

NDS

DECLARATION OF RIGHTS, EASEMENTS, COVENANTS,
CONDITIONS, AFFIRMATIVE OBLIGATIONS and
RESTRICTIONS APPLICABLE TO NORTH EAST ISLES,
TOWN OF NORTH EAST, CECIL COUNTY, MARYLAND

THIS DECLARATION, made as of this 27th day of August, 1992,
by NORTH EAST ISLES ASSOCIATES, a Pennsylvania limited
partnership (herein "Declarant").

W I T N E S S E T H:

Declarant is the owner of a certain tract of land located on
Maryland Route 7 and the Penn Central Railroad in the Town of
North East, Cecil County, Maryland, being more particularly
described in Exhibit "Properties" (the "Properties").

The Properties shall be held, sold and conveyed subject to
the rights, affirmative obligations, easements, covenants,
conditions, restrictions, liens, and charges contained herein,
all of which are hereby established for the purpose of enhancing
and protecting the value, desirability, marketability and
attractiveness of the Properties and the individual lots, living
units and other real estate to be therein included.

NOW, THEREFORE, the Declarant, intending to be legally bound
hereby, does hereby declare that the Properties shall be owned,
sold, conveyed, leased, mortgaged and occupied under and subject
to the rights, obligations, easements, covenants, restrictions,
liens, charges and conditions established by this Declaration and
that the rights, obligations, easements, covenants, restrictions,
liens, charges and conditions established by this Declaration
shall run with the Properties, lots, living units and other real
estate which is the subject matter of this Declaration and shall
be binding on all parties having or acquiring any right, title or
interest in the Properties or any part thereof, including such
lots and living units and shall inure to the benefit of each
Owner thereof.

ARTICLE I

DEFINITIONS

The following words, phrases and terms, when used in this
Declaration, any Supplementary Declaration, and any amendment or
supplement to the foregoing documents, shall have the meanings
and references as provided for below in this Article I.

Section 1.1. "Additional Land" shall mean real
property which may, but shall not necessarily, be included,
wholly or partially, within the Properties by action taken
pursuant to Article II of this Declaration.

Section 1.2. "Approved Units" shall mean the total number of Units approved for construction at any point in time under preliminary or (if granted) final subdivision approvals of the Town upon all land then included within the Properties. The Association shall be provided with copies of such subdivision plans.

Section 1.3. "Architectural Committee" shall mean the Committee created pursuant to Article IV hereof.

Section 1.4. "Articles" shall refer to the Articles of Incorporation of the Association.

Section 1.5. "Assessable Lot" shall mean and refer to (i) each Lot which has been conveyed to an Owner who is not the Declarant and (ii) each Lot which is owned by the Declarant and upon which a Dwelling Unit has been completed, from and after the date of the lease of such Lot and Dwelling Unit to an Occupant.

Section 1.6. "Association" shall mean and refer to the North East Isles Homeowners Association, Inc., a Maryland nonprofit corporation, its successors and assigns.

Section 1.7. "Association Rules" shall mean the rules and regulations adopted by the Association pursuant to Section 3.5 of this Declaration.

Section 1.8. "Book of Resolutions" shall mean and refer to the compilation of rules, regulations and policies of the Association, as same may from time to time be amended.

Section 1.9. "Board" shall mean the Board of Directors of the Association.

Section 1.10. "By-Laws" shall mean the By-Laws of the Association, as such By-Laws may be amended from time to time.

Section 1.11. "Common Area" shall mean all those portions of the Properties (including the Improvements thereto) identified as common area on the approved site plan, as amended from time to time, for any portion of the Properties or designated as common area in the Declaration or any Supplementary Declaration and which shall be owned by the Association for the common use and enjoyment of the Members of the Association. The Common Area to be first conveyed by the Declarant to the Association after the date hereof is described in Exhibit "Common Area" attached hereto. The Common Area shall not include the Marina Condominium Area, the Marina or any of the Lots.

Section 1.12. "Covenants Committee" shall mean the committee referred to at Section 4.9 hereof.

Section 1.13. "Declarant" shall mean and refer to North East Isles Associates, ~~an~~ Pennsylvania limited partnership, and such successors and assigns as shall (a) acquire any portion of the Properties for the purpose of development and (b) be designated as a Declarant by North East Isles Associates or a successor Declarant by a duly recorded written instrument. Any such designation by North East Isles Associates or a successor Declarant may by its terms be either for specific designated purposes, may be limited in application to specified portions of the Properties or may be for all purposes and may be subject to such limitations or reservations as Declarant or such successor Declarant may provide in such designation and may also include the right of redesignation by such successor or further successors. Any such designation in a mortgage shall become effective upon the occurrence of such event or events as shall be specified in such document. On occasion, reference may be made to "successor Declarants", "successors to Declarant", or "a successor to Declarant". Such reference is not intended to limit, modify or affect in any other context the construction of the term "Declarant" as defined in this Section, and is merely so used in a particular context for possible further clarity.

Section 1.14. "Declarant's Reserved Rights" shall mean and refer to the powers and prerogatives reserved to Declarant as provided for by Article XII of this Declaration.

Section 1.15. "Declaration" or "this Declaration" shall mean and refer to this Declaration of Rights, Easements, Covenants, Conditions, Affirmative Obligations and Restrictions, as the same may be amended from time to time pursuant to the provisions hereof.

Section 1.16. "Dwelling Unit" shall mean any portion of a structure or an entire structure intended for occupancy as a residence for a Single Family and which is situated on a Lot. The term "Dwelling Unit" may include, without limitation a townhouse and a twinhome [which shall be one (1) of two (2) Dwelling Units attached together but detached from all other Dwelling Units] as well as a detached house. Reference to a Dwelling Unit in this Declaration shall include the land directly underlying the Dwelling Unit.

Section 1.17. "Environmental Conservation Area" shall mean that portion of the Properties described on Exhibit "Environmental Conservation Area" attached to this Declaration, which has been subjected to a certain Declaration of Protective Covenants, Restrictions and Obligations (as amended, supplemented, replaced, and/or redesignated from time to time), among other things, imposing restrictions on the use of such portion of the Properties (hereinafter called the "Environmental Conservation Declaration").

Section 1.18. "Governing Documents" shall include this Declaration, any Supplementary Declaration, the By-Laws, the Articles, the Environmental Conservation Declaration, the Association Rules, the Book of Resolutions, Architectural Committee rules adopted by the Board, all other rules and regulations relating to the governing of the Properties, any agreement entered into pursuant to Section 3.3(c)(xi) or 3.4(d) of this Declaration, and all amendments and supplements to the foregoing.

Section 1.19. "Greens" shall mean and refer to those portions of Assessable Lots on which no buildings, other structures, physical Improvements, or paved areas are located and shall include generally those portions of Assessable Lots covered by grass, forested areas, or other vegetation or landscaping of any kind, nature and description.

Section 1.20. "Improvements" shall mean buildings, garages, carports, roads, driveways, walkways, parking areas, fences, walls, covered patios, porches, elevated porches, sun decks, balconies, artificial pools, hedges, plantings, planted trees and shrubs, and all other structures or landscaping Improvements of every kind, nature and description.

Section 1.21. "Institutional Lender" shall mean and refer to one or more commercial or savings banks, savings and loan associations, trust companies, credit unions, industrial loan associations, insurance companies, pension funds, or business trusts including, but not limited to, real estate investment trusts, any other lender regularly engaged in financing the purchase, construction, or Improvement of real estate, or any assignee of loans made by such a lender, or any private or governmental institution which has insured a loan of such a lender, or any combination of any of the foregoing entities.

Section 1.22. "Law" shall mean any judicial decision, statute, constitution, ordinance, resolution, regulation, rule, administrative order or other requirement of any municipal, county, state, local, federal or other government agency or authority having jurisdiction of any nature over the Properties, the Owners, the Occupants, or any of them.

Section 1.23. "Limited Common Area" shall mean those portions of the Properties, if any, designated as such on the approved site plan, as amended from time to time, for any portion of the Properties or designated as such in this Declaration or any Supplementary Declaration.

Section 1.24. "Lot" shall mean and refer to any numbered or otherwise designated plot of ground shown upon the last recorded final subdivision plat of the Properties, or of any

portion of the Properties, which is intended as a site for construction of a Dwelling Unit and, where appropriate, shall include any Dwelling Unit or Dwelling Units and all other Improvements thereon erected; except that the term "Lot" shall not refer to any portion or the whole of the Common Area, Limited Common Area, Marina Condominium Area or areas dedicated to and accepted by any state or local public authority.

Section 1.25. "Manager" shall mean and refer to a managing agent, whether corporate or individual, retained by the Association on contract and charged with the maintenance and upkeep of the Common Area and any Limited Common Area. Such Manager or other firm may be retained by the Association also to manage and administer the affairs of the Association and consult with the Association, its officers and directors.

Section 1.26. "Marina" shall mean the marina constructed or to be constructed in waters adjoining a portion of the Marina Condominium Area and constituting a portion of the Marina Condominium.

Section 1.27. "Marina Condominium Area" shall mean the area designated on Exhibit "Marina Condominium Area" attached hereto and incorporated herein which shall include, but shall not necessarily be limited to, the land, waters, riparian areas and other property constituting the Marina Condominium, the loading/unloading area in the vicinity of a marina to be constructed in the waters adjoining the Properties and a boat and trailer storage area within the Marina Condominium.

Section 1.28. "Marina Association" shall mean the Council of Unit Owners of North East Isles Marina Condominium established to govern the Marina Condominium Area and the marina constructed or to be constructed in the waters constituting a portion of the Marina Condominium Area.

Section 1.29. "Marina Condominium" shall mean the North East Isles Marina Condominium created or to be created by the Declarant's recording of the Declaration of Condominium for the North East Isles Marina Condominium subjecting the Marina and the Marina Condominium Area to Real Property Article, Title 11, Section 11-101, et seq. of the Annotated Code of Maryland (1988), as amended and supplemented from time to time.

Section 1.30. "Marina Condominium Unit" shall mean a Storage Unit in the Marina Condominium, together with such Storage Unit's undivided percentage interest in common elements and limited common elements (including Boat Slips) in the Marina Condominium.

Section 1.31. "Member" shall mean and refer to members of the Association and shall include all Owners and the Class B

Member or Members referred to ^{NDS} in Clause 3.2(d) (ii) of this Declaration.

Section 1.32. "North East Isles" or "the Project" shall mean and refer to the Properties.

Section 1.33. "Noticed Mortgagees" shall refer to Institutional Lenders which are holders of first mortgages and which are the subject of a notice to the Association as described in Section 11.1 of this Declaration.

Section 1.34. "Occupant" shall mean and refer to the occupant of a Dwelling Unit, provided that such occupant is the Owner of such Dwelling Unit, a contract purchaser, or a lessee of such Dwelling Unit under a written lease having an initial term of at least one (1) year.

Section 1.35. "Owner" shall mean and refer to the record owner (including Declarant), whether one or more persons or entities, of a fee simple title to any Lot or Dwelling Unit, including contract sellers, but excluding those having such interest merely as security for the performance of any obligation. The term "Owners" shall refer to the plural of the term "Owner" as so defined and shall refer to all such Owners unless otherwise limited in a particular context.

Section 1.36. "Parking Areas" shall mean and refer to all of those portions of the Common Area and any Limited Common Area intended to be used for vehicle parking purposes.

Section 1.37. "Prior Mortgage" shall refer to a first mortgage given and made in good faith and for value that is of record as an encumbrance against an Assessable Lot prior to the recording of a claim of lien for the assessments provided for in this Declaration against such Assessable Lot.

Section 1.38. "Properties" shall mean and refer to the real property described in Exhibit "Properties" to this Declaration, together with such additional real property, which may include the Additional Land or any part thereof, as and when such additional real property hereafter becomes subject to the provisions of this Declaration pursuant to the provisions of Article II of this Declaration. The Properties do not include the Marina Condominium Area or the Marina.

Section 1.39. "Single Family" shall mean a group of one or more persons (including no more than two (2) persons unrelated to each other by blood, adoption or marriage) who maintain a common household in a Dwelling Unit. The Association may from time to time, by resolution approved by Members entitled to cast more than fifty percent (50%) of the votes to which all Members are entitled, modify this definition of the term "Single

Family", provided that any such ^{NDS} modified definition does not discriminate between Owners and tenants of Dwelling Units and does not violate any Law.

Section 1.40. "Supplementary Declaration" shall mean the document filed pursuant to the provisions of Article II of this Declaration to effectuate an annexation.

Section 1.41. "Town" shall mean the governing body of the Town of North East in Cecil County, Maryland.

Section 1.42. "Undeveloped Lot" shall mean any Lot which has not been developed with the maximum number of Dwelling Units authorized to be constructed thereon by applicable Law or on which exists any Dwelling Unit which is not substantially complete.

Section 1.43. "Zone" or "Buffer Zone" means any area within the Properties which is designated as property to be protected by the Maryland Department of Natural Resources, or other applicable governmental authority, pursuant to the Chesapeake Bay Critical Area Legislation, Title 8, Natural Resources Article, Annotated Code of Maryland, as amended.

ARTICLE II

ANNEXATION

Section 2.1. Annexation of Additional Real Estate. Additional real estate may be subjected to this Declaration in the following manner:

(a) Additional Land may be subjected to this Declaration upon the affirmative vote of a least sixty percent (60%) of the votes of each class of Members. Land annexed to the Properties may be subjected to uses or housing types different from those within North East Isles and may be held and conveyed under condominium, leasehold, fee simple lots or other forms of ownership and occupancy.

(b) No provision of this Declaration shall be construed to require the Declarant or any other person or entity to annex any real property to the scheme of this Declaration, nor shall any provision prohibit any real property owned by Declarant or any other person, other than the Properties, from being subjected to another declaration or scheme of development. The community contemplated by this Declaration, including parcels of ground to be annexed hereto, may include a wide diversity of housing types and styles.

Section 2.2. ^{NDS} Method of Annexation. The additions authorized by Section 2.1 shall be effectuated by the recordation of one or more Supplementary Declarations. Any such Supplementary Declaration shall be executed by the Declarant and, if applicable, the owners of the real property sought to be annexed to the scheme of this Declaration. The Supplementary Declaration referred to in this Section shall describe the real property to be annexed to the scheme of this Declaration and shall state that it is being made pursuant to the terms of this Declaration for the purpose of annexing the property described in the Supplementary Declaration to the scheme of this Declaration and extending the jurisdiction of the Association to cover the real estate described in such Supplementary Declaration. The Supplementary Declaration may contain such additional or modified terms, covenants, restrictions, obligations and easements to reflect the different character, if any, of the real property being annexed or the various unit types or form of ownership or community style characteristics and development approaches to which the annexed land or parts thereof may be subjected, all of which may be significantly at variance with that of the Properties, or which may distribute the rights of the Declarant hereunder between the Declarant and the owner of the annexed real property in the manner which Declarant may determine.

Section 2.3. Annexation of Common Area. Owners, upon recordation of any Supplementary Declaration, also shall have a right and non-exclusive easement of enjoyment in and to the Common Area within the real property so annexed in accordance with the provisions of such Supplementary Declaration and an obligation to contribute to the cost of improvement, operation and maintenance of such Common Area within the annexed lands in like manner as if such Common Area had been originally located within the Properties.

Section 2.4. Mergers. Upon merger or consolidation of the Association with another association as provided in its Articles, the property, rights and obligations of the Association may, by operation of Law, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of Law, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the covenants and restrictions established by this Declaration within the Properties together with covenants and restrictions established upon any other properties annexed thereto in accordance with this Article II. No such merger or consolidation, however, shall effect any revocation, change, or addition to the covenants established by this Declaration within the Properties, excepting as hereinafter provided.

surviving or consolidated association may administer the covenants and restrictions established by this Declaration within the Properties together with covenants and restrictions established upon any other properties annexed thereto in accordance with this Article II. No such merger or consolidation, however, shall effect any revocation, change, or addition to the covenants established by this Declaration within the Properties, excepting as hereinafter provided.

ARTICLE III

THE ASSOCIATION

Section 3.1. Organization.

(a) The Association is a non-profit Maryland corporation charged with the duties and invested with the powers prescribed by Law and set forth in the Articles, By-Laws and this Declaration, as such may be amended from time to time. Neither the Articles, nor the By-Laws shall for any reason, be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration. In the event of any such inconsistency, the provisions of this Declaration shall prevail.

(b) A Board of Directors of the Association, and such officers as the Board may elect or appoint, shall conduct the affairs of the Association in accordance with the Governing Documents. The Board shall [except to the extent that specified membership approval shall be required by the By-Laws or by an agreement executed pursuant to subsection 3.3(c)(xi)] act on behalf of the Association in the implementation of Section 3.3 of this Declaration.

Section 3.2. Membership.

(a) Qualifications. Each Owner (including Declarant) shall be a Member of the Association and shall be entitled to one membership for each Lot owned. Ownership of a Lot shall be the sole qualification for membership in the Association.

(b) Member's Rights and Duties. Each Member shall have the rights, duties and obligations set forth in the applicable Governing Documents.

(c) Transfer of Membership. Membership in the Association shall be appurtenant to the Lot giving rise to such membership, and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except upon the transfer of title to said Lot and then only to the transferee of title to such Lot. Any attempt to make a prohibited transfer of

membership shall be void. ^{NDS} Any transfer of title to a Lot shall operate automatically to transfer the membership in the Association appurtenant thereto to the new Owner thereof.

(d) Voting Rights of Members - Classes of Members. The Association shall have two (2) classes of voting membership:

(i) Class A Members. Class A Members shall be all Owners of Assessable Lots, except that, so long as the Declarant has Class B voting rights, Declarant shall be a Class B, rather than a Class A, Member. There shall be only one (1) vote for each Assessable Lot owned by a Class "A" Member.

(ii) Class B Members.

(A) The Declarant and its successors and assigns designated as such by Declarant shall each be deemed a "Class B Member" until such time as such membership shall be resigned or converted to Class A Membership.

(B) A Class B Member may at any time convert such membership to Class A membership by a document executed by such Class B Member and recorded in the Land Records of Cecil County, Maryland.

(C) A Class B Member may, by one or more acknowledged supplements to this Declaration recorded in the Land Records of Cecil County, Maryland, limit its privileges and prerogatives as a Class B Member or provide that all or specific privileges or prerogatives shall terminate or be limited in a specific manner upon the happening of a specified event or as of a specified date. A Class B Member may reserve the right to amend any such supplement in a specified manner; otherwise such supplement shall be irrevocable and not subject to further amendment.

(D) Except as otherwise limited by a supplement to this Declaration as heretofore provided in this Article III, each Class B Member shall have the number of votes equal to ten (10) times the total number of Lots owned by such Class B Member.

(E) In the event there shall be more than one Class B Member, the votes attributable to the Class B Members as a group shall be divided among the Class B Members as they shall by written instrument reasonably agree among themselves.

(F) All Class B memberships, and all rights appurtenant to such memberships, shall cease and be converted to Class A memberships upon the earliest to occur of