

**DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR
PATRIOT SQUARE**

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**DECLARATION OF COVENANTS, CONDITIONS
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PATRIOT SQUARE**

THIS DECLARATION is made this 9th day of July, 2003, by **LENFEST AT PATRIOT SQUARE, LLC** ("the Declarant").

EXPLANATORY STATEMENT: By virtue of a deed from BH Development, LLC, dated March 4, 2002 and recorded among the Land Records of Talbot County, Maryland at Liber 1052, folio 220, the Declarant is the owner of the real property ("the Property") located in the Town of Easton, Talbot County, Maryland which is more particularly described in the Exhibit A attached hereto, which said Exhibit A is herein incorporated by reference.

The Declarant desires to create a planned residential community ("Patriot Square"), consisting of 92 townhouses and 41 single family lots, upon the Property pursuant to a general plan of development for the benefit of all owners of residential property within this planned residential community. The Declarant desires to provide permanent common areas and community facilities within Patriot Square, to provide for the maintenance of said common areas and community facilities, and to provide for the preservation of values and amenities within Patriot Square. Further, the Declarant desires to provide a flexible and reasonable procedure for the overall development of Patriot Square and to establish a method for the administration, maintenance, preservation, use and enjoyment of all real property therein now or hereafter subjected to this Declaration. To these ends, the Declarant desires to subject the real property described in Exhibit A (as well as other real property which it may hereafter subject to the legal operation and effect of this Declaration) to the covenants, restrictions, easements, charges and liens hereinafter set forth, each and all of which shall be for the benefit of the Property and the subsequent owners thereof. In conjunction herewith, the Declarant has caused to be incorporated, or simultaneously with the recording of this Declaration will cause to be incorporated, under the laws of the State of Maryland, a nonprofit Maryland corporation without stock named "Patriot Square Homeowners' Association, Inc. ("Association").

NOW, THEREFORE, the party hereto hereby declares that all of the real property described in the Exhibit A attached hereto is and hereafter shall be held, conveyed, hypothecated or encumbered, sold, leased, rented, used, occupied and improved subject to the covenants, restrictions, uses, limitations, obligations, easements, equitable servitudes, charges and liens (all of which are sometimes hereinafter collectively referred to as "covenants and restrictions") hereinafter set forth, all of which are declared and agreed to be in aid of a plan for improvement of the Property and such additional real property as shall hereafter be subjected to the legal operation and effect of this Declaration and all of which shall be deemed to run with and bind the land submitted to this Declaration and to inure to the benefit of and be enforceable by the Declarant, its successors and assigns, and any person acquiring or owning an interest in the Property or such additional real property, including, without limitation, any person who holds such interest solely as security for the

performance of an obligation.

ARTICLE I

Definitions

When used in this Declaration, the word or words listed below within quotation marks shall be deemed to have the meanings which follow them in the same section:

Section 1. "**Annexation Amendment**" shall mean an amendment to this Declaration which adds additional property to that which is subject to the legal effect and operation of this Declaration.

Section 2. "**the Association**" shall mean and refer to Patriot Square Homeowners' Association, Inc., a nonprofit Maryland corporation without stock, and its successors and assigns.

Section 3. "**the Articles**" shall mean and refer to the Articles of Incorporation of the Association, as such may be duly amended from time to time.

Section 4. "**assessments**" shall mean the regular or special assessments payable by Owners to the Association.

Section 5. "**the Board**" shall mean the Board of Directors of the Association.

Section 6. "**the Bylaws**" shall mean and refer to the duly adopted bylaws of the Association, as such may be amended from time to time.

Section 7. "**the Common Areas**" shall mean and refer to all real property owned by the Association for the common use and enjoyment of the Owners of the Lots, together with the improvements located thereon, and the rights, alleys, ways, waters, privileges, appurtenances and advantages thereto belonging, or in anywise appertaining. The "Common Areas" shall, without limitation, specifically include all areas depicted on the Plat as "Access and Utility Easement", and the area designated on the Plat as a Storm Water Management Easement Area.

Section 8. "**common expenses**" shall mean and include the actual and estimated expenses of operating the Association, including any reasonable reserve, all as may be found to be necessary and appropriate by the Board pursuant to this Declaration, the Articles and/or the Bylaws.

Section 9. "**the Declarant**" shall mean and refer to Lenfest at Patriot Square, LLC, and its successors and assigns; provided, however, that the rights, reservations, easements, interests, exemptions, privileges and powers of the Declarant pursuant to this Declaration, the Articles, or the Bylaws shall not inure to the benefit or burden of the successors and assigns of the said Lenfest at Patriot Square, LLC, except to the extent that any of the rights, reservations, easements, interests, exemptions, privileges and powers of the Declarant are specifically assigned or transferred to any

successors or assigns by a recorded writing.

Section 10. "**mortgagee**" shall mean and refer to the holder of any recorded mortgage, or the party secured by, the beneficiary of, any recorded deed of trust, encumbering one or more of the Lots. The word "mortgage", as used herein, shall include a deed of trust. "first mortgage", as used herein, shall mean a mortgage with priority over other mortgages. As used in this Declaration, the term "mortgagee" shall mean any mortgagee and shall not be limited to institutional mortgagees. As used in this Declaration, the term "institutional mortgagee" or "institutional holder" shall include banks, trust companies, insurance companies, mortgage insurance companies, savings and loan associations, trusts, mutual savings banks, credit unions, pension funds, mortgage companies, the Federal National Mortgage Association ("the FNMA"), the Federal Home Loan Mortgage Corporation ("the FHLMC"), all corporations, and the Federal Housing Administration (the FHA), the Veterans Administration ("the VA") and any other agency or department of the United States Government or of any state or municipal government. As used in this Declaration, the term "holder" shall include the parties secured by any deed of trust or any beneficiary thereof.

Section 11. "**Member**" and "**Members**" shall mean and refer to the person, or the combination of persons, including contract sellers, holding the record fee simple or perpetually renewable leasehold title to a Lot in the Property. The term "Member" shall not mean any contract purchaser, or the owner of any redeemable ground rent reversion issuing out of any Lot, nor shall it include any mortgagee or other person holding an interest in a Lot as security for the performance of an obligation.

Section 12. "**Owner**" and "**Owners**" shall mean and refer to the person or the combination of persons, including contract sellers, holding the record fee simple or perpetually renewable leasehold title to a Lot in the Property. The term "Owner" shall not mean any contract purchaser, or the owner of any redeemable ground rent reversion issuing out of any Lot, nor shall it include any mortgagee or other person holding an interest in a Lot as security for the performance of any obligation.

Section 13. "**person**" shall mean and refer to a natural person, a corporation, a partnership, an unincorporated association, a trust, an estate, or any other type of entity, or any combination thereof.

Section 14. "**the Plat**" shall mean and refer to that certain plat entitled "Final Plat of Patriot Square in the Town of Easton" recorded among the Plat Records of Talbot County, Maryland on June 18, 2003 in Plat Book 81, page 305. , as well as such other plats as are recorded among the said Land Records with regard to the Property or any other real property subjected to the legal effect and operation of this Declaration. In the event that all or any of the said record plat or plats is amended by the Declarant, its successors or assigns by a subsequent recorded plat or plats, "the Plat" shall refer to the said plat or plats as so amended.

Section 15. "**the Property**" shall mean and refer to all that real property situate, lying and

being in the Town of Easton, Talbot County, Maryland and more particularly described in the Exhibit A attached hereto. In the event that other real property is hereafter submitted and subjected to the legal effect and operation of this Declaration, such other real property shall thereupon become a part of "the Property".

Section 16. "**Patriot Square**" shall mean and refer to that certain residential community being developed or intended to be developed by the Declarant at the Property and in the nearby vicinity.

Section 17. "**Lot**" or "**Lots**" shall mean and refer to those bounded and numbered lots or parcels of land other than the Common Areas as shown on the Plat.

Section 18. "**Rules and Regulations**" shall mean such rules and regulations as may be adopted by the Board governing (i) use of the Common Areas, including any improvement and amenities located thereon; (ii) additions, alterations, and improvements on or to the Lots; (iii) reasonable interpretation and construction of the provisions of the Declaration, the Articles, and the Bylaws; and (iv) such other matters as are specified as the subjects for such Rules and Regulations in this Declaration, the Articles or the Bylaws.

ARTICLE II

Property Subject to this Declaration and Additions Thereto

Section 1. **Initial Property.** The real property initially subject to this Declaration is the Property as more particularly described in the Exhibit A attached hereto.

Section 2. **Additions.** Additional real property may be subjected to the provisions of this Declaration and the jurisdiction of the Association in the following manner: the Declarant shall have the unilateral right, privilege and option, from time to time at any time to annex to the Property and subject to the legal operation and effect of this Declaration and the jurisdiction of the Association all or any portion of the real property contiguous or adjacent to the Property by filing an Annexation Amendment among the Land Records of Talbot County, Maryland with respect thereto.

Such Annexation Amendment shall not require any vote of the Members to be effective and need be executed only by the Declarant (or its successors or assigns) and the owner of such real property if the Declarant is not the owner thereof. Any such annexation shall be effective upon the recording of the Annexation Amendment unless otherwise provided therein. The Declarant shall have the unilateral right to transfer to any other person the said right, title and privilege which is herein reserved to the Declarant to annex additional property to the legal operation and effect of this Declaration and the jurisdiction of the Association.

Section 3. **Agency Approval.** Notwithstanding the other provisions contained in this article, if (and only if) the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Veterans Administration, the Federal Housing Administration, or any

successor or comparable agencies thereto approve the Property or any part thereof of any Lot therein for agency approved mortgage financing proposes, and if the regulations or procedures of the FNMA, the FHLMC, the VA, the FHA or any other such governmental agency or quasi-governmental agency require approval of annexations to the Property by such agency or determination by such agency that such annexations are consistent with the general plan of development for Patriot Square, then such approval or determination shall be a prerequisite to such annexation.

Section 4. No Annexation by Implication. No provision of this Declaration shall be construed to require the Declarant or any other person to annex any real property to the Property or to the scheme of the covenants and restrictions herein contained. The community contemplated by this Declaration, including parcels of real property intended to be annexed to the Property hereafter may include a diversity of lot sizes and housing types and styles. The Declarant expressly reserves the right to change existing or future plans or designs for Patriot Square as to those portions of the residential community not (yet) included in the Property and made subject to the legal operation and effect of this Declaration.

Section 5. Effect of Annexation. Any additional real property annexed to the Property and made subject to the legal effect and operation of this Declaration pursuant to this article shall be considered a part of the Property for all purposes of this Declaration, and all votes of the Class A Members appurtenant to the Lots contained in such additional annexed real property shall be aggregated with votes of existing Class A Members, it being intended that any Class A voting requirements need not be fulfilled separately for the real property annexed pursuant to any Annexation Amendment.

ARTICLE III

Property Rights

Section 1. Members' Easements of Enjoyment. Subject to the provisions of this Declaration and any restrictions or limitations contained in any deed or Annexation Amendment conveying such property to the Association or subjecting such property to the legal operation and effect of this Declaration, each Owner shall have a non-exclusive right and easement of enjoyment in and to, and ingress and egress into and from the Common Areas. Such easements shall be appurtenant to and shall pass with the title to such Owner's Lot.

Section 2. Title to Common Areas; Easement for Completion. The Declarant shall cause to be conveyed to the Association, and the latter shall take and accept legal title to, all Common Areas included within the Property. In the event that any improvements on any Common Areas included in or added to the Property are not completed at the time such area is conveyed to the Association, the Declarant reserves an easement on, over, under, across and through such area to complete construction of the improvements thereon. The Association shall hold the Common Areas conveyed to it subject to the property rights described herein.

Section 3. **Limitations on Owners' Easements.** The rights and easements of enjoyment for Owners created hereby shall be subject to the following rights of the Association:

a. the right to borrow money for the purpose of improving the Common Areas and in aid thereof to mortgage the Common Areas, but the rights of such mortgagee in the Common Areas shall be subordinate to the rights of the Members hereunder; and

b. the right to take such steps as are reasonably necessary to protect the Common Areas against mortgage default foreclosure; and

c. the right to adopt and to amend the Rules and Regulations governing the use by the Owners of the Common Areas; and

d. the right to dedicate or transfer all or any part of the Common Areas or community facilities to any public or municipal agency, authority or utility; provided, however, that no such dedication or transfer shall be effective unless two-thirds (2/3) of each class of the then Members of the Association consent to such dedication or transfer at any special meeting of the Members duly called for such purpose; and

e. the right 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, the Declarant or any other person; provided, however, that no such licenses, rights-of-way or easements shall be unreasonably and permanently inconsistent with the rights of the owners to the use and enjoyment of the Common Areas and community facilities; and

f. the right to suspend the enjoyment rights of any Owner in the Common Areas and the recreational facilities thereof for any period in excess of thirty (30) days during which any assessment remains unpaid, and for any period not to exceed sixty days for any infraction of its published Rules and Regulations; and

g. the right to enter into the Common Areas for the purpose of completing, repairing or maintaining such Areas or the improvements thereon; and

h. the right to require the display of membership cards or other means of identification as a prerequisite to entry to the Common Areas or community facilities, or any part or facility thereof.

i. the right to grant licenses, rights-of-way, leases, easements and similar interests in order to permit modification of the Common Areas to be made by or at the request of, and at the expense of, an Owner or tenant, if such modifications are necessary under the federal Fair Housing Act or Americans With Disabilities Act, or otherwise appropriate to afford to one or more

handicapped persons residing at or visiting the dwelling of the Owner or tenant full enjoyment of such dwelling or the Common Areas. All requests for modifications to the Common Areas shall be in writing accompanied by adequate design information to allow the Board of Directors to make a decision. Any decision of the Board that approves a modification shall ensure that the modification conforms to conditions that are reasonable to protect the safety, functioning and appearance of the premises, provided that no condition may be imposed that abrogates the rights of any handicapped person under the Federal Fair Housing Act or Americans With Disabilities Act. Any license, right-of-way, lease, easement or similar interest shall contain provisions (i) indemnifying the Association for any damage arising out of the modification to the Common Areas, and (2) agreeing to restore the Common Areas to their condition before the modification when the handicapped person no longer resides in the dwelling, if so requested by the Board.

The rights and easements of Owners are also subject to the right of Declarant (and its sales agents and representatives) to the non-exclusive use of the Common Areas for display and exhibit purposes, which right the Declarant hereby reserves for so long as it owns any Lot.

Section 4. Delegation of Use. Any Owner may delegate his rights of enjoyment to the Common Areas and community facilities to the members of his family, his tenants, or his contract purchasers (and the members of the family of any tenant or contract purchaser) who reside within Patriot Square or to such other persons as may be permitted by the Association. To the extent that an Owner shall delegate his right of enjoyment of the Common Areas and community facilities to his tenants, he and members of his family shall not be privileged to use the areas or facilities in question during such period of delegation.

Section 5. Utility and Road Easements. The Declarant, for itself, its successors and assigns, hereby expressly reserves easements and rights-of-way through, under, over, on and across the Property, for the installation, maintenance, replacement and inspection of (a) lines and appurtenances for public or private water, sewer, drainage, gas, electricity, telephone, cable television and other utilities, and (b) for public or private vehicular or pedestrian roads, rights-of-way, bikeways, sidewalks and pathways. Such reserved easements and rights-of-way shall include, without limitation, all easements, roads, rights-of-way, bikeways, sidewalks, and pathways shown or in any way referred to on the Plat. The Declarant further expressly reserves, for itself, its successors and assigns, the right to grant licenses, rights-of-way and easements through, under, over, on and across the Property for access or for the construction, reconstruction, maintenance and repair of any utility lines or appurtenances, whether public or private, to any municipal agency or public utility.

Section 6. Easement Rights of the Association. The Association, and its Management Agent, employees and other agents, successors, and assigns shall have such easements in and over the Property (including, without limitation, in and over the Lots) as may be reasonably necessary to perform the duties and obligations of the Association as set forth in this Declaration, the Articles, or the Bylaws.

Section 7. **Easements of Encroachment.** Reciprocal appurtenant easements of encroachment shall exist as between each Owner of a Lot and the Association as to such portion or portions of the Common Areas adjacent thereto or as between Owners of adjacent Lots, for the purpose of accommodating any encroachments which may result from engineering errors, errors in original construction, roof overhangs, gutters, architectural or other appendages, or the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the provisions of this Declaration) to a distance of not more than three (3) feet, as measured from any point on the common boundary between each Lot and the adjacent portion of the Common Area or as between said adjacent Lots, as the case may be, along a line perpendicular to such boundary at such point; provided, however, in no event shall an easement for encroachment exist if such encroachment occurred as the result of willful conduct on the part of an Owner, members of his family, his invitees or tenants, or the Association.

Section 8. **Maintenance Easements.** Any Owner (including the Declarant) of a Lot on which improvements have been or are being, constructed, reconstructed or altered (in accordance with the provisions of this Declaration) within three (3) feet of the common boundary of that Lot with an adjacent Lot or with an adjacent portion of the Common Areas shall have an easement upon and over such portions of such adjacent other Lot and/or such adjacent portion of the Common Areas as shall be within three (3) feet of such improvements as so constructed, reconstructed or altered for the limited purposes of constructing, reconstructing, repairing, maintaining, or painting said improvements; provided, however, that if any Owner or his family members, tenants, agents or employees shall damage, demolish or otherwise alter any improvements or landscaping located on such adjacent Lot or adjacent portion of the Common Areas during the course of exercising his rights held pursuant to the easement granted in this section, such Owner shall, at his expense, promptly replace the same with improvements or landscaping of comparable size and quality.

Section 9. **Right of Entry.** The Association shall have the right to enter into any Lot and the improvements thereon for emergency, security, and safety purposes, which right may be exercised by the Board or the Association's officers, agents, employees, managers, and all policemen, firemen, ambulance personnel, and similar emergency personnel in the performance of their respective duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner of the Lot. This right of entry shall include the right of the Association to enter into a Lot and any improvements thereon to cure any condition which may increase the possibility of a fire or other hazard or to abate any violation of any provision of this Declaration or the duly adopted Rules and Regulations as provided in Section 5 of Article XIII hereof.

ARTICLE IV

Membership and Voting Rights in the Association; Administration

Section 1. **Membership.** Every Owner of a Lot shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot.

Section 2. **Voting Rights.** The Association shall have two classes of voting membership:

Class A: The Class A Members shall be all Owners with the exception (initially) of the Declarant and any other Class B Member. Class A Owners shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be entitled to participate in the Association as Members; provided, however, that persons holding any such interest solely as contract purchasers or as security for the performance of an obligation shall not be Members solely on account of such interests; and provided, further, that, for purposes of voting and determining the existence of a quorum, all such persons so holding an interest in any one Lot shall be treated as a single member. The vote for any such Lot shall be exercised as determined by the Members holding interests therein, but in no event shall more than one vote be cast with respect to any Lot.

Class B: The Class B Members shall be (a) the Declarant and (b) any successor or assignee of the Declarant who takes title to Lots of the Declarant for the purposes of construction of houses or other improvements or the sale or lease of improvements so constructed and who is designated as such in a recorded instrument. The Class B Members shall be entitled to a number of votes which shall be one (1) more than three (3) times the aggregate number of all Class A members existing from time to time, all of which Class B votes shall initially be exercised as determined by the Declarant but any (or all) of which shall be thereafter exercisable as assigned by the Declarant to any other person who is a Class B Member. The Class B membership shall cease and become converted to Class A membership upon the happening of any of the following events, whichever occurs first:

(i) December 31, 2010;

(ii) Upon the conveyance of title to seventy-five percent (75%) of the Lots, other than to any successor or assignee of the Declarant who takes title to Lots of the Declarant for the purposes of construction of houses or other improvements or the sale or lease of improvements so constructed;
or

(iii) when, at such time as may be before the event specified in (i) above, the Declarant, in its sole discretion so determines.

— 12/31/10

Notwithstanding the termination provisions of sub-paragraphs (i) and (ii) of this Section, if Declarant annexes all or not less than twenty-five percent (25%) of the real property described on Exhibit B to this Declaration in accordance with Article II, Section 2, and, if such annexation occurs before Class B memberships have ceased and been converted to Class A memberships, the date specified in sub-paragraph (i) above shall be extended to a date which is eight (8) years from the effective date of the annexation. However, if such annexation occurs after Class B memberships have ceased and been converted to Class A memberships as hereinbefore provided, upon such annexation the Class B membership thereupon shall be revived for such annexed property. Upon revival, the Class B Members shall be entitled to a number of votes which shall be

one (1) more than three (3) times the aggregate number of all Class A members existing from time to time, all of which Class B votes shall initially be exercised as determined by the Declarant but any (or all) of which shall be thereafter exercisable as assigned by the Declarant to any other person who is a Class B Member. The revived Class B membership shall cease and become converted to Class A membership upon the happening of any of the following events, whichever occurs first:

- (i) attaining that date which is eight (8) years from the effective date of the annexation;
- (ii) Upon the conveyance of title to seventy-five percent (75%) of the annexed Lots, other than to any successor or assignee of the Declarant who takes title to Lots of the Declarant for the purposes of construction of houses or other improvements or the sale or lease of improvements so constructed; or
- (iii) when, at such time as may be before the event specified in (i) above, the Declarant, in its sole discretion so determines.

From and after the time that any Class B membership ceases and becomes converted to a Class A membership, the Class B Members shall become Class A Members entitled to cast one (1) vote for each Lot in which such members hold an interest. At such time, the Declarant shall call a meeting of the Members of the Association as provided in the Bylaws for special meetings to advise the membership of the termination of Class B status.

Section 3. Administration. The affairs and business of the Association shall be managed and conducted as provided in the Articles and the Bylaws.

Section 4. Management Agent. The Board may employ for the Association a management agent or manager (the "Management Agent") at a rate of compensation established by the Board to perform such duties and services as the Board shall from time to time authorize in writing, including, without limitation:

- a. to provide for the care, upkeep, maintenance and surveillance of the Common Areas and any community facilities; and
- b. to designate, hire and dismiss such personnel as may be required for the good working order, maintenance and efficient operation of the Common Areas and community facilities; and
- c. to provide for such other services (including accounting services) for the Association as may be consistent with law and the provisions of this Declaration; and
- d. provide for the collection of assessments and any other obligations provided for in this Declaration and to provide for the enforcement of liens therefore in a manner

consistent with law and the provisions of this Declaration; and

e. to provide for the enforcement of the provisions of this Declaration and the Rules and Regulations.

Any cost incurred by the Association for the employment of the Management Agent shall be deemed and construed to be a part of the common expenses of operating the Association. The Board may employ as Management Agent any person of its choosing, including the Declarant or any person affiliated with the Declarant or any other Class B Member.

Section 5. Limitation of Liability. The Association shall not be liable for any failure of any services to be obtained by the Association or paid for as a part of the common expenses, or for injury or damage to person or property caused by the elements or resulting from water which may leak or flow from any portion of the Common Areas or community facilities, or from any wire, pipe, drain, conduit or the like. The Association shall not be liable to any Owner or his family members, tenants, employees, or invitees, for loss or damage, by theft or otherwise, of articles that may be stored upon the Common Areas or in community facilities. No diminution or abatement of assessments, as herein elsewhere provided for, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Common Areas or community facilities, or from any action taken by the Association to comply with any of the provisions of this Declaration or with any law or ordinance or with the order or directive of any municipal or other governmental authority.

ARTICLE V

Maintenance Responsibilities

Section 1. Association Responsibilities . The Association shall be responsible for the maintenance, repair and replacement of all Common Areas and all improvements thereon, including landscaping, furnishings and equipment related thereto, (unless the repair or replacement is necessitated by the negligence, misuse or neglect of an Owner, his family members, his tenants, employees and invitees in which case the expense of such repair or replacement shall be borne by such Owner), and shall keep the same in good, clean, attractive and sanitary condition, order and repair. In furtherance of all of such obligations under this Section, the Board may contract for management and maintenance services to be provided to the Association with persons or entities of its choosing, including the Declarant and affiliates thereof. Any cost incurred by the Association in the course of such maintenance, repair or replacement as for which it is responsible shall be deemed and construed to be a part of the common expenses of operating the Association.

Section 2. Owner Responsibilities.

a. **Common Areas.** Each Owner, and his tenants, and the family members, employees and invitees of either shall be responsible for using the Common Areas in a safe and

orderly manner consistent with the purpose for which each Common Area is intended, and shall be personally liable for any damage caused to person or property by reason of their misuse or neglect. Each Owner shall be jointly and severally liable for any such damage caused by his tenants, family members, employees, and invitees.

b. **The Owner's Lot.** The Owner of each Lot shall keep the Lot, and the landscaping, buildings, and other improvements thereon, in good order and repair, and free of debris. Lawns shall be seeded and mowed, shrubbery trimmed, and painted or stained exterior surfaces repainted or restained, all in a manner and with such frequency as is consistent with good property management. In the event the Owner of a Lot shall fail to maintain the Lot and the landscaping, buildings and other improvements thereon as provided herein, the Association, its agents or employees, after written notice to the Owner specifying the deficiency and providing a reasonable opportunity for the Owner to cure the deficiency, and with the approval of the Board, shall have the right to enter upon the Lot to perform such work as is reasonably required to restore the Lot and the landscaping, buildings and other improvements thereon to a condition of good order and repair. All costs incurred by the Association in connection with the restoration shall be reimbursed to the Association by the Owner of the Lot, upon demand. All unreimbursed such costs, together with interest, reasonable attorneys fees and costs of collection as hereinafter provided, shall be a lien upon the Lot until reimbursement is made. The lien may be enforced in the same manner as a lien for an unpaid maintenance assessment levied in accordance with other provisions of this Declaration; but any such lien shall be subject to the provisions of Section 16 of Article XII of this Declaration. As determined by the Board, interest on unreimbursed costs so incurred by the Association shall accrue at a rate not to exceed the maximum legal rate permitted from time to time in the State of Maryland. In the event of litigation to collect such unreimbursed costs, the Owner obligated to pay such costs shall further be obligated to pay to the Association reasonable attorneys' fees of not less than Five Hundred Dollars (\$500.00) and any costs of collection incurred in connection therewith.

Section 3. **Manner of Repair and Replacement.** Except as otherwise authorized by the Board, all repairs and replacements shall be substantially similar in appearance and materials to the original construction and installation, shall be performed in a good and workmanlike manner, and shall be of first class quality. The Board shall have the discretion to allow all or any portion of the Common Areas to remain in their naturally occurring condition; and, to the extent that it elects to do so, nothing herein stated shall be deemed to require the Board to change any vegetation or topography therein located.

ARTICLE VI

Insurance and Casualty Losses

Section 1. **Hazard and Liability Insurance.** The Board, or its duly authorized agent, shall have the authority to and shall obtain insurance for all insurable improvements on or within the Common Areas against loss or damage by fire or other hazards, including extended coverage,

vandalism, and malicious mischief. This insurance shall be in an amount sufficient to cover the full replacement cost of any repair or reconstruction in the event of damage or destruction from any such hazard. The Board shall also obtain a public liability policy covering the Common Areas, the Association, its directors, officers and Members for all damage or injury caused by the negligence of the Association or any of its officers, directors, Members, employees or agents. The public liability policy shall have at least a Five Hundred Thousand (\$500,000.00) Dollar single person limit as respects bodily injury and property damage, a One Million (\$1,000,000.00) Dollar limit per occurrence, and a Two Hundred Fifty Thousand (\$250,000.00) Dollar minimum property damage limit. Premiums for all insurance on the Common Areas shall be common expenses of the Association. The policy may contain a reasonable deductible, and the amount thereof shall be added to the face amount of the policy in determining whether the insurance at least equals the full replacement cost.

Section 2. **Policy Provisions.** All such insurance coverage obtained by the Board shall be written in the name of the Association as Trustee for the respective benefited parties, as further identified in subsection (b) below. Such insurance shall be governed by the provisions hereinafter set forth:

a. All policies shall be written with a company licensed to do business in Maryland and holding a rating of XI or better in the Financial Category as established by A. M. Best Company, Inc., if reasonably available, or, if not available, the most nearly equivalent rating.

b. All policies on the Common Areas shall be for the benefit of the Owners and their mortgagees as their interests may appear.

c. Exclusive authority to adjust losses under policies obtained by the Association shall be vested in the Board; provided, however, no mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related thereto.

d. In no event shall the insurance coverage obtained and maintained by the Board hereunder be brought into contribution with insurance purchased by individual Owners, occupants, or their mortgagees.

e. All casualty insurance policies shall have an inflation guard endorsement, if reasonably available, and an agreed amount endorsement with an annual review by one or more qualified persons, at least one of whom must be in the real estate industry and familiar with construction in the Talbot County, Maryland area.

f. The Board shall be required to make every reasonable effort to secure insurance policies that will provide for the following:

(i) a waiver of subrogation by the insurer as to any claims against the

Board, the Management Agent, the Owners, and their respective tenants, servants, agents, and guests; and

(ii) a waiver by the insurer of its rights to repair, and reconstruct, instead of paying cash; and

(iii) that no policy may be canceled, invalidated or suspended on account of the actions of any one or more individual Owners; and

(iv) that no policy may be canceled, invalidated, or suspended on account of the conduct of any director, officer, or employee of the Association or its duly authorized Management Agent without prior demand in writing delivered to the Association to cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured by the Association, its Management Agent, any Owner, or mortgagee; and

(v) that any "other insurance" clause in any policy exclude individual Owners' policies from consideration; and

(vi) that no policy may be canceled or substantially modified without at least ten (10) days' prior written notice to the Association.

Section 3. Other Insurance. In addition to the other insurance required by this article, the Board shall obtain, as a common expense, workman's compensation insurance, if and to the extent necessary, and a fidelity bond or bonds on directors, officers, employees, and other persons handling or responsible for the Association's funds. The amount of fidelity coverage shall be determined in the Board's best business judgment. Bonds shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation and may not be canceled or substantially modified without at least ten (10) days' prior written notice to the Association.

Section 4. Disbursement of Proceeds. Proceeds of insurance policies shall be disbursed as follows:

a. If the damage or destruction for which the proceeds are paid is to be repaired or reconstructed, the proceeds, or such portion thereof as may be required for such purpose, shall be disbursed in payment of such repairs or reconstruction as hereinafter provided. Any proceeds remaining after defraying such costs of repairs or reconstruction to the Common Areas or, in the event no repair or reconstruction is made, after making such settlement as is necessary and appropriate with an affected Owner or Owners and their mortgagee(s) as their interests may appear, shall be retained by and for the benefit of the Association and placed in a capital improvements account. This is a covenant for the benefit of any mortgagee and may be enforced by such mortgagee.

b. If it is determined, as provided for in Section 5 of this Article, that the

damage or destruction to the Common Area for which the proceeds are paid shall not be repaired or reconstructed, such proceeds shall be disbursed in the manner as provided for excess proceeds in Section 4(a) hereof.

Section 5. Damage and Destruction.

a. Immediately after the damage or destruction by fire or other casualty to all or any part of the properties covered by insurance written in the name of the Association, the Board, or its duly authorized agent, shall proceed with the filing and adjustment of all claims arising under such insurance and obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed properties. Repair or reconstruction, as used in this subsection, means repairing or restoring the properties to substantially the same condition in which it existed prior to the fire or other casualty.

b. Any damage or destruction to the Common Areas shall be repaired or reconstructed unless at least seventy-five (75%) percent of each class of Members of the Association shall decide within sixty (60) days after the casualty not to repair or reconstruct, or unless reconstruction is required by law. If for any reason either the amount of the insurance proceeds to be paid as a result of such damage or destruction, or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not made available to the Association within said period, then the period shall be extended until such information shall be made available; provided, however, such extension shall not exceed sixty (60) days. No mortgagee shall have the right to participate in the determination of whether the Common Areas damage or destruction shall be repaired or reconstructed.

c. In the event that it should be determined by the Association in the manner described above that the damage or destruction of the Common Areas shall not be repaired or reconstructed and no alternative improvements are authorized, then and in that event the affected area of the Property shall be restored to its natural state and maintained as an undeveloped portion of the Common Areas by the Association in a neat and attractive condition.

d. Any such reconstruction or repair shall be substantially in accordance with the plans and specifications under which the Property was originally constructed; provided, however, that any such reconstruction or repair shall be done in accordance with current building code requirements and may be done with contemporary building materials and achieved by utilizing updated construction systems and technology.

e. Encroachments upon or in favor of Lots which may be created as a result of such reconstruction or repair shall not constitute a claim or basis for any proceeding or action by the Owner upon whose property such encroachment exists, provided that such reconstruction is substantially in accordance with the plans and specifications under which the Property was originally constructed. Such encroachments shall be allowed to continue in existence for so long as the reconstructed improvements on the Property shall stand.

Section 6. **Special Assessments for Repair and Reconstruction.** If the damage or destruction for which the insurance proceeds are paid is to be repaired or reconstructed, and such proceeds are not sufficient to defray the cost thereof, the Board shall, without the necessity of a vote of the Members, levy a special assessment for the additional amount required to defray such costs against all Owners in proportion to the number of Lots owned by such Owners. Additional assessments may be made in like manner at any time during or following the completion of any repair or reconstruction. In any fiscal year, the Board may not, without the vote or written assent of a majority of each class of Members of the Association, levy any special assessment which exceed One Hundred Dollars (\$100.00) per Lot. Any special assessments levied under this Section shall be exempt from the limitation set forth in Article XII, Section 4, of this Declaration.

ARTICLE VII

No Partition

Except as is permitted in this Declaration or amendments thereto, there shall be no physical partition of the Common Areas or any part thereof, nor shall any person acquiring any interest in the Property or any part thereof seek any such judicial partition unless the Property has been removed from the legal operation and effect of this Declaration. This Article shall not be construed to prohibit the Association from acquiring and disposing of tangible personal property nor from acquiring title to real property which may or may not be subject to this Declaration.

ARTICLE VIII

Condemnation

Section 1. **Notice and Award Disbursement.** Whenever all or any part of the Common Areas shall be taken (or conveyed by the Board in lieu of and under threat of condemnation) by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to notice thereof and to participate in the proceedings incident thereto, unless otherwise prohibited by law. The award made for such taking shall be payable to the Association as Trustee for all Owners to be disbursed as follows:

a. If the taking involves a portion of the Common Areas on which improvements have been constructed, then, unless within sixty (60) days after such taking at least sixty (60%) percent of each class of the Members of the Association shall otherwise agree, the Association shall restore or replace such improvements so taken on the remaining land included in the Common Areas to the extent lands are available therefore, in accordance with plans approved by the Board. If such improvements are to be repaired or restored, the above provisions in Article VI hereof regarding the disbursement of funds in respect to casualty damage or destruction which is to be repaired shall apply.

b. If the taking does not involve any improvements on the Common Areas, or if there is a decision made not to repair or restore, or if there are net funds remaining after any such restoration or replacement is completed, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board shall determine.

ARTICLE IX

Rights and Obligations of the Association

Section 1. **Common Areas and Rights-of-Way.** The Association, subject to the rights and obligations of the Owners set forth in this Declaration, shall be responsible for the exclusive management and control of the Common Areas and all landscaping and improvements thereon (including furnishings and equipment related thereto), except for any Common Areas that have been dedicated to, and are managed and controlled by, the Town of Easton.

Section 2. **Personal Property and Real Property for Common Use.** The Association, through action of the Board, may acquire, hold, and dispose of tangible and intangible personal property and real property. The Board, acting on behalf of the Association, shall accept any real or personal property, leasehold, or other property interests conveyed to it by the Declarant.

Section 3. **Rules and Regulations.** Except for such portions of the Common Areas that have been dedicated to, and are managed and controlled by, the Town of Easton, the Association, through the Board, may adopt reasonable Rules and Regulations governing the use of the Property, which rules and regulations shall be consistent with the rights and duties established by this Declaration. The Board, in its reasonable discretion, adopt Rules or Regulations that limit or prohibit the use of one or more Common Areas, provided that any such Rules or Regulations shall be uniformly applicable to the Owners of all Lots. The Association, through the Board, shall enforce these Rules and Regulations and the provisions of this Declaration through the imposition of sanctions, which said sanctions may include monetary fines as hereinafter provided and suspension of the right to vote and the right to use the Common Areas. The Board shall, in addition, have the power to seek relief in any court for such violations or to abate nuisances. Imposition of sanctions shall be in accordance with such due process as is provided in the Bylaws. Prior to any decision to suspend voting rights or rights to use the Common Areas, or to impose monetary fines, the Board shall grant notice and hearing to any alleged violator.

Section 4. **Additions to Common Areas.** The Association, through action of the Board, may make any addition, alterations or improvements to the Common Areas; provided, however, that if any such addition, alteration or improvements shall require an expense of Association funds in excess of Ten Thousand Dollars (\$10,000.00), such addition, alteration or improvement shall only be authorized if approved by the affirmative vote of a majority of each class of the Members. For the purposes of this section, repairs to then existing improvements, including, without limitation, repairs paid for through the use of reserves, shall never be deemed to be additions, alterations or improvements such that any authorization from the Members is required before such

repairs may be undertaken.

Section 5. **Implied Rights.** The Association may exercise any other right or privilege given to it expressly by this Declaration, the Articles, or the Bylaws, and every other right or privilege reasonably to be implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege.

ARTICLE X

Use of the Property

Section 1. **Protective Covenants.** Except for the activities of the Declarant or any other Class B Member in connection with the sale of Lots or the construction of improvements on such Lots or in the Common Areas, or except as may be reasonable and necessary in connection with the maintenance, improvement, repair and reconstruction of any portion of the Common Areas by the Declarant or the Association, or the performance of any other right or responsibility herein reserved by or delegated to the Declarant or the Association, or except as otherwise authorized in advance by the Board:

a. **Residential Use.** No part of the Property shall be used for purposes other than private residential housing and the ancillary accessory common purposes to private residential housing for which Patriot Square was designed. No building or structure of any kind whatsoever shall be erected, altered, converted, maintained or operated on any Lot except for one (1) dwelling unit for occupancy by not more than one (1) family, with structures on the Lot that are accessory to the principle use of the Lot for a dwelling unit. No residence on a Lot may be used as a "family day care home" or as a "no impact home based business" as those terms are defined in Section 11B-111.1 of the Maryland Real Property Article (as amended from time to time) if, when the Members, other than the Declarant, have 90% of the votes in the Association, the prohibition is approved by a simple majority of all the eligible voters in the Association, not including the Declarant, in accordance with voting procedures for meetings of the Members contained in the Association's Bylaws. If the Members vote to prohibit family day care homes or no impact home based businesses, this prohibition may be eliminated and family day care homes and no impact home based businesses may be approved by a simple majority of all the eligible voters in the Association in accordance with voting procedures for meetings of the Members contained in the Association's Bylaws.

b. **Prohibited Activities.** No noxious, immoral, improper, unlawful, or offensive activity shall be carried on in any part of the Property, nor shall anything be done thereupon which may be, or may become, an annoyance or nuisance to others, or which shall in any way interfere with the quiet enjoyment of each of the Owners of their respective Lots, or which shall in any way increase the rate of insurance on the Common Areas. Residents and their guests are expected to reduce noise levels between the hours of 10:00 p.m. and 8:00 a.m., so that neighbors are not disturbed. In general, no Owner shall make or permit to be made any noise that will disturb

or annoy the other residents of the Property, or do or permit to be done anything therein which will interfere with the rights, comfort or convenience of other residents. All valid laws, zoning ordinances and regulations of all governmental agencies having jurisdiction thereof shall be observed. All laws, orders, rules, regulations, or requirements of any governmental agency having jurisdiction thereof, relating to any portion of the Property, shall be complied with, by and at the sole expense of the Owner of the Lot or the Association, whichever shall have the obligation to maintain or repair such portion of the Property.

c. **Signs.** No signs of any character shall be erected, posted or displayed upon, in, from or about any Lot or the Common Areas without the prior consent in writing of the Board and compliance with such conditions as it may establish, except for the following, which shall be allowed as specified:

i. signs as may be posted by the Declarant or the Board for promotional or marketing purposes, traffic control or the like may be erected without permission from the Board;

ii. signs required for legal proceedings may be erected without permission from the Board;

iii. signs whose placement is required by federal, State or local law shall be erected in a manner consistent with such provisions of law; any

iv. signs that promote a candidate for nomination or election, or which advertise the support or defeat of any question submitted to the voters in accordance with State law, may be erected and displayed for a period beginning 30 days before a primary election, general election, or vote on the proposition, and ending 7 days after the primary election, general election, or vote on the proposition; and

v. any temporary sign approved by the Board shall be removed within ten (10) days after the purpose for which the sign has been erected has been fulfilled.

In general, it shall be the policy of the Board to allow one temporary professionally produced "for sale", "for rent" or "home under construction" sign of reasonable dimensions not exceeding five (5) square feet in area (per side) to be erected on each Lot, but the prior consent of the Board as to size, appearance, and location shall be required for any such sign, and the Board shall be privileged to withhold or revoke its consent as to any such sign when, in its sole discretion, the erection or maintenance of such sign shall be contrary to the best interests of the Owners.

The provisions of this subsection shall not be applicable to the holder of any first mortgage which comes into possession of any Lot by reason of any remedies provided by law or in such mortgage or as a result of a foreclosure sale or other judicial sale or other proceeding, arrangement, assignment

or deed in lieu of foreclosure, with respect to reasonable "for sale" signs.

d. **Common Areas.** Except as otherwise permitted by the provisions of this Declaration, no structure or improvement of any kind shall be erected, placed or maintained on any Common Area except: (i) structures or improvements designed exclusively for community use, including, without limiting the generality of the foregoing, shelters, benches, chairs or other seating facilities, fences and walls, walkways, roadways, playground equipment, swimming pools and tennis courts, (ii) landscaping, and (iii) drainage, storm water and utility systems and structures. The Common Areas may be graded, and trees, shrubs or other plants may be placed and maintained thereon for the use, comfort and enjoyment of the Owners, or the establishment, retention or preservation of the natural growth or topography of the Common Areas, or for aesthetic reasons. No portion of any Common Area may be used exclusively by any Owner for personal gardens, storage facilities or other private uses.

e. **Tree Protection.** No trees measuring in excess of two (2) inches in diameter two (2) feet above the ground shall be removed from the Common Areas or from any Lot without written approval of the Board. The foregoing restriction shall not, however, be construed to prohibit pruning and trimming activities consistent with sound and reasonable tree husbandry practices. The Board may from time to time adopt and promulgate such additional Rules and Regulations regarding the preservation of such trees and other natural resources and wildlife as it may consider appropriate.

f. **Excavations.** Neither the Common Areas nor any Lot shall be used for the purposes of excavating, boring, mining, quarrying, exploring for, or removing oil or other hydrocarbons, minerals, gravel, topsoil, or earth.

g. **Protection of Easements and Natural Drainage.** 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 the direction or flow of any drainage channels.

h. **Underground Utilities Required.** No water pipe, sewer pipe, gas pipe, drainage pipe, electric line, television cable or similar transmission line shall be installed or maintained on any Lot above the surface of the ground.

i. **Temporary Structures and Accessory Buildings Prohibited.** No structure of a temporary character; and, except as the same may exist on the date of the recording of this Declaration, no trailer, tent, shack, barn, kennel or stable; and no other accessory building not approved by the Association, shall be erected, used or maintained on any Lot at any time.

j. **Clothes Drying Equipment.** No clothes lines or other exterior clothes drying apparatus shall be permitted on any Lot.

k. **Refuse Accumulations Prohibited.** No burning of any trash and no accumulation or storage of litter, lumber, scrap metals, refuse, bulk materials, waste, new or used building materials, or trash of any other kind shall be permitted on any Lot or on the Common Areas, except that accumulated waste plant materials may be accumulated in a lot as part of an established compost pile which is maintained in such a manner as not to be visible from any roadway or neighboring property and located not less than one hundred (100) feet from any neighboring residence, building site or established outdoor living area.

l. **Trash Receptacles and Storage.** Garbage, trash and other refuse shall be placed in covered containers. Trash and garbage containers shall not be permitted to remain anywhere in view from public roadways except on days of trash collection.

m. **Objectionable Vehicles.** Except as elsewhere herein provided, no junk or inoperable vehicle or other vehicle on which currently valid registration plates are not displayed, commercial vehicle, trailer, camper, camp truck, house trailer, boat, or other similar machinery or equipment of any kind or character (except for such equipment and machinery as may be reasonable, customary and usual in connection with the use and maintenance of any dwelling and except for such equipment and machinery as the Association may require in connection with the maintenance and operation of the Common Areas) shall be kept upon the Property except in fully enclosed garages, nor shall the repair or extraordinary maintenance of automobiles or other vehicles be carried out thereon. The Board may, in its discretion, provide and maintain a suitable area designated for the parking of such vehicles or the like. As used in this subsection m., "commercial vehicle" means a truck, trailer, van or other equipment on wheels used in the operation of commercial activity. The term "commercial vehicle" does not include automobiles, vans, mini-vans and pick-up trucks even if such vehicles feature a company name, slogan or logo.

n. **Parking and Traffic Restrictions.** No automobile, motorcycle, bicycle, tricycle, or other wheeled vehicles or toys shall be parked or left unattended on any sidewalk, pathway, or walkway or on any part of the roadways or other Common Areas of the Property so as to interfere with or obstruct the use thereof or ingress and egress to any Lot, such roadways, or the Common Areas. The Board may, in its discretion, from time to time adopt and promulgate such additional Rules and Regulations regarding vehicular traffic and parking as it may consider appropriate.

o. **Antennae.** Except to the extent required by federal, State or local law, no outside television aerial, radio antenna, satellite dish, or other aerial, antennae, or dish for either reception or transmission, shall be maintained upon the Property, provided, however, that such aerials or antennae may be erected and maintained if completely within the dwellings located upon the Property and outside of public view.

p. **Animals.** The maintenance, keeping, boarding or raising of animals, livestock, or poultry of any kind, regardless of number, shall be and is hereby prohibited in the Common Areas and on any Lot or within any dwelling, except that this shall not prohibit the

keeping of dogs, cats, fish, caged birds or caged small animals (such as hamsters, gerbils and ferrets), as domestic pets provided they are not kept, bred or maintained for commercial purposes and, provided further, that such domestic pets are not a source of annoyance or nuisance to the neighborhood or other residents of the Property, and, provided further, that not more than two (2) dogs and/or cats (*i.e.*, two dogs, two cats, or one dog and one cat) are kept on any Lot. The Board shall have the authority, after hearing, to determine whether a particular pet is a nuisance or source of annoyance to other residents, and such determination shall be conclusive. Pets shall be attended at all times and shall be registered, licensed and inoculated as may from time to time be required by law. Pets shall not be permitted upon the Common Areas unless accompanied by a responsible person and unless they are carried or leashed. The Board shall have the right to adopt such additional Rules and Regulations regarding pets as it may from time to time consider necessary or appropriate.

q. Subdivision of Lots Prohibited. No Lot shall be partitioned, divided, or subdivided; and no portion of any Lot (other than the entire Lot) shall be transferred or conveyed for any purpose. The provisions of this subsection shall not apply to the 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, the Declarant or any other person for any purpose.

r. Entrustment of Keys, Etc. If any keys are entrusted by an Owner or by any member of his family or by his tenant, agent, employee, licensee or visitor to any employees of the Association or of the Management Agent, whether for such Owner's dwelling, authorized accessory structure or an automobile, boat, trunk or other item of personal property, the acceptance of the key shall be at the sole risk of the Owner, and neither the Association, the Board, nor the Management Agent shall be liable for injury, loss or damage of any nature whatsoever, directly or indirectly resulting therefrom or connected therewith.

s. Personal Property. All personal property placed in any part of the Property outside a dwelling shall be at the sole risk of the owner of such property, and neither the Declarant, the Association, the Board, nor the Management Agent shall be liable for the loss, destruction, or theft of, or damage to, such property.

t. Leases and Owner Occupancy. The Board and Association shall discourage the leasing of Lots and the improvements thereon, it being the intention of the Declarant that the community of Patriot Square consist predominantly of owner-occupied dwellings. At least ninety percent (90%) of the initial sales of Lots by Declarant, or by any other builder to whom Declarant sells Lots for the purpose of constructing dwelling units for sale to consumers, shall be to purchasers who will occupy the dwelling units on the Lots as their principal place of residence. No portion of a Lot (other than the entire Lot and the improvements thereon) may be leased. No Owner shall lease his Lot except by a written lease, for a period of at least one (1) year, which expressly provides that the tenancy created thereby is subject to the provisions of this Declaration, the Articles, the Bylaws, and the Rules and Regulations and that the violation of any such

provisions shall be deemed to be a substantial breach of the lease warranting proceedings for eviction. Should any lease of a Lot by an Owner fail to expressly provide such provisions, the applicability of this Declaration, the Articles, the Bylaws, and the Rules and Regulations and the said effect of violations thereof shall nonetheless be necessarily implied to be an integral part thereof. An Owner who leases his Lot shall notify the Board of the name and address of his lessee(s) and shall file with the Board a conformed copy of the lease. If it so elects, the Board is hereby irrevocably appointed to be the agent and attorney-in-fact for each Owner leasing his Lot for the purpose of enforcing, on behalf of the Association, all express and implied provisions of the Owner's lease relating to this Declaration, the Articles, the Bylaws, or the Rules and regulations, or any violations thereof, at the cost and expense of the Owner.

u. **Rules and Regulations.** A person may not violate the Rules and Regulations which may from time to time be adopted by the Board and promulgated by it in writing; and the Board is hereby and elsewhere in this Declaration authorized to adopt such rules.

v. **Owner Liability for Violations.** Owners will be jointly and severally liable and responsible for the actions of their children, pets, tenants, guests, employees, invitees, and licensees.

w. **Destruction.** Should any residence or structure on any Lot be destroyed in whole or in part, it must be reconstructed or the debris therefrom removed from the site and the property restored to a neat and slightly condition within three (3) months, or the area shall be deemed to be both a public and private nuisance.

x. **Appearance.** All garbage and trash containers, incinerators, fuel tanks, mechanical swimming pool equipment, utility meters, air conditioning equipment, clothes lines and other similar outdoor maintenance, storage and service facilities shall be stored in or concealed by a solidly screened, enclosed or covered receptacle in order to conceal said maintenance, storage and service facilities from view from the roads and neighboring properties. Garbage and trash containers and fuel tanks need not be screened if located underground. The placement of all of the aforesaid items, whether located above or below ground, shall require the prior written approval of the Architectural Review Committee.

y. **Lighting.** Any exterior lighting on structures and Lots shall be directed downward so that direct light rays shall not extend beyond the lot lines of the Lot on and for which they were installed.

z. **Mailboxes.** The Architectural Review Committee must approve, in writing, the size, type, style, composition and location of mailboxes, newspaper containers, and like structures, if placed apart from a dwelling unit.

aa. **Fences.** No fence may be erected or maintained at any point on a Lot forward of a plane that extends across the rearmost point of a dwelling unit on the Lot to each side

lot line. No chain link or cyclone type fence may be erected or maintained anywhere on the Property. A fence erected along the rear of a lot shall have a gate at the rear of the Lot as necessary to permit access to and from utilities and other easements that adjoin or are in close proximity to the Lot. Subject to these restrictions and limitations, the Architectural Review Committee may promulgate rules and guidelines that establish acceptable fencing styles and materials and the terms and conditions under which a fence may be erected on a Lot without formal approval by the Architectural Review Committee.

Section 2. Implementation and Construction Guidelines. The Board may from time to time adopt general rules consistent with and to implement the purposes set forth in this article and to interpret the covenants in this article, which general rules may apply to the Property as a whole or to any part thereof.

Section 3. Exceptions. The Board may issue temporary permits or variances to except any prohibitions expressed or implied by this Declaration provided the Board finds good cause to exist therefore and acts in accordance with adopted guidelines and procedures. The Board shall grant such a variance if the variance is necessary under the federal Fair Housing Act or Americans With Disabilities Act, or otherwise appropriate to afford to one or more handicapped persons residing at or visiting the dwelling of the Owner or tenant full enjoyment of such dwelling, the Lot or the Common Areas, unless the variance would present a danger to the health or safety of other Owners or residents in Patriot Square.

Section 4. Enforcement - Right to Remove or Correct Violations. In the event any violation or attempted violation of any of the covenants or restrictions contained in this article shall occur or be maintained upon the Common Areas or any Lot, or in the event of any other conduct in violation of any of the provisions or requirements of this article, then the same shall be considered to have been undertaken in violation of this article and without the approval of the Board as required hereby and, upon written notice from the Board, such violation shall be promptly removed or abated. In the event the same is not removed, or the violation is not otherwise terminated or abated, within ten (10) days (or such shorter period as may be required in any such notice) after notice of such violation is delivered to the Owner of the Lot upon which such violation exists, then the Association shall have the right, through its agents and employees to enter upon such Lot or Common Area and to take such steps as may be necessary to remove or otherwise terminate or abate such violation and the cost thereof may be assessed against the Lot upon which such violation occurred and the Owner thereof, and when so assessed, a statement for the amount thereof shall be rendered to the Owner of said Lot at which time the assessment shall become due and payable and a continuing lien upon such Lot, and a binding personal obligation of the Owner of such Lot, in all respects (and subject to the same limitations) as a maintenance assessment provided for in Article XII of this Declaration. The Association shall have the further right, through its agents, employees or committees and after reasonable notice, to enter upon and inspect any Lot at any reasonable time for the purpose of ascertaining whether any violation of the provisions of this article or any of the other provisions or requirements of this Declaration exist on such Lot; and neither the Association nor any such agent or employee shall be deemed to have committed a trespass or other wrongful act

by reason of such entry or inspection.

ARTICLE XI

Architectural Control

Section 1. **Additions, Alterations and Improvements by Owners.** Except for construction or development by, for or under contract with the Declarant, and except for any improvements to any Lot or to the Common Areas accomplished by the Declarant, no building, fence, wall, or other exterior improvements or structures of any nature, including any driveway, walkway and outside lighting, whatsoever shall be commenced, directed, placed, moved, altered or maintained upon the Property, nor shall any exterior addition to or change (including any change of color) or other alteration thereupon be made until the complete plans and specifications showing the nature, shape, height, location and topographical change, material, color, type of construction and any other proposed form of change (including without limitation, any other information specified by the Architectural Review Committee), estimated cost of work, and designation and qualifications of the party or parties to perform the work, shall have been submitted to and approved in writing by the Architectural Review Committee as to (a) safety, (b) conformity with the other provisions of this Declaration, (c) harmony of external design, color and location in relation to surrounding structures and topography, and (d) conformity with the design concept for Patriot Square. Subject to the same limitations as hereinabove provided for, it shall be prohibited to install, erect, attach, apply, paste, hinge, screw, nail, build, alter, remove or construct any lighting, shades, screens, awnings, patio covers, fences, walls, slabs, sidewalks, curbs, gutters, patios, balconies, porches, driveways or to make any change or otherwise alter (including any alteration in color) in any manner whatsoever the exterior of any dwellings or other improvements constructed upon any Lot or upon any of the Common Areas, or to combine or otherwise join two or more such dwellings or improvements, or to partition the same after combination, or to remove or alter any windows or exterior doors of any such dwellings or improvements until the complete plans and specifications, showing the nature, shape, height, location and topographical change, material, color, type of construction and any other proposed form of change (including without limitation, any other information specified by the Architectural Review Committee), estimated cost of work, and designation and qualifications of the party or parties to perform the work, shall have been submitted to and approved by the Architectural Review Committee in writing as to (a) safety, (b) conformity with the other provisions of this Declaration, (c) harmony of external design, color and location in relation to surrounding structures and topography, and (d) conformity with the design concept for Patriot Square. The Architectural Review Committee shall make reasonable modifications and deviations from its guidelines if a requested improvement is necessary under the federal Fair Housing Act or Americans With Disabilities Act, or otherwise appropriate to afford to one or more handicapped persons residing at or visiting the dwelling of the Owner or tenant full enjoyment of such dwelling, the Lot or the Common Areas, unless the modification or deviation would present a danger to the health or safety of other Owners or residents in Patriot Square.

Section 2. **Approvals, etc.** Each applicant for approval of an addition, alteration, or

improvement to or of a Lot shall submit to the Architectural Review Committee at least two sets of plans and specifications therefor. Upon approval by the Committee of such plans and specifications submitted pursuant to the provisions of this article, one copy of such plans and specifications, as approved, shall be deposited among the permanent records of the Association and the other copy of such plans and specifications bearing such approval, in writing, shall be returned to the applicant submitting the same. In the event the Architectural Review Committee fails to approve or disapprove any plans and specifications which may be submitted to it pursuant to the provisions of this article within thirty (30) days after such plans and specifications (and all other materials and information required by the Committee) have been submitted to it in writing, then such approval shall be deemed to have been given by the Committee as of the thirty-first (31st) day after submission.

Section 3. Limitations. There shall be no deviation from the plans and specifications approved by the Architectural Review Committee without the prior consent in writing of the Committee. Approval of any particular plans and specifications or design shall not be construed as a waiver of the right of the 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.

Section 4. Rules and Regulations, etc. The Architectural Review Committee may from time to time adopt and promulgate such Rules and Regulations regarding the form and content of plans and specifications to be submitted for approval and may publish and record such statements of policy, standards, guidelines and establish such criteria relative to architectural styles or details, fences, colors, set-backs, materials or other matters relative to architectural control and the protection of the environment, as it may consider necessary or appropriate. No such rules, regulations, statements, criteria or the like shall be construed as a waiver of the provisions of this article or any other provision or requirement of this Declaration. The Committee may charge and collect a reasonable fee for the examination of any plans and specifications submitted for approval pursuant to the provisions of this article or for the procurement of such expert or technical advice with respect thereto as it shall deem necessary.

Section 5. Architectural Review Committee. The Architectural Review Committee shall be composed of at least three (3) Members of the Association appointed by the Board of Directors of the Association, except that the Declarant shall act as the Architectural Review Committee until the Board appoints a Committee. All actions by the Architectural Review Committee shall be taken by a majority of the members of the Committee. In the event of death, disability or resignation of any member of the Committee, the vacancy shall be filled by the Board

Section 6. Maintenance Requirements. All improvements shall be maintained in accordance with applicable building lines, setback and height restrictions as set forth in the applicable county or municipal zoning code, except where more stringent requirements are imposed by the Plat, this Declaration, or the Architectural Control Committee, in which case the more stringent shall prevail and be adhered to by the Owner of each Lot.

Section 7. **Completion of Construction.** All improvements on any Lot shall be completed within eighteen (18) months after construction initially commences. After construction initially commences, construction shall proceed with all due diligence, continuously and without delay. Cessation of work, once commenced but before completion, for a period of sixty (60) days shall be prima facie evidence of an intent to abandon the same in its partially completed state, and shall be deemed to be both a public and a private nuisance. After construction initially commences, and until construction is completed, the Owner of a Lot shall require the builder to maintain the Lot in a reasonably clean and uncluttered condition and to take action necessary to control any erosion of or from disturbed site areas.

Section 8. **Occupancy of Dwellings.** No dwelling unit may be temporarily or permanently occupied until the exterior of the dwelling has been fully completed and until the appropriate county or municipal authority has issued a Certificate of Occupancy.

ARTICLE XII

Assessments

Section 1. **Regular Maintenance Assessments.** Except as assessments of the Declarant are limited by the provisions of this article, each person who becomes an Owner of a Lot within the Property (i.e., each Member of the Association), by acceptance of a deed therefore, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to pay the Association, regular assessments and special maintenance assessments as hereinafter provided. In particular, each such Owner covenants to pay to the Association, in advance, on or before first day of each calendar year, an annual sum (herein elsewhere sometimes referred to as "maintenance assessments") equal to the Member's proportionate share of the sums required by the Association, as estimated by the Board, to meet its annual common expenses, including but in no way limited to the following:

a. the cost of all operating expenses of the Common Areas and community facilities (including any off-site community identification signage) and the services furnished to or in connection with the Common Areas and community facilities; and

b. the cost of necessary management and administration of the Association and the Common Areas and community facilities, including fees paid to any Management Agent; and

c. the amount of all taxes and assessments levied against the Common Areas and community facilities; and

d. the cost of any insurance required or authorized by this Declaration or otherwise deemed by the Board to be in the best interests of the Association; and

e. the cost of utilities and other services or facilities which may be provided by the Association, whether for the Common Areas or for the Lots, or both; and

f. the cost of maintaining, replacing, repairing, and landscaping the Common Areas and any off-site community identification signage, together with such equipment as the Board shall determine to be necessary and proper in connection therewith; and

g. the cost of funding all reserves established by the Board, including, when appropriate, a general operating reserve and a reserve for replacements; and

h. such other costs and common expenses as may be incurred by the Association and the Board in the promotion of the recreation, health, safety and welfare of the residents of the Property or in the exercise of powers and authority granted in the Declaration, the Articles, the Bylaws, or otherwise under applicable law.

All Owners shall be obligated to pay the maintenance assessments assessed by the Board pursuant to this article. No Owner may exempt himself from liability for maintenance assessments by abandonment of any Lot belonging to him or by the abandonment of his right to the use and enjoyment of the Common Areas and community facilities. Except as otherwise hereinafter expressly provided, all maintenance assessments shall be levied at a uniform rate for each Lot to which Class A membership is appurtenant. All assessments levied hereunder with respect to any Lot shall be the joint and several liability of the persons who are Owners of that Lot.

Section 2. Assessment Determination. The Board shall determine the amount of the regular maintenance assessments annually, but may do so at more frequent intervals should circumstances so require. However, for any year in which the Board fails to determine the amount of the regular maintenance assessments, or until the Board determines otherwise for such year, the amount shall be One Hundred Dollars (\$100.00) per Lot. Upon resolution of the Board, installments of regular maintenance assessments may be levied and collected on a monthly, quarterly, or semi-annual basis rather than on the annual basis hereinabove provided for.

Section 3. Annual Budget. The Board shall prepare, or cause the preparation of, an annual operating budget for the Association which shall provide for the common expenses of the Association including, without limitation, the expenses described in Section 1 of this article. The annual budget shall be the basis for determination of the regular maintenance assessments. The Board 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 commencement of such period and shall, at that time, prepare a roster of the Lots and the annual maintenance assessments applicable 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 the Members. The failure or omission by the Board, 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 any Member 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 shall be as provided in Section 2 of this Article.

Section 4. Special Assessments. In addition to the regular maintenance assessments authorized by this article, the Board may levy in any assessment year a special assessment or assessments, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, inordinate repair or replacement of a described capital improvement located upon, or forming a part of the Common Areas and community facilities, including the necessary fixtures and personal property related thereto, or for such other purpose as the Board may consider appropriate; provided, however, that, except as otherwise herein authorized or provided, in any fiscal year, the Board may not without the vote or written assent of sixty per cent (60%) of each class of Members of the Association, levy special assessments which will exceed Two Hundred Fifty Dollars (\$250.00) per Lot. All special assessments shall be levied at a uniform rate for each Lot to which Class A membership is appurtenant.

Section 5. Surplus Receipts. Any surplus of receipts over expenses of the Association for any fiscal year shall be either applied to reduce the assessments necessary to meet the budget adopted by the Association for the next fiscal year or refunded by the Association to each Owner, and the refund may be prorated among the Owners (and former Owners), including the Declarant, based upon the portion of the previous fiscal year that each such Owner (or former Owner), including the Declarant, shall have held record title to the Lot, as determined by resolution of the Board.

Section 6. Reserves for Replacements. The Board may establish and maintain a reserve fund for replacements of the Common Areas and community facilities by the allocation and payment to such reserve fund of an amount to be designated from time to time by the Board. Such fund shall be conclusively deemed to be a common expense of the Association and may be deposited with such depository or depositories as the Board shall, in its discretion, designate. The reserve for replacements of the Common Areas and community facilities may be expended only for the purpose of effecting major repairs to, or the replacement of, the Common Areas and community facilities and for start-up expenses and operating contingencies of a non-recurring nature relating to the Common Areas and community facilities. The Board may establish such other reserves for such other purposes as the Board 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 his Lot and shall not be separately withdrawn, assigned or transferred or otherwise separated from ownership of the Lot to which it appertains and shall be deemed to be transferred with such Lot.

Section 7. Individual Lot Expenses. Except as may be specifically provided for herein, this Declaration does not contemplate that the Association shall have any responsibility for the maintenance or repair of the dwellings or other improvements or appurtenances on the Lots; and the

responsibility and duties of the Association for maintenance and repairs shall be limited to the Common Areas and community facilities. The Owner of any Lot shall, at his own expense, maintain his Lot and dwelling, and any and all improvements and appurtenances thereto, in good order, condition and repair and in a clean, attractive and sanitary condition at all times, all as more specifically provided in Section 2 of Article V of this Declaration.

Section 8. Initial Maintenance Assessments; Increases and Decreases. Except as may be otherwise resolved by the Board, the regular annual maintenance assessment for each Class A membership shall commence on the date a deed for the Lot to which such membership is appurtenant is delivered by the Declarant to the Member. The payment of each such annual assessment shall be made proportionately for the balance of the year during which a deed for the Lot is delivered to the Member and shall become due and payable and a lien on the date a deed for the Lot is delivered to the Member. Except as herein elsewhere provided or as otherwise determined by the Board, the installments of each such regular maintenance assessment for any Lot shall be due and payable in advance and a lien on the first day of each calendar year as for which such assessment is made. Maintenance assessments may be increased or decreased by the Board at any time as the Board, in its sole discretion, shall deem such to be in the best interests of the Association, except that the cumulative maintenance assessment payable in any calendar year may not exceed Two Hundred Fifty Dollars (\$250.00) unless first approved by the affirmative vote of not less than sixty percent (60%) of all Class A and sixty per cent (60%) of all Class B members of the Association.

Section 9. Nonpayment of Assessments. Any assessment levied pursuant to this Declaration, or any installment thereof, which is not paid on the date when due shall be delinquent and shall, together with interest thereon, "late charges", reasonable attorneys' fees, and the costs of collection thereof, as hereinafter provided, thereupon become a continuing lien upon the Lot or Lots belonging to the Member against whom such assessment is levied and shall bind such Lot or Lots in the hands of the then Owners, his heirs, devisees, personal representatives and assigns. The personal obligation of the Member to pay such assessment, interest thereon, "late charges", reasonable attorneys' fees, and costs of collection shall, in addition, remain his personal obligation for the statutory period and a suit to recover a money judgment for such obligation may be maintained without foreclosing or waiving the lien herein created to secure the same.

Section 10. Interest; Late Charges. Any assessment levied pursuant to this Declaration, or any installment thereof, which is not paid within fifteen (15) days after it is due, may, upon resolution of the Board, bear interest from the date due at a rate not to exceed the maximum lawful rate permitted from time to time for such obligations in the State of Maryland, and may, subject the Member obligated to pay the same to the payment of such penalty or "late charge" as the Board may fix. The Association may bring an action at law against the Member personally obligated to pay the same, and/or foreclose on the lien against the Lot or Lots then belonging to said Member as hereinafter provided, in either of which events interest, costs, "late charges", and reasonable attorneys' fees of not less than Five Hundred Dollars (\$500.00) shall be added to the amount of each such delinquent assessment. Any interest, "late charges", reasonable attorneys' fees, or other costs

due hereunder shall be for joint and several liability of all persons who are Owners of the Lot or Lots with respect to which such charges are a lien hereunder.

Section 11. **Maryland Contract Lien Act.** In addition to any other remedy it may have hereunder, the Association may establish and enforce the lien for any assessments, annual, special or additional granted herein pursuant to 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 (including, without limitation, interest as herein provided), costs of collection, interest, 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 12. **Delinquency Notices.** The Association shall notify the holder of the first mortgage on any Lot for which any assessment levied pursuant to this Declaration becomes delinquent for a period in excess of thirty (30) days and in any other case where the Owner of such Lot is in default with respect to the performance of any other obligation hereunder for a period in excess of thirty (30) days, but any failure to give such notice shall not affect the validity of the lien for any assessment levied pursuant to this Declaration, nor shall any such failure affect any of the priorities established in this article. The Board may post a list of members who are delinquent in the payment of any assessments or other fees which may be due the Association, including any installment thereof, which becomes delinquent, in any prominent location upon the Property.

Section 13. **Assessment Certificates.** The Association shall upon demand at any time furnish to any Member liable for any assessment levied pursuant to this Declaration (or any other party legitimately interested in the same) a certificate in writing signed by an officer of the Association, setting forth the status of said assessment, i.e., whether the same is paid or unpaid. Such certificate shall be conclusive evidence of the payment of any assessment therein stated to have been paid. A charge not to exceed One-Hundred Dollars (\$100.00) may be levied in advance by the Association for each certificate so delivered.

Section 14. **Acceleration of Installments.** Upon default in the payment of any installment of any assessment levied pursuant to this Declaration, the entire balance of the regular maintenance assessments due from that Owner for the year in question may be accelerated at the option of the Board and be declared due and payable in full. Any such accelerated regular maintenance assessments shall thereupon become a continuing lien upon the Lot or Lots belonging to the Member against whom such assessment is levied and shall be collectable in the same manner and subject to the same interest, costs and charges as if such accelerated balance were a delinquent regular assessment.

Section 15. **Priority of Lien.** The liens established by this Declaration shall not be affected by the sale or transfer of the Lot encumbered and shall have preference over any other assessments, liens, judgments or charges of whatever nature, except the following:

- a. general and special assessments for ad valorem real estate taxes on the

Lot; and

b. the liens of any deeds of trust, mortgage instruments or encumbrances duly recorded on the Lot prior to the assessment thereon of the liens provided for in this Declaration, or duly recorded on said Lot after receipt of a written statement from the Board reflecting that payments on said liens were current as of the date of recordation of said deed of trust, mortgage instrument or encumbrance.

Notwithstanding any other provision of this Declaration to the contrary, however, the lien of any assessment levied pursuant to this Declaration upon any Lot, as in this article provided, shall be subordinate to the lien of any prior recorded first mortgage made in good faith and for value received and shall in no way affect the rights of holders of any such first mortgage; provided, however, that such subordination shall apply only to assessments, and installments thereof, which have become due and payable prior to a sale or transfer of the Lot pursuant to a foreclosure of such first mortgage, or any deed, assignment or other proceeding or arrangement in lieu of foreclosure thereof. Any holder of a first mortgage duly recorded on the Lot and made in good faith and for value received who takes legal title to the Lot pursuant to a foreclosure of such first mortgage, or any deed, assignment or other proceeding or arrangement in lieu of foreclosure, and any other purchaser at a foreclosure sale thereon, shall take the Lot free of any claims for unpaid maintenance assessments levied against the Lot which accrue prior to the time such holder takes legal title to the Lot or prior to the foreclosure sale, except for claims for a proportionate share of such unpaid maintenance assessments resulting from a reallocation of such unpaid maintenance assessments among the Lots upon the Property. Such foreclosure, deed, assignment or other proceeding or arrangement in lieu of foreclosure shall not, however, relieve the mortgagee in possession or the purchaser at any foreclosure sale from any liability for any maintenance assessments thereafter becoming due, or from the lien herein created to secure the payment of such maintenance assessments, which said lien, if claimed, shall have the same effect and be enforced in the same manner as provided herein. No amendment to this section shall affect the rights of the holder of any first mortgage on any Lot (or the indebtedness secured thereby) recorded prior to recordation of such amendment unless the holder thereof (or of the indebtedness secured thereby) shall join in the execution of such amendment. The Board may, in its sole and absolute discretion, extend the provisions of this section to the holders of mortgages (or of the indebtedness secured thereby) not otherwise entitled thereto.

Section 16. Assessment of Declarant. Anything in this Declaration to the contrary notwithstanding, each Lot held by the Declarant, or the maker of any Annexation Amendment for the purpose of annexing additional property to the legal operation and effect of this Declaration, or any other Class B Member, shall only be subject to assessment by the Association in such amount as shall equal twenty-five percent (25%) of the regular maintenance assessment and of any special assessment for a Lot until fifteen (15) days following the issuance by the appropriate agency of Talbot County, Maryland, or the Town of Easton, of a Certificate of Occupancy, or the like, for a dwelling or dwellings constructed upon such Lot. Thereafter, such Lot shall be subject to assessment by the Association in the same manner and to the same extent as a Lot owned by a Class

A Member.

Section 17. **Exempt Property.** No portion of the Common Areas or community facilities shall be subject to assessment of any kind by the Association. No property dedicated to and accepted by a government or governmental agency for public purposes shall be subject to assessment of any kind by the Association.

ARTICLE XIII

Compliance and Default

Each Owner and/or occupant or user of the Property (or any part thereof) shall be governed by, and shall comply with all of the terms of this Declaration, the Rules and Regulations herein provided for, and any amendments of the same. A default by an Owner or such occupant or user shall entitle the Board, acting by itself, for the Association, or through the Management Agent, to the following relief:

Section 1. **Legal Proceedings.** Failure to comply with any of the terms of this Declaration, the Bylaws or the Rules and Regulations shall be grounds for relief which may include, without limiting the same, an action to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of any and all assessments, any other relief provided for in this Declaration and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Board, the Management Agent, or, if appropriate, by any aggrieved Owner. There shall be and there is hereby created and declared to be a conclusive presumption that any violation or breach or attempted violation or breach of any of the within covenants and restrictions cannot be adequately remedied by action at law or exclusively by recovery of damages.

Section 2. **Additional Liability.** Each Owner shall be liable for the expense of all maintenance, repair or replacement rendered necessary by his tortious acts, neglect or carelessness or the tortious acts, neglect, or carelessness of any member of his family or his employees, tenants, agents, guests, invitees, or licensees. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of any Lot or its appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by any insurance company of its rights of subrogation.

Section 3. **Costs and Attorneys' Fees.** In any proceeding arising out of any alleged default by an Owner, occupant or user of the Property (as specified in Section 1 above), the Board, the Management Agent, and/or any aggrieved Owner, shall be entitled to recover the costs of the proceedings, and such reasonable attorneys' fees as may be determined by the court.

Section 4. **No Waiver of Rights.** The failure of the Association, the Board, or an Owner to enforce any right, provision, covenant or condition which may be granted by this Declaration or the Rules and Regulations shall not constitute a waiver of the right of the Association, the Board, or the

Owner to enforce such right, provision, covenant, or condition in the future. All rights, remedies and privileges granted to the Association, the Board or an Owner pursuant to any term or provision of this Declaration or the Rules and Regulations shall be deemed to be cumulative, and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such privileges as may be granted to such party by any other term or provision of this Declaration or the Rules and Regulations, at law or in equity.

Section 5. Abatement and Enjoinment of Violations by Owners. The violation of any provision of this Declaration, the Bylaws or of any of the Rules and Regulations adopted by the Board shall give the Board (or the Management Agent or its agents and employees at the direction of the Board) the right, in addition to any other rights set forth in this Declaration, (a) after reasonable notice, to enter the Lot or Common Area upon which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Owner, any structure, thing or condition, that may exist therein contrary to the intent and meaning of the provisions hereof or said Bylaws, rule or regulation and the Board (or the Management Agent, its agents and employees) shall not thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach, at the expense of the breaching party.

Section 6. Fines. After providing such due process as is required by the Bylaws, the Board shall have the power to impose a fine of not more than \$250.00 for each initial violation or \$500.00 for each repeated violation by an Owner or a tenant, guest, or member of the family of an Owner, of any of the provisions of this Declaration, the Bylaws or the Rules and Regulations. The Bylaws may increase the maximum amount of any such fine that the Board may impose. Fines for violations by a member of an Owner's family or his tenants or guests also shall be the joint and several obligation of such Owner; and, for the purposes of this subsection, each day any such violation continues shall be deemed to be a separate such violation. Any fine imposed by the Board for a violation of this Declaration or the Rules and Regulations, together with interest, reasonable attorneys' fees and costs of collection as hereinafter provided, shall be a lien levied against the Owner's Lot as of the day of the imposition of the fine, and may be established and foreclosed in the manner provided for the foreclosure of liens for assessments. Any such lien for the payment of a fine shall be subject to the provisions of Section 15 of Article XII of this Declaration as if such lien were a lien for a maintenance assessment. As determined by the Board, interest on the unpaid amount of any fine shall accrue at a rate not to exceed the maximum lawful rate permitted from time to time in the State of Maryland for such obligations. In the event of litigation to collect the amount of any fine imposed pursuant to the terms of this Declaration, the Articles, or the Bylaws, the person obligated to pay such fine shall further be obligated to pay to the Association reasonable attorneys' fees of not less than Three Hundred Fifty Dollars (\$350.00) and any costs of collection incurred in connection therewith.

ARTICLE XIV

Duration

The covenants and restrictions of this Declaration shall run with and bind the Property for a term of forty (40) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years unless, prior to the expiration of the then current term, (a) a written instrument shall be executed by at least three-fourths (3/4) of the Members of the Association (representing at least three-fourths (3/4) of the votes of such membership) stating that this Declaration, or any provisions hereof, shall expire at the end of the then current term, and (b) such written instrument is recorded among the Land Records for the jurisdiction in which this Declaration is recorded.

ARTICLE XV

Amendment

Section 1. **Amendment by the Association.** Subject to the other limitations set forth in this Declaration, and except where permanent rights, easements, rights-of way or the like are established in this Declaration, prior to the lapse and conversion of all of the Class B memberships in the Association to Class A memberships, as in Article IV provided, this Declaration may be amended only by an instrument executed and acknowledged by at least two-thirds (2/3) of the Class A Members of the Association, if any, and by the Declarant, which instrument shall be recorded among the Land Records of Talbot County, Maryland. Subject to the other limitations set forth in this Declaration, and except where permanent rights, easements, rights-of-way or the like are established in this Declaration, following the lapse and conversion of all of the Class B memberships in the Association, as in Article IV provided, this Declaration may be amended by an instrument approved by the affirmative vote of at least two-thirds (2/3) of the Members of the Association, as attested to by an instrument executed and acknowledged by the person responsible for counting such votes, which instrument shall be recorded among the Land Records of Talbot County, Maryland. Subject to the other limitations set forth in this Declaration, but notwithstanding anything contained in this article to the contrary, this Declaration may be amended for the purpose of bringing the same into conformity with the requirements of either the FNMA, the FHLMC, the VA, the FHA or any other governmental or quasi-governmental agency, by an instrument executed and acknowledged by a majority of the then Members of the Association, which instrument shall be recorded among the Land Records for the jurisdiction in which this Declaration is recorded. Unless a later date is specified in any such instrument, any amendment to this Declaration shall become effective on the date of recording.

Section 2. **Amendments by the Declarant.** Notwithstanding, and in addition to, any other provision of this Declaration, the Articles, the Bylaws and the Rules and Regulations, the Declarant shall have the right, and hereby reserves the sole right and authority, to be exercised in its sole

discretion without the consent of any other person, at any time and from time to time while it owns any Class B Membership, if so required by the FNMA, the FHLMC, the VA, the FHA or any other governmental or quasi-governmental agency, to amend, modify or add to the provisions of this Declaration, and the other documents and instruments relating to the Association or the Property as need therefore be made. Such right also is reserved to comply with the requirements of any lender or title insurance company, provided such amendments, modifications or additions made pursuant to the requirements of any lender or title insurance company do not adversely or materially affect the interests in the Property of the Owners or mortgagees of any Lots. Any such amendments, modifications of, or additions to this Declaration by the Declarant shall be effective on the date specified in the written instrument effecting the same, if any, or, if none, on such date as the instrument is recorded among the Land Records of Talbot County, Maryland.

ARTICLE XVI

Mortgagees' Rights

Section 1. **Consents.** Any other provision of this Declaration to the contrary notwithstanding, neither the Members, the Board, nor the Association shall by act or omission, take any of the following actions without the prior written consent and approval of the institutional holders of at least seventy-five percent (75%) of first mortgages of record on the Lots, provided that such approval shall be deemed to have been given by such a holder of a first mortgage if written notice of the proposed action has been sent by certified mail, return receipt requested, to the last known or reasonably ascertainable address of the holder of such first mortgage and the holder has not objected, in writing, to the proposed action within sixty (60) days after the date of mailing of the written notice:

a. abandon, partition, subdivide, encumber, sell or transfer any of the Common Areas or community facilities; provided, however, that the granting of rights-of-way, easements and the like for public utilities or for other purposes consistent with the use of the Common Areas and community facilities by the Members of the Association, and dedicating and/or transferring the Common Areas or community facilities to a government entity, shall not be considered a transfer within the meaning of this section; or

b. abandon or terminate this Declaration earlier than forty (40) years from the date of recording; or

c. modify the method of determining and collecting assessments or other obligations as provided for in this Declaration; or

d. waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design, exterior appearance, or maintenance of improvements, (including without limitation, additions and alterations thereto) on the Lots as provided for in this Declaration; or

e. fail to maintain fire and extended coverage on insurable Common Areas on a current replacement costs basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement costs); or

f. resolve to use the proceeds of casualty insurance on the Common Areas for any purpose other than the repair, replacement or reconstruction of the Common Areas and community facilities; or

g. modify or amend any substantive provision of this Declaration which is material to the rights of such mortgagee; or

h. terminate, dissolve, annul the corporate charter of or completely liquidate the Association, except upon termination of this Declaration more than forty (40) years from the date of recording.

Section 2. Special Agency Consents. If the FNMA is a mortgagee with respect to any Lot or if the VA or the FHA has insured any mortgage encumbering a Lot, neither the Members, the Board, nor the Association shall, by act or omission, take any of the actions specified in Section 1 of this article without the prior written consent and approval of the agency so concerned.

Section 3. Notice of Contemplated Foreclosure Proceedings. No suit or other proceedings may be brought to foreclose any lien levied or established pursuant to this Declaration except after ten (10) days' written notice to the holder of the first mortgage of record on the Lot which is the subject matter of such suit or proceeding.

Section 4. Right to Cure. Any institutional first mortgagee of any Lot upon the Property may pay any taxes, utility charges or other charge levied against the Common Areas and community facilities which are in default and which may or have become a charge or lien against any of the Common Areas and community facilities; and any such institutional first mortgagee may pay, for the benefit of the Association, any overdue premiums on any hazard insurance policy or secure new hazard insurance coverage on the lapse of any policy with respect to the Common Areas and community facilities. Upon demand thereto, any first mortgagee who advances any such payment shall be due immediate reimbursement from the Association of the amount so advanced.

Section 5. Priority of First Mortgagees. No provision of this Declaration, the Bylaws, or the Rules and Regulations shall be construed to grant to any Owner, or to any other party, any priority over any rights of first mortgagees of the Lots pursuant to their first mortgages in the case of a distribution to Owners of insurance proceeds or condemnation awards for losses to or taking of the Lots, or any portions thereof.

ARTICLE XVII

General Provisions

Section 1. **Successors of Declarant.** Any and all rights, reservations, easements, interests, exemptions, privileges and powers of the Declarant hereunder, or any part of them, may be assigned and transferred (exclusively or non-exclusively) by the Declarant, by a recorded writing, with or without notice to the Association, subject to the Declarant's obligations hereunder.

Section 2. **Notices.** Any notice required to be sent to any Member or Owner under the provisions of this Declaration, the Articles, the Bylaws, or the Rules and Regulations shall be deemed to have been properly sent when mailed, by ordinary mail, postpaid, 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. Whenever any notice is required to be given under the provisions of this Declaration, the Articles, the Bylaws, or the Rules and Regulations, a written waiver thereof signed by the person or persons entitled to such notice, whether signed before or after the time stated therein, shall be deemed equivalent thereto.

Section 3. **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 Areas or community facility 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 Areas or community facilities except to the extent agreed by the Association and such agency, authority or utility.

Section 4. **Construction.** The provisions, covenants, conditions, restrictions, easements and reservations contained in this Declaration shall be governed and construed in accordance with the laws of the State of Maryland. Such provisions, covenants, conditions, restrictions, easements and reservations shall be liberally construed to effectuate the purposes of (a) allowing the Declarant to expeditiously develop the Property, construct dwellings on the Lots, and market and sell these dwellings and Lots to prospective Owners and (b) creating a uniform plan for the future operation of Patriot Square, for the preservation of aesthetic and property values therein, and for the common welfare and enjoyment of all residents thereof.

Section 5. **Captions and Gender.** 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 gender shall include all genders and the singular shall include the plural.

Section 6. **Severability.** All of the covenants, conditions, restrictions, easements and reservations contained in this Declaration are hereby declared to be severable and a finding by any court of competent jurisdiction that any of them or any clause or phrase thereof, is void, unlawful or

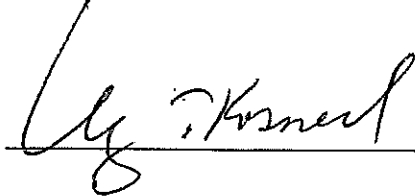
unenforceable shall not affect the validity or enforceability of any other covenants, conditions, restrictions, easements, reservations, or clause or phrase thereof.

IN WITNESS WHEREOF the parties have executed this Declaration as of the date first written hereinabove.

WITNESS:

LENFEST AT PATRIOT SQUARE, LLC.

By: Lenfest Maryland, Inc., General Manager



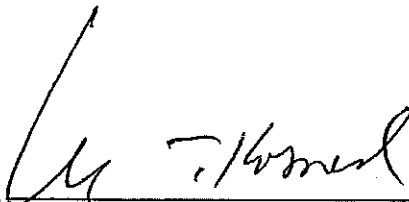
By:  (SEAL)
Thomas P. Roane, Vice President

STATE OF MARYLAND, TALBOT COUNTY:

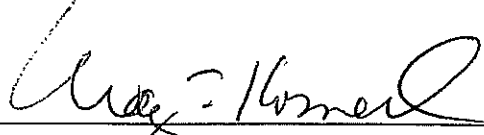
I HEREBY CERTIFY that on this 9 day of July, 2003, before me, the subscriber, a notary public in and for the jurisdiction aforesaid, personally appeared Thomas P. Roane, Vice President of Lenfest Maryland, Inc., General Manager of Lenfest at Patriot Square, LLC, Declarant, who is known to me (or satisfactorily proven) to be the person who signed the within instrument and said person acknowledged that, being duly authorized to do so, he executed the within instrument for the purposes therein contained on behalf of and as the act of Lenfest at Patriot Square, LLC.

AS WITNESS my hand and notarial seal.




Notary Public
My commission expires: July 1, 2005

The undersigned, a member in good standing of the Bar of the Court of Appeals of the State of Maryland, hereby certifies that the within instrument was prepared by him or under his supervision.

A handwritten signature in black ink, appearing to read "Wayne T. Kosmerl", written over a horizontal line.

Wayne T. Kosmerl

**COUNCIL, BARADEL, KOSMERL &
NOLAN, P.A.**

125 West Street, Fourth Floor

P. O. Box 2289

Annapolis, Maryland 21404-2289

(410) 268-6600

Exhibit A - Legal Description of "the Property"

All that land shown on the plat entitled "Final Plat of Patriot Square in the Town of Easton" recorded among the Plat Records of Talbot County, Maryland on June 18, 2003 in Book 81, page 305..