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TOWNHOMES OF BAYCREST ASSOCIATION, INC.

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

THIS DECLARATION, made the 3rd day of September, 1991, by Bay Crest Partners a Maryland Partnership, hereinafter referred to as "Declarant."

WITNESSETH:

WHEREAS, Declarant is the owner of certain property in THE TOWN OF CHESAPEAKE BEACH in Calvert County, State of Maryland, which is more particularly described as :

(See "Exhibit A", attached hereto and made a part hereof).

NOW, THEREFORE, Declarant hereby declares that all of the properties described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants, and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with the real property and be binding on all parties having any right, title, or interest in the described property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

Section 1. "Association" shall mean and refer to TOWNHOMES OF BAYCREST ASSOCIATION, INC., its successors and assigns.

Section 2. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 3. "Property" or "Properties" shall mean and refer to that certain real property hereinabove described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 4. "Common Areas" shall mean all real property (including the improvements thereon) owned by the Association for the common use and enjoyment of the owners. The

Common Areas to be owned by the Association at the time of conveyance of the first lot are described in "Exhibit B", attached hereto and made a part hereof.

Section 5. "Member" shall mean and refer to every person, group of persons or entity who holds membership in the Association, including the Declarant.

Section 6. "Mortgagee" shall mean and refer to the holder of any mortgage or Trustee or beneficiary of any deed of trust on any Lot provided such holder, Trustee, or beneficiary is an institutional lender and/or a licensed mortgage banker.

Section 7. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision plat of the Properties, with the exception of the Common Areas and publicly dedicated rights-of-way.

Section 8. "Board" shall mean the Board of Directors of the Association elected in accordance with the By-Laws and they shall have the powers and duties therein described.

Section 9. "Declarant" or "Developer" shall mean and refer to Bay Crest Partners I, a Maryland general partnership, its successors and assigns and any other legal entity which, in conjunction with or in lieu of Bay Crest Partners I develops lots on the Property, if such successor, assign or legal entity should acquire more than one undeveloped lot from the Declarant for the purpose of development.

ARTICLE II

PROPERTY RIGHTS

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

(a) the right of the Association to assess annual fees for the maintenance and improvement of the Common Areas;

(b) the right of the Association to suspend the voting rights and right to use of the community facilities by an owner for any period during which assessment against his Lot remains

unpaid; and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations after a hearing by the Board of Directors of the Association.

(c) the right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer signed by two-thirds (2/3) of each class of members and fifty-one percent (51%) of all mortgages holding first mortgages or deeds of trust on Lots that have been recorded, and unless the Planning commission, or its successors or assigns, has given its prior approval thereof, which approval shall not be unreasonably withheld.

(d) the right of Declarant, prior to the conveyance of the Common Areas and of the Association, to grant and reserve easements and rights-of-way through, under, and over and across the Common Areas, for installation, maintenance and inspection of lines and appurtenances for public or private water, sewer, drainage, fuel oil, communications systems (including cable television), and other utilities.

Section 2. Declaration of Use. Any owner may delegate, in accordance with the By-Laws, his right of enjoyment to the Common Areas and facilities to the members of his family, his tenants, or contract purchasers who reside on the property.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

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

Section 2. Classes of Voting Membership. The Association shall have two (2) classes of voting membership:

CLASS A. Class A members shall be all Owners, with the exception of the Declarant, and shall be entitled to one (1) vote for each Lot owned. When more than one person holds an

interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any Lot.

CLASS B. The Class B member shall be the Declarant and shall be entitled to four (4) votes for each Lot owned. The Class B Membership shall cease and be converted to Class A Membership on the happening of either of the following events, whichever occurs earlier:

- (a) when the total votes outstanding in the Class A Membership equal the total votes outstanding in the Class B Membership, or
- (b) seven (7) years from the date of recordation of this Declaration; PROVIDED, HOWEVER, that if the Declarant is delayed in the improvement and development of the Property on account of a sewer, water or building permit moratorium or any other cause or event beyond the Declarant's control, then the aforesaid seven (7) year period shall be extended by a period of time equal to the length of the delays or three (3) years, whichever is less.

ARTICLE IV

COVENANTS FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a lien upon the property against which each such assessment is made. Each such assessment, together with interest, costs, and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents in the Properties, and for the maintenance and improvement of the Common Areas. The annual assessment shall include amounts sufficient to fund an adequate reserve for maintenance, repair and replacement of the Common Areas and any improvements situate thereon.

Section 3. Maximum Annual Assessment. Until January of the year immediately following the conveyance of the first Lot to an owner the maximum annual assessment shall be \$840.00 per lot per year, which shall be payable monthly, quarterly, semi-annually or annually, as determined by the membership or their designated representative.

(a) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased each year by not more than twenty percent(20%)above the maximum assessment for the previous year. This increase, or any increase above twenty percent (20%), must be voted on at an annual meeting, or a special meeting called for that purpose. Approval of this increase will require the approval of two-thirds (2/3) of those present in person or by proxy.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased above ten percent (10%) by a vote of two-thirds(2/3) of each class of members who are voting in person or by proxy, at a meeting duly called for that purpose.

(c) The Board of Directors may fix the annual assessment at an amount not in excess of the maximum.

Section 4. Class B Membership Assessment. The Class B member shall be required to pay twenty-five percent (25%) of the annual assessment due on the Lots or Units it owns and that have been annexed into the Association.

Section 5. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special

assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Areas, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the vote of each class of members who are voting in person or by proxy at a meeting duly called for this purpose.

Section 6. Notice and Quorum for any Action Authorized under Sections 3 and 5.

Written notice of any meeting called for the purpose of taking any action authorized under Sections 3 and 5 shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the quorum at the subsequent meeting shall be reduced to one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 7. Uniform Rate of Assessment. Both annual and special assessments shall be fixed at a uniform rate for all Lots or Units, except as noted in Section 5 of this Article, and may be collected on a monthly basis, quarterly, semi-annually or annually, as determined by the membership or their designated representative.

Section 8. Date of Commencement of Annual Assessments: Due Dates. The annual assessment provided for herein shall commence immediately with the settlement of the first residential dwelling constructed on each parcel of ground so annexed. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge,

furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specific Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance.

Section 9. Effect of a Non-payment of Assessments: Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of twelve percent (12%) per annum. Subject to the provisions of section 14 of this Article, the Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the property. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Areas or abandonment of his Lot.

Section 10. Notice of Lien. No action shall be brought to foreclose said assessment lien or to proceed under the power of sale herein except in strict accordance with the Maryland Contract Lien Act.

Section 11. Foreclosure. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant, agree and authorize the Association to foreclose on any recorded lien in accordance with the procedures prescribed in the rules pertaining to foreclosures of mortgages in the Maryland Rules of Procedure, as if the Association were the mortgagee and the Owner were the mortgagor.

Section 12. Curing of Default. Upon the timely curing of any default for which a lien was filed by the Association, the officers of the Association are hereby authorized to tender to the defaulting Owner, an appropriate release of such lien, upon payment by the defaulting owner of a fee, to be determined by the Association, but not to exceed One Hundred Dollars (\$100.00), to cover the costs of preparing such release.

Section 13. Cumulative Remedies. The assessment lien and the rights to foreclosure and sale thereunder shall be in addition to and not in substitution for all other rights and remedies

which the Association and its assigns may have hereunder and by law, including a suit to recover a money judgement for unpaid assessments, as above provided.

Section 14. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any Mortgagee providing purchase money financing in the form of a single purchase money first mortgage. Sale or transfer of any Lot pursuant to Mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessment as to payment which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot owner from liability for any assessments thereafter becoming due from the lien thereof.

Section 15. Notice to Mortgagees. Upon request, the Association shall notify the mortgagee of any Lot for which any assessment levied pursuant to this Declaration becomes delinquent for a period in excess of sixty (60) 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 sixty (60) days. Such notification shall be in writing.

ARTICLE V

ARCHITECTURAL CONTROL

Except for original construction, and landscaping or as otherwise in these covenants provided, no landscaping, building, fence, hedge, shrub, tree, wall or other planting or structure shall be commenced, erected or maintained upon any Lot, Unit, and/or Common Area, nor shall any exterior addition to or change including changes in paint and/or stain colors or alteration therein be made thereto until the plans and specifications showing the nature, kind, shape, dimensions, materials, color and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the board of Directors of the Association, or by an Architectural Control Committee as the board's representative for this purpose and composed of three (3) or more representatives appointed by the board. In the event said board or its designated

committee fails to approve or disapprove such design and location within sixty (60) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with.

ARTICLE VI

EXTERIOR MAINTENANCE OF DWELLINGS

The Owner of each Lot shall maintain the landscaping and the improvements situated thereon in a manner satisfactory to the Board. In the event an Owner of any Lot in the properties shall fail to maintain the landscaping and improvements situated thereon in a manner satisfactory to the Board, the Association, after approval by two-thirds (2/3) vote of the board, shall have the right, through its agents and/or employees, to enter upon the Lot and to repair and maintain the landscaping thereon and the exterior of the buildings and any other improvements erected thereon. The cost of such maintenance and repair shall be added to and become part of the assessment to which said Lot is subject. Said amount shall also constitute a lien upon the property where- upon such repairs have been made and may be collected in the same manner and to the same extent as the monthly assessment provided for in Article V hereinabove.

ARTICLE VII

DUTIES AND POWERS OF THE ASSOCIATION

Section 1. Powers and Duties. In addition to the duties and powers enumerated in its Articles of Incorporation, and By-Laws, or elsewhere provided for herein, and without limiting the generality thereof, the Association shall:

(a) Own, maintain, improve, construct, reconstruct (in the event of deterioration or destruction) and manage all of the Common Areas and all facilities, improvements and landscaping thereon, and all property acquired by the Association, and to pay all the costs thereof;

(b) Pay personal property taxes and other charges assessed against the Common Areas;

(c) Have the authority to obtain, for the benefit of the Common Areas, all water, gas and electric service and refuse collection;

(d) Grant easements where necessary for utilities and sewer facilities over the Common Areas to serve the Common Areas;

(e) Maintain such policy or policies of insurance on the Common Areas as the board deems necessary or desirable in furthering the purposes of and protecting the interest of the Association and its members;

(f) Have the authority to employ a manager or other persons and to contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Association, provided that any contract with a person or firm appointed shall not exceed one (1) year in term unless approved by a majority of the members of the Association, with the exception of an insurance contract that may be for a period not to exceed three (3) years;

(g) Enforce applicable provisions of this Declaration and the By-Laws of the Association and establish and enforce uniform rules and regulations pertaining to the use of the Common Areas;

(h) Have the authority to contract for fire, casualty, liability and other insurance on behalf of the Association.

Section 2. Maintenance of Records. The Association shall maintain adequate books and records and a mortgagee shall have the right to examine the books and records of the Association during regular business hours and upon reasonable notice.

ARTICLE VIII

PROHIBITED USES AND NUISANCES

Section 1. Itemization. Except for the activities of the Declarant during original development, construction and marketing period:

(a) No noxious or offensive trade or activity shall be carried on upon any Lot or within any Unit situate upon the Properties, nor shall anything be done therein or thereon which may be or become an annoyance or nuisance to the neighborhood or the other Owners of the Properties.

(b) The maintenance, keeping, boarding and/or raising of animals, livestock or poultry of any kind, regardless of number shall be and is hereby prohibited on any Lot or within any Unit situate upon the Properties, except that this shall not prohibit the keeping of domesticated dogs, cats and/or caged birds provided they are not kept, or bred or maintained for commercial purposes.

(c) No burning of any trash and no accumulation or storage of litter, new or used building materials or trash of any kind shall be permitted on the Properties.

(d) Except as herein elsewhere provided, no junk vehicle, commercial vehicle, vehicle which does not display current registration, trailer, truck, camper, camp truck, house trailer, boat or the like shall be kept upon the Properties except as determined by the Board of Directors nor, (except for bona fide emergencies) shall the repair or extraordinary maintenance of automobiles or other vehicles be carried out thereon. The Association may, in the discretion of the Board of Directors, provide and maintain a suitable area designated for the parties of such vehicles or the like.

(e) Trash and garbage containers shall be kept in a clean and sanitary condition and shall not be permitted to remain in public view except on days of trash collection. Such containers shall be kept in the rear of any unit, or in an area designated by the Board of Directors.

(f) In order to facilitate the free movement of passing vehicles, no automobiles belonging to residents shall be parked on any private streets, except during bona fide temporary emergencies, or unless as otherwise authorized by the Board of Directors.

(g) No structurally sound or healthy trees shall be removed from any Lot without written approval of the Association acting through its Board of Directors or duly appointed committee.

(h) No structure of a temporary character, trailer, tent, shack, barn or other outbuilding shall be used on any lot at anytime.

(i) No signs of any character shall be erected, posted, or displayed upon, in or about any Lot or Unit; PROVIDED, HOWEVER, that (1) one temporary real estate sign not exceeding three (3) square feet in area, may be erected upon any Lot placed upon the market for sale or rent for a period not to exceed 30 days.

(j) No structure, planting or material other than sidewalks 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 change, obstruct or retard direction or flow of any drainage channels.

(k) The doors of any storage room or the like shall be maintained in a closed position whenever possible.

(l) No outside television or radio aerial or antenna, or other aerial or antenna, for reception or transmission, shall be maintained upon any Lot or unit.

(m) There shall be no violation of any rules for the use of the Common Areas which may from time to time be adopted by the Board of Directors and promulgated among the membership by them in writing, and the Board of Directors is hereby authorized to adopt such rules.

(n) Any Lot Owner may lease his/her Lot provided that:

(i) any such lease shall be consistent with the provisions of the Declaration, the Bylaws, and the Rules and Regulations;

(ii) shall be for a term of at least six (6) months unless approved by the Board; and,

(iii) the Board of Directors shall have the power to terminate such lease and/or to bring summary proceedings to evict the tenant in the name of the lessor thereunder in the event of a default by the tenant in the performance of such lease.

Section 2. Right of the Association to Remove or Correct a Violation of the Articles. The Association may, in the interest of the general welfare of all the Owners of the Properties and

after reasonable notice to the Owner, enter upon any Lot or the exterior of any Unit at reasonable hours on any day except Sunday for the purpose of removing or correcting any violation or breach of any attempted violation of any of the covenants and restrictions contained in this Article, or for the purpose of abating anything herein defined as a prohibited use of nuisance; PROVIDED, HOWEVER, that no such action shall be taken without a resolution of the Board of Directors of the Association or by an Architectural Control Committee composed of three (3) or more members appointed by the Board.

Section 3. Declarant's Exemption. During the period of development, construction and marketing, the Declarant shall be exempt from the provisions of this Article.

ARTICLE IX

EASEMENTS

Section 1. Easements. In addition to the easements reserved on the Plats aforesaid which are for the benefit of the Declarant, its successors and assigns, and Mortgagees;

(a) Developer for itself, its successors and assigns, hereby declares that every Owner shall have a perpetual easement in, upon, through and over the land shown on the Plat recorded simultaneously herewith, for ingress and egress to all lots and Common Areas, and for use for all sidewalks, walkways, and roadways upon the Property.

(b) Developer reserves unto itself, its successors and assigns, an easement in, upon, through and over the land comprising the Common Areas for the purpose of installation, maintenance, repair and replacement of all sewer, water, power, telephone and other communication systems, pipes, lines, mains, conduits, poles, transformers and any and all other equipment or machinery necessary or incidental to the proper functioning of any utility system serving the property.

ARTICLE X

GENERAL PROVISIONS

Section 1. Enforcement. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Invalidation of anyone of these covenants or restrictions by judgment or court order shall in no way affect any other provision which shall remain in full force and effect.

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first twenty (20) year period by an instrument signed by not less than ninety percent (90%) of the Lot Owners, and thereafter by an instrument signed by not less than seventy-five percent (75%) of the Lot Owners. Any amendment must be recorded. Notwithstanding the foregoing, this Declaration shall not be amended without the written consent of seventy-five percent (75%) of the first Mortgagees or seventy-five percent (75%) of the Owners to permit the Association or the Owners to;

(a) By act or omission, seek to abandon or terminate the Association on the provisions of this Declaration relating to architectural standards, exterior maintenance, and Common Area maintenance;

(b) Change the method of determining the obligations or assessments which may be levied against an Owner;

(c) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Areas, provided, however, that the grant of easements for public utilities or for other public purposes shall not be deemed a transfer within the meaning of this clause;

(d) Use hazard insurance proceeds for losses to the Common Areas for other than the repair, replacement or reconstruction of such improvements and Common Areas except as provided by statute; or

(e) Fail to maintain Fire and Extended Coverage insurance on the Common Areas on a current replacement cost basis in an amount less than one hundred percent (100%) of insurable value based on present replacement cost.

Section 4. FHA/VA Approval. Anything set forth in Section 3 of this Article to the contrary notwithstanding, the Declarant shall have the absolute unilateral right, power and authority to modify, revise, amend or change any of the terms or provisions of this Declaration, as from time to time amended or supplemented. This unilateral right, power and authority of the Declarant may be exercised only if either the Veterans Administration or the Federal Housing Administration or any successor agencies thereto or other federal, state or local government agencies shall require such action as a condition precedent to the approval by such agency, of the Properties or any part thereof or any Lots or Units thereon, for federally approved mortgage financing purposes under applicable Veterans Administration, Federal Housing Administration or similar programs. If the Veterans Administration or the Federal Housing Administration or any successor agencies approve the Properties or any parts thereof or any Lots or Units thereon for federally approved mortgage financing purposes, thereafter any amendments to the Declaration made during any period of time when there are Class B members shall also require the prior consent of the agency giving such approval.

Furthermore, any such sale, transfer, assignment, dedication or donation of any Common Areas or facilities, or any part thereof, in fee or otherwise, whether by the Association or the Declarant, shall require approval of the Planning and Zoning Commission of the Town of Chesapeake Beach said approval not to be unreasonably withheld. Furthermore, the Commission shall have the right to bring any action for any legal or equitable relief necessary to enforce the aforementioned rights. In addition, the rights, privileges and obligations afforded to

the Planning and Zoning commission set forth herein, shall not be subject to any amendment procedures.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has caused these presents to be executed in its legal name, this 3rd day of September, 1991.

WITNESS:

_____ BY: _____

Richard T. Stagg

_____ BY: _____

Jeannette R. Stagg

_____ BY: _____

Warren J. Kotler

_____ BY: _____

Diana L. Kotler

STATE OF MARYLAND)

COUNTY OF)

On this 3rd day of September, 1991, before the undersigned officer, personally appeared Richard T. Stagg, Jeannette R. Stagg, Warren J. Kotler, and Diana L. Kotler who acknowledged themselves to be the Partners of Bay Crest Partners I, a Maryland general partnership, and that

they as such partners being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing their name as such partners.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public

Margaret M. Bartro

My Commission Expires: 10/1/91