

**Amended Tilghman-On-Chesapeake Community Association, Inc.  
Covenants, Conditions and Restrictions  
Filed and Effective as of January 30, 2017**

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**ARTICLE I**

**DEFINITIONS**

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

Section 1. Association

**"Association"** shall mean and refer to Tilghman-On-Chesapeake Community Association, Inc.

Section 2. Avalon

**"Avalon"** 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 Land, 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 these Covenants, or any amendment or modification thereof.

Section 3. Common Area

**"Common Area"** shall mean and refer to those areas of land, sometimes designated on the Plats of Tilghman-On-Chesapeake as "open space" or "reserved 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 retention 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.

Section 4. Lot and/or Lots

**"Lot and/or Lots"** shall mean and refer to those areas of land shown and defined as parcels or lots of ground (exclusive of the Common Area) and designated by numerals on the Plats of Tilghman-On-Chesapeake.

Section 5. Plats of Tilghman-On-Chesapeake

**"Plats of Tilghman-On-Chesapeake"** shall mean and refer to Plat 1 and all of the other plats listed on **TOC SURVEY AND PLATS OF LAND DESCRIPTION, Exhibit B** and any plats recorded among the Land Records in substitution therefore or amendment thereof, plus any plats hereafter recorded among the Land Records of any additional land that may hereafter expressly be made subject to these Covenants by an instrument in writing, duly executed, and recorded among the Land Records.

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Section 6. Property

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

Section 7. Owner/Member(s)

**"Owner/Member(s)"** 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, or on any additional property subject to these Covenants under the provisions of **ARTICLE III, PROPERTY SUBJECT TO THESE COVENANTS AND ADDITIONS THERETO** herein, as said 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 Owner and shall be or become a single member of the Association by virtue of ownership of such Lot. The term "Owner," however, shall not mean, refer to or include any contract purchaser, nor the owner of any redeemable ground rent issuing 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.

Section 8. Structure

**"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, or 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, and (ii) any change in the grade of the

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Property (or any part thereof) of more than six (6) inches from that existing at the time of first ownership by an Owner hereunder.

Section 9. Tilghman-On-Chesapeake

**“Tilghman-On-Chesapeake”** shall mean and refer to all of the land hereby made subject to these Covenants by an instrument in writing, duly executed and recorded among the Land Records.

Section 10. Yacht Club

**“Yacht Club”** shall mean and refer to the Tilghman On Chesapeake Yacht Club, located adjacent to Tilghman-on-Chesapeake at the end of Island Club Road, as shown on the Plat, on the two (2) acre, more or less, parcel of land known as Avalon Island, including its causeway and riparian rights. The Association is not responsible for the maintenance or repair of the Boat Slips or any property of the Yacht Club, such maintenance and repair to be the responsibility of the Yacht Club owners.

**ARTICLE II**

**COVENANTS, CONDITIONS AND RESTRICTIONS**

**GENERAL STATEMENT**

It is the intent of this document to guide each Owner to produce a community consistent with the best of the local architecture and landscaping. The guidelines presented here are general in nature, with reliance on the Architectural Review Committee to interpret and apply them to the individual house designs.

Section 1. Administration: Architectural Review Committee

The Tilghman-On-Chesapeake Architectural Review Committee referred to herein and in the succeeding sections of these Covenants (the “Architectural Review Committee”) shall have all the rights, powers and duties granted by these Covenants. The Architectural Review Committee shall be at all times comprised of three (3) members appointed by the Board of Directors.

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 these covenants.

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Section 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 said 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 and 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 Owner of any Lot from its obligation to obtain any and all permits and approvals necessary for such Structure, Alterations or other changes.

(b) The Architectural Review Committee shall consider applications for approval of plans, specifications, etc., upon the basis of conformity with these Covenants 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 these Covenants, including, without limiting the foregoing, such factors as background, experience, skill, quality of workmanship, financial ability, etc.; 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.

(c) The Architectural Review Committee shall make available Design Guidelines, as it shall amend from time to time subject to Board approval, to provide an outline of generally acceptable improvements to a Lot (the "Design Guidelines"). The Design Guidelines will state unequivocally that they shall not be interpreted as totally inclusive of, inconsistent with or superseding **ARTICLE II, COVENANTS, and CONDITIONS AND RESTRICTIONS** herein.



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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 opinion, for aesthetic or other considerations. Written requests for approval, accompanied by the foregoing described plans and specifications or other specifications and information as may be required by the Architectural Review Committee from time to time shall be submitted to the Architectural Review Committee by registered or certified mail, electronic mail or in person in which case a written receipt shall be obtained. In the event the Architectural Review Committee fails to approve or disapprove any plans within ninety (90) days of receipt thereof, such plans shall be deemed approved. Approval of any particular plans and specification or design 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 plus actual costs after due notice to and approval by applicant, for such requests.

**(d)** 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 their 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 charges shall be maintained continuously in strict conformity with the plans and specifications so approved and all applicable laws.

**(e)** If any Structure is altered, erected, placed or maintained on any Lot other than in accordance with approved plans and specifications therefore, and applicable law, such action shall be deemed to be a violation of the provisions of these Covenants and, promptly after the Association gives written notice thereof to the Owner thereof, such Structure shall be removed or restored to its condition 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 Owner has not taken reasonable steps to terminate such violation or to obtain an extension in writing, any agent of the Association may enter upon such Lot and take such steps as are reasonably necessary to terminate such violation. Such Owner shall be personally liable to the

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Association for the cost thereof, to the same extent as he is liable for an Assessment levied against such Lot, and, upon the failure of the Owner to pay such cost within ten (10) days after such Owner's receipt of written demand therefore from the Association, the Association may establish a lien therefore upon such Lot in accordance with and subject the provisions of these Covenants applicable to an assessment lien.

(f) Any member of the Architectural Review Committee, upon the occurrence of a violation of the provisions of these Covenants, and after the Association or the Architectural Review Committee gives written notice thereof to the 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 is in accordance with the provisions hereof.

**Section 3. 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.

**Section 4. Building Heights**

No dwelling shall exceed two and one-half (2 1/2) stories or thirty-five (35) feet in height, and no accessory structure shall exceed one (1) story or fifteen (15) feet in height, exclusive of chimneys and/or antennas.

**Section 5. Clothes Line**

Shall be situated out of sight of neighboring views. Placement to be approved by the Architectural Review Committee.

**Section 6. 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. Sideline and front-line restrictions shall be as otherwise shown on the plat of subdivision.

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**Section 7. Driveways**

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

**Section 8. 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.

**Section 9. Exterior Materials**

All primary exterior materials of any Structure constructed on a Lot shall be in accordance with the Design Guidelines.

**Section 10. 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 Owners having at least fifty-one percent (51) of the total number of votes then held by all of the Owners, in the manner provided in the ByLaws 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 shall not exceed seven and one half percent (7.5%) of the total number of Lots in Tilghman-On-Chesapeake; (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.

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Section 11. Fences and Walls

No fence, wall or other similar enclosure may be built on any Lot which shall exceed four (4) feet in height, and shall not 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 advance by the Architectural Review Committee; provided they do not extend beyond the minimum building lines to any Lot line, and provided that they are located to the rear of the front face of the Structure. Under no circumstances, however, may such enclosures exceed a height of six (6) feet. Such enclosures may extend beyond the minimum building line as permitted by the Lot Zoning Plan to a Lot line, provided any such enclosure is fifty percent (50%) "See-through." No fences, walls or hedges shall be placed nearer to any street Lot line than the minimum building line. All fences and walls must receive the prior written approval of the Architectural Review Committee. Any such fence or wall shall be decorative in character (rail, picket, etc.), and not of chain link or chicken wire. 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.

Section 12. Hot Tubs - Above Ground

Shall be situated out of sight of neighboring views. Placement to be approved by the Architectural Review Committee.

Section 13. 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 not less than one (1) non-commercial vehicle, and swimming pools, or any of them, as accessory structures for the sole and exclusive use of the 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 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 these Covenants.

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**Section 14. 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 these Covenants. Current copies of any lease must be supplied to the Association. Owners who do not reside on their Lot must provide current addresses and phone numbers to the Association.

**Section 15. 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.

**Section 16. Lot Zoning Plan**

The configuration of the Lot on the Property is designed to provide each Owner with certain views from the improvements to be erected on the Lot. To assist the Owners in maintaining the views of each Lot and ensure proper scale of the improvements to be structured on each Lot, there shall be included within the Design Guidelines a Lot Zoning Plan partitioning each Lot into areas or zones. Each zone shall have limitations upon the type and size of the improvements permitted to be constructed or erected in that zone As more particularly described and delineated in the Design Guidelines, the zones are: Front Yard Zone, the front yard portion of the Lot nearest the street; House Zone, the building footprint; Side Yard Zone, adjacent side yards; Recreational Zone, the portion of the rear yard closest to the dwelling in which swimming pools, decks, hot tubs, limited fencing, etc. shall be permitted; and the Back Yard Zone and the Natural Zone, the rear portions of the Lot reserved for open space and view corridors in which improvements are restricted. The Lot Zoning Plan, as part of the Design Guidelines, is subject to amendment by the Architectural Review Committee.

**Section 17. 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.

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**Section 18. Neat Appearance**

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, 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 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 Owner to remedy the condition in question, and upon failure of the Owner to remedy the condition, shall have the obligation, through its agents and employees, to enter upon the Lot in question and to repair, maintain, repaint and restore the Lot and the improvements or Structures thereon, and the cost thereof shall be a binding, personal obligation of such Owner, as an additional assessment on the Lot.

**Section 19. No Docks**

No dock shall be erected or maintained appurtenant to any Lot within the subdivision except for Lot 27 within Phase I, or Lots 70 and 71 as shown on **TOC SURVEY AND PLATS OF LAND DESCRIPTION, Exhibit A-2 Plats of the Land.**

**Section 20. 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 part of such operations.

**Section 21. No Hunting**

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

**Section 22. 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.

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**Section 23. Non-Tidal Wetlands, Wildlife Refuges and 75' Buffer 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" or "75' Undisturbed Buffer" shall remain in a natural, undisturbed state and will not be developed, or improvements erected thereupon by the Association, any Builder or any Owner, except those of minor nature necessary for such intended use and permitted by applicable law.

**Section 24. Nuisance**

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 nuisances 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.

**Section 25. Signage**

Except for entrance signs, directional signs, signs for traffic control or safety, security signs, house number or property names, or sales or rental signs on Lot by the Owner, no signs or advertising devices of any character shall be erected, posted or displayed upon, in or about any Lot or dwelling. All signs are subject to ARC approval. The provisions and limitations of this subsection shall not apply to any institutional first Lot Owner of any Lot who comes into possession of the Lot by reason of any proceeding, arrangement, assignment or deed in lieu of foreclosure.

**Section 26. 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. 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, or any other person for any purpose shall require the unanimous agreement of the Board after holding an open meeting for discussion by the Membership.

**Section 27. 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

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so as to qualify as what is commonly referred to as an "in ground" or "below ground" type and located in accordance with the Lot Zoning Plan.

**Section 28. Temporary Structures**

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

**Section 29. 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) nor be closer than twenty (20) feet from either street line.

**Section 30. 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 approved dwelling or other permitted Structure, 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.

**Section 31. Tree Removal**

No Owner shall have the right to remove any of the healthy growing trees located on any of the Lots within the subdivision without reference to the Talbot County and State laws governing the Chesapeake Bay Critical Area which requires a Critical Area Property Maintenance Permit Application - (PMP).

**Section 32. Vehicles**

No inoperable, unlicensed, junk or junked cars or any motor vehicles other than private passenger vehicles, tractors or trucks in regular operation, 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



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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, 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 by the Architectural Review Committee (except to enter and exit). However, during construction of dwellings, the 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.

**ARTICLE III**

**PROPERTY SUBJECT TO THESE COVENANTS AND ADDITIONS THERETO**

**Existing Property**

The real property which was, transferred, held, sold, conveyed and occupied subject to these Covenants is located in Tilghman-On-Chesapeake, and is shown on the **TOC SURVEY AND PLATS OF LAND DESCRIPTION** document, **Exhibit B, Plats of Tilghman-On-Chesapeake.**

**ARTICLE IV**

**MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION**

**Membership**

**The Association has one class of voting membership:**

**(a) Members.** The members shall be all Owners holding title to one (1) or more Lots; provided, however, that any person or entity who holds such interest solely as security for performance of an obligation shall not be a member solely on account of such interest. Each 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.

**(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

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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 entitles, or any other combination thereof, shall be cast in the manner provided for in the Articles of Incorporation and/or ByLaws 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.

(c) Every 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.

**ARTICLE V**

**ASSOCIATION'S RESERVED RIGHTS AND OBLIGATIONS**

Section 1. Obligations

(a) Pursuant to an Act of the Talbot County Council, the public shall be permitted pedestrian access from Wharf Road onto the north side of the causeway (i) across the ten (10) foot wide pedestrian easement over the Reserved Area adjacent to Wharf Road, (ii) Island Club Road, and (iii) across the thirty (30) foot wide County Right of Way between Island Club Road and the causeway, all shown on Plat 1.

(b) The Association grants to Avalon its successors and assigns, and for the benefit of the Yacht Club, an easement and right-of-way in, through, over, across and under all roads, walkways and Common Area throughout the Property, for purposes of the operation of the Yacht Club and Boat Slips.

Section 2. Rights

The Association shall hold the Common Area pursuant to **ASSOCIATION'S RESERVED RIGHTS AND OBLIGATIONS** herein as follows:

(a) The Association holds ownership, easements and rights of way over those strips or parcels of land designated or to be designated on the Plats of Tilghman-On-Chesapeake 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 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

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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 Association 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. 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 Owner of the Lot.

**(b)** The Association exclusively holds the right to grant easements, rights-of-way and licenses to any person, individual, corporate body or municipality, to install and maintain pipeline, underground or above ground lines, with the appurtenances necessary thereto for public utilities, or quasi-public utilities or to grant such other licenses or permits as the Association may deem necessary for the improvement of Tilghman-On-Chesapeake in, over, through, upon and across any and all of the roads, streets, avenues, alleys, and open space, and in, over, through, upon and across each and every Lot in the easement areas set forth in these Covenants or as shown on the Plats of Tilghman-On-Chesapeake. The Association further holds the right to dedicate all of said roads, streets, alley, rights of way or easements, including easements in the areas designated Open Space or Reserved Area, 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 except as set forth in these Covenants, or as laid down and shown on the Plats of Tilghman-On-Chesapeake.

**ARTICLE VI  
COMMON AREA**

**Section 1. 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.

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**Section 2. Maintenance of Common Area**

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, 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.

**Section 3. Member's Right of Enjoyment**

Every member shall have a nonexclusive right and easement for the use, benefit and, 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 by the provisions of these Covenants, 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 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, 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 Owner or Owners for personal vegetable gardens, storage facilities or other private uses.

**Section 4. 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.

**Section 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 these Covenants 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;

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- (b) the right of the Association, in accordance with its Articles of Incorporation and ByLaws, 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 thirty (30) 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 these Covenants 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 two-thirds (2/3) of the then members of the Association consent to such dedication, transfer, purpose and conditions, 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.

All of the foregoing shall insure to the benefit of and be enforceable by the Association 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 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.

**Section 6. Rules and Regulations**

Each Owner shall fully and faithfully comply with the rules, regulations and restrictions applicable to use of the Common Area, as such rules, regulations and

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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 Owner shall comply with the Covenants imposed by these Covenants 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 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 Owner, its heirs, personal representatives and assigns, to provide for the encroachment and no disturbance 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**

Section 1. Additional Assessments

Additional assessments may be fixed against any Lot only as provided for in these Covenants. Any such assessments shall be due as provided by the Board of Directors in making any such assessment.

Section 2. Commencement Date of Annual Assessments

**(a)**The annual assessments shall commence as to all Lots on the first day of July of each year, and shall be due and payable on an annual basis not later than June 30 of the same year, and shall be a lien for any year after June 30 of that fiscal year.

**(b)**The due date under any special assessment shall be fixed in the resolution authorizing such special assessment.

Section 3. Covenant for Assessment

Each Owner, for each Lot owned by it, hereby covenants, and each successor Owner, by acceptance of a deed hereafter conveying any such Lot to it, whether or not so

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expressed in such deed or other conveyance, shall be deemed to have covenanted and agreed to pay 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 **ARTICLE VIII, COVENANT FOR ASSESSMENT** herein shall be construed as a real covenant running with the land and a contract of a lien under the terms of the said Act. Such assessments or charges, together with interest at a rate of ten percent (10%) per annum, and costs and reasonable attorneys' fees incurred or expended by the Association in the collection thereof, shall also be the personal obligation of the 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 Owner's successor or successors in title unless expressly assumed by such successor or successors.

**Section 4. Duties of the Board of Directors**

**(a)** The Board of Directors shall determine the amount of the maintenance 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 maintenance 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 maintenance assessments applicable

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thereto which shall be kept in the office of the Association and shall be open to inspection by any Owner upon reasonable notice to the Board.

Written notice of the annual maintenance 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 maintenance 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 maintenance assessment, or any installment thereof, for that or any subsequent assessment period; but the annual maintenance assessment fixed for the preceding period shall continue until a new maintenance assessment is fixed. No member may exempt himself or herself from liability for maintenance 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 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 ten dollars (\$10.00) may be levied in advance by the Association for each certificate so delivered.

**Section 5. 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.

**Section 6. 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.

**Section 7. Maximum Annual Assessment**

(a) 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.



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(b) 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 members of the Association, voting in person or by proxy, at a meeting duly called for such purpose.

(c) 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 7, and for the periods therein specified, the Association may change the maximum and the basis of the assessments fixed by this Section 7, prospectively for any period, provided that any such change shall have the assent of two-thirds (2/3) of the members of the Association, voting in person or by proxy, at a meeting duly called for such purposes.

**Section 8. Nonpayment of Assessment**

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 Ten Dollars (\$10.00) per month until paid, or ten percent (10%) 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 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 Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of the Owner's Lot.

**Section 9. Notice and Quorum for Any Action Authorized Under**

**Reserved Funds, Maximum Annual Assessment & Special Assessments**

Written notice (electronic mail is considered a valid form of written notice for this purpose) of any meetings of members of the Association called for the purpose of taking any action authorized shall be sent to all members not less than ten (10) +days, or 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 sixty

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percent (60%) of all of the votes of the 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.

**Section 10. Reserve Funds**

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 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 expanded 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 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.

**Section 11. 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 need 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 the members of the Association, voting in person or by proxy at a meeting to be called for such purpose.

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Section 12. Subordination of Lien to Mortgage

The lien of the assessments provided for herein shall be subordinate to the lien of any mortgage(s) 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.

Section 13. 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 members of Tilghman-On-Chesapeake, 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 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** 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** as may be approved from time to time by a majority of the members of the Association;
- (vii) **the cost of labor, equipment, materials, management and supervision incurred or expended in performing all of the foregoing;**
- (viii) **the cost of funding all reserves** established by the Association, including a general operating excess and a reserve for replacements.

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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.

**ARTICLE IX  
INSURANCE AND CASUALTY LOSSES**

**Section 1. 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 Owners 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 ByLaws of the Association.

**Section 2. Hazard Insurance on Improved Lots**

Each 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.

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Section 3. 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 Lot Owner 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 as originally approved; unless the Owner desires to construct improvements differing from those so approved, or when such improvements had not been approved, in which event the Owner shall submit plans and specifications for the improvements to the Architectural Review Committee and obtain its approval prior to commencing the repair, restoration or replacement. If any first Lot Owner does not permit insurance proceeds to be used to restore any damaged or destroyed improvements, then the Owner of such Lot shall raze the improvements and return the Lot to its natural condition free of all debris.

(b) If any Owner of an improved Lot fails to maintain the insurance required by, **ARTICLE IX, Section 2, Hazard Insurance on Improved Lots**, herein, the Association may, but shall not be obligated to, obtain such insurance and pay any premiums required in connection with obtaining such insurance.

Such Owner shall be personally liable to the Association for any costs incurred by the Association in obtaining such insurance, to the same extent as he is liable for assessments levied against such Lot, and, upon the failure of the Owner to pay such costs within ten (10) days after such Owner's receipt of a written demand therefore from the Association, the Association may establish a lien therefore upon the Owner's Lot in accordance with and subject to the provisions of these Covenants applicable to an assessment lien.

Section 4. Premiums for Insurance Maintained by Association

Premiums for all insurance and bonds required to be carried under **Types of Insurance Maintained by Association, Section 6**, 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.

Section 5. Repair and Reconstruction of the 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 Owners in order to cover the deficiency in the manner provided in **ARTICLE VIII, COVENANT FOR ASSESSMENT** herein. If the proceeds of

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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.

**Section 6. Types of Insurance Maintained by Association**

The Board of Directors shall have the authority to and shall obtain

**(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 Two Million Dollar (\$2,000,000.00) 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, 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)** at their discretion, 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.

**ARTICLE X**

**MISCELLANEOUS**

**Section 1. Amendment**

**(a)** Except as where otherwise provided for herein for specific Sections, these Covenants may only 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 of at least two-thirds (2/3) of the Members of the Association voting, pursuant to Article IV Membership (a), above, in person or by proxy at a meeting of the Association duly called for such purpose.

**(b)** Written notice of any meetings of members of the Association called for the purpose of amending any provisions of these Covenants, shall be sent to all members not less than ten (10) days, or more than sixty (60) days, in advance of the meeting.

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(c) 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 herein above 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 these Covenants shall become effective on the date of recording. For the purpose of recording such instrument, each Owner 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 Owner in certifying, executing and recording said instrument.

Section 2. Captions and Genders

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

Section 3. Enforcement

(a) If, in the opinion of the Architectural Review Committee, any 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 Owner to remedy the condition in question, and upon failure of the Owner to remedy the condition, shall have the obligation, through its agents and employees, to enter upon the Lot in question and to repair, maintain, repaint and restore the Lot and the improvements or Structures thereon, and the cost thereof shall be a binding, personal obligation of such Owner, as an additional assessment on the Lot.

(b) Notwithstanding the provisions of **(a) Enforcement** in this section, enforcement of these Covenants may be by proceedings at law or in equity, including by imposition of a lien, 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, the purchaser or purchaser violating or attempting to violate any Covenant, agree to reimburse the Association and/or any 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.

(c) These Covenants shall inure to the benefit of and be enforced by the Association through its Board of Directors. This shall not limit action by the Owner or Owners of any land included in Tilghman-On-Chesapeake and their respective legal

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representatives, successors and assigns, and all persons claiming by, through or under them.

**Section 4. Incorporation by Reference on Resale**

In the event any Owner sells or otherwise transfers any Lot, any deed purporting to affect such transfer shall contain a provision incorporating by reference the covenants, restrictions, servitudes, easements, charges and liens set forth in these Covenants.

**Section 5. 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.

**Section 6. 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.

**Section 7. Notices**

Any notice required to be sent to any member or Owner under the provisions of these Covenants shall be deemed to have been properly sent when mailed, by electronic mail or by ordinary mail, postage paid, to the last known address of the person who appears as member or Owner on the records of the Association at the time of such mailing. In compliance with the Maryland Homeowners Association Act, the Board may adopt electronic transmission of notices. Inadvertent failure to deliver notice by electronic transmission does not invalidate any meeting or other actions, provided Board actions are substantially in compliance with provisions of the Maryland Act.

**Section 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.

**Section 9. Term**

These Covenants shall run with the land and shall be binding for a period of thirty (30) years from the date that these Covenants is recorded, after which time the Covenants shall automatically be extended for successive periods of ten (10) years



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each unless and until an instrument signed by the then Owners of leasehold equities of redemption, or fee simple interests, as the case may be (excluding Lot Owners, 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 shall have been subdivided, has been recorded, by which said Covenants, in whole or in part, are amended, modified or revoked.