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TILGHMAN-ON-CHESAPEAKE II

DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS

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TILGHMAN-ON-CHESAPEAKE II

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TILGHMAN-ON-CHESAPEAKE II

DECLARATION OF COVENANTS,
CONDITIONS RESTRICTIONS

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (this "Declaration") is made this 17 day of September, 2004, by AVALON LIMITED PARTNERSHIP, a Maryland limited partnership (the "Declarant").

RECITALS

A. The Declarant owns certain land in the Fifth Election District of Talbot County, Maryland, containing approximately 120.99 acres of land as shown on the plat entitled "Parcel Key Sheet Phase II" prepared by Andrews, Miller and Associates, Inc. recorded among the plat records of Talbot County, Maryland (the "Land Records") in M.A.S. Plat Cabinet 81, folio 300 (the "Plat") attached hereto as Exhibit A-1, and as more particularly described on Exhibit A-2 attached hereto (the "Land").

B. Declarant has subdivided a portion of the Land into four (4) residential lots, conservation areas, reforestation areas and roadways as shown on the Plat.

C. It is the intention of Declarant to develop the Property (as hereinafter defined) as a residential community and to ensure therefor a uniform plan and scheme of development, and in connection therewith, Declarant has adopted the covenants, conditions and restrictions (the "Covenants") as set forth herein, for the following purposes:

(1) To protect the purchasers of Lots in Tilghman-On-Chesapeake II (as hereinafter defined) from depreciation in the value thereof, and to insure uniformity in the development of said Lots;

(2) To facilitate the sale by Declarant, its successors and assigns, of the land in Tilghman-On-Chesapeake II by reason of its ability to assure such purchasers of uniformity and protection against such depreciation;

(3) To make certain that the Covenants shall apply uniformly to all enumerated Lots which are shown on the Plats of Tilghman-on-Chesapeake II (as hereinafter defined) from time to time for the mutual advantage of Declarant and the Record Owners (as hereinafter defined), as such terms are defined herein, and to all those who may in the future claim title through any of the above; and

(4) To provide for the benefit of the Record Owners, for the preservation of the value and amenities in Tilghman-On-Chesapeake II, and for the maintenance of certain reserved open spaces and common areas, including but not limited to easements, charges and liens, hereinbelow set forth, and for the creation of an association to be delegated and assigned the powers of maintaining and administering the Common Area (as hereinafter defined) and enforcing all applicable covenants and restrictions, and collecting and disbursing the assessments and charges

hereinafter created; which association shall be incorporated under the laws of the State of Maryland, as a nonprofit corporation, for the purpose of exercising the functions as aforesaid.

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS:

THAT Declarant does hereby establish and impose upon the Property, including the Lots, the Covenants to be observed and enforced by them, their successors and assigns, as well as by all purchasers of Lots as now or hereafter shown on the Plats of Tilghman-On-Chesapeake II, to wit:

ARTICLE I
DEFINITIONS

The following words when used in this Declaration (unless the context otherwise requires) shall have the following meanings:

(a) "Alterations" shall have the meaning given such term in Section 2 of Article 2.

(b) "Architectural Review Committee" shall have the meaning given such term in Section 1 of Article II.

(c) "Assessment Commencement Date" shall have the meaning given to such term in Section 7 of Article VIII.

(d) "Association" shall mean and refer to Tilghman-On-Chesapeake Community Association II, Inc.

(e) "Builder" shall mean each person who acquires a Lot from Declarant or another Builder, not to occupy it as a residence, but in the ordinary course of such person's business, to construct a dwelling on such Lot and sell or lease it to another person to occupy as such person's residence.

(f) "Common Area" shall mean and refer to those areas of land, sometimes designated on the Plats of Tilghman-On-Chesapeake II as "open space," "reserved area" or "reservation of development rights area" intended to be devoted to the common use and enjoyment of the owners of the Lots, including but not limited to open spaces, maintenance areas, non-tidal wetlands, buffer areas, steep slopes, private streets, parking areas, storm water detention facilities and any other real property or other facilities in which the Association acquires a right of use for the benefit of the Association and its members, but excluding parcels RC1 and RC3 shown on the Plat until such parcels are conveyed or transferred by the Declarant, in its sole discretion, to the Association.

(g) "Covenants" shall have the meaning given such term in Recital C.

(h) "Declarant" shall mean and refer to Avalon Limited Partnership, a Maryland limited partnership, and any successor or assign thereof to whom Avalon Limited Partnership shall

expressly (i) convey or otherwise transfer all of its right, title and interest in the Property, or the lands thereof, as an entirety, without reservation of any kind, or (ii) transfer, set over and assign all of its rights, title and interest under this Declaration, or any amendment or modification hereof.

(i) "Design Guidelines" shall have the meaning given such term in Section 2(b) of Article II.

(j) "Initial ARC Term" shall have the meaning given such term in Section 1 of Article II.

(k) "Land" shall have the meaning given such term in Recital A.

(l) "Land Records" shall have the meaning given such term in Recital A.

(m) "Lot" and/or "Lots" shall mean and refer to those areas of land (i) shown as "Lots" and designated by numerals on the Plats of Tilghman-On-Chesapeake II and (ii) shown as parcels RC1 and RC3 on the Plat until conveyed or transferred by the Declarant to the Association as Common Area.

(n) "Lot 1" means the Lot shown as "Lot 1" on the Plat.

(o) "Lot 2" means the Lot shown as "Lot 2" on the Plat.

(p) "Lot 3" means the Lot shown as "Lot 3" on the Plat.

(q) "Lot 4" means the Lot shown as "Lot 4" on the Plat.

(r) "Mortgage" means any mortgage or deed of trust encumbering any Lot or any or all of the Common Area, and any other security interest existing by virtue of any other form of security instrument or arrangement, provided that such mortgage, deed of trust or other form of security instrument, and an instrument evidencing any such other form of security arrangement, has been recorded among the Land Records.

(s) "Mortgagee" means the person secured by a Mortgage.

(t) "Plat" shall have the meaning given such term in Recital A.

(u) "Plats of Tilghman-On-Chesapeake II" shall mean and refer to the Plat and any plats recorded among the Land Records in substitution therefor or amendment thereof, plus any plats hereafter recorded among the Land Records of any additional land that may hereafter expressly be made subject to this Declaration by an instrument in writing, duly executed and recorded among the Land Records.

(v) "Private Road" shall have the meaning give such term in Section 1 of Article V.

(w) "Property" shall mean and refer to all of the land shown on and subject to the Plats of Tilghman-On-Chesapeake II, including any additional land that may hereafter expressly be made subject to this Declaration by an instrument in writing, duly executed and recorded among the Land Records.

(x) "Record Owner" shall mean, refer to and include the person, firm, corporation, trustee or legal entity, or the combination thereof, including contract sellers, holding the record title to a Lot in Tilghman-On-Chesapeake II, or on any additional property subjected to this Declaration under the provisions of Article III hereof, as such Lot is now or may from time to time hereafter be created or established, either in his, her or its own name, as joint tenants, tenants in common, tenants by entirety, or tenants in co-partnership, if the Lot is held in such real property tenancy or partnership relationship. If more than one (1) person, firm, corporation, trustee or other legal entity, or any combination thereof, holds the record title to any one (1) Lot, whether it is in a real property tenancy, or partnership relationship, or otherwise, all of the same, as a unit and otherwise shall be deemed a single Record Owner and shall be or become a single member of the Association by virtue of ownership of such Lot. The term "Record Owner," however, shall not mean, refer to or include any contract purchaser, nor the owner of any redeemable ground rent arising out of any Lot, nor shall it include the holder of any deed of trust or mortgage covering any Lot designed solely for the purpose of securing performance of an obligation or payment of debt.

(y) "Recreational Property" shall have the meaning given such term in Article V, Section 2(a).

(z) "Structure" means any thing or device the placement of which upon the Property (or any part thereof) may affect the appearance of the Property (or any part thereof) including, by way of illustration and not limitation, any building, trailer, garage, porch, shed, greenhouse, bathhouse, coop or cage, covered or uncovered patio, swimming pool, clothesline, radio, television or other antenna or "dish", fence, sign, curbing, paving, wall, roadway, walkway, exterior light, landscape, hedge, trees, shrubbery, planting, signboard or any temporary or permanent living quarters (including any house trailer), or any other temporary or permanent improvement made to the Property or any part thereof. "Structure" shall also mean (i) any excavation, fill, ditch, diversion dam or other thing or device which affects or alters the natural flow of surface waters from, upon or across the Property, or which affects or alters the flow of any waters in any natural or artificial stream, wash or drainage channel from, upon or across the Property, or any part thereof, and (ii) any change in the grade of the Property, or any part thereof, of more than six (6) inches from that existing at the time of first ownership by a Record Owner hereunder.

(aa) "Tennis Court Improvements" shall have the meaning given such term in Article V, Section 2.

(ab) "Tilghman-On-Chesapeake II" shall mean and refer to all of the land hereby made subject to this Declaration by an instrument in writing, duly executed and recorded among the Land Records.

(ac) "TOC-I HOA" shall mean and refer to Tilghman-on-Chesapeake, Inc., a Maryland corporation, formed as a homeowners association.

(ad) "TOC-I HOA Declaration" shall mean and refer to that certain Amended and Restated Declaration of Covenants, Conditions and Restrictions for Tilghman-on-Chesapeake, Inc. dated August 30, 1991, recorded among the Land Records of Talbot County, Maryland, as amended, modified, replaced or supplemented from time to time.

ARTICLE II
COVENANTS, CONDITIONS AND RESTRICTIONS

1. ADMINISTRATION; ARCHITECTURAL REVIEW COMMITTEE. The Tilghman-On-Chesapeake II Architectural Review Committee referred to herein and in the succeeding sections of this Declaration (the "Architectural Review Committee") shall have all the rights, powers and duties granted to it by Declarant pursuant to this Declaration. The Architectural Review Committee shall be composed initially of the following members: Jackson G. Kochen, Richard E. Hayward and Howard Resneck, each of whom shall act and serve for a term ending on the earlier to occur of (i) ten (10) years from the date hereof or (ii) there are no longer any Class B members of the Association (the "Initial ARC Term"), and thereafter until his successor shall be duly appointed. At any time after the expiration of the Initial ARC Term, the Association shall have the power, upon a majority vote of the Board of Directors of the Association, to elect new members to, or otherwise change the membership of the Architectural Review Committee, so long as the Architectural Review Committee shall at all times be comprised of three (3) members. In the event of death or resignation of any member of the Architectural Review Committee during the Initial ARC Term, Declarant shall have the sole right and authority to appoint a successor by a duly executed instrument designating the name and address of such successor. Declarant may relinquish to the Association its right to designate any successor member of the Architectural Review Committee prior to the expiration of the Initial ARC Term, in the sole discretion of Declarant. At any time, or from time to time, during the Initial ARC Term, the initial members of the Architectural Review Committee may be replaced for any reason with other individuals selected by Declarant in its sole discretion. All questions shall be decided by a majority of the members of the Architectural Review Committee, and such majority shall be necessary and sufficient to act in each instance and on all matters. Each member of the Architectural Review Committee, now or hereafter appointed, shall act without compensation for services performed pursuant to this Declaration. Declarant hereby grants to the Architectural Review Committee, its successors and assigns, the right to waive, to the extent permitted by applicable law, such portion or portions of the Covenants numbered four (4) through thirty-four (34) of this Article II as the Architectural Review Committee, in its sole discretion, may deem advisable and in the best interest of Tilghman-On-Chesapeake II, but only until such time as there are no longer any Class B members of the Association, as provided in Article IV, Section 3 hereof.

2. ARCHITECTURAL REVIEW. (a) No Structure shall be constructed on any Lot, nor shall any addition (including awnings and screens), change, or alteration therein or thereto (including any retreatment by painting or otherwise of any exterior part thereof) (collectively, "Alterations") be made to the exterior of any Structure and/or contour of any Lot, nor shall any work be commenced or performed which may result in a change of the exterior appearance of any Structure until the plans and specifications, in duplicate, showing the nature, kind, shape, dimensions, material, floor plans, color scheme, location, proposed topographical changes, together

with the estimated costs of construction, Alterations or other changes, the proposed construction schedule, and a designation of the party or parties to perform the work, have been submitted to the Architectural Review Committee as set forth in Section 2(b)(ii) immediately below and such plans and specifications have been approved in writing by the Architectural Review Committee, its successors and assigns, and until all necessary permits and any other governmental or quasi-governmental approvals have been obtained. The approval of the Architectural Review Committee of any Structure, Alterations or other changes, shall in no way be deemed to relieve the Record Owner of any Lot from its obligation to obtain any and all permits and approvals necessary for such Structure, Alterations or other changes.

(b) (i) The Architectural Review Committee shall consider applications for approval of plans or specifications for any Structure, Alteration or other change upon the basis of conformity with this Declaration and shall be guided by the extent to which such proposal will insure conformity and harmony in exterior design and appearance, based upon, among other things, the following factors: the quality of workmanship; nature and durability of materials; harmony of external design with existing structures; choice of colors; changes in topography; grade elevations and/or drainage; the ability of the party or parties designated by the owner to complete the future construction, Alterations and/or other changes proposed in accordance with this Declaration, including, without limiting the foregoing, such factors as background, experience, skill, quality of workmanship and financial ability; factors of public health and safety; the effect of the proposed Structure, Alterations and/or other changes on the use, enjoyment and value of other neighboring properties, and/or on the outlook or view from adjacent or neighboring properties; and the suitability of the proposed Structure, Alterations and/or changes with the general aesthetic value of the surrounding area. At the discretion of the Architectural Review Committee, the Architectural Review Committee may make available design guidelines to provide an outline of generally acceptable improvements to a Lot which design guidelines may be amended, supplemented, modified or replaced from time to time at the discretion of the Architectural Review Committee (the "Design Guidelines").

(ii) The Architectural Review Committee shall have the right to refuse to approve any such plans or specifications, including grading and location plans, which are not suitable or desirable in its sole opinion, for aesthetic or other considerations. Written requests for approval, accompanied by the plans and specifications, in duplicate, described in Section 2(a) above or other specifications and information as may be required or requested by the Architectural Review Committee from time to time shall be submitted to the Architectural Review Committee by registered or certified mail or in person in which case a written receipt shall be obtained. All approvals of the Architectural Review Committee shall be in writing and no plans shall be approved or deemed approved unless the Architectural Review Committee has approved such plans in writing. Approval of any particular plans and specifications or designs shall not be construed as a waiver of the right of the Architectural Review Committee to disapprove such plans and specifications, or any elements or features thereof, in the event such plans and specifications are subsequently submitted for use in any other instance. The Architectural Review Committee shall have the right to charge a processing fee, not in excess of \$100.00, for such requests.

(c) Construction or Alterations in accordance with plans and specifications approved by the Architectural Review Committee pursuant to the provisions of this Article shall be

commenced within six (6) months following the date of approval, or within such other period as the Architectural Review Committee shall specify in its approval. In the event construction is not commenced within the period aforesaid, then approval of the plans and specifications by the Architectural Review Committee shall be conclusively deemed to have lapsed and compliance with the provisions of this Article shall again be required. After construction, all Structures, Alterations and/or other changes shall be maintained continuously in strict conformity with the plans and specifications so approved, this Declaration and all applicable laws.

(d) If any Structure altered, erected, placed or maintained on any Lot is not altered, erected, placed or maintained in accordance with the plans and specifications approved by the Architectural Review Committee pursuant to this Article, and applicable law, such Structure shall be deemed to be a violation of the provisions of this Declaration and, promptly after the Association or the Architectural Review Committee gives written notice thereof to the Record Owner thereof, such Structure shall be removed or restored to its condition immediately prior to such action, and such use shall cease, so as to terminate such violation. If within thirty (30) days after having been given such notice, such Record Owner has not taken reasonable steps to terminate such violation, any agent of the Association may enter upon such Lot and take such steps as are reasonably necessary to terminate such violation. Such Record Owner shall be personally liable to the Association for the cost thereof, to the same extent as the Record Owner is liable for an Assessment levied against such Record Owner's Lot, and, upon the failure of the Record Owner to pay such cost within ten (10) days after such Record Owner's receipt of written demand therefor from the Association, the Association may establish a lien therefor upon such Record Owner's Lot in accordance with and subject to the provisions of this Declaration applicable to an assessment lien.

(e) Any member of the Architectural Review Committee, upon the occurrence of a violation of the provisions of this Declaration, and after the Association or the Architectural Review Committee gives written notice thereof to the Record Owner of the applicable Lot, at any reasonable time, may enter upon and inspect any Lot and the exterior of any dwelling or improvement thereon, to ascertain whether the maintenance, construction or alteration of such Lot, dwelling or improvement are in accordance with the provisions hereof.

3. ASSIGNMENT BY ARCHITECTURAL REVIEW COMMITTEE. Any and all of the rights and powers (including discretionary powers and rights, and powers of consent or approval or disapproval) herein reserved to or conferred upon the Architectural Review Committee, at its election and in its sole discretion, may be assigned, transferred or delegated by the Architectural Review Committee to any one or more corporations or associations or committees of individuals agreeing to accept the same, and any such assignment, transfer or delegation of such rights or powers may be made by the Architectural Review Committee as to all of the Property subject to this Declaration or as to any part or parts thereof and may be to different parties for different parts of the Property subject to this Declaration. Any such assignment, transfer or delegation shall be evidenced by an appropriate instrument duly executed by the Architectural Review Committee and recorded among the Land Records; and upon such recordation thereof, the grantee(s) or transferees of such rights and powers shall thereupon and thereafter have the right to exercise and perform all the rights and powers so assigned, transferred or delegated by such an instrument in lieu of the Architectural Review Committee, upon and subject, however, to such limitations, conditions, reservations, and provisions as may be imposed by or set forth in such instrument of assignment, transfer or

delegation. Such instruments assigning, transferring or delegating such rights and powers as aforesaid may, among other things, provide for future or further assignment, transfer or delegation of such rights and powers aforesaid, to others by the grantee(s) or transferees named therein.

4. LAND USE. The Lots, except as hereinafter provided, shall be used for private and residential purposes only and no Structure of any kind whatsoever shall be erected, altered or maintained thereon except a private dwelling house with enclosed garages or such other full or partial enclosure or screening approved by the Architectural Review Committee for no more than one (1) non-commercial vehicle or swimming pools as accessory structures for the sole and exclusive use of the Record Owner or occupant of the Lot upon which said accessory structure is erected. None of the Lots shall at any time be used for semi-detached houses, duplex houses, apartments or other type of multiple housing units; it being the intention of Declarant that all of the Lots shall be used solely for single family detached dwellings, and no other purposes, except such purposes as may be specifically reserved in the succeeding sections of this Declaration.

5. BUILDING HEIGHTS. No dwelling shall exceed two and one-half (2 1/2) stories or forty (40) feet in height, and no accessory structure shall exceed one (1) story or fifteen (15) feet in height, exclusive of chimneys and/or antennae.

6. MINIMUM FLOOR AREAS. The floor area of any dwelling erected upon any Lot, exclusive of basement and attached porches and garages, shall be not less than eighteen hundred (1,800) square feet for a one (1) story dwelling, nor less than two thousand (2,000) square feet for a two (2) story dwelling and all dwellings in excess of two (2) stories shall have not less than two thousand one hundred square feet (2,100). The Architectural Review Committee shall be permitted to reduce the aforesaid minimums by an amount not to exceed ten percent (10%), to the extent, if any, permitted by Talbot County.

7. SWIMMING POOLS. If permitted by governmental authorities, all outdoor swimming pools must be of a permanent type of construction and must be constructed substantially below grade so as to qualify as what is commonly referred to as an "in ground" or "below ground" pool.

8. DRIVEWAYS. All driveways and parking areas on any Lot and in Tilghman-On-Chesapeake II shall be, and remain, permanently covered in material approved by the Architectural Review Committee.

9. CONSTRUCTION. Each Record Owner must complete or cause to be completed the construction of a dwelling and any other improvements on such Record Owner's Lot within five (5) years from the date of acquisition of the Lot by such Record Owner; provided, however, that in the event construction of such improvements has not been completed within two (2) years of the date a Record Owner acquires title to a Lot, then such Lot shall be landscaped by such Record Owner at such owner's expense. Each Record Owner (including any Builder) may be required, at the discretion of the Board of Directors of the Association, to pay to the Association, at settlement on a Lot or thereafter, a fee in the amount of Seventy-Five Dollars (\$75.00), which fee, at the discretion of the Board of Directors of the Association, shall be due thereafter on a semiannual basis, and which shall be deposited by the Association in an interest-bearing escrow account, for the

maintenance of such Lot, including, without limitation, mowing and weed control. Each Record Owner shall permit employees, agents and contractors of the Association to enter upon such Record Owner's Lot or Lots for the purpose of such maintenance work.

10. EXTERIOR MATERIALS. All primary exterior materials of any Structure constructed on a Lot shall be in accordance with the Design Guidelines, if any, or approved by the Architectural Review Committee in writing pursuant to Article II of this Declaration.

11. TEMPORARY STRUCTURES. No Structure of a temporary character, trailer, basement, tent, shack, garage or other outbuildings erected or maintained on any Lot shall be used at any time as a residence, either temporarily or permanently.

12. REAL ESTATE SALES OR CONSTRUCTION OFFICE. Notwithstanding anything contained herein to the contrary, a real estate sales, or construction office or a trailer, with signs, may be erected, maintained and operated on any Lot, or in any building or Structure now or hereafter located thereon, provided such office or trailer, and signs, are used and operated only in connection with the development and/or initial sale of any Lot, and/or the initial construction of improvements on any Lot now or hereafter existing or created in Tilghman-On-Chesapeake II. Nothing herein, however, shall be construed to permit any real estate sales or construction office, trailer or sign after such development, sales, and/or construction is completed. Except as expressly permitted hereinabove, neither any part of any Lot, nor any improvement now or hereafter erected on any Lot, shall be used for any real estate sales or construction office or trailer, nor shall any sign used in conjunction with such uses be erected without prior written approval of the Architectural Review Committee.

13. CLOTHES LINE. No permanent exterior clothes dryer, clothes pole or similar equipment shall be erected, installed or maintained on any Lot, nor shall articles of clothing be hung outside any Structure.

14. TRAFFIC VIEW. No Structure, landscaping, shrubbery or any other obstruction shall be placed on any Lot so as to block the clear view of traffic on any streets, nor, shall any planting be done on any corner Lots that will exceed three (3) feet in height (except shade trees which shall be trimmed so that a clear view may be maintained to the height of eight (8) feet) within twenty (20) feet from either street line.

15. FRONT LAWN. The area within the front of a dwelling shall be kept only as a lawn for ornamental or decorative planting of grass and shrubbery.

16. FENCES AND WALLS. No fence, wall or other similar enclosure (including, without limitation, trees, shrubs, hedges or other vegetation creating a similar effect collectively referred to herein as "hedges" (i) may be built or planted on any Lot which shall exceed four (4) feet in height or (ii) shall impede surface drainage. The height restriction shall apply to enclosures of patios, pools, or open gardens, privacy screens or work area screens, and shall not apply to retaining walls required by topography or screening for vehicles where no garage is constructed, where such enclosures are approved in writing in advance by the Architectural Review Committee; provided they are located to the rear of the front face of the Structure and they (other than fences or

hedges) do not extend beyond the building restriction lines shown on the Plats of Tilghman-On-Chesapeake II or any setback lines. Under no circumstances, however, may such enclosures exceed a height of six (6) feet. Fences located to the rear of the front face of the structure or in the front yard of any structure may otherwise extend to the Lot line, subject to compliance with the law and applicable subdivision and zoning regulations, provided such fences are at least fifty percent (50%) "see-through." All fences, walls and hedges must receive the prior written approval of the Architectural Review Committee. Any such fence or wall shall be decorative in character (such as rail or picket), and shall not be chain link or chicken wire fence. The foregoing restriction shall not be construed to prohibit the growth of an ornamental hedge fence, which shall be kept neatly trimmed, in the front yard of any Lot or the side yard of corner Lots, trimmed to a hedge of not more than three (3) feet.

17. NEAT APPEARANCE. Record Owners shall, at all times, maintain their Lots and all appurtenances thereto in good repair and in a state of neat appearance, including but not limited to, the seeding, watering (unless not permitted by law) and mowing of all lawns and yards, keeping all sidewalks, if any, neat, clean and in good repair, and free of ice and snow, the pruning and cutting of all trees and shrubbery and the painting (or other appropriate external care) of all buildings and Structures on the Lot, all in a manner and with such frequency as is consistent with good property management and maintenance. If, in the opinion of the Architectural Review Committee, any Record Owner fails to perform the duties imposed hereunder, the Association, on affirmative action of a majority of the Board of Directors, after fifteen (15) days written notice to such Record Owner to remedy the condition in question, and upon failure of the Record Owner to remedy the condition, shall have the right (but not the obligation), through its agents and employees, to enter upon the Lot in question and to repair, maintain, repaint or restore the Lot, or the improvements or Structures thereon, and the cost thereof shall be a binding, personal obligation of such Record Owner, as an additional assessment on the Lot.

18. NUISANCES. No noxious or offensive trade or activity shall be carried on upon any Lot, nor shall anything be done or placed thereon which may become an annoyance or nuisance to the neighborhood or any adjoining property owners. Without limiting the generality of the foregoing, no speaker, horn, whistle, siren, bell, amplifier or other sound device, except such devices as may be used exclusively for security purposes, shall be located, installed or maintained upon the exterior of any dwelling or upon the exterior of any other improvements constructed upon any Lot. No snowmobiles, go-carts, motorbikes, trail bikes or other loud engine recreational vehicles shall be run or operated upon any Lot or upon any roadways serving the Property.

19. ANIMALS. No animals, livestock or poultry of any kind, including pigeons, shall be raised, bred or kept on any Lot, except that dogs, cats or any household pets, not exceeding two (2) in the aggregate, may be kept, provided that they are not kept, bred or maintained for any commercial purpose, and provided that they are kept so as to avoid becoming a nuisance to the neighborhood or to any adjoining property owners and do not roam unattended on the Property. Notwithstanding anything to the contrary in this Declaration, the Record Owner of Lot 4 may raise, keep, or breed not more than two (2) horses on Lot 4 subject to the prior written approval of the Architectural Review Committee, which approval shall not be unreasonably withheld.

20. VEHICLES. No inoperable, unlicensed, junk or junked cars or any motor vehicles or other similar machinery or equipment of any kind or nature (except for such equipment and machinery as may be reasonable, customary and usual in connection with the use and maintenance of any Lot) shall be kept upon any Lot or the Property, and no commercial vehicles shall be left parked on any part of the Property, 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 Property, including, without limitation, the streets or Lots in Tilghman-On-Chesapeake II, for a time greater than that which is necessary to accomplish the aforesaid business purpose. For the purposes hereof, a vehicle shall be deemed inoperable unless it is licensed, contains all parts and equipment, including properly inflated tires, and is in such good condition and repair as may be necessary for any person to drive the same on a public highway. No commercial vehicles, trailers, boats, buses, campers, tractors or trucks shall be parked, stored, maintained or repaired regularly on any Lot except in a garage with the door closed or within the substitute vehicular enclosure or screening approved in writing by the Architectural Review Committee (except to enter and exit). However, during construction of dwellings, Declarant, the Record Owners (including Builders) may maintain commercial vehicles and trailers on the Lots for purposes of construction, and for use as a field or sales office. Commercial vehicles, private passenger vehicles, trailers, boats, buses, campers, tractors or trucks shall not be regularly parked, maintained or repaired upon any streets.

21. LIGHTING AND WIRING. The exterior lighting on Lots shall be directed downward and shall not be directed outward from the boundaries of any Lot. All wiring on any Lot shall be underground. No exterior radio, television and/or citizens band radio antennae, satellite dish, or other broadcasting or receiving apparatus shall be permitted upon any Lot; provided, however, a satellite dish may be permitted upon a Lot in the rear yard directly behind the house on such Lot in such location and of such size approved in writing by the Architectural Committee.

22. SUBDIVISION. No Lot shall be divided or subdivided and no portion of any Lot (other than the entire Lot) shall be transferred or conveyed for any purpose; provided, however, this shall not prohibit transfers of parts of Lots between adjoining Lot owners where the transfer is not for the purpose of creating a new building Lot to the extent permitted by law. The provisions of this subsection shall not apply to Declarant and, further, the provisions hereof shall not be construed to prohibit the granting of any easement or right-of-way to any municipality, political subdivision, public utility or other public body or authority, or to the Association, Declarant or any other person for any purpose. Declarant may divide or subdivide any Lot, parcel or part thereof, prior to the transfer or conveyance of such Lot or Parcel to a Record Owner to the extent permitted by law.

23. SIGNAGE. Except for entrance signs, directional signs, signs for traffic control or safety, community "theme areas" or such promotional sign or signs as may be maintained by the Declarant or a Builder, no signs or advertising devices of any character shall be erected, posted or displayed upon, in or about any Lot or dwelling (including but not limited to signs advertising the sale or rental of a Lot by the Record Owner (including the Builder) thereof).

24. LEASE AGREEMENTS. All lease agreements with respect to any Lot or any dwelling located thereon shall be in writing and submitted to the Board of Directors of the Association for approval. The minimum term of all lease agreements shall be one (1) year, and shall

state that the lease agreement shall be subject to this Declaration. Current copies of any lease must be provided to the Association. Record Owners who do not reside on their Lot must provide current addresses and phone numbers to the Association.

25. NON-TIDAL WETLANDS; NATURAL CONSERVATION AREA, SHORELINE DEVELOPMENT BUFFER, RESERVATION OR DEVELOPMENT RIGHTS AREA. Any portion of the Common Area or Lots designated and shown on any recorded subdivision plat of all or a portion of the Property as "Non-Tidal Wetlands," "Wetlands/Wildlife Refuge," "Natural Conservation Area" or "100' Shoreline Development Buffer" shall remain in a natural, undisturbed state and will not be developed, and no improvements shall be erected thereupon by Declarant, its successors or assigns, the Association, any Builder or any Record Owner, except those of a minor nature necessary for such intended use and permitted by applicable law and the Conservation Easement (as defined below). The area on the Plat shown as the "Reservation of Development Rights Area (Typ.)" is subject to that certain Deed of Conservation Easement, dated May 5, 2003, recorded among the Land Records in Liber 1158 at folio 957 (the "Conservation Easement") pursuant to which, among other things, development is limited within such area.

26. TRASH AND OTHER MATERIALS. No lumber, metals, bulk materials, refuse or trash shall be kept, stored or allowed to accumulate on any Lot, except building material during the course of construction of any dwelling or other permitted Structure approved by the Architectural Review Committee pursuant to this Declaration, and except for firewood, which shall be stored at least six (6) inches off the ground and twelve (12) inches away from any wooden structure. No burning of trash shall be permitted on any Lot. If trash or other refuse is to be disposed of by being picked up and carried away on a regular and recurring basis, containers may be placed in the open on any day that a pick-up is to be made at such place on the Lot as to provide access to persons making such pick-up. At all other times such containers shall be stored in such a manner so as not to be visible from the roadway, the other Lots and the water areas.

27. NON-INTERFERENCE WITH UTILITIES. No Structure, planting or other material shall be placed or permitted to remain upon any Lot which may damage or interfere with any easement for the installation or maintenance of utilities, or which may unreasonably change, obstruct or retard direction or flow of any drainage channels. No poles and wires for the transmission of electricity, telephone and the like shall be placed or maintained above the surface of the ground on any Lot.

28. NO HUNTING. No hunting or discharge of firearms of any nature whatsoever shall be permitted on the Property or any Lot.

29. CRITICAL AREA SETBACKS. No Structure shall be located within the one hundred (100) foot setback from the Chesapeake Bay and its tidal tributaries as required by the Chesapeake Bay Critical Areas Legislation, nor within one hundred (100) feet of the mean high water mark. In the event such legislation is not implemented, or is modified, amended or provides for a variance procedure thereto, said setback shall in no instance be less than one hundred (100) feet from the mean high water line of any Lot.

30. NO DOCKS. No dock shall be erected or maintained appurtenant to any Lot within the subdivision except one (1) dock may be erected and maintained appurtenant to each of Lot 1, Lot 2, Lot 3 and Lot 4.

31. NO EXCAVATION. No excavation shall be made on any Lot except for the purpose of building thereon at the time when the building operations are commenced, and no earth or sand shall be removed from any Lot except as a part of such operations.

32. EROSION CONTROL. No Lot shall be so used as to cause any pollution to waterways, streams or ponds on or adjacent to the Lots or to any adjoining property's water supplies. No Lots shall be so used or maintained as to cause any erosion of soil or sediment into such waterways, streams or ponds. During the grading and construction of any improvements upon any Lot, adequate arrangements shall be made to insure that no erosion of soil or sediment into such waterways, streams or ponds shall take place.

33. TREE REMOVAL. No Record Owner shall have the right to remove any of the healthy growing trees located on any of the Lots within the subdivision except upon Architectural Review Committee's prior written approval.

34. FAMILY DAY CARE. No Lot nor any of the roads, sidewalks or other Common Area may be used for the establishment and operation of a "Family Day Care Home" as such term is defined in Section 11B-111.1 of the Real Property Article of the Annotated Code of Maryland (the "Code"). Notwithstanding the foregoing, the prohibition against the use of a Lot as a Family Day Care Home may be eliminated by the affirmative vote of Record Owners having at least fifty-one percent (51%) of the total number of votes then held by all of the Record Owners, in the manner provided in the By-Laws of the Association. In the event the Association approves the use of a Family Day Care Home as hereinabove provided, (i) the number of Family Day Care Homes operating in Tilghman-on-Chesapeake II shall not exceed seven and one half percent (7.5%) of the total number of Lots in Tilghman-On-Chesapeake II; (ii) in order to assure compliance with subparagraph (i) above, each Family Day Care Home shall register with the Association before opening a Family Day Care Home; (iii) the "Day Care Providers" (as such term is defined in Section 11B-111.1 of the Code) shall pay on a pro rata basis based on the total number of Family Day Care Homes operating in the Association, any increase in insurance costs of the Association that are solely and directly attributable to the operation of the Family Day Care Home therein; (iv) each Family Day Care Home which is registered and operating in the Association shall pay to the Association an annual fee for the use of the Common Area in an amount not to exceed fifty dollars (\$50.00); and (v) each Family Day Care Home and Day Care Provider shall otherwise comply with all of the provisions of Section 11B-111.1 of the Code.

ARTICLE III

PROPERTY SUBJECT TO THIS DECLARATION AND ADDITIONS THERETO

1. EXISTING PROPERTY. The real property which is, and shall be, transferred, held, sold, conveyed and occupied subject to this Declaration is located in Tilghman-On-Chesapeake II, and is described on Exhibit B hereto.

2. ADDITIONS TO EXISTING PROPERTY. Additional lands may become subject to this Declaration in the following manner:

(a) Additions in Accordance with a General Plan of Development. (i) The Declarant, its successors and assigns, shall have the right for twenty (20) years from the date hereof to bring within the scheme of this Declaration additional land (the "Additional Land"), including all or part of the remaining Land not described on Exhibit B, in future stages of Tilghman-On-Chesapeake II. The Declarant's general plan of development shall show the proposed overall general scheme of development, which plans shall not bind Declarant, its successors or assigns, to make the proposed additions, or to adhere to the plan in any subsequent development of the land shown thereon. A description of the Additional Land that may be annexed to Tilghman-On-Chesapeake II is attached hereto as Exhibit C.

(ii) The additions authorized under this and succeeding subsections shall be made by filing of record a declaration with respect to the Additional Land which shall extend the scheme of the Declaration to such land, and which Additional Land shall thereupon become part of the Property. Upon the filing of any supplemental declaration, Record Owners of Lots situated on the Additional Land shall be subject to the same obligations and entitled to the same privileges of Record Owners of Lots as set forth in this Declaration. The additions authorized under this Section 2(a) must be completed within twenty (20) years from the date hereof. Such supplementary declaration may contain such complementary additions and modifications of the Declaration as may be necessary to reflect the different character, if any, of the Additional Land and as are not inconsistent with the scheme of this Declaration. In no event, however, shall such supplementary declaration revoke, modify or add to the Covenants established by this Declaration within the Property as it exists as of the date hereof.

(iii) If any Lot is security for any mortgage or deed of trust insured by the Federal Housing Administration or the Veteran's Administration, Additional Land may be annexed by Declarant without the consent of the Class A members of the Association within twenty (20) years of the date of this Declaration, provided that the annexation is in accord with the general plan heretofore approved by them.

(b) Other Additions. Upon approval in writing of the Association pursuant to a vote of its members as provided in its Articles of Incorporation and/or By-Laws, the owner of any property who desires to add it to the scheme of this Declaration and to subject it to the jurisdiction of the Association, may file of record a supplementary declaration as described in subsection (a) hereof.

ARTICLE IV MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

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

2. CLASSES OF MEMBERSHIP.

(a) The Association shall have two (2) classes of voting membership:

Class A. Except for Declarant and any Builder, which shall initially be Class B members, the Class A members shall be all Record Owners holding title to one (1) or more Lots; provided, however, that any Mortgagee or any other person or entity who holds such interest solely as security for performance of an obligation shall not be a Class A member solely on account of such interest. Each Class A member shall be entitled to one (1) vote per Lot, for each Lot owned by it, in all proceedings in which action shall be taken by members of the Association.

Class B. The Class B Member(s) shall be Declarant and each Builder. The Class B member(s) shall be entitled to three (3) votes per Lot for each Lot owned by it, in all proceedings in which actions shall be taken by members of the Association.

Notwithstanding anything in this Declaration to the contrary, each Builder shall be conclusively presumed, by its having accepted the conveyance from Declarant or another Builder of the legal title to a Lot:

(i) to have given Declarant an irrevocable and exclusive proxy entitling Declarant, at each meeting of the membership held while such Builder holds such title, to cast the votes in the Association's affairs which such Builder holds under the foregoing provisions of this Section on each question which comes before such meeting;

(ii) to have agreed with Declarant that such proxy is given to and relied upon by Declarant in connection with Declarant's development, construction, marketing, sale and leasing of any or all of the Property (including any Additional Land), and is coupled with an interest; and

(iii) such proxy shall cease with respect to the votes appurtenant to a Lot when a dwelling has been constructed on such Lot and legal title to such Lot is conveyed to a person who intends to occupy such dwelling as a residence.

(b) If more than one (1) person, firm, corporation, trustee, or other legal entity, or any combination thereof, holds the record title to any Lot, all of the same, as a unit, and not otherwise, shall be deemed a single member of the Association. The vote of any member comprised of two (2) or more persons, firms, corporation, trustees, or other legal entities, or any other combination thereof, shall be cast in the manner provided for in the Articles of Incorporation and/or By-Laws of the Association, or as the several constituents may determine, but in no event shall all such constituents cast more than one (1) vote per Lot for each Lot owned by them.

3. CONVERSION. The Class B membership in the Association shall cease and be converted to Class A membership in the Association upon the earlier to occur of (i) December 31, 2024; (ii) at such time as the total number of votes entitled to be cast by Class A members of the Association equals or exceeds, the total number of votes entitled to be cast by the Class B member(s) of the Association; or (iii) upon surrender of such Class B membership by the then holders thereof for cancellation on the books of the Association. After such conversion, if Additional Land is made subject to this Declaration pursuant to the provisions of Article III, Section 2 hereof, then the Class B

membership of the Class B member(s) shall be reinstated until December 31, 2024, or such earlier time as the total number of votes entitled to be cast by Class A members again equals or exceeds the total number of votes entitled to be cast by the Class B member(s), or upon the lapse or surrender of the Class B membership as hereinabove provided. The Declarant shall thereafter remain a Class A member of the Association as to each and every Lot from time to time subject to the terms and provision of this Declaration in which the Declarant then holds the interest otherwise required for Class A membership.

ARTICLE V
DECLARANT'S RESERVATIONS, RIGHTS AND OBLIGATIONS

1. RESERVED RIGHTS OF DECLARANT. The Association shall hold the Common Area conveyed to it by Declarant pursuant to Article VI hereof subject to the following reservations and rights of Declarant:

(a) The reservation to Declarant, its successors and assigns, of nonexclusive easements and rights of way over those strips or parcels of land designated or to be designated on the Plats of Tilghman-On-Chesapeake II as "Drainage and Utility Easement," "Sewer Easement," "Drainage and Sewage Easement," "Open Space" and "Reserved Area," or otherwise designated as an easement area, over any road, including without limitation, the road shown on the Plat as "Private Road Spinnaker Way" (the "Private Road"), or Common Area on the Property, and over ten (10) foot strips of land running along the front, rear, side and other Lot lines of each Lot, for the purposes of proper surface water drainage, and ingress and egress, and the installation, construction, maintenance, reconstruction and repair of public and private utilities to serve the Property and the Lots therein, including but not limited to the mains, conduits, lines, meters and other facilities for water, storm sewer, sanitary sewer, gas, electric, telephone, cable, television, and other public or private services or utilities deemed by Declarant necessary or advisable to provide service to any Lot, or in the area or on the area in which the same is located, together with the right and privilege of entering upon the Common Areas for such purposes and making openings and excavations thereon, which openings and excavations shall be restored in a reasonable period of time, and for such alterations of the contour of the land as may be necessary or desirable to effect such purposes, and for the construction, maintenance, improvement, repair or replacement of the Common Areas or the facilities located thereon. Within the aforesaid easement areas, no Structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities or change the direction of the flow of drainage channels or obstruct or retard the flow of water through drainage channels. The reserved easement areas of each Lot and all improvements therein, except improvements for which a public authority or utility company is responsible, shall be maintained continuously by the Record Owner of the Lot.

(b) The reservation to Declarant, its successors and assigns, of a nonexclusive easement and right-of-way in, through, over and across the Common Area for the purpose of the storage of building supplies and materials, and for all other purposes reasonably related to the completion of construction and development of the project and the provision of utility services, and related services and facilities.

(c) The designation of streets, avenues, roads, courts and places upon the Plats of Tilghman-On-Chesapeake II is for the purpose of description only and not dedication, and the rights of Declarant in and to the same are specifically reserved, and Declarant hereby reserves unto itself, its successors and assigns, the right to grade, regrade and improve the streets, avenues, roads, courts and places as the same may be located on the Plats of Tilghman-On-Chesapeake II, including the creation or extension of slopes, banks, or excavation in connection therewith and in the construction of and installation of drainage structures therein. The Declarant further reserves unto itself, its successors and assigns, the right to grant non-exclusive easements, rights-of-way or licenses to any person, individual, corporate body or municipality, in, over and across the Private Road for the purpose of vehicular and pedestrian ingress and egress.

(d) The Declarant further reserves unto itself, its successors and assigns, the right to grant easements, rights-of-way and licenses to any person, individual, corporate body or municipality, to install and maintain pipelines, underground or above ground lines, with the appurtenances necessary thereto for public utilities, or quasi-public utilities or to grant such other easements, rights-of way, licenses or permits as Declarant may deem necessary for the improvement of Tilghman-on-Chesapeake II in, over, through, upon and across any and all of the roads, streets, avenues, alleys, including, without limitation, the Private Road, and open space, and in, over, through, upon and across each and every Lot in the easement areas set forth in this Declaration or as shown on the Plats of Tilghman-On-Chesapeake II. The Declarant further reserves unto itself, its successors and assigns, the right to dedicate all of said roads, streets, alleys, rights of way or easements, including easements in the areas designated "Open Space" or "Reserved Area" on the Plat of Tilghman-On-Chesapeake II, to public use. No road, street, avenue, alley, right of way or easement shall be laid out or constructed through or across any Lot or Lots in Tilghman-On-Chesapeake II except as set forth in this Declaration, or as laid down and shown on the Plats of Tilghman-On-Chesapeake II, without the prior written approval of the Architectural Review Committee.

(e) The Declarant further reserves unto itself, its successors and assigns, the right to grant non-exclusive easements, rights-of-way and licenses to any person, individual, corporate body or municipality, in, over, through, upon and across any and all Common Areas (i) for the construction of any recreational facilities, tennis courts, pathways, open space or other facilities or improvements on any Common Areas or on the Recreational Property and (ii) for the maintenance, repair and use of any recreational facilities, tennis courts, pathways, open space or other facilities or improvements from time to time constructed or existing on any Common Areas or the Recreational Property.

(f) The Declarant further reserves unto itself, its successors and assigns, the right to amend or modify this Declaration, if required in order to satisfy Federal Housing Administration and/or Veteran's Administration rules and regulations, without the necessity of the joinder of any parties in interest, including Record Owners of any Lot or Lots.

(g) Declarant further reserves unto itself, its successors and assigns, the right at or after the time of grading of any street or any part thereof for any purpose, to enter upon any abutting Lot and grade a portion of such Lot adjacent to such street, provided such grading does not materially interfere with the use or occupancy of a residence built on such Lot, but Declarant shall

not be under any obligation or duty to do such grading or to maintain any slope. No right shall be conferred upon any Record Owner by the recording of any plat relating to the development of the Property in accordance with such plat, Declarant expressly reserving unto itself the right to make such amendments to any such plat or plats as shall be advisable in its best judgment and as shall be acceptable to public authorities having the right to approval thereof.

(h) The Declarant further reserves unto itself, its successors and assigns, the right to amend or modify this Declaration to permit front yard fencing in any Lot if such Lot has been subdivided as a village style lot, without the necessity of the joinder of any parties in interest, including Record Owners of any Lot or Lots.

2. RECREATIONAL PROPERTY RIGHTS.

(a) The Declarant may, but is not obligated to and hereby reserves the right to, construct tennis courts and certain other recreational facilities (the "Tennis Court Improvements") on part of the Additional Land or other property owned by the Declarant that is not subject to this Declaration from time to time, which property shall be in such location, size and dimension as determined by Declarant at any time and from time to time (the "Recreational Property").

(b) To the extent that the Recreational Property is not part of the Additional Land made subject to this Declaration, the Declarant intends to grant certain non-exclusive easement rights to the Association to permit the Record Owners (and their guests and invitees) to use the Tennis Court Improvements provided the Association shares in the operation, maintenance, repair and replacement costs, including, without limitation, insurance premiums and utility expenses, associated therewith, and thereafter, convey such Recreational Property to TOC-I HOA. The Association shall accept, and the Association hereby irrevocably authorizes the Declarant on behalf of the Association to accept, such easement rights and the Association agrees to pay the maintenance, repair and replacement costs associated therewith; provided, however, the Declarant shall have no obligation to grant such easement rights to the Association.

(c) To the extent that the Recreational Property is part of the Additional Land made or to be made subject to this Declaration, the Declarant intends to, and hereby reserves the right to, (i) grant certain non-exclusive easement rights to TOC-I HOA to permit the record owners (and their guests and invitees) of lots subject to the TOC-I HOA Declaration to use the Tennis Court Improvements provided the TOC-I HOA shares in the operation, maintenance, repair and replacement costs, including, without limitation, insurance premiums and utility expenses, associated therewith, (ii) to bring the Recreational Property into the scheme of this Declaration and (iii) convey the Recreational Property, subject to easement rights and obligations of TOC-I HOA, to the Association as Common Area; provided, however, the Declarant shall have no obligation to do or perform the foregoing.

3. INCORPORATION BY REFERENCE; FURTHER ASSURANCES. Any and all grants made by Declarant to the Association with respect to any of the Common Area shall be conclusively deemed to incorporate the foregoing reservations, whether or not specifically set forth in such instruments. At the request in writing of Declarant, the Association shall from time to time

execute, acknowledge and deliver to Declarant such further assurances of such reservations as may be necessary.

ARTICLE VI
COMMON AREA

1. GRANT OF COMMON AREA. The Declarant shall grant and convey to the Association, and the latter shall take and accept from the former, (a) the Common Area as described on Exhibit D-1 attached hereto, on or before the Assessment Commencement Date and (b) the Common Areas described on Exhibit D-2 within twenty (20) years from the date of this Declaration, subject to the Covenants which are hereby imposed upon the Common Area for the benefit of Declarant, the Association and the Record Owners, and their respective personal representatives, successors and assigns, to the end and intent that the Association shall have and hold the said Common Area subject to the reservations set forth in Article V hereof, and to the Covenants herein set forth.

2. MEMBER'S RIGHT OF ENJOYMENT. Every member shall have a nonexclusive right and easement for the use, benefit and enjoyment, in common with others, in and to the Common Area, and such nonexclusive right and easement shall be appurtenant to and shall pass with the title to every Lot, subject to the restrictions herein set forth. Except as otherwise permitted or contemplated by the provisions of this Declaration, the Common Area shall be retained in its natural state, and no Structure or improvement of any kind shall be erected, placed or maintained thereon. Structures or improvements designed exclusively (subject to Section 2 of Article V) for community use, shelters, benches, chairs or other seating facilities, fences and walls, walkways, playground equipment, game facilities, swimming pools, drainage and utility structures, grading and planting may be erected, placed and maintained thereon for the use, comfort and enjoyment of the members of the Association and others subject to Article V, Section 1(e), or the establishment, retention or preservation of the natural growth or topography of the area, or for aesthetic reasons. No portion of the Common Area may be used exclusively by any Record Owner or others for personal vegetable gardens, storage facilities or other private uses.

3. NUISANCE. No noxious or offensive activity shall be carried on upon the Common Area nor shall anything be done thereon which will become an annoyance or nuisance to the neighborhood.

4. MAINTENANCE OF COMMON AREA. The Association shall improve, develop, supervise, manage, operate, examine, inspect, care for, repair, replace, restore and maintain the Common Area as from time to time improved, together with any items of personal property placed or installed thereon, all at its own cost and expense, and shall levy against each member of the Association a proportionate share of the aggregate cost and expense required for the care, maintenance and improvement of the Common Area, which proportionate share shall be determined on the ratio which the number of Lots owned by the member bears to the total number of Lots, then laid out or established on the Property; provided, however, at the discretion of the Board of Directors, the Common Area may be maintained in its natural state.

5. RESTRICTIONS. The right of each member of the Association to use the Common Area shall be subject to the following:

(a) any rule or regulation now or hereafter set forth in this Declaration and, further, shall be subject to any rule or regulation now or hereafter adopted by the Association for the safety, care, maintenance, good order and cleanliness of the Common Area;

(b) the right of the Association, in accordance with its Articles of Incorporation and By-Laws, to borrow money for the purpose of improving the Common Area in a manner designed to promote the enjoyment and welfare of the members, and in aid thereof to mortgage any of the Common Area;

(c) the right of the Association to take such steps as are reasonably necessary to protect the property of the Association against mortgage default and foreclosure;

(d) the right of the Association to suspend the voting rights and the rights to use of the Common Area for any period not to exceed sixty (60) days for any infraction of any of the published rules and regulations of the Association;

(e) the right of the Association to dedicate or transfer all or any part of the Common Area to any public or municipal agency, authority or utility for purposes consistent with the purpose of this Declaration and subject to such conditions as may be agreed to by the members; and further subject to the written consent of Talbot County, Maryland, provided, however, that no such dedication or transfer or determination as to the purposes or as to the conditions thereof, shall be effective unless approved by the members of the Association by the affirmative vote of two-thirds (2/3) of all votes entitled to be cast by the then members of the Association at any special meeting of the members duly called for such purpose;

(f) the right of the Association, acting by and through its Board of Directors, to grant licenses, rights-of-way and easements for access or for the construction, reconstruction, maintenance and repair of any utility lines or appurtenances, whether public or private, to any municipal agency, public utility or any other person; provided, however, that no such licenses, rights-of-way or easements shall be unreasonably inconsistent with the rights of the members to the use and enjoyment of the Common Areas;

(g) the right of the Declarant set forth in this Declaration;

(h) the rights of Talbot County, Maryland and the restrictions set forth in the Conservation Easement; and

(i) the rights of others, including the Record Owners of Lot 1, Lot 2, Lot 3 and Lot 4 in, to, over and under the Private Road.

All of the foregoing shall inure to the benefit of and be enforceable by the Association and Declarant, or either of them, their respective successors and assigns, against any member of the Association, or any other person, violating or attempting to violate the same, or any thereof, either

by action at law for damages or suit in equity to enjoin a breach or violation, or enforce performance of any term, condition, provision, rule or regulation. Further, the Association or Declarant shall each have the right to abate summarily and remove any such breach or violation by any member at the cost and expense of such member.

6. DELEGATION OF RIGHT OF USE. Any member of the Association may delegate his or her rights to the use and enjoyment of the Common Area to family members who reside permanently with him or her and to his or her tenants, contract-purchasers, invitees and guests, all subject to such reasonable rules and regulations which the Association may adopt and uniformly apply and enforce.

7. RULES AND REGULATIONS. Each Record Owner shall fully and faithfully comply with the rules, regulations and restrictions applicable to use of the Common Area, as such rules, regulations and restrictions are from time to time adopted by the Association for the safety, care, maintenance, good order and cleanliness of the Common Area. Further, each Record Owner shall comply with the Covenants imposed by this Declaration on the use and enjoyment of the Common Area.

ARTICLE VII ENCROACHMENTS

If any Structure or any part thereof, now or at any time hereafter, encroaches upon any adjoining Lot or upon any Common Area, whether such encroachment is attributable to construction, settlement or shifting of the Structure or any other reason whatsoever beyond the control of the Board of Directors of the Association or any Record Owner, there shall forthwith arise, without the necessity of any further or additional act or instrument, a good and valid easement for the maintenance of such encroachment, for the benefit of the Record Owner, its heirs, personal representatives and assigns, to provide for the encroachment and nondisturbance of the Structure. Such easement shall remain in full force and effect so long as the encroachment shall continue. The conveyance or other disposition of a Lot shall be deemed to include and convey, or be subject to, any easements arising under the provisions of this paragraph without specific or particular reference to such easement.

ARTICLE VIII COVENANT FOR ASSESSMENT

1. COVENANT FOR ASSESSMENT. The Declarant, for each Lot owned by it within the Property, hereby covenants, and each Record Owner, by acceptance of a deed hereafter conveying any such Lot to it, whether or not so expressed in such deed or other conveyance, shall be deemed to have covenanted and agreed to pay to the Association (i) in advance, an annual assessment equal to the member's proportionate share of the sum required by the Association, as estimated by the Board of Directors, for annual assessments or charges, and (ii) special assessments or charges for capital improvements, such annual and special assessments and charges to be established and collected as hereinafter provided. The annual and special assessments or charges shall be a charge and continuing lien upon each of the Lots against which the assessment is made in accordance with the terms and provisions of the Maryland Contract Lien Act, and this Article VIII

shall be construed as a real covenant running with the land and a contract of a lien under the terms of the Maryland Contract Lien Act. Such assessments or charges, together with interest at a rate of ten percent (10%) per annum incurred pursuant to Section 10 of this Article VIII, and costs and reasonable attorneys' fees incurred or expended by the Association in the collection thereof, shall also be the personal obligation of the Record Owner holding title to any Lot at the time when the assessment fell due or was payable. The personal obligation for any delinquent assessment or charge, together with interest, costs and reasonable attorneys' fees, however, shall not pass to the Record Owner's successor or successors in title unless expressly assumed by such successor or successors.

2. USE OF ASSESSMENTS. The assessments and charges levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety, and welfare of the residents of Tilghman-on-Chesapeake II, and in particular for (i) the improvement and maintenance, operation, care, services and facilities related to the use and enjoyment of the Common Area, including fees paid to any management agent; (ii) the payment of taxes on the Common Area (except to the extent that proportionate shares of such public charges and assessments on the Common Area may be levied against all Lots laid out on the Property by the tax collecting authority so that the same is payable directly by the Record Owners thereof, in the same manner as real property taxes assessed or assessable against the Lots); (iii) the payment of insurance premiums on the Common Area; (iv) the costs of repair, replacement and additions to the Common Area and improvements thereon; (v) the cost of obtaining, planting and thereafter maintaining street trees throughout Tilghman-On-Chesapeake II as required by Talbot County, Maryland, whether or not such street trees are located in the Common Area; (vi) the costs of utilities and other services which may be provided by the Association for Tilghman-on-Chesapeake II as may be approved from time to time by a majority of the Board of Directors of the Association; (vii) the cost of labor, equipment, materials, management and supervision incurred or expended in performing all of the foregoing; (viii) the payment of costs and expenses relating to the operation, maintenance, repair and replacement of the Tennis Court Improvements, if any; and (ix) the cost of funding all reserves established by the Association, including a general operating excess and a reserve for replacements. Both annual and special assessments must be fixed at a uniform rate for all Lots with respect to those Common Areas and facilities appurtenant to all Lots.

3. RESERVE FUND. Commencing at such time that material capital improvements have been made to the Common Areas, as determined by the Board of Directors of the Association, the annual assessments shall include an amount adequate to establish a reserve fund for replacement of capital improvements in the Common Area. A proportionate amount of each assessment payment received by the Association applicable to the reserve fund shall be received and held by the Association in trust, and shall be held separate and apart from other Association funds. Such trust funds shall be retained by the Association and used only for capital improvements and/or replacement of Common Area facilities of the Association upon the approval of a majority of Record Owners. Such reserve fund shall be conclusively deemed to be a common expense of the Association and may be deposited with any banking institution, the accounts of which are insured by an agency of the United States of America or may, in the discretion of the Board of Directors, be invested in obligations of, or fully guaranteed as to principal by, the United States of America. The reserve for replacement of the Common Area may be expended only for the purpose of effecting replacement relating to the Common Area. The Association may establish such other reserves for

such other purposes as the Board of Directors may from time to time consider to be necessary or appropriate. The proportional interest of any member in any such reserves shall be considered an appurtenance of the Record Owner's Lot and shall not be separated from the Lot to which it appertains and shall be deemed to be transferred with such Lot.

4. MAXIMUM ANNUAL ASSESSMENT.

(a) Each Record Owner, other than Declarant or a Builder, shall be obligated to pay a maximum annual assessment not to exceed Forty Dollars (\$40.00) per month for each Lot during the calendar year in which the Assessment Commencement Date (as defined in Section 7 of this Article) occurs.

(b) On January 1 of each year after the Assessment Commencement Date, the maximum annual assessment may be increased each year by not more than ten percent (10%) of the maximum annual assessment for the previous year without a vote of the membership of the Association.

(c) From and after the Assessment Commencement Date, the maximum annual assessment may be increased above the ten percent (10%) limitation specified in the preceding sentence only by a vote of two-thirds (2/3) of each class of members of the Association, voting in person or by proxy, at a meeting duly called for such purpose.

(d) Neither Declarant, any Builder, nor any Lot to which Declarant or a Builder holds record title, shall be exempt from any assessment hereunder; provided, however, the following allowance shall be made by the Association to Declarant and any Builder in each instance: annual assessments or charges made or levied against any Lot to which Declarant and any Builder holds record title shall equal twenty-five percent (25%) of the annual assessment or charge made or levied against any other Lot laid out on the Property, to the end and intent that Declarant and any Builder shall not pay more, or less, than twenty-five percent (25%) of the per Lot annual assessment established by the Association under this section.

(e) The Board of Directors of the Association may fix the annual assessment or charges against each member at any amount not in excess of the maximum. Subject to the limitations set forth in this Section 4, and for the periods therein specified, the Association may change the maximum and the basis of the assessments fixed by Section 4 hereof prospectively for any period provided that any such change shall have the assent of two-thirds (2/3) of each class of members of the Association, voting in person or by proxy, at a meeting duly called for such purposes.

5. SPECIAL ASSESSMENTS. In addition to the annual assessments authorized above, the Association may levy in any assessment year, a special assessment, applicable for that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of any capital improvement located on the Common Area, including fixtures and personal property related thereto, and/or to meet any other deficit of the Association or any emergency or unforeseen expenses of the Association, provided that such assessment shall first be

approved by two-thirds (2/3) of the votes of each class of the members of the Association, voting in person or by proxy at a meeting to be called for such purpose.

6. NOTICE AND QUORUM FOR ANY ACTION AUTHORIZED UNDER SECTIONS 3, 4 AND 5. Written notice of any meetings of members of the Association called for the purpose of taking any action authorized under Sections 3, 4 and 5 of this Article shall be sent to all members not less than ten (10) days, nor more than sixty (60) days, in advance of the meeting. At the first such meeting called, the presence at the meeting of members or of proxies, entitled to cast fifty-one percent (51%) of all of the votes of each class of members entitled to be cast at such a meeting shall be necessary and sufficient to constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirements, and the required quorum at any subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting, provided that no such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

7. COMMENCEMENT DATE OF ANNUAL ASSESSMENTS.

(a) The annual assessments shall commence as to all Lots on the Assessment Commencement Date. The Association, at the direction of the Board of Directors, shall give a written notice to the members of the Association that the annual assessment under this Declaration is to commence as of the date specified in the notice (the "Assessment Commencement Date"), which Assessment Commencement Date shall be on the first day of a month and shall occur at least thirty (30) days after the Association has given such notice to the members of the Association.

(b) The amount of the first annual assessment levied for the balance remaining in the first year shall be an amount which bears the same relationship to the assessment provided for in Section 4 hereof as the remaining number of months in that year bear to twelve (12). The same reduction in the amount of the assessment shall apply to the first assessment levied against any property which is hereafter added to the Property now subject to assessment at a time other than the beginning of any calendar year.

(c) The due date under any special assessment under Section 5 shall be fixed in the resolution authorizing such special assessment.

8. DUTIES OF THE BOARD OF DIRECTORS.

(a) The Board of Directors shall determine the amount of the annual assessments annually, but may do so at more frequent intervals should circumstances so require upon resolution of the Board of Directors, installments of annual assessments may be levied and collected on a monthly, quarterly, or semi-annual basis rather than on the annual basis hereinabove provided for. Any member may prepay one or more installments of any annual maintenance assessment levied by the Association, without premium or penalty.

(b) The Board of Directors shall prepare, or cause the preparation of any annual operating budget for the Association which shall provide, without limitation, for the management, operation and maintenance of the Common Area. The Board of Directors of the Association shall

make reasonable efforts to fix the amount of the annual assessment against each Lot for each assessment period at least thirty (30) days in advance of the beginning of such period and shall, at that time, prepare a roster of the Lots and the annual assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any Record Owner upon reasonable prior written notice to the Board. Written notice of the annual assessments shall thereupon be sent to all members of the Association. The omission by the Board of Directors, before the expiration of any assessment period, to fix the amount of the annual assessment hereunder for that or the next period, shall not be deemed a waiver or modification in any respect of the provisions of this Article or a release of all members of the Association from the obligation to pay the annual assessment, or any installment thereof, for that or any subsequent assessment period; but the annual assessment fixed for the preceding period shall continue until a new assessment is fixed. No member may exempt himself or herself from liability for assessments by abandonment of any Lot belonging to him or her or by the abandonment of his or her right to the use and enjoyment of the Common Areas.

(c) The Association shall, upon demand at any time, furnish to any Record Owner liable for assessment a certificate in writing signed by an officer of the Association setting forth whether said assessment has been paid. Such certificate shall be conclusive evidence of payment of any assessment therein stated as having been paid. A charge not to exceed Twenty-five dollars (\$25.00) may be levied in advance by the Association for each certificate so delivered.

9. ADDITIONAL ASSESSMENTS. Additional assessments may be fixed against any Lot only as provided for in this Declaration. Any such assessments shall be due as provided by the Board of Directors in making any such assessment.

10. NONPAYMENT OF ASSESSMENT.

(a) Any assessment not paid within thirty (30) days after the due date, shall be delinquent and shall bear interest from the date of delinquency at the rate of ten percent (10%) per annum, and shall be subject to a late charge of Fifteen Dollars (\$15.00) per month until paid, or fifteen percent (15%) of the Assessment, whichever is greater, and the Board of Directors shall have the right to declare the entire balance of the assessment and accrued interest thereon to be immediately due and payable. The Association may bring an action at law against the Record Owner personally obligated to pay the same, and/or, without waiving any other right, at equity to foreclose the lien against the Lot in the same manner and subject to the same requirements as are specified by the law of Maryland for the foreclosure of mortgages or deeds of trust containing a power of sale or an assent to a decree, and there shall be added to the amount of such assessment the reasonable costs of preparing and filing the complaint of such action, and in the event that judgment is obtained, such judgment shall include interest on the assessment as above provided and reasonable attorneys' fees to be fixed by the court together with the cost of the action. No Record Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of the Record Owner's Lot.

11. SUBORDINATION OF LIEN TO MORTGAGE. The lien of the assessments provided for herein shall be subordinate to the lien of any mortgages or deed(s) of trust now or hereafter placed upon the Lot subject to assessment; provided, however, that the sale or transfer of

any Lot pursuant to mortgage or deed of trust foreclosure, or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. Such sale or transfer shall not relieve such Lot from liability for any assessments thereafter becoming due, nor from the lien of any such future assessment.

12. ENFORCEMENT OF LIEN. The Association may establish and enforce the lien for any assessment, annual, special, or otherwise, pursuant to the provisions of the Maryland Contract Lien Act. The lien is imposed upon the Lot against which such assessment is made. The lien may be established and enforced for damages, costs of collection, late charges permitted by law, and attorneys' fees provided for herein or awarded by a court for breach of any of the covenants herein.

13. EXEMPT PROPERTY. The Common Areas and all Lots owned by the Association or dedicated to and accepted by a public authority and all property owned by a charitable or non-profit organization exempt from taxation by the laws of the State of Maryland shall be exempt from the assessments created herein.

ARTICLE IX INSURANCE AND CASUALTY LOSSES

1. TYPES OF INSURANCE MAINTAINED BY ASSOCIATION. The Board of Directors shall have the authority to and shall obtain the following insurance:

(a) insurance on all insurable improvements on the Common Area against loss or damage by fire or other hazards, including extended coverage, vandalism, and malicious mischief in an amount sufficient to cover the full replacement cost of such improvements in the event of damage or destruction;

(b) a public liability insurance policy covering the Association, its officers, directors and managing agents, having at least a One Million Dollar (\$1,000,000.00) limit per total claims that arise from the same occurrence, including but not limited to liability insurance for any other recreational facilities located in Tilghman-On-Chesapeake II, in an amount not less than the minimum amount required by applicable law, ordinance or regulation;

(c) workmen's compensation insurance, if and to the extent required by law; and

(d) fidelity bond or bonds or insurance covering all Directors, officers, employees and other persons handling or responsible for the acts or funds of the Association, in such amounts as the Board of Directors deems appropriate.

2. PREMIUMS FOR INSURANCE MAINTAINED BY ASSOCIATION. Premiums for all insurance and bonds required to be carried under Section 1 hereof or otherwise obtained by the Association on the Common Area shall be an expense of the Association, and shall be included in the annual assessments.

3. DAMAGE AND DESTRUCTION OF COMMON AREA.

(a) Immediately after any damage or destruction by fire or other casualty to all or any part of the insurable improvements on the Common Area, the Board of Directors, or its agent, shall proceed with the filing and adjustment of all claims arising under the fire and extended coverage insurance maintained by the Association and obtain reliable estimates of the cost of repair or reconstruction of the damaged or destroyed improvements. Repair or reconstruction means repairing or restoring the improvements to substantially the same condition in which they existed prior to the fire or other casualty.

(b) Any damage or destruction to insurable improvements on the Common Area shall be repaired or reconstructed unless at least seventy-five percent (75%) of the members present at a meeting of the membership held within ninety (90) days after the casualty shall decide not to repair or reconstruct, and at least two-thirds (2/3) of the first Mortgagees of all Lots have given their prior written approval not to rebuild as provided) herein.

(c) If, in accordance with paragraph (b), the improvements are not to be repaired or reconstructed and no alternative improvements are authorized by the members, then and in that event the damaged Common Area shall be restored to its natural state and maintained as an undeveloped portion of the Common Area by the Association in a neat and attractive condition. In such event, any excess insurance proceeds shall be paid over to the Association for the benefit of the Property, which proceeds may be used and/or distributed as determined by the Board of Directors, in its discretion, or as otherwise provided in the Articles of Incorporation and/or the By-Laws of the Association.

4. REPAIR AND RECONSTRUCTION OF COMMON AREA. If any improvements on the Common Area are damaged or destroyed, and the proceeds of insurance received by the Association are not sufficient to pay in full the cost of the repair and reconstruction of the improvements, the Board of Directors shall, without the necessity of a vote of the members, levy a special assessment against all Record Owners in order to cover the deficiency in the manner provided in Article VIII hereof. If the proceeds of insurance exceed the cost of repair, such excess shall be retained by the Association and used for such purposes as the Board of Directors shall determine.

5. HAZARD INSURANCE ON IMPROVED LOTS. Each Record Owner of an improved Lot at all times shall maintain fire and extended coverage insurance or other appropriate damage and physical loss insurance, in an amount equal to not less than one hundred percent (100%) of the current replacement value of the improvements on the Lot.

6. OBLIGATION OF LOT OWNER TO REPAIR AND RESTORE.

(a) In the event of any damage or destruction of the improvements on a Lot, the insurance proceeds from any insurance policy on an improved Lot, unless retained by a Mortgagee of a Lot, shall be applied first to the repair, restoration or replacement of the damaged or destroyed improvements. Any such repair, restoration or replacement shall be done in accordance with the plans and specification for such improvements originally approved by Declarant or the Architectural

Review Committee; unless the Record Owner desires to construct improvements differing from those so approved, in which event the Record Owner shall submit plans and specifications for the improvements to the Architectural Review Committee and obtain its written approval prior to commencing the repair, restoration or replacement. If any first Mortgagee does not permit insurance proceeds to be used to restore any damaged or destroyed improvements, then the Record Owner of such Lot shall raze the improvements and return the Lot to its natural condition free of all debris.

(b) If any Record Owner of an improved Lot fails to maintain the insurance required by Section 5 of this Article, the Association may, but shall not be obligated to, obtain such insurance and pay any premiums required in connection with obtaining such insurance. Such Record Owner shall be personally liable to the Association for any costs incurred by the Association in obtaining such insurance, to the same extent as such Record Owner is liable for assessments levied against such Lot, and, upon the failure of the Record Owner to pay such costs within ten (10) days after such owner's receipt of a written demand therefor from the Association, the Association may establish a lien therefor upon the Record Owner's Lot in accordance with and subject to the provisions of this Declaration applicable to an assessment lien.

ARTICLE X
RIGHTS OF MORTGAGEES

1. GENERAL.

(a) Regardless of whether a Mortgagee in possession of a Lot is its owner, (i) such Mortgagee in possession shall have all of the rights under the provisions of this Declaration, Plats of Tilghman-On-Chesapeake II, the Articles of Incorporation, the By-Laws and applicable law, which would otherwise be held by such Record Owner, subject to the operation and effect of anything to the contrary contained in its Mortgage, and (ii) the Association and each other Record Owner or person shall be entitled, in any matter arising under the provisions of this Declaration and involving the exercise of such rights, to deal with such Mortgagee in possession as if it were the Record Owner thereof.

(b) Any Mortgagee in possession of a Lot shall (subject to the operation and effect of the provisions of this Declaration, the Articles of Incorporation, the By-Laws and applicable law) bear all of the obligations under the provisions thereof which are borne by its Record Owner; provided, that nothing in the foregoing provisions of this section shall be deemed in any way to relieve any Record Owner of any such obligation, or of any liability to such Mortgagee on account of any failure by such Record Owner to satisfy any of the same.

2. PRIORITY OVER ASSESSMENT. A Mortgagee's interest in a Lot under its Mortgage shall be

(a) free of any claim or lien for any Assessment levied against such Lot before such Mortgage is recorded among the Land Records (unless before such recordation a statement of lien covering such Assessment is recorded among the Land Records), other than any claim for a pro rata share of the amount represented by such Assessment which results from any pro rata reallocation of such Assessment among all of the Lots, including such Lot; and

(b) free of any such claim or lien arising after such recordation of such Mortgage.

3. ACTIONS CONDITIONED ON MORTGAGEE'S APPROVAL. Unless two-thirds (2/3) of the first Mortgagees of all Lots have given their prior written approval thereof, the Association shall not by act or omission do any of the following:

(a) seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area (provided, that the granting of easements for public utilities, other public purposes or other purposes consistent with the intended use of the Common Area shall not be deemed to be prohibited by the foregoing provisions of this subdivision); or

(b) subject to Section 3 of Article IX, use any proceeds derived from hazard insurance and paid to the Association on account of any damage to or destruction of any of the Common Area, for other than the repair, replacement or reconstruction thereof; or

(c) fail to maintain fire and extended coverage insurance on so much of the Common Area as is insurable, on a current replacement cost basis, in an amount not less than one hundred percent (100%) of the insurable value thereof (based on its current replacement cost); or

(d) change the method of determining the Assessments; or

(e) by act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, set forth in the provisions of this Declaration, pertaining to the architectural design or the exterior appearance or maintenance of Lots or improvements thereon, or the maintenance and upkeep of the Common Area.

4. INSPECTION; STATEMENT AND NOTICE. A Mortgagee shall, upon request of the Association, be entitled to do the following:

(a) inspect the Association's books and records during normal business hours, provided Mortgagee has given the Association written notice thereof, at least five (5) business days in advance;

(b) receive an annual financial statement of the Association within one hundred twenty (120) days after the end of any fiscal year of the Association;

(c) be given timely written notice of all meetings of the membership, and designate a representative to attend all such meetings;

(d) be given timely written notice of the occurrence of any substantial damage to or destruction of the Common Area, or if the Common Area is made the subject of any condemnation or eminent domain proceeding or the acquisition thereof is otherwise sought by any condemning authority; and

(e) be given timely written notice by the Association of any default by the Record Owner of such Mortgagee's Lot in performing such Owner's obligations under the provisions of this Declaration, the Articles of Incorporation or the By-Laws which is not cured within thirty (30) days after such default commences, but the failure to give such notice shall not affect the validity of the lien for any assessments levied pursuant to this Declaration.

ARTICLE XI
MISCELLANEOUS

1. TERM. These Covenants shall run with the land and shall be binding for a period of thirty (30) years from the date that this Declaration is recorded, after which time the Covenants shall automatically be extended for successive periods of ten (10) years each unless and until an instrument signed by the then Record Owners of leasehold equities of redemption, or fee simple interests, as the case may be (excluding mortgagees, ground rent owners, and all others) in the majority of Lots subject to the same (casting one (1) vote for each Lot so owned) into which Tilghman-On-Chesapeake II shall have been subdivided, has been recorded, by which said Covenants, in whole or in part, are amended, modified or revoked.

2. AMENDMENT.

(a) Subject to the provisions of Article X of this Declaration, for so long as there is a Class B membership of the Association, this Declaration may be amended by an instrument in writing, signed and acknowledged by the Declarant and by the President or Vice-President and Secretary or Assistant Secretary of the Association after approval of the amendment at a meeting of the Association duly called for such purpose. The vote (in person or by proxy) or written consent of (i) at least two-thirds (2/3) of the Class A members of the Association, if any, (ii) at least two-thirds (2/3) of the Class B members of the Association and (iii) the Declarant shall be required to add to, amend, revise or modify this Declaration except as otherwise expressly set forth herein. Subject to the provisions of Article X of this Declaration, following the lapse of all of the Class B memberships in the Association, as provided in Article IV hereof, this Declaration may be amended by an instrument in writing, signed and acknowledged by the President or Vice President and Secretary or Assistant Secretary of the Association with the approval, in the manner set forth above, of at least two-thirds (2/3) of the Class A members of the Association at a meeting of the Association duly called for such purpose.

An amendment or modification shall be effective when executed by the President or Vice-President and Secretary or Assistant Secretary of the Association who shall certify that the amendment or modification has been approved as hereinabove provided, The amendment shall be recorded in the Land Records of Talbot County, Maryland. Unless a later date is specified in any such instrument, any amendment to this Declaration shall become effective on the date of recording. For the purpose of recording such instrument, each Record Owner, other than the Declarant, hereby grants to the President or Vice-President and Secretary or Assistant Secretary of the Association an irrevocable power of attorney to act for and on behalf of each and every Record Owner in certifying, executing and recording said instrument. Notwithstanding anything to the contrary contained herein, in no event may any of Declarant's rights or privileges under the articles

of incorporation, or by-laws of the Association or this Declaration be terminated, altered or amended without Declarant's prior written consent.

(b) Anything set forth herein to the contrary notwithstanding, the Declarant shall have the absolute unilateral right, power and authority to modify, revise, amend or change any of the terms or provisions of this Declaration, including the type of structure to be constructed by Declarant, all as from time to time amended or supplemented.

3. ENFORCEMENT.

(a) Enforcement of these Covenants shall be by proceedings at law or in equity against any person or persons violating or attempting to violate any covenant, either to restrain the violation or to recover damages, or both. In acquiring title to any Lot in Tilghman-On-Chesapeake II, the purchaser or purchasers violating or attempting to violate any Covenant, agree to reimburse the Association and/or any Record Owner for all costs and expenses for which it or they may be put as a result of the said violation or attempted violation, including but not limited to, court costs and attorneys' fees.

(b) These Covenants shall inure to the benefit of and be enforced by the Association or by the Record Owner or owners of any land included in Tilghman-On-Chesapeake II and their respective legal representatives, successors and assigns, and all persons claiming by, through or under them.

4. NO WAIVER. The failure or forbearance by the Association to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

5. INCORPORATION BY REFERENCE ON RESALE. In the event any Record Owner sells or otherwise transfers any Lot, any deed purporting to effect such transfer shall contain a provision incorporating by reference the covenants, restrictions, servitudes, easements, charges and liens set forth in this Declaration.

6. NOTICES. Any notice required to be sent to any member or Record Owner under the provisions of this Declaration shall be deemed to have been properly sent when mailed, by ordinary mail, postage paid, to the last known address of the person who appears as member or Record Owner on the records of the Association at the time of such mailing.

7. NO DEDICATION TO PUBLIC USE. Nothing herein contained shall be construed as a dedication to public use or as an acceptance for maintenance of any Common Area by any public or municipal agency, authority or utility and no public or municipal agency, authority or utility shall have any responsibility or liability for the maintenance or operation of any of the Common Area.

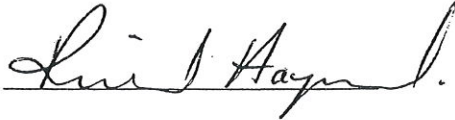
8. SEVERABILITY. Invalidation of any one of these, covenants or restrictions by judgment, decree or order shall not affect any other provisions hereof, each of which shall remain in full force and effect.

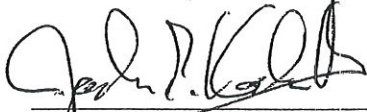
9. CAPTIONS AND GENDERS. The captions contained in this Declaration are for convenience only and are not a part of this Declaration and are not intended in any way to limit or enlarge the terms and provisions of this Declaration. Whenever the context so requires, the male shall include all genders and the singular shall include the plural.

WITNESS the hands and seals of the Declarant hereto on the day hereinabove first written.

WITNESS/ATTEST:

AVALON LIMITED PARTNERSHIP, a
Maryland limited partnership
By: Lovell Avalon LLC, a Maryland limited
liability company, its General Partner



By:  (SEAL)
Name: Jackson G. Kochen
Title: President

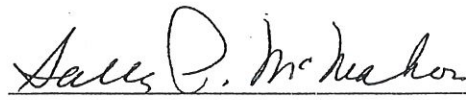
STATE OF MARYLAND, COUNTY OF HOWARD, TO WIT:

I HEREBY CERTIFY that on this 7th day of September, 2004, before, me, the
subscriber, a Notary Public of the State of Maryland, personally appeared JACKSON G. KOCHEN,
President of Lovell Avalon LLC, a Maryland limited liability company, the General Partner of
Avalon Limited Partnership, a Maryland limited partnership, the entity named in the foregoing
Declaration of Covenants, Conditions and Restrictions, who, in my presence, signed and sealed the
same and acknowledged the same to be the act and deed of said entity.

AS WITNESS my hand and seal.



My Commission Expires: 5/24/06


Notary Public

THIS IS TO CERTIFY that the within instrument was prepared by or under the
supervision of the undersigned, an attorney duly admitted to practice before the Court of Appeals
of Maryland.

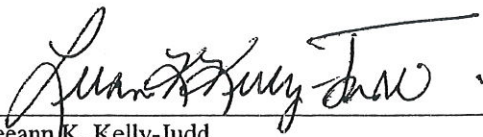

Leeann K. Kelly-Judd

EXHIBIT A-1

(Plat of Land)

[See attached plat]

EXHIBIT A-2

(Description of Land)

All of the following property located in the Fifth or Bay Hundred Election District of Talbot County, Maryland as more particularly described as follows:

The parcels labeled "Lot 1," "Lot 2," "Lot 3," "Lot 4," "Private Road Spinnaker Way," "RC1," "RC2," "RC3," "RC4," "VC1," "VC2," "VC3" and "VC4" as shown on that certain plat entitled "Parcel Key Sheet, Phase II, Tilghman on the Chesapeake" recorded among the plat records of Talbot County, Maryland in MAS 81/300.

EXHIBIT B

(Existing Property)

All of the following property located in the Fifth or Bay Hundred Election District of Talbot County, Maryland as more particularly described as follows:

The parcels labeled "Lot 1," "Lot 2," "Lot 3," "Lot 4," "Private Road Spinnaker Way," "RC1," "RC3," "VC3" and "VC4" as shown on that certain plat entitled "Parcel Key Sheet, Phase II, Tilghman on the Chesapeake" recorded among the plat records of Talbot County, Maryland in MAS 81/300.

EXHIBIT C

(Additional Property)

All of the following property located in the Fifth or Bay Hundred Election District of Talbot County, Maryland as more particularly described as follows:

The parcels labeled "RC2," "RC4," "VC1," and "VC2" as shown on that certain plat entitled "Parcel Key Sheet, Phase II, Tilghman on the Chesapeake" recorded among the plat records of Talbot County, Maryland in MAS 81/300.

EXHIBIT D-1

(Description of Initial Common Areas)

All of the following property located in the Fifth or Bay Hundred Election District of Talbot County, Maryland as more particularly described as follows:

The parcel labeled "RC3" as shown on that certain plat entitled "Parcel Key Sheet, Phase II, Tilghman on the Chesapeake" recorded among the plat records of Talbot County, Maryland in MAS 81/300.

Notwithstanding anything to the contrary herein, parcel RC1 and parcel RC3 shall be considered a Lot until such time as Declarant conveys parcel RC1 and parcel RC3, respectively, to the Association for use as common area.

EXHIBIT D-2

(Description of Future Common Areas)

All of the following property located in the Fifth or Bay Hundred Election District of Talbot County, Maryland as more particularly described as follows:

The parcels labeled "RC1," "RC2," "RC3" and "RC4" as shown on that certain plat entitled "Parcel Key Sheet, Phase II, Tilghman on the Chesapeake" recorded among the plat records of Talbot County, Maryland in MAS 81/300.

Notwithstanding anything to the contrary herein, parcel RC1 and parcel RC3 shall be considered a Lot until such time as Declarant conveys parcel RC1 and parcel RC3, respectively, to the Association for use as common area.