

of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression. Such bond or insurance shall provide that it may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days' prior written notice to Noticed Mortgagees.

(e) Such other insurance as the Board may from time to time deem necessary or appropriate.

Section 10.2. Insurers. The insurance to be maintained pursuant to this Article X shall be maintained in reputable insurance companies authorized to transact business within the State of Maryland.

Section 10.3. Policy Provisions of Insurance to be Maintained Pursuant to this Article.

(a) The named insured shall be the Association which, through the Board, acting on behalf of the Association and the Owners as their interests may appear, shall negotiate loss claims and receive and administer funds received pursuant to claim settlements.

(b) In no event shall the insurance coverage obtained and maintained pursuant to the requirements of this Article X be brought into contribution with insurance purchased by Owners or their mortgagees.

(c) To the extent available, the insurance policies shall provide that coverage shall not be prejudiced by (1) any act or neglect of Owners, or (2) conditions over which the Association has no control.

(d) All policies shall provide that coverage may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least ten (10) days prior written notice to the Association and Noticed Mortgagees.

(e) All such policies shall contain a waiver of subrogation endorsement or otherwise permit a release prior to a loss by the Association of its right to assert claims against the Owners.

(f) All policies of property insurance shall provide that, notwithstanding any provisions thereof which give the carrier the right to make a cash settlement in lieu of the right to restore, such option shall not be exercisable without the prior written approval of the Board.

ARTICLE XI

NOTICED MORTGAGEES

Section 11.1. Mortgages.

(a) Each Owner shall notify the Association of the name and address of the holders of all mortgages encumbering such Owner's Lot. Each Owner shall likewise notify the Association as to the release or discharge of any such mortgage. In addition, the holder of any mortgage encumbering a Lot may notify the Association of such holder's identity and address and a description of the Lot encumbered.

(b) The Association shall maintain a record of the names and addresses of the holders of mortgages as to which it receives notice pursuant to the provisions of this Section. Institutional Lenders holding first mortgages of which the Association receives notices pursuant to this Section are referred to in this Declaration as "Noticed Mortgagees".

(c) The Association shall provide such notice to and obtain such approvals from Noticed Mortgagees as are required by any mortgagee protective agreement or agreements referred to in Section 3.3(c)(xi) or Section 3.4(d) of this Declaration.

Section 11.2. Notices to Noticed Mortgagees. The Association shall provide Noticed Mortgagees with written notification as follows:

(a) Written notice of any default by an Owner of any obligation of such Owner as provided for by the Declaration, the Articles, the By-Laws or other Governing Document which default is not cured within thirty (30) days after it occurs; provided, however, that such written notice shall be provided only to a Noticed Mortgagee which holds a mortgage encumbering the Lot or Dwelling Unit in respect to which such default shall have occurred and not been cured within such thirty (30) day period.

(b) Written notice to each Noticed Mortgagee of substantial damage or destruction to the Common Area, any Limited Common Area, or any significant portion of any such area or any eminent domain proceeding against the Common Area or any Limited Common Area.

(c) Written notice at least fifteen (15) days prior to the effective date of any amendment to the Declaration, the Articles, or By-Laws.

(d) Written notice of the termination of the Declaration.

(e) Written ~~NOT~~ justification at least thirty (30) days prior to the effectuation of any decision by the Association to terminate professional management and assume self management of the affairs of the Association and/or the management of Common Areas.

Section 11.3. Inspection of Books. The Association shall:

(a) Permit any holder of a mortgage on any Lot or Dwelling Unit to inspect the books and records of the Association during normal business hours and by appointment.

(b) Permit a representative of each Noticed Mortgagee to attend all meetings of the Association, the Board and of each of its subordinate bodies.

Section 11.4. Method of Notice. Any written notice or other documents addressed to any Noticed Mortgagee relating to or required or permitted under the Declaration or any other Governing Document shall be given by ordinary mail, addressed to such Noticed Mortgagee at the address made known to the Association pursuant to Section 11.1. Notice by ordinary mail shall be deemed to have been given and received seventy-two (72) hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed as required above.

Section 11.5. Other Rights of Mortgagees. The holders of first mortgages on the Lots may, jointly or singly, pay taxes and other charges which are in default and which may or have become a charge of lien against any portion of the Common Areas or Limited Common Areas and may pay overdue premiums on the insurance policies or secure any insurance policies with respect to the coverage to be maintained by the Association pursuant to Article X hereof, and upon so doing the first mortgagees making such payments shall be entitled to immediate reimbursement by the Association.

ARTICLE XII

DECLARANT'S RESERVED RIGHTS

Section 12.1. Declarant Related Amendment. So long as Declarant owns any Lots or Dwelling Units, no Declarant Related Amendment shall be made to this Declaration or to any other Governing Document, nor shall any Declarant Related Governing Document be executed, adopted or promulgated by the Association or the Board unless such Declarant Related Amendment or Governing Document is specifically approved in writing by Declarant.

Section 12.2. ~~Declarant~~ Related Actions. For purposes of Section 12.1, an Amendment or Governing Document shall be considered to be "Declarant Related" if it does any of the following:

- (a) Discriminates or tends to discriminate against a Declarant or any successor Declarant as an Owner or otherwise.
- (b) Directly or indirectly by its provisions or in practical application relates to any Declarant or any successor Declarant in a manner different from the manner in which it relates to other Owners.
- (c) Modifies the definitions provided for by Article I of this Declaration in a manner which alters Declarant's or any successor Declarant's right or status.
- (d) Modifies or repeals any provision of Article II of this Declaration.
- (e) Alters the character and rights of membership as provided for by Article III of this Declaration or affects or modifies in any manner whatsoever the rights of Declarant or any successor Declarant as a Member of the Association.
- (f) Alters any previously recorded or written agreement with any public or quasi-public agencies, utility company, political subdivisions, public authorities or other similar agencies or bodies, respecting zoning suspension, streets, roads, drives, easements or facilities.
- (g) Denies the right of Declarant or any successor Declarant to convey to the Association as Common Areas, or as Limited Common Areas, any lands which lie within the Properties or the Additional Land, as the same may be revised from time to time.
- (h) Modifies the basis or manner of assessment as applicable to the Declarant or any successor Declarant or on any Lots or Dwelling Units owned by Declarant or any successor Declarant as provided for by Article VI.
- (i) Modifies the provisions of Article IV as applicable to the Declarant or any successor Declarant or any Lots owned by Declarant or any successor Declarant.
- (j) Limits or restricts the authority of the Architectural Committee.

(k) Alters the ~~provisions~~^{NDS} provisions of any protective covenants, limitations, restrictions or easements as provided for by any Governing Document.

(l) Alters or repeals any of Declarant's or any successor Declarant's rights or any provision applicable to Declarant's or any successor Declarant's rights as provided for by any provision of this Declaration or of any other Governing Document applicable to Declarant or any successor Declarant.

Section 12.3. Limitation on Certain Association Actions. No action may be taken by the Association which would serve to restrict the installation of Common Area or any Limited Common Area facilities substantially represented in plans of public record particularly as they may have been required and/or approved by public governmental authorities.

ARTICLE XIII

GENERAL PROVISIONS

Section 13.1. Enforcement. This Declaration shall become effective when it is recorded. The Association, Declarant, any successor Declarant, and any Owner shall have the right to enforce, by any proceeding at Law or in equity, all provisions of this Declaration and all other Governing Documents. The failure of any Owner to comply with the provisions of any Governing Document shall give rise to a cause of action in the Association and any aggrieved Owner for the recovery of damages, or for injunctive relief or both. Failure by the Association, Declarant or any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so at a later time. A waiver of the right to enforce any covenant or restriction shall be effective only if given by an instrument in writing signed by the party waiving the right and shall be limited to the particular covenant, condition or restriction which is expressly waived.

Section 13.2. Severability. Invalidation of any one or more of the provisions of this Declaration by judgment or court order shall in no way affect any other provisions of this Declaration, which shall remain in full force and effect.

Section 13.3. Term. The easements, covenants, rights, conditions, affirmative obligations, and restrictions of this Declaration shall run with and bind the land and shall inure to the benefit of and be enforceable by the Association, the Declarant, any successor Declarant, any Member of the Association, the Owner of any Lot or Dwelling Unit, and their respective legal representatives, heirs, successors and assigns for a term of twenty-five (25) years from the date this

Declaration is recorded, after ^{NDS} which time this Declaration shall be automatically extended for successive periods of ten (10) years unless terminated by the unanimous agreement, in writing, in the form of a deed of revocation recorded in the same public records in which this Declaration is recorded, executed by all of the Members, all Noticed Mortgagees and all holders of judgments or other liens affecting the Lots. The deed of revocation shall become effective upon being recorded. Upon dissolution of the Association and termination of this Declaration, the real and personal property of the Association shall become the assets of those Members who are Members at the time of the dissolution, as tenants-in-common.

Section 13.4. Amendments.

(a) Unless specifically provided to the contrary in this Declaration as to Declarant initiated amendments, this Declaration may be amended only pursuant to the written consent of all of the following: (i) Members of the Association representing not less than seventy percent (70%) of the votes of all of the Members of the Association, voting together and not by Class (ii) Noticed Mortgagees holding first mortgage liens on Lots representing not less than sixty-seven percent (67%) of the total votes of all of the Members of the Association, as if voting together and not by Class, and (iii) Declarant (as long as the Declarant or a successor Declarant owns any portion of the Properties).

(b) Notwithstanding anything contained herein to the contrary, Declarant, by its own action, shall have the right to amend this Declaration without the vote or consent of Owners' mortgagees or any other party during the period from the date of recordation of this Declaration to the date of expiration of five (5) years from the date of recordation of this Declaration, solely in order to comply with the request or requests of any other governmental or quasi-governmental body, or any institution holding, insuring or proposing to hold or insure a lien or other security interest in any portion of the Properties.

(c) Any such amendment shall become effective immediately upon proper recordation of a document complying with the requirements of this Section in the public records in which this Declaration is recorded and any other attempt to amend the provisions of this Declaration shall be null and void and of no effect.

Section 13.5. Violation and Nuisance. Every act or omission whereby any provision of this Declaration or any other Governing Document is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated, whether or not the relief sought is for negative or affirmative action, by Declarant, the Association, or any Owner or Owners of Lots.

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Section 13.6. Violation of Law. Any violation of any state, municipal or local Law, ordinance or regulation, pertaining to the ownership, occupation or use of any of the Properties is hereby declared to be a violation of this Declaration and subject to any or all of the enforcement procedures set forth herein.

Section 13.7. Remedies Cumulative. Each remedy set forth in this Declaration shall be in addition to all other remedies whether available at Law or in equity, and all such remedies, whether or not set forth in this Declaration, shall be cumulative and not exclusive.

Section 13.8. Delivery of Notices and Documents.

(a) Unless otherwise permitted by the By-Laws, any written notice or other documents intended to be submitted to the Board, Covenants Committee, Declarant, any successor Declarant, Association, or any other committee, and related to or required or permitted by this Declaration or any other Governing Document shall be deemed to have been properly sent if delivered either personally or by registered mail, return receipt requested, with postage prepaid and with a duplicate copy mailed in either case at approximately the same time by ordinary mail. If by registered mail, it shall be deemed to have been given, delivered and received seventy-two (72) hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to the office of the Association. Such address may be changed at any time by the Association body to receive such notice by delivering a written notice of such change of address to the Association secretary. The secretary of the Association shall take reasonable action to make such change known to the Members of the Association.

(b) Any written notice or other documents intended for an Owner relating to, required or permitted by this Declaration or any other Governing Document shall be deemed to have been properly sent if delivered to an Owner either personally or by ordinary mail to the last known address of the Owner as shown on Association records (or if the Association records show no address, then such notice or other document may be sent to the Owner's Dwelling Unit or posted on the Owner's Lot). Each Owner of a Lot shall file his correct mailing address with the Association, and shall promptly notify the Association in writing of any subsequent change of address.

Section 13.9. Binding Effect. By acceptance of a deed or by acquiring any ownership interest in any portion of the Properties, each person or entity, for himself or itself, his heirs, personal representatives, successors, transferees and assigns, binds himself, his heirs, personal representatives, successors, transferees and assigns, to all of the provisions,

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restrictions, covenants, conditions, rules, and regulations now or hereafter imposed by this Declaration and the Governing Documents and any amendments or supplements thereof. In addition, each such person by so doing thereby acknowledges that this Declaration sets forth a general scheme for the Improvement and development of the real property covered hereby, and hereby evidences his intent that all the restrictions, conditions, covenants, rules and regulations contained herein shall run with the Properties and be binding on all subsequent Owners, grantees, purchasers, assignees, transferees, and Occupants thereof. Furthermore, each such person fully understands and acknowledges that this Declaration shall be mutually beneficial to and enforceable by the Association and all Owners.

Section 13.10. Notification of Sale of Lot or Dwelling Unit: Prohibition Against Certain Restrictions.

(a) At least ten (10) days prior to the consummation of the sale of any Lot or Dwelling Unit under circumstances whereby the transferee becomes an Owner thereof, the transferor shall notify the Association in writing of such sale. Such notification shall set forth (i) the name of the transferee and transferor, (ii) the street address of the Lot purchased by the transferee, (iii) the transferor's mailing address, (iv) the transferee's mailing address, and (v) the date of sale.

(b) The right of any Owner to sell, transfer or otherwise convey a Lot or Dwelling Unit may not be made subject to any right of first refusal or similar restriction in favor of the Association.

Section 13.11. Professional Management Agreement. Any management agreement entered into by the Association shall be terminable by either party with cause upon thirty (30) days written notice (without a termination fee) thereof and without cause upon ninety (90) days written notice (without a termination fee) thereof, and the term of any such agreement may not exceed two (2) years, renewable by agreement of parties for successive one (1) year periods.

Section 13.12. Headings and Interpretation.

(a) The headings introducing the text of the several sections of this Declaration are solely for convenience of reference and shall not constitute part of this Declaration or affect its meaning in any way.

(b) In the event of any conflict between the provisions of this Declaration and the provisions of the By-Laws or Articles of the Association, the provisions of this Declaration shall prevail.

Section 13.13. ^{NDS} Reference of Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular and plural as the identity of the person or persons or entities may require.

Section 13.14. Failure of the Board to Insist Upon Strict Performance is No Waiver. The failure of the Association or Board to insist in any one or more instances upon the strict performance of any of the terms, covenants, conditions or restrictions of the Governing Documents or the Association Rules or to exercise any right or option therein contained or to serve any notice or to institute any action shall not be construed as a waiver or a relinquishment for the future of such term, covenant, condition, restriction, option or right, but such term, covenant, restriction, option or right shall remain in full force and effect. The receipt by the Association of any payment of assessments from any Owner with knowledge of the breach of any covenant of the Governing Documents or the Association Rules shall not be deemed a waiver of such breach, and no waiver by the Association or Board of any provision of the Governing Documents or the Association Rules shall be deemed to have been made unless expressed in writing and signed by duly authorized officers of the Association.

IN WITNESS WHEREOF, the undersigned have executed this

Declaration the day and year first above written.

DECLARANT:

NORTH EAST ISLES ASSOCIATES

By: PFG Capital Corporation,
a Pennsylvania
corporation, general
partner

Attest: [Signature]

Print Name: John C. McCreary

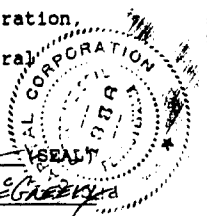
Print Title: ASSISTANT SECRETARY

(Corporate Seal)

By: [Signature] (SEAL)

Print Name: JOHN C. MCGREARY

Print Title: PRESIDENT



By: Augustine Properties,
Inc., a Delaware
corporation, general
partner

Attest: [Signature]

Print Name: Kimberly C. McCreary

Print Title: ASST SECRETARY

(Corporate Seal)

By: [Signature] (SEAL)

Print Name: DANIEL B. MCGREARY

Print Title: VICE CHAIRMAN

A: FMM-6781
(08/25/92)