



DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

THIS DECLARATION, made this 12th day of April in the year of One Thousand Nine Hundred Ninety by Pacer Enterprises, Inc., a Maryland Corporation, hereinafter referred to as "Declarant."

WITNESSETH

WHEREAS, Declarant is the owner of that certain tract or parcel of land in the Second Election District, Talbot County, State of Maryland, containing 7.08+ acres of land, more or less, shown on the subdivision plat entitled "Subdivision Plat of Hambleton Cove Townhouses, of Martingham, Second Election District, Talbot County, Maryland," prepared by McCrone, Inc. dated April 1990, and recorded among the Land Records of Talbot County, Maryland at Plat Book PC1, 77AA, 78A, description of which is attached hereto as Exhibit A.

WHEREAS, Declarant intends to convey the Thirty-two (32) individual townhouse lots and improvements to be constructed thereon, subject to certain protective covenants, conditions and restrictions, reservations, charges and liens as hereinafter set forth.

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

ARTICLE 1
DEFINITIONS

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

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

2. "The Plat" shall mean and refer to that plat entitled "Subdivision Plat of Hambleton Cove Townhouses, of Martingham, Second Election District, Talbot County, Maryland" prepared by McCrone, Inc., dated April 1990, and recorded among the Land Records of Talbot County at Plat Book PC1, 77AA, 78A.

3. "Property" shall mean, refer to, and include all of the tract or parcel of land described above and being all of the land shown on The Plat.

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

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

All of the area except the individual lots, which area contains in the aggregate 5.42 + acres, more or less, designated as Common Area on The Plat, and the proposed roads, and driveways, parking areas shown on The Plat.

SUBJECT HOWEVER, to the right of Declarant, which right is hereby expressly reserved by Declarant, its successors and assigns, to lay, install, construct, place and maintain on, over, or under the Common Areas, or any portion thereof, pipes, mains, conduits, drains, lines and other facilities for water, storm sewer, sanitary sewer, gas, electric, telephone, cable television and other utilities to provide adequate service to any Lot on the Property together with the right and privilege of entering upon the Common Areas for such purposes, and for all purposes related to construction of thirty-two townhouses and any accessory structures, and making openings and excavations; provided that, subject to any required change in grade, the ground shall be restored and left in good condition. All such rights are reserved by Declarant for itself, its successors and assigns, and any utility company, to whom Declarant may grant, convey, transfer, set over and assign the same, or any part thereof. Declarant hereby grants unto Talbot County, Maryland, an easement to enter upon the subject property to inspect the stormwater management facilities over the access area shown on the plat.

6. "Lot" shall mean and refer to a specific, identifiable, and bounded portion or subdivision of the Property, and shall include a Townhouse plus attachments and appurtenances. The location and boundaries of each Lot are as shown and designated on The Plat. Each Lot shown on the Plat shall be subject to an easement for supplying and

maintaining electrical, heating, air conditioning, plumbing and other utilities necessary to serve adjacent lots.

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

8. "Party Wall" shall mean, refer to, and include the entirety of the physical structure between and separating Townhouses on adjacent Lots, placed on the dividing line between them, provided it is connected to and is an integral part of both Townhouses.

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

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

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

ARTICLE II PROPERTY RIGHTS

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

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

(b) The right of the Association to dedicate or transfer all or any part of the Common Areas to a utility company for such purposes and subject to such conditions as may be agreed to by the Association. Except as has been previously agreed to by Declarant or its predecessors in title, or as may be required from time to time by law, no dedication or transfer shall be effective unless an instrument agreeing to dedication or transfer signed by 2/3rds of the members of the Association has been recorded among the Land Records of Talbot County.

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

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

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

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

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

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

ARTICLE IV

COVENANT FOR MAINTENANCE ASSESSMENTS

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

2. Purpose of Assessments. The assessments shall be used exclusively to promote the recreation, health, safety, and welfare of the residents of the Lots to protect the value of the Lots and Townhouses and for the improvement and maintenance of the Common Areas, to provide periodic cutting of the grass areas of each Lot during the appropriate seasons, and for the maintenance of the Common Area and to keep the parking areas, walkways, and driveways adequately paved and free of ice, snow, dirt and litter.

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

4. Special Assessments for Capital Improvements. The special assessment for capital improvements authorized above, shall be only applicable to the year in which

assessed and only to pay for the purpose of defraying, in whole or in part, the cost of construction, reconstruction, repair or replacement of the Common Areas, including driveways and parking areas, and including utility structures such as sewer and water facilities which serve more than one townhouse or which serve the common area; and provided that any such assessment shall have the assent of two-thirds (2/3rds) of the votes of the members who are voting in person or by proxy at a meeting duly called for these purposes.

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

6. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly or quarterly basis.

7. Date of Commencement of Annual Assessments Due Dates. The annual assessments shall commence as to all Lots on the first day of the month following conveyance of the Common Area at the Association. The first annual assessment shall be adjusted according to the number of months remaining in the year. The Board of Directors shall fix the amount of the annual assessment for the Lots at least thirty (30) days prior to the beginning of the assessment period and send written notice of the assessment to each Lot Owner. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot shall be binding upon the Association as of the date of issuance.

8. Effects on Nonpayment of Assessments: Remedies of the Association. Any assessment not paid within thirty (30) day after the due date shall bear interest from the due date at the rate of twelve percent (12%) per annum. The Association may bring an action at Law against the Owner or enforce the lien against the Lot. No Owner may waive or otherwise escape liability for the assessments by non-use of the Common Areas or the abandonment of the Lot.

9. Subordination of the Lien to Mortgages.

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

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

ARTICLE V
ARCHITECTURAL CONTROL

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

ARTICLE VI
PARTY WALLS

1. General Rules of Law to Apply. Each wall built as a part of the original construction of a Townhouse and placed on a dividing line between Lots shall constitute a Party Wall, and to extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

2. Sharing of Repair and Maintenance, Maintenance Easement. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use. Each Owner shall have an easement over that part of an adjacent Owner's Lot or any other Lot or Townhouse constructed as part of the same

building, as may be necessary for the repair and maintenance of a Party Wall, or for the repair and maintenance of any electrical, heating, air conditioning or plumbing fixtures, equipment or utilities, including an easement to enter upon and maintain the utility fixtures serving a particular unit, which are located in or on the utility areas located at the end of each building.

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

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

ARTICLE VII SPECIAL MAINTENANCE

In the event that there is an obvious need for maintenance or repair which is caused through the willful or negligent act of an Owner, his family, agents or invitees, and if such maintenance or repair is not made with thirty (30) days after notice to maintain or repair is sent by the Board of Directors, the Board of Directors may cause the maintenance or repairs to be performed and the costs thereof shall be added to and become a part of the assessment to which the Owner's Lot is subject. The Board of Directors shall have the right to enter upon a Lot to perform maintenance or repairs as may be necessary without incurring liability therefor.

ARTICLE VIII USE RESTRICTIONS

1. Each Lot and Townhouse shall be used for residential purposes only, with the exception of a model unit, to be used by Declarant as an office during the sales period.

2. No building, pool, game facility, or structure, shed, awning, porch, porch covering, garage, trailer, tent, driveway, fence, hedge, wall or other structure shall be commenced, erected, altered or maintained on any lot, nor shall any addition thereto (including awnings and screenings) or change or alteration therein (including any retreatment by painting or otherwise of any exterior part)

be made until the plans and specifications are first approved by the Architectural Committee as herein provided. No structure or building on any Lot shall have any part of its exterior painted, repainted, covered or in any way modified unless the color and modification or covering is first approved by the Architectural Control Committee.

3. No fence, wall or hedge, shall be allowed, erected, planted or constructed upon any Lot. The condition of all Lots shall be maintained in such a manner as to allow proper drainage and avoid erosion of the soil. Vegetation shall be tended and not permitted to grow in a wild or unsightly manner.

← 4. No exterior clothesline or hanging device shall be allowed upon any Lot.

5. Storm doors shall be either wood or anodized aluminum, contain no grills of any kind, be painted the color of the door or trim, and be of the type, color and design approved by the Architectural Control Committee prior to installation.

6. No television or other type antenna or aerial may be installed on the exterior of any Townhouse without approval.

← 7. No boats, cradles, or trailers may be parked upon any Lot or any other part of the Property.

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

9. No commercial truck (i.e., truck which has a business or commercial sign or message affixed thereto, or which is used for other than as a passenger vehicle by the lot owner or a family member) may be stored or parked upon the premises on a regular basis.

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

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

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

neighborhood by causing unreasonable noise or odor, by littering, or by chasing or bothering persons or cars.

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

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

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

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

17. Each Lot owner shall be entitled to the use of two parking spaces.

ARTICLE IX EASEMENTS

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

ARTICLE X GENERAL PROVISIONS

1. Enforcement. Declarant, the Association or any Owner shall have the right to enforce, by any proceeding at law or equity, all restrictions, conditions, covenants, reservations, charges and liens now or hereafter imposed in accordance with the provisions of this Declaration. Failure

to enforce any restriction, condition, covenants, reservations, charge or lien shall not be deemed a waiver of the right to do so thereafter.

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

3. Termination. This Declaration shall become void and of no effect on January 1, 2040, unless during the twelve (12) month period prior thereto at least two-thirds (2/3rds) of all Owners (on a one vote per Lot basis) agree to an extension for ten (10) years. In like manner, subsequent ten-year extensions may be effected by similar Owner action during the year preceding each new termination date.

4. Amendment. At any time after January 1, 2040, this Declaration may be amended or modified by a two-thirds (2/3) vote of all Owners (on a one vote per Lot basis), provided that at least that many Owners sign the instrument of amendment or modification and record it among the land records of Talbot County.

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

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