At the meeting, the presence of members or of proxies entitled to cast sixty percent (60%) of all of the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the quorum required at the preceding meeting. A subsequent meeting must be held within 60 days of the preceding meeting.

6. Uniform Rate of Assessment. Both annual and

special assessments must be fixed at a uniform rate for all Lots and may be collected on a quarterly basis.

7. Date of Commencement of Annual Assessments Due

Dates. The annual assessments shall commence as to all Lots on the first day of the month following conveyance of the Common Area to the Association. The first annual assessment shall be adjusted according to the number of months remaining in the year. The Board of Directors shall fix the amount of the annual assessment for the Lots at least thirty (30) days prior to the

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beginning of the assessment period and send written notice of the assessment to each Lot Owner. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot shall be binding upon the Association as of the date of issuance.

8. Effects of Nonpayment of Assessments: Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of twelve percent per annum. The Association may bring an action at Law against the Owner or enforce the lien against the property. No Owner may waive or otherwise escape liability for the assessments by non-use of the Common Areas or the abandonment of the Lot.

9. Subordination of the Lien to Mortgages. The lien for the assessments shall be subordinate to the lien of any first mortgage or deed of trust on a Lot, and the sale or transfer of any Lot pursuant to a foreclosure of a first mortgage or deed of trust or any proceeding in lieu thereof, shall extinguish the lien for assessments which became due prior to the foreclosure sale. Sale or transfer in any other manner shall not relieve a Lot from liability for any assessments.

10. Exempt Property. The following property subject to this Declaration shall be exempt from the assessments created herein: (a) all properties dedicated to and accepted by a public authority; and (b) the Common Areas.

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ARTICLE V

ARCHITECTURAL CONTROL

No building, pool, fence, wall or other structure of any kind shall be commenced, erected or maintained on the Property nor shall any exterior addition to, or change or alteration or improvement, including change of colors be made to a Townhouse or other structure until the plans and specifications showing the nature, kind, shape, height, materials, color and location have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography, by an Architectural Control Committee composed of three (3) or more members appointed by Declarant. If the committee fails to approve or disapprove plans and specifications within sixty (60) days after submission, approval will not be required and this Article will be deemed to have been complied with. This provision of this Article shall not apply to the Class B member and if Declarant fails to appoint members to the Committee within thirty (30) days of a request to do so from the Board of Directors of the Association, then, in that event, the Board may appoint the members. Declarant may, at any time by written notice to the Board of Directors of the Association, ~~assign the right to appoint the members of the~~ Architectural Control Committee to the Board of Directors of the Association.

ARTICLE VI

PARTY WALLS

1. General Rules of Law to Apply. Each wall built as a part of the original construction of a Townhouse and placed on a dividing line between Lots shall constitute a Party Wall, and to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and

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liability for property damage due to negligence or willful acts or omissions shall apply thereto.

2. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use. Each Owner shall have an easement over that part of an Adjacent owner's Lot as may be necessary for the repair and maintenance of the Party Wall.

3. Destruction by Fire or Other Casualty. If a Party Wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if other Owners thereafter make use of the wall, they shall contribute to the cost of restoration in proportion to such use, without prejudice, however, to the right of any Owner to call for a larger contribution from an Adjacent Owner under any rule of law regarding liability for negligent or willful acts or omissions.

4. Right to Contribution Runs With Land. The right of any Owner to contribution from an Adjacent Owner under this Article shall be appurtenant to the land and shall pass to Owner's successors and assigns.

ARTICLE VII

SPECIAL MAINTENANCE

In the event that there is an obvious need for maintenance or repair which is caused through the willful or negligent act of an Owner, his family, agents or invitees, and if such maintenance or repair is not made with thirty (30) days after notice to maintain or repair is sent by the Board of Directors, the Board of Directors may cause the maintenance or repairs to be performed and the costs thereof shall be added to and become a part of the assessment to which the Owner's Lot is subject. The Board of Directors shall have the right to enter upon a Lot

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to perform maintenance or repairs as may be necessary without incurring liability therefor.

ARTICLE VIII

USE RESTRICTIONS

1. Each Lot and Townhouse shall be used for residential purposes only.
2. No building, pool, game facility, or structure, shed, awning, porch, porch covering, garage, trailer, tent, driveway, fence, hedge, wall or other structure shall be commenced, erected, altered or maintained on any Lot, nor shall any addition thereto (including awnings and screenings), or change or alteration therein (including any retreatment by painting or otherwise of any exterior part) be made until the plans and specifications are first approved by the Architectural Committee as herein provided. No structure built on any Lot shall have any part of its exterior painted, repainted, covered or in any way modified unless the color and modification or covering is first approved by the Architectural Control Committee.
3. No building, or other structure shall be built, erected or located on any Lot nearer to the front lot line than the minimum building set back line shown on The Plat.
4. No fence, wall or hedge, shall be allowed, erected, planted, or constructed upon any Lot. The condition of all Lots shall be maintained in such a manner as to allow proper drainage and avoid erosion of the soil. Vegetation shall be tended and not permitted to grow in a wild or unsightly manner.
5. No exterior clothesline or hanging device shall be allowed upon any Lot.
6. Storm doors shall be either wood or anodized aluminum, contained no grills of any kind, be painted the color of the door or trim, and be of the type, color and design

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approved by the Architectural Control Committee prior to installation.

7. No television or other type antenna or aerial may be installed on the exterior of any Townhouse.

8. No boats, cradles, or trailers may be parked on any Lot or any other part of the Property.

9. No motor vehicle (including trailers, and campers), except as may be classified as passenger cars, station wagons or motorcycles and which are licensed and in working order, shall be parked or otherwise kept or located on a Lot or any other part of the Property, and then only on that part of the Common Areas suitable for such purpose. No motor vehicle may be operated or driven in a manner that creates excessive or unusual noise.

10. No noxious, offensive, or illegal activity shall take place upon any Lot or any other part of the Property, nor shall anything be done that may be or may become an annoyance or nuisance.

11. During the Sales Period no signs may be displayed except those erected by Declarant. Thereafter no signs may be erected or be displayed on any Lot, or any other part of the Property.

12. No animals, livestock or poultry of any kind shall be kept, raised, or bred on any Lot, except that dogs, cats or other domesticated household pets, not in excess of two (2), may be kept provided that they are not kept, bred, or maintained for a commercial purpose. No dog house or other type of pet shelter may be erected or maintained on a Lot or any part of the Property. No pet is to be permitted to leave its Lot, unless it is on a leash or otherwise under control. No pet shall be allowed to disturb the neighborhood by causing unreasonable noise or odors, by littering, or by chasing or bothering persons or cars.

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13. No Lot or any part of Common Areas shall be used or maintained as a dumping ground. Rubbish, trash, garbage or other waste shall only be kept in sanitary containers which may be placed outside the Townhouse only on the day of trash collection. All equipment for the storage or disposal of such materials shall have a tight fitting lid and be kept in a clean and sanitary condition.

14. No radio transmitter shall be operated on any Lot, nor shall any electromagnetic or any other kind of radiation be generated from any Lot unless it causes no interference either with the reception of electromagnetic or other radiation by an Owner or with the health, safety, or convenience of an Owner.

15. No incinerator shall be installed or operated and leaves or trash may not be burned on any Lot or any part of the Property.

16. No excavations shall be made except to install or repair pipes, tanks, cables, or other equipment or devices which service the Lot and upon completion of the installation or other work the Property must be restored to its former state.

17. The Common Areas shall only be used for the intended purposes, walkways, driveways, parking as herein allowed, and open areas and recreational and athletic purposes. Nothing herein shall be construed to prohibit the installation and maintenance of water, sewer, gas, electric, telephone, cable television and other utilities and facilities.

ARTICLE IX

EASEMENTS

Easements for the installation and maintenance of utilities and drainage facilities and for other public purposes and access to the Property are reserved to the Declarant, The

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Commissioners of St. Michaels and the utility companies, as shown on The Plat or as may be or may have been required, necessary or desirable to be recorded or given prior to the date hereof or subsequent hereto. Within the easement areas, structures, plantings or other materials which may damage or interfere with the installation and maintenance of utilities and access thereto shall not be placed or permitted to remain. Declarant shall have rights of ingress and egress to all Lots until the expiration of one (1) year from the completion of construction on the Property for the purposes of correcting drainage and other construction problems that may arise.

ARTICLE X

GENERAL PROVISIONS

1. Enforcement. Declarant, the Association or any Owner shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, charges and liens now or hereafter imposed in accordance with the provisions of this Declaration. Failure to enforce any restriction, condition, covenant, reservation, charge or lien shall not be deemed a waiver of the right to do so thereafter.

2. Severability. Invalidation of any one of the restrictions, conditions, covenants, reservations, charge or lien by judgment, court order, or otherwise, shall not affect any of the other provisions hereof which shall remain in full force and effect.

3. Termination. This Declaration shall become void and of no effect on September 29, 2034, unless during the twelve (12) month period prior thereto at least two-thirds (2/3) of all Owners (on a one vote per Lot basis) agree to an extension for ten (10) years. In like manner, subsequent ten-year extensions may be effected by similar Owner action during the year preceding each new termination date.

4. Amendment. At any time after September 29, 2034 this Declaration may be amended or modified by a two-thirds (2/3) vote of all Owners (on a one vote per Lot basis), provided that at least that many Owners sign the instrument of amendment or modification and record it among the land records of Talbot County.

5. Annexation. Additional residential and recreational property, and common areas, may be annexed to the Property by an appropriate Amendment to the Declaration executed by Declarant and recorded among the Land Records of Talbot County, Maryland.

7. Non-Applicability to Other Property. The covenants, conditions, restrictions, charges and liens set forth herein shall apply only to the Property, and shall create no rights, benefits, burdens or obligations with respect to any other property owned by Declarant, its successors or assigns.

IN WITNESS WHEREOF, Declarant has caused this Declaration to be properly executed, under seal, as of the day and year first above written.

TEST: MILES RIVER HOMES, INC.

Amy D. Lewis

By: *[Signature]* (SEAL)
Harry C. Meyerhoff, President

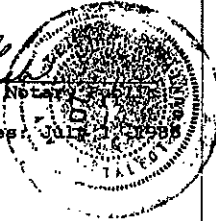
STATE OF MARYLAND)
) TO WIT:
COUNTY OF)

I HEREBY CERTIFY that on this 14th day of November, 1984, before me, the undersigned officer, personally appeared Harry C. Meyerhoff, who acknowledged himself to be the President of Miles River Homes, Inc., a corporation, and that as President, being authorized so to do, he executed the foregoing Declaration for the purposes therein contained by signing the name of the corporation by himself as President.

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IN WITNESS WHEREOF, I hereunto set my hand and
Notarial Seal.

Amy D. Little
Notary Public
My Commission Expires July 1, 2008

A circular notary seal for Amy D. Little, Notary Public, with a commission expiration date of July 1, 2008. The seal features a central emblem and the words "NOTARY PUBLIC" around the perimeter.

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