

DISCLOSURE STATEMENT

FOR

GRAFTON RIDGE HOMEOWNERS ASSOCIATION, INC.

Every purchaser of a residence in the Grafton Ridge community automatically becomes a member of the Grafton Ridge Homeowners Association, Inc. (hereinafter the "Association"). All members of the Association are subject to the restrictions, rights and obligations contained within the Declaration of Covenants and Restrictions for the Association recorded or to be recorded among the Land Records of Harford County, Maryland (hereinafter referred to as the "Declaration") including, but not limited to, the obligation to pay assessments to the Association.

The disclosure information set forth below is being provided in accordance with the Maryland Homeowners Association Act (the "Act"). The property which is, or may hereafter be annexed within the jurisdiction of the Association shall hereinafter be referred to as the "Properties" or as the "Development". Certain other capitalized terms used herein, unless otherwise defined herein, have the meanings specified in the Declaration, a copy of which is attached as Exhibit "B" hereto.

Section 1

I. Vendor/Declarant: Richmond American Homes of Maryland, Inc.

Principal Address: 6200 Old Dobbin Lane
Suite 190
Columbia, Maryland 21045

Telephone Number: (410) 872-0267

Principal Officers:	Tim Burkard	President
	Mark Boastfield	Vice President

As of the date hereof, the address of the principal officers is the same as the address of the Vendor/Declarant. As of the date hereof, the name and address of the Vendor/Declarant and the names and addresses of the principal officers are as set forth above, however, the Vendor/Declarant reserves the right to change such names and addresses at its sole discretion from time to time.

Section 2

- I. The name of the Association is the Grafton Ridge Homeowners Association, Inc.
- II. The Association is, or will be, incorporated in the State of Maryland.
- III. The resident agent of the Association is or will be:

CSC Lawyers Incorporating Service Company
11 East Chase Street
Baltimore, Maryland 21202

Section 3

I. The Development is located Harford County, Maryland. The Vendor/Declarant presently contemplates that the Development may contain a maximum of forty-four (44) Lots and dwellings and may contain up to approximately 19.41 acres, however, the Vendor/Declarant reserves the right to annex such property within the Development in stages or phases and to annex more or less than the anticipated maximum number of Lots and/or acreage within the Development. It is anticipated that the Development may contain a total of forty-four (44) single family detached dwellings; provided, however, that the Vendor/Declarant reserves the right to amend its development plans for the Properties, to modify or alter the size, number, type and location of the dwelling units to be constructed thereon, and to take any other action they deem necessary or desirable in conjunction with the development of the Properties. Without limiting the generality of the foregoing, the Vendor/Declarant reserves the right to resubdivide all or a portion of the Properties and to convey all or a portion of the Properties. The Vendor/Declarant also reserves the right to convey all or a portion of the Common Areas, to modify the size and location of the Common Areas, and to construct improvements on the Common Areas. The Vendor/Declarant also reserves the right to modify the price of dwelling units in response to market conditions. Purchasers may pay different prices for similar dwelling units. Any property not annexed within the jurisdiction of the Association may be sold, transferred, conveyed or otherwise developed by the Vendor/Declarant or their successors and assigns.

II. Except for the public roads shown on the subdivision plats for the Properties recorded, or to be recorded, among the Land Records of Harford County, Maryland, the Vendor/Declarant does not own any property contiguous to the Development which is, or may be, dedicated to public use.

III. Adjacent to the Property is a parcel of land containing approximately thirty-seven (37) acres known as Lot 45. Lot 45 is used for agricultural and farming purposes, and is not subject to the Declaration, Bylaws or Articles of Incorporation of the Association. The effects of farming operations regularly include, but are not limited to, dust, odor, manure spreading and stock piling, spraying of pesticides, over-sized, slow moving vehicles, night time operations and

agricultural run-off. Lot 45 is subject to a Declaration of Restriction, recorded, or to be recorded, among the Land Records of Harford County, Maryland, in substantially the same form attached hereto as Exhibit "E" which permits only the Board of Directors of the Association to enforce the Declaration of Restriction against the owner of Lot 45.

Section 4

The Association is not within or part of and it is anticipated that the Association will not be within or part of another development or homeowners association.

Section 5

The Vendor/Declarant has not reserved the right to annex real property in addition to that described in Exhibit "A" of the Declaration. The Vendor/Declarant presently anticipates including forty-four (44) Lots and dwellings in the Development. The Vendor/Declarant reserves the right to annex all or any portion of the foregoing property within the Development in stages or phases, to annex more or less than the anticipated number of Lots and dwellings within the Development and to include more or less than the foregoing number of Lots in any section of the Development. Any part of such property not annexed may be sold, transferred, conveyed or otherwise developed by the Vendor/Declarant or their successors and assigns. In the event that such sale, transfer, conveyance and/or development occurs, one or more separate homeowners associations may be developed within the property not annexed within the Association.

Section 6

I. A copy of the Articles of Incorporation, as filed or to be filed with the Maryland State Department of Assessments and Taxation, is attached hereto as Exhibit "A". A copy of the Declaration as recorded or to be recorded among the Land Records of Harford County, Maryland is attached hereto as Exhibit "B". All Owners are, or will be, subject to the restrictions and obligations contained within the Declaration.

II. Any or all of the Lots and/or dwelling units may be subject to other covenants, restrictions, easements and other matters of record, which may be enforced against any Owner and such Owner's tenant. Among such other recorded covenants, restrictions, easements and other matters of record are certain conservation, public utility, public improvement and/or other easements and rights of way as are shown on the plats of subdivision for the Properties recorded, or to be recorded, among the Land Records of Harford County, Maryland, and/or as may otherwise be recorded among such Land Records. Purchasers are encouraged to review the foregoing covenants, restrictions, subdivision plats, easements and other matters of record as they may include provisions restricting the use of Lots and/or dwelling units. For example, the public utility easements described above could restrict certain Owners from constructing a fence or other structure within the easement area. Other recorded covenants, restrictions, easements and other matters of record, if any, should be available for review in the Land Records of Harford County, Maryland.

Section 7

A copy of the Bylaws of the Association are attached hereto as Exhibit "C". The Bylaws are, or will be, enforceable against any Owner and such Owner's tenants.

Section 8

I. Pursuant to Section 1.2 of the Declaration, "Common Areas" is generally defined as all of the land, buildings and land within the Property owned or leased by the Association for the common use and enjoyment of the Owners. The location of the Common Areas is, or will be, graphically shown on the plats of subdivision for the Properties recorded, or to be recorded, among the Land Records of Harford County, Maryland.

II. It is anticipated that the Common Areas may include, without limitation, landscaping and related open spaces. The Association will generally be responsible for the maintenance and repair of the Common Areas and any improvements situated thereon as well as any property which it is obligated to maintain pursuant to the requirements of any governmental agency. For a more complete statement of the Association's maintenance rights and responsibilities, see the Declaration attached as Exhibit "B" hereto.

III. Availability of the Common Areas improvements planned to be included within the Association, as well as the timing of their construction, is dependent upon a number of factors, including, without limitation, the development and construction schedule of all dwelling units planned to be included within the jurisdiction of the Association. If construction of such dwelling units is delayed, then it is possible that the construction of any Common Areas improvements not then completed may also be delayed or canceled. Similarly, if fewer dwelling units than originally planned are actually constructed, then some of the Common Areas improvements may not be constructed as presently planned. The Vendor/Declarant does not make any representation or warranty whatsoever, whether express or implied, regarding the construction or availability of any of the Common Areas improvements planned to be included within the jurisdiction of or maintained by the Association, nor has the Vendor/Declarant authorized any other party to make any such representation or warranty.

Section 9

I. A copy of the estimated proposed annual operating budget for the current fiscal year of the Association and a copy of the current projected budget for the Association, as fully expanded, are attached hereto as Exhibit "D". The budgets are, of course, estimates and the Vendor/Declarant does not warrant or in any manner represent that sufficient funds have been budgeted to cover all common expenses that may be incurred. Because actual expenditures may differ from estimated expenditures, due to future expenses of the Association being other than anticipated and other variable factors, such estimates are not intended nor shall they be considered as guarantees of any kind whatsoever.

II. Proposed reserves are shown on the attached budget. Pursuant to Section 5.12 of the Declaration, the amount of reserves to be kept shall be determined by the Board of Directors of the Association.

Section 10

I. The current anticipated mandatory assessments to be paid by Owners of Lots within the Development for the maintenance of the Common Areas, the operation of the Association and for other purposes related to the Association is set forth in the estimated proposed annual operating budget for the current fiscal year of the Association attached hereto as Exhibit "D". However, based on actual expenses, including reserves, incurred by the Association, future assessments may be greater or lesser than this amount. Annual assessments may be increased by the Association pursuant to Article 5 of the Declaration. Pursuant to Section 5.9 of the Declaration, the due dates for assessments shall be established by the Board of Directors. Upon resolution of the Board of Directors, installments of annual assessments may be levied and collected on a monthly, quarterly, semi-annual or annual basis. Assessments shall be used for those purposes determined by the Board of Directors, including those contained within Section 5.2 of the Declaration including, but not limited to, maintenance of the Common Areas, and the operation of the Association.

II. The Vendor/Declarant's exemption from assessments is set forth in Section 5.8 of the Declaration. The Vendor/Declarant shall not, at any time, be subject to annual or special assessments.

Section 11

Information regarding the zoning and other land use requirements affecting the Development may be obtained by reviewing the Zoning Ordinance for Harford County, Maryland and other materials regarding land use requirements affecting the Development at the offices of the Harford County Planning and Zoning Office. The Vendor/Declarant reserves the right to seek zoning changes, amendments and modifications to the Development Plan for the Properties.

Section 12

All mandatory homeowners association fees or assessments and other permitted charges imposed upon Lot owners by the Association will be subject to collection in accordance with Article 5 of the Declaration and the provisions of the Maryland Contract Lien Act, Section 14-201, et seq., Real Property Article, Annotated Code of Maryland (2003), as amended. Pursuant to Article 5 of the Declaration, please note the following:

1. Pursuant to Section 5.9, the annual assessments will generally commence as to all Lots subject to the Declaration simultaneously with the conveyance of the first Lot to a Class A Member. The first annual assessment will be adjusted according to the number of months

remaining in the calendar year. The purchaser or grantee of any Lot will be responsible for assessments on his or her Lot beginning on the date of settlement or conveyance to such party.

2. Pursuant to Section 5.9, the due dates for assessments shall be established by the Board of Directors.

3. Delinquent fees, assessments and charges will be collected in accordance with Section 5.10.

4. Pursuant to Section 5.1, unpaid fees, assessments and charges, together with interest, costs, late fees and reasonable attorneys' fees, shall be the personal obligation of the Owner of a Lot.

5. Interest shall be charged on any unpaid assessment at a rate determined by the Board of Directors up to the maximum rate of interest permitted by law, as set forth in Section 5.10.

6. Pursuant to Sections 5.1 and 5.10 of the Declaration, unpaid assessments may be collected by the imposition of a lien on a Lot in accordance with the Maryland Contract Lien Act.

7. Lot Owners may be assessed interest, attorneys' fees, late fees, court costs and administrative costs for the collection of unpaid assessments as set forth in Section 5.10. In addition, the entire balance of the unpaid annual assessments for the remainder of the year may be accelerated and declared due.

Section 13

In addition to the purchaser's obligation to pay a pro rata share of any fees, assessments or charges of the Association at settlement, pursuant to Article 5, Section 5.4 of the Declaration, the Association may elect to collect a sum equal to two (2) months of regular assessments from each purchaser of a Lot upon the earlier of settlement or occupancy of a completed dwelling. Such sum represents the contribution to the working capital fund for the initial operation of the Association and may be utilized as the Board of Directors of the Association shall determine at its sole discretion.

Section 14

Certain special rights and exemptions reserved by or for the benefit of the Vendor/Declarant are contained within the Declaration, including, but not limited to:

1. Pursuant to Section 7.1, the right to conduct construction, marketing, sales and/or leasing activities within the Development including, but not limited to, the right to use any Lot or dwelling, or improvement thereon, for promotional or display purposes, or as model homes, a sales and/or construction office, or for any other lawful purpose.

2. Pursuant to Section 5.8, the right to be exempt from annual and special assessments for Lots owned by the Vendor/Declarant.

3. Pursuant to Article 6, Sections 6.1 and 6.5, and Article 7, Sections 7.2 and 7.6, the right to be exempt from the use restrictions and architectural controls contained in the Declaration during the construction and development of the Properties.

4. Pursuant to Article 2, the right to annex additional property within the jurisdiction of the Association, and the right to deannex property from within the jurisdiction of the Association.

5. Pursuant to Section 8.1(a), the right to grant easements to all public authorities and utilities over any part of the Common Area.

6. Pursuant to Section 8.1(c), a blanket easement upon, across and under the Property for vehicular and pedestrian ingress and egress, curb cuts, slope, or grading easements, as well as for the installation, replacement, repair and maintenance of all utilities, and the right to connect to and use any such utilities which may exist or be located upon the Property from time to time, the right to grant easements, both temporary and permanent, to all public authorities and utility companies over any part of the Property, and the right to unilaterally execute and record such additional easements and agreements as may be necessary in order to give effect to the foregoing easements and other rights, which additional easements and other agreements need not be consented to or joined in by any party having an interest in the Property.

7. Pursuant to Section 8.1(e), the right during the period of construction and sale in the Development to maintain such facilities and perform such operations as the Vendor/Declarant may determine to be reasonably required, convenient or incidental to the construction and sale of residences, including, without limitation, a business office, sales/leasing office, storage area, construction yards, signs, displays and model units.

8. Pursuant to Section 8.1(f), the right to enter the Common Area for the purpose of carrying out any obligations concerning the curing of defects in workmanship or materials in the Property or the improvements thereon. There is further reserved unto the Vendor/Declarant and its agent(s) a non-exclusive easement over, across and through all of the Common Area for the purpose of access, the storage of building supplies and materials and equipment and, without any limitation, for any and all purposes reasonably related to the completion of the development, construction or rehabilitation and repair of the Property.

9. Pursuant to Section 8.1(g), for ten (10) years from the date of conveyance of the first Lot in the Development, the right to correct drainage of surface water in the Development. Such right includes the ability to cut any trees, bushes or shrubbery, make gradings of the soil, or take any other action reasonably necessary, following which the Vendor/Declarant shall restore the affected property to its original condition as near as practicable.

10. The right to vote as specified in Article 4 of the Declaration with respect to each Class B membership held by the Vendor/Declarant (one (1) vote for each such Class B membership).

11. Pursuant to Section 12.13, the right to execute on behalf of all contract purchasers, Owners, Eligible Mortgage Holders, mortgagees, and other lienholders or parties claiming a legal or equitable interest in any Lot or Common Area, any such agreements, documents, amendments or supplements to the Declaration, the Articles of Incorporation and Bylaws of the Association which may be required by FNMA, FHA, VA, FHLMC, GNMA, Harford County, Maryland, any governmental or quasi-governmental agency having regulatory jurisdiction over the Association, any public or private utility company designated by the Vendor/Declarant, any institutional lender or title insurance company designated by the Vendor/Declarant, or as may be required to comply with the Fair Housing Amendments Act of 1988, as amended, to comply with the Act, or to comply with other applicable laws or regulations.

For a more complete statement of the rights and exemptions reserved by or for the benefit of the Vendor/Declarant please see the Declaration attached as Exhibit "B" hereto.

The foregoing information is being provided in accordance with the Act. The information set forth herein is based upon current development plans and information currently available and is subject to change and modification from time to time. Purchasers are advised that modifications, changes and supplements to the foregoing information are probable and should be expected.

The foregoing narrative sections of this Disclosure Statement do not repeat or contain all of the information appearing in the documents and other materials reproduced as exhibits hereto. In many cases, these sections contain abstracts or summaries of information from the exhibits. Accordingly, in no case should any of the information set forth in the narrative sections of this Disclosure Statement be construed to substitute for, alter, modify or abrogate, in whole or in part, any of the terms, conditions or provisions of any of the documents and other materials reproduced as exhibits to this Disclosure Statement. In the event of any conflict between the narrative sections of this Disclosure Statement and any of the documents and other materials reproduced as exhibits to this Disclosure Statement, the documents and other materials reproduced as exhibits to this Disclosure Statement, as applicable, shall control.

Exhibit "A"

(Articles of Incorporation)

ARTICLES OF INCORPORATION
OF
GRAFTON RIDGE HOMEOWNERS ASSOCIATION, INC.

In compliance with the requirements of Corporations and Associations, Title 2, Annotated Code of Maryland (1999), and any amendments thereto, the undersigned, Mark Boastfield, being at least eighteen (18) years of age, by execution of these Articles, voluntarily declared himself to be an incorporator for the purpose of forming a nonstock, nonprofit corporation pursuant to the general laws of Maryland, and does hereby certify:

ARTICLE 1
NAME OF CORPORATION

The name of the corporation is GRAFTON RIDGE HOMEOWNERS ASSOCIATION, INC., hereinafter called the "Association."

ARTICLE 2
PRINCIPAL OFFICE

The post office address of the initial principal office of the Association is 6200 Old Dobbin Lane, Suite 190, Columbia, Maryland 21045.

ARTICLE 3
RESIDENT AGENT

The name of the Association's resident agent is CSC Lawyers Incorporating Service Company whose address is 11 East Chase Street, Baltimore, Maryland 21202.

ARTICLE 4
POWERS AND PURPOSES

This Association does not contemplate pecuniary gain or profit, direct or indirect, to the Members thereof, and the specific purposes for which it is formed are to provide for and assure the maintenance, preservation and architectural control of the Lots and Common Area within the Property described in the Declaration of Covenants, Conditions, Easements and Restrictions recorded or to be recorded among the Land Records of Harford County, Maryland, including such additions thereto as may be hereafter brought within the jurisdiction of the Association, and to promote the health, safety and welfare of the Owners within the Property and any additions thereto as may hereafter be brought within the jurisdiction of this Association. For this purpose, the Association shall have the power and authority to:

(a) exercise all of the powers and privileges and perform all of the duties and obligations of the Association as set forth in the Declaration of Covenants, Conditions, Easements and Restrictions, hereinafter called the "Declaration," applicable to the Property and recorded or to be recorded among the Land Records of Harford County, Maryland, and as the same may be amended from time to time as therein provided, said Declaration being incorporated herein as if set forth at length and made a part hereof;

(b) fix, levy, collect and enforce payment by any lawful means, of all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith, including all office expenses, licenses, taxes or governmental charges levied or imposed against the property of the Association and all other expenses incident to the conduct of the business of the Association;

(c) acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs incurred;

(d) borrow money, and with the consent of two-thirds (2/3) of each class of Members of the Association, mortgage, pledge, deed in trust, or hypothecate any or all of the real or personal property owned by the Association as security for money borrowed or debts incurred;

(e) dedicate, sell 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 of the Association. No such dedication, sale or transfer shall be effective without the consent of two-thirds (2/3) of each class of Members and fifty-one percent (51%) of the Eligible Mortgage Holders;

(f) participate in mergers and consolidations with other nonprofit corporations organized for the same purposes or annex additional residential property and Common Area, provided that any such merger, consolidation or annexation shall have the consent of two-thirds (2/3) of each class of Members, unless the Declaration or Bylaws provide otherwise; and

(g) have and exercise any and all powers, rights and privileges which a nonstock corporation organized under the laws of the State of Maryland by law may now or hereafter have or exercise.

ARTICLE 5 NO CAPITAL STOCK

This Association is not authorized to issue any capital stock and shall not be operated for profit. The Association does not anticipate distributing dividends, gains or profits to its Members. No Member shall have any personal liability for the debts or obligations of the Association.

ARTICLE 6 VOTING RIGHTS

The Association shall have two (2) classes of voting membership:

Class A. With the exception of the Declarant (until expiration of the Class B memberships as provided below), every person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who is an Owner of any Lot which is part of the Property shall be a Class A Member of the Association; provided, however, that any such person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who holds such interest solely as security for the performance of an obligation shall not be a Class A Member solely on account of such interest. When more than one (1) person or entity are Owners of any Lot, all such persons and entities shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot owned by a Class A Member.

Class B. There shall initially be Four Hundred Forty (440) Class B memberships in the Association. This number shall be increased by ten (10) memberships for each Lot which is annexed within the jurisdiction of the Association in excess of 44 Lots in accordance with Section 2.2 of the Declaration, and shall be decreased by ten (10) memberships for each Lot conveyed to a Class A Member. The Class B Member shall be the Declarant, its nominee or nominees, and shall include every person, group of persons, corporation, partnership, trust or other legal entity, or any combination thereof, who shall obtain any Class B membership by specific assignment in writing from the Declarant. The Class B Member shall be entitled to one (1) vote for each Class B membership. Each Class B membership shall lapse and become a nullity on the first to happen of the following events:

(i) one hundred twenty (120) days following the date on which the total authorized, issued and outstanding votes of the Class A Members equals ninety percent (90%) of the total number of Lots annexed into the Association; or

(ii) ten (10) years from the date of recordation of the Declaration by the Declarant; 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 ten (10)-year period shall be extended by a period of time equal to the length of the delays or an additional five (5) years, whichever is less; or

(iii) upon the surrender of said Class B memberships by the then holders thereof for cancellation on the books of the Association.

Upon the lapse or surrender of the Class B memberships as provided for in this Article, the Declarant shall thereafter become a Class A Member of the Association as to each and every Lot in which the Declarant then holds the interest otherwise required for such Class A membership.

The Members of the Association shall have no preemptive rights, as such Members, to acquire any memberships of this Association that may at any time be issued by the Association except as may be specifically provided in these Articles of Incorporation, the Bylaws or the Declaration of the Association.

ARTICLE 7

MEMBERSHIP

Every person or entity who is a record owner of a fee or undivided fee interest of any Lot, including contract sellers, shall be a Member of the Association; provided that any such person or entity who or which holds such interest merely as security for the performance of an obligation shall not be a Member. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association.

ARTICLE 8

RIGHT OF ENJOYMENT

Every Owner shall have a right and easement of enjoyment in and to the Common Area, including an easement for the use and enjoyment of the private streets, parking areas, sidewalks, and walkways, if any, included therein, which shall be appurtenant to and shall pass with the title to every Lot, for purposes of ingress and egress to and from such Owner's Lot.

ARTICLE 9

BOARD OF DIRECTORS

The affairs of this Association shall be managed by a Board initially consisting of three (3) Directors whose names and addresses are hereinafter listed. Commencing not later than the expiration of the Class B memberships as provided above, the Board shall consist of an uneven number of not less than three (3) nor more than five (5) Directors who shall be elected by the Members of the Association. The names and addresses of the persons who are to initially act in the capacity of Directors until the selection of their successors are:

Name

Address

Mark Boastfield

6200 Old Dobbin Lane
Suite 190
Columbia, Maryland 21045

Katherine M. Surgeon

6200 Old Dobbin Lane
Suite 190
Columbia, Maryland 21045

Suzanne Strauss

6200 Old Dobbin Lane
Suite 190
Columbia, Maryland 21045

The number, qualifications, powers, duties and tenure of the office of the Directors and the manner by which Directors are to be chosen shall be as prescribed and set forth in the Bylaws of the Association. Officers of the Association shall be elected and shall serve as provided for in said Bylaws.

ARTICLE 10 **DISSOLUTION**

The Association may be dissolved with the consent given in writing and signed by not less than two-thirds (2/3) of each class of Members. Written notice of a proposal to dissolve, setting forth the reasons therefore and the disposition to be made of the assets (which shall be consonant with this Article 10), shall be mailed to every Member not less than ten (10) days nor more than fifty (50) days in advance of any action to be taken. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or other organization to be devoted to such similar purposes.

ARTICLE 11 **DURATION**

This Association shall exist perpetually.

ARTICLE 12 **AMENDMENTS**

Amendment of these Articles shall require the assent of seventy-five percent (75%) of the entire membership and the consent of the Declarant, for so long as the Declarant shall own any portion of the Property.

ARTICLE 13 **LIABILITY**

No Director or officer of the Association shall be liable to the Association or to its Members for money damages except (i) to the extent that it is proved that such Director or

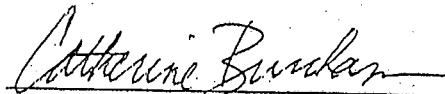
officer actually received an improper benefit or profit in money, property or services, for the amount of the benefit or profit in money, property or services actually received, or (ii) to the extent that a judgment or other final adjudication adverse to such Director or officer is entered in a proceeding based on a finding in the proceeding that such Director's or officer's action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding.

ARTICLE 14
MISCELLANEOUS

Unless it is plainly evident from the context that a different meaning is intended, all terms used herein shall have the same meaning as they are defined to have in the Declaration. In the event of any conflict between these Articles and the Declaration, the terms and provisions of the Declaration shall control.

IN WITNESS WHEREOF, the undersigned has signed, sealed and delivered these Articles of Incorporation as his/her own free act and deed on this 25th day of July, 2005.

WITNESS:


Catherine Burcham

 (SEAL)
Mark T. Boastfield

STATE Maryland

*

COUNTY Howard

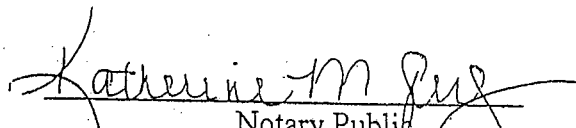
*

to wit:

*

On this 25th day of July, 2005, before me, a Notary Public in and for the above County and State, personally appeared Mark T. Boastfield and acknowledged that he or she signed the foregoing Articles of Incorporation for the purposes therein stated.

WITNESS my hand and Notarial Seal.


Notary Public

My Commission Expires: 3/15/08

[NOTARIAL SEAL]

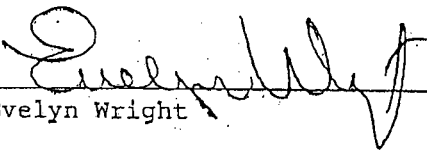
CONSENT TO ACT AS RESIDENT AGENT:

Pursuant to Section 1-208 of the Corporations and Associations Article of the Annotated Code of Maryland, the undersigned consents to serve as the resident agent of Grafton Ridge Homeowners Association, Inc. pursuant to Article 3 above.

IN WITNESS WHEREOF, I have signed this Consent and acknowledged it to be my act as of the 27 day of July, 2005.

WITNESS:

CSC-Laywers Incorporating Service Company.


Evelyn Wright

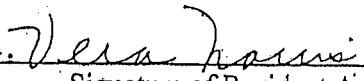
By: 
Signature of Resident Agent
Vera Norris, Authorized Representative

Exhibit "B"

(Declaration)

DECLARATION OF COVENANTS,
CONDITIONS, EASEMENTS AND RESTRICTIONS
FOR
GRAFTON RIDGE HOMEOWNERS ASSOCIATION, INC.

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GRAFTON RIDGE HOMEOWNERS ASSOCIATION, INC.

DECLARATION OF COVENANTS, CONDITIONS, EASEMENTS AND RESTRICTIONS

THIS DECLARATION, is made on the date hereinafter set forth by RICHMOND AMERICAN HOMES OF MARYLAND, INC., a Maryland corporation, referred to as "Richmond American" in this Declaration.

WITNESSETH:

WHEREAS, Richmond American is the owner of certain real property in the County of Harford, State of Maryland, which is more particularly described on the legal description attached hereto and made part hereof as Exhibit "A" (hereinafter referred to as the "Property" in this Declaration).

NOW, THEREFORE, all of the real property described on Exhibit "A" hereto and any other real property annexed within the jurisdiction of the Association in accordance with Article 2 hereof, shall thereafter be held, conveyed, hypothecated, encumbered, sold, leased, rented, used, occupied and improved subject to the covenants, conditions, restrictions and easements set forth below, which are for the purpose of protecting the value and desirability of, and which shall run with such real property and be binding on all parties having any right, title or interest in all or any portion of the real property described on Exhibit "A" hereto, and any other real property annexed within the jurisdiction of the Association in accordance with Article 2 hereof, their heirs, personal representatives, successors, transferees and assigns, and which shall inure to the benefit of each Owner thereof.

ARTICLE 1
DEFINITIONS

Section 1.1. "Association" shall mean and refer to the Grafton Ridge Homeowners Association, Inc., a nonstock Maryland corporation, its successors and assigns.

Section 1.2. "Common Area" shall mean all real property owned, leased or maintained by the Association (including the improvements thereto) for the common use and enjoyment of the Owners. Notwithstanding the foregoing, in the event the Association maintains all or any portion of any Lot(s), such property shall not be considered Common Area.

Section 1.3. "Common Expenses" shall mean and refer to the actual and estimated expenses of operating the Association, including, without limitation, a reasonable reserve and expenses for the maintenance of the Common Area in accordance with Article 9 hereof, all as may be found to be necessary or appropriate by the Board of Directors of the Association pursuant to this Declaration, the Bylaws and the Articles of Incorporation of the Association.

Section 1.4. "Community-Wide Standard" shall mean the standard of conduct, maintenance, or other activity generally prevailing in the Project. Such standard may be more specifically determined and set forth by the Board of Directors.

Section 1.5. "Declarant" shall be RICHMOND AMERICAN HOMES OF MARYLAND, INC., a Maryland corporation, its successors and assigns, but only to the extent that any of the rights, reservations, easements, interests, exemptions, privileges or powers of the Declarant are specifically assigned or transferred to any such successors or assigns by an instrument in writing.

Section 1.6. "Development Plan" shall mean and collectively refer to the subdivision plats for the Property, including all amendments, modifications and extensions thereof as may be made from time to time which have been approved by Harford County.

Section 1.7. "Eligible Mortgage Holder" shall mean a holder, insurer or guarantor of a First Mortgage on a Lot who has submitted a written request for notice from the Association of amendments to the Association documents or other significant matters which would affect the interests of the mortgagee.

Section 1.8. "Land Records" shall mean and refer to the Land Records of Harford County, Maryland.

Section 1.9. "Lawn and Garden Area" shall mean and refer to any portion of the front, side, or rear (if applicable) yard areas of any Lot that contains grass, shrubs, bushes, trees or other planted material; provided, however, that any portion of a Lot which is enclosed by a wall, fence or other obstruction and which is not readily accessible to the Association, as determined by the Board of Directors in its sole discretion, shall not be considered a Lawn and Garden Area.

Section 1.10. "Lot" shall mean and refer to any plot of land designated as a separate subdivided lot of record upon any recorded subdivision plat of the Property upon which the planned or actual improvements are primarily intended for use and occupancy as a residential dwelling unit, including, without limitation, single-family detached dwelling units. The term Lot shall not include Common Area or outlots of property dedicated for public use.

Section 1.11. "Member" shall mean and refer to every person, group of persons, corporation, partnership, trust, or other legal entity, or any combination thereof, who holds any class of membership in the Association.

Section 1.12. "Mortgagee" shall mean the holder of any recorded mortgage, or the party secured or beneficiary of any recorded deed of trust, encumbering one or more of the Lots. "Mortgage," as used herein, shall include deeds of trust. "First Mortgage," as used herein, shall mean a mortgage with priority over all other mortgages. As used in this Declaration, the term "mortgagee" shall mean any mortgagee and shall not be limited to institutional mortgagees. As used in this Declaration, the term "institutional mortgagee" or "institutional holder" shall include banks, trust companies, insurance companies, mortgage insurance companies, savings and loan associations, trusts, mutual savings banks, credit unions, pension funds, mortgage companies, Federal National Mortgage Association ("FNMA"), Government National Mortgage Association ("GNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), all corporations and any agency or department of the United States Government or of any state or municipal government, or any other organization or entity which has a security interest in any Lot. In the event any mortgage is insured by the Federal Housing Administration ("FHA") or guaranteed by the Department of Veterans Affairs ("VA"), then as to such mortgage the expressions "mortgagee" and "institutional mortgagee" include the FHA or the VA as the circumstances may require, acting, respectively, through the Federal Housing Commission and the Secretary of Veterans Affairs or through other duly authorized agents.

Section 1.13. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any Lot which is a part of the Property, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 1.14. "Project" as used in this Declaration shall refer to the Property.

Section 1.15. "Property" shall mean and refer to that certain real property described on Exhibit "A" hereto, and such additions thereto as may hereafter be brought within the jurisdiction of the Association pursuant to Article 2 of this Declaration.

ARTICLE 2
DECLARANT'S RIGHT TO SUBJECT PROPERTY TO DECLARATION

Section 2.1. Property Subject to this Declaration. The real property which shall be held, conveyed, hypothecated, encumbered, sold, leased, rented, used, occupied and improved subject to this Declaration shall be as described on Exhibit "A".

Section 2.2. Annexations.

(a) The covenants, conditions, and restrictions of this Declaration may be extended to any real property contiguous to or in the vicinity of the property described on Exhibit "A" (the "Annexable Property"). Any portion of the Annexable Property may be annexed within the jurisdiction of the Association by the Declarant without the consent of the Class A Members of the Association, if any, for a period of ten (10) 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 ten (10)-year period shall be extended by a period of time equal to the length of the delays or an additional five (5) years, whichever is less. The scheme of this Declaration shall not, however, be extended to include any Annexable Property unless and until the same is annexed within the jurisdiction of the Association by the recordation of a Supplementary Declaration as provided in Section 2.2(b). Except as otherwise provided above with respect to annexations of real property by the Declarant, annexations of real property within the jurisdiction of the Association shall require the consent of two-thirds (2/3) of each class of Members.

(b) Any annexations made pursuant to this Article, or otherwise, shall be made by recording a Supplementary Declaration among the Land Records, which Supplementary Declaration shall extend the scheme of this Declaration to such annexed property. Any Supplementary Declaration made pursuant to the provisions of this Article, or otherwise, may contain such complementary or supplemental additions and modifications to the covenants, conditions, restrictions, and easements set forth in this Declaration as may be considered necessary by the maker of such Supplementary Declaration to reflect the different character or use, if any, of the annexed property, including, without limitation, a partial or complete waiver of all or any portion of the covenants, conditions, restrictions, and/or easements of this Declaration with respect to the annexed property. Every Owner of a Lot in property annexed within the jurisdiction of the Association shall have an easement of enjoyment in and to the Common Area, and such other rights of use as are provided in Article 3 of this Declaration.

Section 2.3. Deannexation. The Declarant may deannex any property annexed within the jurisdiction of the Association for a period of ten (10) years from the date of recordation of this Declaration; provided, however, that (i) the Declarant is the Owner of such property at the time of deannexation, or (ii) if the Declarant is not the Owner of such property, the Declarant deannexes such property with the written consent of the Owner thereof. 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 ten (10)-year period to exercise the deannexation right shall be extended by a period of time equal to the length of the delays or an additional five (5) years, whichever is less. Any deannexed property shall no longer be subject to the covenants, conditions, restrictions and easements of this Declaration except for (i) any easements, rights, reservations, exemptions, powers or privileges reserved to the Declarant pursuant to this Declaration which affect the deannexed property and (ii) any other easements, rights, reservations, exemptions, powers or privileges which are expressly reserved to the Declarant in the instrument effectuating such deannexation. Such deannexation shall be made by recording a Supplementary Declaration among the Land Records, withdrawing the effect of the covenants, conditions, restrictions, and easements of

this Declaration from the deannexed property. Such deannexed property may be utilized by the Declarant and any successor, assign or transferee thereof, for any lawful purpose or use.

ARTICLE 3 PROPERTY RIGHTS

Section 3.1. Owners' Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Common Area, including, without limitation, an easement for the use and enjoyment of the private streets, parking areas, sidewalks, trails, and walkways, if any, within the Common Area, 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 charge reasonable and uniform admission and other fees for the use of the Common Area and any facilities situated upon the Common Area;
- (b) the right of the Association to suspend an Owner's voting rights and right to use the Common Area or any facilities situated thereon (i) for any period during which any assessment against such Owner's Lot remains unpaid, and (ii) after notice and an opportunity for a hearing, for a period not to exceed sixty (60) days for any infraction of its published rules and regulations; provided, however, that the obligation of such Owner to pay assessments shall continue unabated during such period of suspension of voting rights or right to utilize the Common Area;
- (c) the right of the Association to dedicate, sell 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, sale or transfer shall be effective without the consent of two-thirds (2/3) of each class of Members and fifty-one percent (51%) of the Eligible Mortgage Holders;
- (d) the right of the Association to limit the number of guests of Owners utilizing the Common Area and any facilities thereon;
- (e) the right of the Association to establish uniform rules and regulations pertaining to the use of the Common Area and any facilities thereon;
- (f) the right of the Association to provide for the exclusive use by specified Owners of certain designated parking spaces within the Common Area;
- (g) the right of the Association, the Declarant, utility companies and other Owners with respect to the easements established by this Declaration;
- (h) the right of the Association, in accordance with its Articles of Incorporation and Bylaws, and with the consent of two-thirds (2/3) of each class of Members, to borrow money for the purpose of improving the Common Area and any facilities thereon in a manner designed to promote the enjoyment and welfare of the Members and in aid thereof to mortgage any of the Common Area and any facilities thereon;
- (i) the right of the Association to take such steps as are reasonably necessary to protect the property of the Association against mortgage default and foreclosures; provided, however, that the same are in conformity with the other provisions of this Declaration;

(j) the right of the Declarant, as more fully set forth in Section 8.1 of this Declaration, to grant easements, to utilize reserved rights and easements, and to otherwise utilize the Common Area as it deems appropriate in connection with the development of the Project;

(k) the right of the Association, acting by and through its Board of Directors, to grant easements, licenses or other rights of use of the Common Area and any facilities situated thereon to persons or entities that are not Members of the Association for such consideration and on such terms and conditions as the Board of Directors may from time to time consider appropriate or in the best interest of the Association or the Property;

(l) the right of the Association to be the lessee of any portion or all of the Common Area and the right of the Association to enforce the terms of the lease with respect to such Common Area against such property and the Owners and their guests, lessees and invitees; and

(m) the right of the Association, acting by and through its Board of Directors, to transfer or convey portions of the Common Area for purposes of adjusting the boundary lines of one or more Lots and/or the Common Area; provided, however, that such transfer or conveyance has been approved, as necessary, by applicable local governmental authorities or agencies, or is otherwise in conformance with applicable law, local zoning ordinances, governmental guidelines, or restrictions.

Section 3.2. Limitations.

(a) Any other provision of this Declaration to the contrary notwithstanding, the Association shall have no right to suspend the right of any Member of the Association to use any private streets and roadways located upon the Common Area for both vehicular and pedestrian ingress and egress to and from such Member's Lot and for parking.

(b) Any other provision of this Declaration to the contrary notwithstanding, the Association shall have no right to suspend the right of any Member of the Association to use the Common Area for necessary, ordinary and reasonable vehicular and pedestrian ingress and egress to and from such Owner's Lot, or to suspend any easement over the Common Area for storm water drainage, electrical energy, water, sanitary sewer, natural gas, telephones, CATV or similar services or utilities to the Lots.

Section 3.3. Delegation of Use. Any Owner may delegate, in accordance with the Bylaws and rules and regulations of the Association, such Owner's right of enjoyment to the Common Area and facilities to such Owner's family members, guests, and tenants.

ARTICLE 4
MEMBERSHIP AND VOTING RIGHTS

Section 4.1. Membership. Every Owner of a Lot shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot.

Section 4.2. Voting Rights. The voting rights of the Members shall be as set forth in Article 6 of the Articles of Incorporation and as more fully described in the Bylaws.

ARTICLE 5
COVENANT FOR MAINTENANCE ASSESSMENTS

Section 5.1. Creation of the Lien and Personal Obligation for Assessments. There are hereby created assessments for Common Expenses as may be from time to time specifically authorized by the Board of Directors to be commenced at the time and in the manner set forth in this Article 5. 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: (i) annual assessments or charges, and (ii) special assessments. The annual and special assessments, together with interest, costs, late fees and reasonable attorneys' fees, shall be a charge on the Lot (including all improvements thereon), and shall be a continuing lien upon the property against which each such assessment is made, provided the requirements of the Maryland Contract Lien Act, if applicable, have been fulfilled. Each such assessment, together with interest, costs, late fees and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of the Lot at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to a prior Owner's successors in title unless expressly assumed by such successors.

Section 5.2. Purpose of Assessments.

(a) The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents in the Property and for the improvement, maintenance, repair, and replacement of the Common Area, the maintenance and repair of the Lawn and Garden Area (if the Association elects to perform such maintenance and repair), the maintenance, repair and replacement of any rights-of-way, median strips, signage, entry strips and entrance features or improvements that serve and/or benefit the Association or other property intended for or available for use of the residents, the payment of real estate taxes, assessments and utility services for the Common Area, management fees, administration expenses, insurance and all other costs and expenses incurred by the Association in the proper conduct of its activities, including, without limitation, reserves for replacements or contingencies, and charges accruing under any cross-easement or other agreement (including, without limitation, any such agreement for the maintenance of any storm water management facility located within or adjacent to the Property). The assessments may also be used for the maintenance, repair and replacement of any property or facilities serving or appurtenant to the Property which the Association is obligated or elects to maintain whether or not such property or facilities are owned by the Association or are located within the Property (including, without limitation, any property or facilities which the Association is authorized to maintain pursuant to this Declaration).

(b) The assessments levied by the Association shall also be used for maintenance, repair and replacement (including reserves) of any and all storm water management facilities, including, without limitation, drainage pipes, infiltration trenches, ponds, basins, swales, berms, out-flow control devices, drainage areas, filters, inlets, oil/grit separators and underground facilities, if any, whether such storm water management facilities are located within the Property or not, as long as such storm water management facilities are designed to benefit or serve any portion of the Property, or are required or intended to be maintained by the Association pursuant to any easement, agreement or the direction of any governmental authority or agency. The Association shall not refuse to accept the conveyance of any such facilities from the Declarant. Such storm water management facilities may also benefit property not within the jurisdiction of the Association and the maintenance of such facilities may be set forth in a cross-easement or other agreement, in which event the Association shall maintain the facilities pursuant to such agreement.

Section 5.3. Annual Assessments; Budgets.

Until January 1 of the year immediately following the first conveyance of a Lot to a Class A Member, the applicable annual assessment shall be the amount established by the Declarant in its sole discretion. Thereafter, the Board of Directors shall from time to time set the annual assessment at an amount sufficient to meet the Common Expenses of the Association. Without limiting the generality of the foregoing, the Association shall, at all times, levy and collect annual assessments in sufficient amounts to (i) maintain the Common Area in accordance with sound property management standards, and (ii) establish necessary reserves for the future repair and replacement of any capital improvements within the Common Area. The Board of Directors shall determine the amount of the annual assessment before the beginning of each fiscal year in connection with preparation of the Association's annual budget, and may do so at more frequent intervals should circumstances so require. Upon resolution of the Board of Directors, installments of annual assessments may be levied and collected on a monthly, quarterly, semi-annual or annual basis. Any Class A Member may prepay one or more installments of any annual assessment levied by the Association without premium or penalty.

The Board of Directors shall make a reasonable effort to prepare a budget at least thirty (30) days before the beginning of each fiscal year. The Board of Directors shall make a reasonable effort to cause a copy of the budget, and the amount of the assessments to be levied against each Lot for the following year, to be delivered to each Owner at least thirty (30) days prior to the commencement date of the new assessments. The budget shall be approved by majority vote of the Board of Directors; provided, however, that (after the lapse of all of the Class B memberships) any budget under consideration by the Board pursuant to this Section 5.3 that (i) would result in an increase in the Common Expenses of the Association in excess of fifteen percent (15%) of the budgeted amount for Common Expenses set forth in the budget for the immediately preceding fiscal year, or (ii) would result in an increase in the annual assessments payable by the Members in excess of fifteen percent (15%) of the budgeted amount for annual assessments set forth in the budget for the immediately preceding fiscal year, shall be approved by the affirmative vote of Members entitled to cast not less than sixty-seven percent (67%) of the votes of the Members present, in person or by proxy, and voting at any meeting of the Association duly called for this purpose. Subject to the foregoing, all budgets approved by the Board shall become effective unless a special meeting of the Association is duly held and at such special meeting the budget is disapproved by a vote of Members entitled to cast not less than sixty-seven percent (67%) of the votes of Members present, in person or by proxy, and voting at such meeting. Notwithstanding the foregoing, however, in the event that the membership disapproves the budget or the Board of Directors fails for any reason to determine the budget for any fiscal year of the Association, then and until such time as a budget shall have been determined as provided herein, the budget in effect for the immediately preceding fiscal year shall continue for the succeeding fiscal year.

Section 5.4. Initial Working Capital Contribution. The Declarant may establish a working capital fund for the initial and ongoing operation of the Association. Such working capital fund may be funded by a one-time assessment of up to two (2) times the monthly assessment for a Lot and shall be payable, if established, by the initial non-Declarant grantee of each Lot upon the earlier of settlement or occupancy of a completed dwelling located on the Lot.

Section 5.5. Special Assessments; Budget Amendments.

In addition to the annual assessments authorized by this Article, the Association may levy, in any assessment year, a special assessment or special assessments applicable to that year only for such purposes as the Board of Directors may deem appropriate, including, without limitation, for purposes of funding, in whole or in part, the cost of any construction, reconstruction, repair or replacement of any capital improvement located upon the Common Areas, including fixtures and personal property related thereto, and to meet unforeseen or special expenditures as well as any budget deficit; provided, however, that (after the lapse of all of the Class B memberships) any such assessment shall be approved by Members entitled to cast not less than sixty-seven

percent (67%) of the votes of Members present, in person or by proxy, and voting at any meeting of the Association duly called for this purpose; provided, further, that any special assessment required because of conditions which, if not corrected, could reasonably result in a threat to the health or safety of the Members or a significant risk of damage to the Common Areas may be approved by the Board of Directors without the foregoing vote of the Members.

The Association may also levy a special assessment against any Owner to reimburse the Association for costs incurred in bringing the Owner and/or such Owner's Lot into compliance with the provisions of this Declaration, the Articles of Incorporation, the Bylaws and the rules and regulations of the Association; provided, that such special assessment may only be levied upon the affirmative vote of the Board of Directors, after notice and an opportunity for a hearing has been provided to the Owner.

Any amendment to a previously approved budget shall be approved by majority vote of the Board of Directors; provided, however, that (after the lapse of all of the Class B memberships) any amendment to a budget for the then current fiscal year previously approved in accordance with Section 5.3 hereof that (i) would result in an increase in the Common Expenses of the Association in excess of fifteen percent (15%) of the budgeted amount for Common Expenses set forth in the budget for the immediately preceding fiscal year (including any increase in Common Expenses adopted in the budget for the then current fiscal year previously approved in accordance with Section 5.3 hereof), or (ii) would result in an increase in the annual assessments payable by the Members in excess of fifteen percent (15%) of the budgeted amount for annual assessments set forth in the budget for the immediately preceding fiscal year (including any increase in assessments adopted in the budget for the then current fiscal year previously approved in accordance with Section 5.3 hereof), shall be approved by the affirmative vote of Members entitled to cast not less than sixty-seven percent (67%) of the votes of Members present, in person or by proxy, and voting at any meeting of the Association duly called for this purpose.

Section 5.6. Notice and Quorum. Written notice of any meeting called for the purpose of establishing a special assessment or budget amendment in accordance with Section 5.4 hereof or to approve a budget increase or Special Action in accordance with Section 5.4 or Section 5.13 hereof, shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of such meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of the votes of Members shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement and the required quorum at the subsequent meeting shall be 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 5.7. Uniform Rate of Assessment.

(a) Except as otherwise provided in this Declaration, both annual and special assessments must be fixed at a uniform rate for all Lots, and may be collected in advance on a monthly, quarterly, semi-annual or annual basis, or upon such other basis as may be determined by the Board of Directors.

(b) In the event that the actions or activities of any Owner causes or results in increased expenses for the Association, the Board of Directors may assess such increase in expenses against the Owner and such Owner's Lot, after notice to such Owner and an opportunity for a hearing. For example, and for purposes of illustration only, the Board of Directors may assess the amount of any insurance deductible paid by the Association against any Owner and such Owner's Lot if the Association is required to pay such deductible as a result of the misuse or neglect of the Owner. Such assessment shall be a lien against the Owner's Lot and shall be payable and collectible in the same manner as any other assessments required to be

paid to the Association; provided, however, that the Declarant shall not be subject to any assessment based on this Section 5.7(b).

Section 5.8. Declarant's Exemption From Assessments. Any provision hereof to the contrary notwithstanding, Lots owned by the Declarant shall not at any time be subject to any annual assessments, special assessments, fees or other charges levied by the Association, and the Declarant shall have no obligation whatsoever to pay any such annual assessments, special assessments, fees or other charges. Lots formerly owned by the Declarant shall cease to be exempt from such annual assessments, special assessments, fees and other charges commencing upon transfer or conveyance of any such Lot from the Declarant to any other Owner.

Section 5.9. Date of Commencement of Annual Assessments; Due Dates. Unless an earlier commencement date is established by the Board of Directors, the annual assessments provided for herein shall commence as to all Lots simultaneously with the conveyance of the first Lot to a Class A Member. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall make reasonable efforts to 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 specified Lot have been paid. A properly executed certificate of the Association setting forth the status of assessments on a Lot shall be binding on the Association as of the date of its issuance.

Section 5.10. Effect of 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 until paid at a rate determined by the Board of Directors, up to the maximum rate of interest permitted under the laws of the State of Maryland. The Association may also charge a reasonable late fee, not to exceed any limit established under applicable law, against any Owner (and/or such Owner's Lot) who is more than fifteen (15) days delinquent in the payment of any assessment. Additionally, the entire balance of the unpaid annual assessments for the remainder of the fiscal year may be accelerated at the option of the Board of Directors and be declared due, payable and collectible in the same manner as the delinquent portion of such annual assessment. The Association may bring an action at law against the Owner personally obligated to pay the same, and/or foreclose the lien against the Lot (and all improvements thereon) provided the provisions of the Maryland Contract Lien Act, if applicable, are substantially fulfilled. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of such Owner's Lot. The Owner shall also be obligated to pay all attorneys' fees, court costs and administrative costs incurred in connection with the collection of assessments if not paid when due. This Section shall not be deemed to limit or waive, and shall be without prejudice to, any and all rights, remedies, or recourses as may be available to the Association for non-payment of assessments.

Section 5.11. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any First Mortgage or deed of trust. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to a mortgage or deed of trust foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer, except for liens or claims for a pro-rata share of such assessments resulting from a pro-rata reallocation of such assessments to all Lots, including the mortgaged Lot. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof. No amendment to this Section shall affect the rights of the holder of any First Mortgage on

any Lot (or the indebtedness secured thereby) recorded prior to recordation of such amendment unless the holder thereof (or the indebtedness secured thereby) shall join in the execution of such amendment.

Section 5.12. Reserve Fund Budget and Contribution. The Board of Directors shall annually prepare a reserve fund budget which shall take into account the number and nature of the replaceable assets of the Association, the expected life of each asset, and the expected repair or replacement cost of each asset. The Board of Directors shall set the required reserve fund contribution, if any, in an amount sufficient to meet the projected reserve needs of the Association, as shown on the reserve fund budget, with respect both to amount and timing by the imposition of annual assessments over the period of the budget. The reserve fund contribution shall be fixed by the Board of Directors and included within the budget and assessment, as provided in Section 5.3. Such reserve fund contribution shall be payable as part of the general assessment, applicable to all Lots (except as otherwise provided with respect to Lots owned by the Declarant in Section 5.8), to the extent such reserve fund will be utilized to replace assets which are determined by the Board of Directors to benefit substantially all Owners. Reserves may also be maintained for operating contingencies and insurance deductibles. A copy of the reserve fund budget shall be distributed to each Owner in the same manner as the operating budget. Except where an emergency requires an expenditure to prevent or minimize loss from further damage to, or deterioration of, the Common Area or any facilities thereon, reserves accumulated for one purpose may not be expended for any other purpose unless approved by the Board of Directors and by the affirmative vote of Members entitled to cast not less than sixty-seven percent (67%) of the votes of all Members present, in person or by proxy, and voting at a meeting of the Association duly called for this purpose.

Section 5.13. Special Actions. Any provision of the Articles of Incorporation, Declaration, Bylaws to the contrary notwithstanding, after the lapse of all of the Class B memberships, the Board of Directors shall not be authorized to take any "Special Actions" (as defined below) without the affirmative vote of Members entitled to cast not less than sixty-seven percent (67%) of the Members present, in person or by proxy, and voting at any meeting of the Association duly called for this purpose. As used herein, the term "Special Actions" shall mean any and all actions taken by or on behalf of the Association, including, without limitation, commencing or maintaining any litigation, arbitration or similar proceeding, which would reasonably require the expenditure of funds in excess of Ten Thousand Dollars (\$10,000.00) in the aggregate during any fiscal year of the Association; provided, however, that the term "Special Actions" shall not be deemed to include (i) routine assessment collection actions under Article 5 of the Declaration, (ii) routine actions required to enforce the architectural controls set forth in Article 6 of the Declaration, use restrictions set forth in Article 7 of the Declaration, or any rules and regulations of the Association adopted by the Board of Directors, or (iii) any expenditure made by the Association in accordance with any budget or budget amendment duly adopted in accordance with Article 5 of this Declaration, or (iv) any special assessment duly adopted in accordance with Article 5 of this Declaration. Each planned expenditure of more than Ten Thousand Dollars (\$10,000.00) shall require the prior approval of the Members in accordance with this Section. Any meeting of the Association held to approve any Special Actions under this Section shall be subject to the notice and quorum requirements set forth in Article 5, Section 5.6 of this Declaration.

ARTICLE 6 ARCHITECTURAL CONTROL

Section 6.1. Architectural Change Approval. No building, fence, deck, patio, wall, swimming pool, mailbox, or other structure or improvement of any kind shall be commenced, erected or maintained upon the Property, nor shall any exterior addition to or change or alteration therein be made (including, but not limited to, changes in color, changes or additions to driveways, or walkway surfaces and landscaping modifications) until complete plans and specifications showing the nature, kind, shape, height, materials, 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 a covenant committee composed of three (3) or more representatives appointed by the Board of Directors of the Association ("Covenant Committee"). In the event said Board, or its designated committee, fails to approve or disapprove any design and location within sixty (60) days after the plans and specifications for such design and location have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with. Approval by the Covenant Committee or by the Board shall in no way be construed as to pass judgment on the correctness of the location, structural design, suitability of water flow or drainage, location of utilities, or other qualities of the item being reviewed, nor shall such approval be substituted in lieu of applicable governmental approvals and permits or be deemed to constitute a determination as to compliance with local zoning ordinances, governmental guidelines or restrictions. The Board or the Covenant Committee shall have the right to charge a reasonable fee for reviewing each application in an amount not to exceed the costs actually incurred by the Board or the Covenant Committee. Any exterior addition to or change or alteration made without application having first been made and approval obtained as provided above shall be deemed to be in violation of this covenant and the addition, change or alteration may be required to be restored to the original condition at the Owner's cost and expense. In any event, no such exterior addition to or change or alteration shall be made without approvals and permits therefor having first been obtained by the Owner from the applicable public authorities or agencies. In addition, no changes, alterations or additions may be constructed which are not in compliance with local zoning ordinances, governmental guidelines or restrictions. Notwithstanding any provision of this Declaration to the contrary, the provisions of this Article 6 shall not be applicable to the Declarant or any part of the Property owned by the Declarant.

Section 6.2. Initiation and Completion of Approved Changes. Construction or alterations in accordance with plans and specifications approved by the Board of Directors or the Covenant Committee pursuant to the provisions of this Article shall be commenced within six (6) months of such approval and completed within twelve (12) months of such approval, or within such longer time period as the Board of Directors or the Covenant Committee may specify in its approval. In the event construction is not commenced within the period aforesaid, then approval of the plans and specifications shall be conclusively deemed to have lapsed and compliance with the provisions of this Article shall again be required. There shall be no deviations from plans and specifications approved by the Board of Directors or the Covenant Committee without the prior consent in writing of the Board of Directors or the Covenant Committee. Approval of any particular plans and specifications or design shall not be construed as a waiver of the right of the Board of Directors or the Covenant Committee to disapprove such plans and specifications, or any elements or features thereof, in the event such plans and specifications are subsequently submitted for use in any other instance.

Section 6.3. Certificate of Compliance. Upon completion of any construction or alterations or other improvements or structures in accordance with plans and specifications approved by the Board of Directors or the Covenant Committee in accordance with the provisions of this Article, the Board or the Covenant Committee shall, at the request of the Owner thereof, issue a certificate of compliance which shall be *prima facie* evidence that such construction, alteration or other improvements referenced in such certificate have been approved by the Board or the Covenant Committee in full compliance with the provisions of this Article and with such other provisions and requirements of this Declaration as may be applicable.

Section 6.4. Covenant Committee Rules and Regulations; Appeal of Covenant Committee Decision. The Board of Directors or the Covenant Committee may from time to time adopt and promulgate such rules and regulations regarding the form and content of plans and specifications to be submitted for approval and may publish such statements of policy, standards, guidelines and/or establish such criteria relative to architectural styles or details, or other matters, as it may consider necessary or appropriate. No such rules, regulations, statements, standards, guidelines, criteria or the like shall be construed as a waiver of the

provisions of this Article or any other provision or requirement of this Declaration. The decisions of the Covenant Committee shall be final except that any Member who is aggrieved by any action or forbearance from action by the Covenant Committee may appeal the decision of the Covenant Committee to the Board of Directors and, upon the request of such Member, shall be entitled to a hearing before the Board of Directors. Two thirds (2/3) of the Board of Directors shall be required to reverse the decision of the Covenant Committee.

Section 6.5. Exterior Appearance. Except as specifically provided herein to the contrary, and without limiting the generality of this Article 6, the following shall apply to every Lot and dwelling unit within the Property, unless otherwise expressly provided by the Covenant Committee or the Board of Directors:

(a) storm windows installed by any Owner or resident, provided such installation is approved by the Board of Directors or the Covenant Committee, shall be painted the same color as the window trim;

(b) the installation of any storm door(s) must receive prior approval of the Board of Directors or the Covenant Committee, including, but not limited to, the style, color and material of said storm door(s). Storm doors must be of the same design as the dwelling unit, must be either full or three-quarters view clear glass or screen, and must match the color of the front door or the color of the trim around the front door;

(c) the color of the exterior of all structures or dwellings on Lots including, without limitation, garage doors, all sidings, gutters, downspouts, brick, trim, exterior wood decks, fences and gates, if any, shall not be changed or altered without the approval of the Board of Directors or the Covenant Committee; and

(d) the roof of any dwelling shall be repaired or replaced with materials, substantially identical in construction, shingle type, texture and color as the material utilized by the Declarant in the original construction of the dwelling.

Notwithstanding anything to the contrary contained in this Section 6.5, the provisions of this Section shall not apply to any Lot or dwelling owned by the Declarant.

ARTICLE 7

USE RESTRICTIONS

In addition to all other covenants contained herein, the use of the Property and each Lot therein is subject to the following:

Section 7.1. Permitted Uses.

(a) The Lots shall be used for residential purposes exclusively, and no building shall be erected, altered, placed or permitted to remain on any such Lot other than one used as a dwelling, except that the use of a dwelling unit for a "no-impact home-based business," as defined in §11B-111.1 of the Maryland Homeowners Association Act, as amended (the "Act"), shall be permitted, provided that: (i) before any dwelling unit may be used for a no-impact home-based business the Owner and/or resident of such dwelling unit shall notify the Association, in writing, at least thirty (30) days prior to the opening of the no-impact home-based business; and (ii) in no event shall the Common Area be used by or in connection with any permitted no-impact home-based business. Nothing contained in this Article, or elsewhere in this Declaration,

shall be construed to prohibit the Declarant from the use of any Lot or dwelling, or the improvements thereon, for promotional or display purposes, or as "model homes," a sales and/or construction office, or for any other lawful purpose.

(b) The use of any dwelling as a "family day care home" is permitted, provided that it meets all of the necessary approvals under the law, and provided that: (i) before any dwelling may be used as a family day care home, the Owner and/or resident of such dwelling shall notify the Association, in writing, at least thirty (30) days prior to the opening of the family day care home through the filing of an application for approval; and further, provided (ii) that the Board of Directors, or its designee, is provided at least annually with evidence to its satisfaction that any such dwelling continues to be in compliance with all of the necessary approvals under the law, including, without limitation, any local ordinances. In addition to the foregoing, an application filed with Board of Directors for use of a dwelling as a family day care home, is subject to the following conditions:

(i) each "day care provider," as defined in §11B-111.1 of the Act, as amended, operating a family day care home within the Property shall pay, on a pro-rata basis (based on the total number of family day care homes operating within the Property) any increase in insurance costs incurred by the Association that is solely and directly attributable to the operation of family day care homes within the Property;

(ii) the Association may impose a reasonable fee, not to exceed Fifty Dollars (\$50.00) per year, or such other amount permitted by applicable law, on each family day care home for use of the Common Areas;

(iii) each day care provider operating a family day care home within the Property shall obtain the liability insurance described under Sections 19-106 and 19-202 of the Maryland Insurance Article, as amended, or required by such other applicable law, in at least the minimum amount described under such law, and shall not operate unless such minimum liability insurance is in effect at all times.

Section 7.2. Prohibited Uses and Nuisances. Except for the activities of the Declarant during the construction and development of the Property, or except with the prior written approval of the Board of Directors or the Declarant, or as may be necessary in connection with reasonable and necessary repairs or maintenance to any dwelling or upon the Common Area:

(a) No noxious or offensive trade or activity shall be carried out upon any Lot or within any dwelling or any other part of the Property, nor shall anything be done therein or thereon which may become an annoyance or nuisance to the neighborhood or other Members. Without limiting the generality of the foregoing, no speaker, horn, whistle, siren, bell, amplifier or other sound device, except such devices as may be used exclusively for security purposes, shall be located, installed or maintained upon the exterior of any dwelling or upon the exterior of any other improvements constructed upon any Lot.

(b) The maintenance, keeping, boarding 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 dwelling, or other part of the Property, except that this shall not prohibit the keeping of a reasonable number of dogs, cats, caged birds or other small domestic animals as pets provided (i) they are not kept, bred or maintained for commercial purposes; (ii) such domestic pets are not a source of annoyance or nuisance to the neighborhood or other Members; and (iii) such pets are maintained in strict conformance with all laws and ordinances. The Board of Directors or, upon resolution of the Board of Directors, the Covenant Committee, shall have the authority, after a hearing, to determine whether a particular pet is a nuisance or a source of annoyance to other Members, and such determination shall be conclusive. Pets shall be attended at all times and shall be registered, licensed and

inoculated as may from time to time be required by law. Pets shall not be permitted upon the Common Area unless accompanied by a responsible person and unless they are carried or leashed. The Board of Directors shall have the right to adopt such additional rules and regulations regarding pets as it may from time to time consider necessary or appropriate.

(c) No burning of any trash and no accumulation or storage of litter, lumber, scrap metals, refuse, bulk materials, waste, new or used building materials, or trash of any other kind shall be permitted on any Lot or other part of the Property. Firewood shall be neatly stacked in the rear yard areas of the Lots.

(d) Except for parking within garages, and except as herein elsewhere provided, no junk vehicle, commercial vehicle (including vans used for commercial use and vehicles displaying commercial signage), truck (as defined by the Maryland Department of Motor Vehicles and/or by common usage and practice except for light pick-up trucks of three-quarter (3/4) ton capacity or less used for non-commercial purposes), unlicensed or inoperable motor vehicle (which shall include, without limitation, any vehicle which would not pass applicable state inspection criteria), trailer, mobile home, camp truck, house trailer, recreational vehicle, boat or other similar vehicles, machinery or equipment of any kind or character (except for such equipment and machinery as may be reasonable, customary and usual in connection with the use and maintenance of any dwelling and except for such equipment and machinery as the Association may require in connection with the maintenance and operation of the Common Area) shall be kept upon the Property or upon the public or private streets within or adjacent to the Property, 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 or the Covenant Committee, provide and maintain a suitable area designated for the parking of such vehicles.

(e) Trash and garbage containers shall not be permitted to remain in public view except on days of trash collection and the evening prior to such days of trash collection. No incinerator shall be kept or maintained upon any Lot. No garbage or trash containers shall be kept on the front or side yard of any Lot and garbage and trash containers kept or maintained in the rear yard of any Lot shall be screened from public view at all times.

(f) No Lot shall be divided or subdivided and no portion of any Lot (other than the entire Lot) shall be transferred or conveyed for any purpose. The provisions of this subsection shall not apply to the Declarant and, further, the provisions hereof shall not be construed to (i) prohibit the granting of any easement or right-of-way to any municipality, political subdivision, public utility or other public body or authority, or to the Association, the Declarant, or any other individual or entity for any purpose, or (ii) prohibit minor boundary line adjustments between adjoining Lot Owners if done in accordance with applicable zoning ordinances, governmental guidelines and restrictions. Further, the provisions of this subsection shall not be deemed to preclude any Owner from granting an easement or right-of-way to any municipality, political subdivision, public utility or other public body or authority, or to the Association, to serve necessary public purposes, or from dedicating or conveying a portion of such Owner's Lot for such purposes.

(g) No tree, hedge or other landscape feature shall be planted or maintained in a location which obstructs sight-lines for vehicular traffic on public streets or on private streets and roadways. Without limiting the generality of the foregoing, no wire or other lawn edging, fencing or other treatment shall be placed or maintained on any Lot which would impede the Association's ability to perform its obligations as set forth in this Declaration, or which would be inharmonious with the aesthetics of the Project.

(h) No decorative lawn ornament, no structure of a temporary character, and no trailer, tent, shack, barn, pen, kennel, run, stable, or other similar building shall be erected, used or maintained on any

Lot at any time. A storage shed may be erected, constructed or placed on a Lot provided that such shed (i) is approved, in writing, with respect to design (including, but not limited to color and materials), location and construction by the Board of Directors or the Covenant Committee; (ii) if constructed, such shed must conform to the architectural style and materials of the dwelling unit situated on the Lot; and (iii) any shed must be properly maintained at all times by the Owner of the Lot upon which it is located.

(i) Except for entrance signs, directional signs, signs for traffic control or safety, community "theme areas" and such sales and promotional sign or signs as may be maintained by or with the written consent of the Declarant or the Association, or except as may be expressly permitted pursuant to the Act, no signs or advertising devices of any character shall be erected, posted or displayed upon, in or about any Lot or dwelling; provided, however, that one temporary real estate sign not exceeding six (6) square feet in area may be erected upon any Lot or attached to any dwelling placed upon the market for sale or rent. Any such temporary real estate sign shall be removed promptly following the sale or rental of such dwelling. The provisions and limitations of this subsection shall not apply to any institutional first mortgagee of any Lot who comes into possession of the Lot by reason of any remedies provided by law or in such mortgage or as a result of a foreclosure sale or other judicial sale or as a result of any proceeding, arrangement, assignment or deed in lieu of foreclosure.

(j) No water pipe, sewer pipe, gas pipe, drainage pipe, cable or other similar transmission line shall be installed or maintained upon any Lot above the surface of the ground and no wire, cable or other similar transmission line may be attached to the exterior of any structure on any Lot; provided, however, that such transmission lines, wires or cables providing utility services to any Lot (including, but not limited to, electricity, telephone, gas, water and cable television) shall be permitted. Except during periods of actual use, no hose shall be stored or placed in the front or side yard of any dwelling unless screened from public view.

(k) No play equipment, including, without limitation, basketball backboards, basketball hoops and other equipment associated with either adult or juvenile recreation, shall be attached in any manner to the exterior of any dwelling without the prior written approval of the Board of Directors or the Covenant Committee pursuant to Article 6 hereof. If approved in accordance with this Declaration, such play equipment must be properly maintained at all times.

(l) No structure, planting or other material shall be placed or permitted to remain upon any Lot which may damage or interfere with any easement for the installation or maintenance of utilities, or which may unreasonably change, obstruct or retard the direction or flow of any drainage channels.

(m) Except as specifically permitted by applicable federal governmental regulations, no exterior aerials or antennas of any type, including, but not limited to, satellite dishes for reception or transmission, may be erected or maintained within the Property without the prior written approval of the Board of Directors, or its designated committee, pursuant to Article 6 hereof; provided, however, that satellite dishes not in excess of one (1) meter in diameter are permitted in accordance with applicable federal governmental regulations. The Board of Directors may impose reasonable rules and regulations regarding the location and screening of any such satellite dish, subject to applicable federal governmental regulations. Aerials and antennas situated entirely within a dwelling unit and not visible from the exterior, are permitted.

(n) Vegetable gardens shall be maintained only within the rear yard of any Lot, and shall be maintained in a neat and attractive manner.

(o) Lawn furniture shall be used and maintained in rear yards or decks only and shall be maintained in a neat and attractive manner.

(p) No equipment or machinery (including, without limitation, equipment or machinery for use in connection with the maintenance of any dwelling) shall be stored in the front, rear or side yard of any Lot.

(q) No Member shall make any private, exclusive or proprietary use of any of the Common Area and no Member shall engage or direct any employee of the Association on any private business of the Member during the hours such employee is employed by the Association, nor shall any Member direct, supervise or in any manner attempt to assert control over any employee of the Association.

(r) Any fence constructed upon the Property shall not extend forward of the rear building line of the dwelling on the Lot upon which any such fence is erected. No fence shall be more than six feet (6') in height. Chainlink and other wire fencing is specifically prohibited; provided, however, that thin wire fencing used in conjunction with a split rail or similar fencing for the purpose of enclosing pets is permitted if prior written approval is obtained from the Board of Directors or the Covenant Committee pursuant to Article 6. The foregoing restrictions shall not be applicable to fences required to enclose any swimming pools within the Property (subject to the prior written approval of the Board of Directors or the Covenant Committee pursuant to Article 6 hereof) in accordance with local zoning ordinances, governmental guidelines and restrictions. Notwithstanding the foregoing, this Section 7.2(r) shall not apply to fences installed by or on behalf of the Declarant during the construction and development of the Property, which in the sole opinion of the Declarant shall be required, convenient or incidental to the Declarant's construction, development, marketing, leasing and sales activities within the Property.

(s) Bed sheets, plastic sheets, newspapers, plastic storm windows or other similar window treatments shall not be hung or placed in or on any window on any dwelling located on any Lot.

(t) Children's play and similar equipment shall not be allowed to remain overnight within any front yard of any Lot or within the Common Area.

(u) Children's outdoor permanent playhouses and swinging or climbing apparatus or equipment shall be permitted within the rear yard of a Lot; provided, however, that the prior written approval of the Board of Directors or Covenant Committee is obtained and that such equipment, playhouse(s) and/or apparatus is properly maintained at all times.

(v) No exterior lighting, emanating from a Lot, shall be directed outside the boundaries of the Lot.

(w) No drying or airing of any clothing or bedding shall be permitted outdoors and within any Lot other than within rear yards, and clothes-hanging devices such as lines, reels, poles, frames, etc., shall be stored out of sight when not in use.

(x) No garage or outbuilding properly erected on a Lot shall at any time be used for human habitation, temporarily or permanently, nor shall any structure of a temporary character be used for human habitation. No garage may be altered, modified or changed in any manner which would inhibit or in any way limit its function as a parking area for vehicles without the prior written approval of the Board of Directors or Covenant Committee pursuant to Article 6 of this Declaration. Notwithstanding the foregoing, any Lot owned by the Declarant upon which is situated a dwelling unit in which the garage has been modified to serve as living area shall be exempt from this paragraph and any grantee of the Declarant, and such

grantee's successors and assigns, shall also be exempt until such time as the garage is restored or a garage is constructed on such Lot. Except when being used as an entrance or exit, garage doors shall be maintained in a closed position at all times.

Section 7.3. Leasing and Transfers.

(a) No portion of a dwelling unit, other than an entire dwelling unit, may be leased or rented unless the prior written approval of the Covenant Committee or the Board of Directors is obtained. All leases shall be on forms approved by the Association and shall (i) contain provisions advising the tenant of his or her obligation to comply with all provisions of this Declaration, the Bylaws and the rules and regulations of the Association, and (ii) provide that the Association shall have the right to terminate the lease upon default by the tenant in observing any of the provisions of this Declaration, the Bylaws or rules and regulations of the Association, or of any other document, agreement or instrument governing the dwelling units and/or the Property. The Owner(s) of a leased Lot shall notify the Association in writing of the Owners' current address. The Owner(s) of a leased or rented dwelling unit shall be jointly and severally liable with his tenant(s) to the Association to pay any claim for injury or damage to persons or property caused by any action or omission, including, without limitation, the negligence of the tenant(s). Every lease shall be subordinate to any lien filed by the Association, whether before or after such lease was entered into. The minimum term any dwelling unit may be rented or leased shall be six (6) months, and in no event may a transient tenant be accommodated in any dwelling unit.

(b) Prior to the sale, conveyance or transfer of any Lot or dwelling unit to any person, the Owner shall notify the Board of Directors in writing of the name and address of the person to whom the proposed sale, conveyance or transfer is to be made and provide to it such other information as the Board of Directors may reasonably require. Failure to comply with the provisions of this Section 7.3(b) shall not void, prohibit or otherwise invalidate the sale, conveyance or transfer of any Lot or dwelling unit nor may it have any affect upon any mortgage or deed of trust thereon.

Section 7.4. Parking. Parking within the Property shall be subject to the following restrictions:

(a) The Association shall be entitled to establish supplemental rules concerning parking and traffic control on any portion of the Common Area and Lots, including, without limitation, providing for reserved parking which allows the exclusive use of one or more common area parking spaces by one or more Owners and/or the involuntary removal of any vehicle violating the provisions of this Declaration and/or such rules.

(b) The Declarant, its successors and assigns, and its nominee or nominees and any agents, servants and/or employees thereof shall be exempt from the provisions of this Section 7.4.

Section 7.5. House Rules, Etc. There shall be no violation of any reasonable rules for the use of the Common Area and community facilities or Lots or "house rules" or other community rules and regulations not inconsistent with the provisions of this Declaration which may from time to time be adopted by the Board of Directors of the Association and promulgated among the membership by the Board in writing, and the Board of Directors is hereby and elsewhere in this Declaration authorized to adopt such rules and regulations.

Section 7.6. Exemptions. None of the restrictions and provisions set forth in Section 7.1 through 7.5 above shall be applicable (i) to any portion of the Property owned by the Declarant or to the activities of the Declarant, and its officers, employees, agents and assigns, in their development, marketing, leasing and sales activities within the Property, or (ii) to the Association, its officers, employees and agents, in connection

with the proper maintenance, repair, replacement and improvement of the Common Area and any facilities situated thereon.

ARTICLE 8
DECLARATION OF EASEMENTS AND RIGHTS

Section 8.1. Declaration of Easements and Rights. The following easements and rights are hereby declared or reserved:

(a) For a period of ten (10) years from the recordation of this Declaration, Declarant reserves the right to grant easements, both temporary and permanent, to all public authorities and utility companies over any part of the Property.

(b) Each Lot and the Common Area within the Property is hereby declared to have an easement, not exceeding one foot (1') in width, over all adjoining Lots and Common Area for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of the building, roof overhangs, gutters, architectural or other appendages, draining of rainwater from roofs, or any other similar cause, there shall be valid easements for the maintenance of said encroachments so long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment, settlement or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful misconduct of said Owner or Owners. In the event a structure on any Lot is partially or totally destroyed and then repaired or rebuilt, the Owners of each Lot agree that minor encroachments over adjoining Lots shall be permitted and that there shall be easements for the maintenance of said encroachments so long as they shall exist.

(c) There is hereby reserved unto the Declarant (and its successors and assigns to whom such easement has been specifically assigned in writing), for the benefit of the real property shown on the Development Plan, and for the benefit of the Declarant and its agents, a non-exclusive, perpetual blanket easement upon, across and under the Property (provided such easement does not encroach upon any building within the Property or unreasonably interfere with the use and enjoyment of the Property), for vehicular and pedestrian ingress and egress, curb cuts, slope, and grading easements, as well as for the installation, replacement, repair and maintenance of all utilities, including, but not limited to, water, sewer, drainage, storm water detention and/or siltation, gas, cable television, telephones and electricity, and further including the right to connect to and use any such utilities which may exist or be located upon the Property from time to time. By virtue of this easement, it shall be expressly permissible to erect and maintain the necessary poles, pipes, lines, service boxes, and other equipment on the Property, to affix and maintain electrical or telephone wires and conduits, sewer and water drainage lines, on, above, or below any portion of the Property, including any improvements constructed thereon, and to have construction vehicles, equipment and the like exercise the aforesaid right of ingress and egress over the Property. There is further reserved unto the Declarant the right to erect entry features, promotional and other similar items within the Property provided they do not unreasonably interfere with the use, operation and enjoyment of the Property. There is further reserved unto the Declarant the right to grant specific easements, both temporary and permanent, to any person or entity, including all public authorities and utility companies, over any part of the Property in furtherance of the blanket easement created by this subsection. Further, without limiting the generality of the foregoing, the Declarant reserves the right to unilaterally execute and record such additional easements and agreements as may be necessary in order to give effect to the foregoing easements and other rights, which additional easements and other agreements need not be consented to or joined in by any party having an interest in the Property; provided, however, that if

requested by the Declarant, any party having an interest in the Property shall promptly join in and execute such confirmatory easements and other agreements.

(d) The Property is hereby subject to a non-exclusive, perpetual easement and right of passage, for the benefit of the Members of the Association, for ordinary and reasonable pedestrian ingress and egress over, across and upon any sidewalk, trail or walkway (or the replacement thereof) constructed within the Property by the Declarant that may reasonably be deemed to have been constructed or intended for pedestrian use.

(e) An easement is hereby reserved to Declarant to enter the Lots and Common Area during the period of construction and sale on the Property, and to maintain such facilities and perform such operations as in the sole opinion of Declarant may be reasonably required, convenient or incidental to the construction and sale of residences, including, without limitation, a business office, sales/leasing office, storage area, construction yards, signs, displays and model units.

(f) An easement is hereby reserved to Declarant to enter the Lots and Common Area for the purpose of carrying out any obligations it may have, or assume, with respect to the curing of any defects in workmanship or materials in the Property or the improvements thereon. There is further reserved unto the Declarant and its agents a non-exclusive easement over, across and through all of the Common Area for the purpose of access, the storage of building supplies and materials and equipment and, without any limitation, for any and all purposes reasonably related to the completion of the development, construction, rehabilitation and repair of the Property.

(g) For a period of ten (10) years from the date of conveyance of the first Lot to a Class A Member, the Declarant reserves a blanket easement and right on, over and under the Property to establish, maintain, change and correct drainage of surface water in order to maintain reasonable standards of health, safety and appearance. Any provision hereof to the contrary notwithstanding, the Declarant shall have no obligation whatsoever to perform any work or to take any action regarding drainage of surface water within the Property. Such right expressly includes the right to cut any trees, bushes or shrubbery, make any gradings of the soil, or to take any other similar action as may be reasonably necessary, following which the Declarant shall restore the affected property to its original condition as near as practicable. The Declarant shall give reasonable notice of intent to take such action to all affected Owners, unless in the opinion of the Declarant an emergency exists which precludes such notice. There is further reserved unto the Declarant the right to grant specific easements, both temporary and permanent, to any person or entity, including all public authorities and utility companies, over any part of the Property in furtherance of the blanket easement created by this subsection.

(h) The rights and duties of the Association and the Owners with respect to all public and/or private utilities serving and/or benefiting all or any portion of the Property, including, without limitation, water, sewer, gas, electricity, cable television, telephones, storm drains, down spouts, yard drains, and all pipes, wires, cables, conduits, transmission lines and other related facilities and equipment (collectively, the "Utilities") shall be governed by the following:

(i) Each Lot is hereby subject to a non-exclusive perpetual easement and right of passage upon, across and under such Lot, for the benefit of the Association and the Owners of all other Lots, for the installation, maintenance, repair, replacement, inspection, operation and use of all Utilities. The Owner of any Lot and the Association shall have the right, and they are hereby granted an easement and right of passage to the extent necessary therefor, to enter upon or have a utility company enter upon any portion of the Property in which the Utilities lie, to inspect, repair, replace and generally maintain such Utilities.

(ii) The right granted in subsection (i) above shall be only to the extent necessary to entitle the Owner of the property serviced by the Utilities (including the Association as the owner of the Common Area) to their full and reasonable use and enjoyment of such property, and provided further that anyone exercising such right shall be responsible for restoring the surface of the easement area so used to its condition prior to such use.

(i) Each Lot is hereby subject to an easement and right of passage upon, across and under such Lot for the drainage and discharge of water from any storm drain, down spout or yard drain situated on another Lot and the Owner of such Lot may not alter or obstruct such drainage or flow of water to the detriment of any Lot or the Common Area.

(j) The Association shall have an easement to enter any portion of the Property for the performance of its duties hereunder, including, without limitation, fenced, or other similar areas of the Property.

(k) With respect to any step, patio, deck, downspout or yard drain or other similar structure that may benefit any Lot and is constructed by the Declarant and which may encroach upon any portion of the Common Area, there is hereby reserved for the benefit of the Lot that such step, patio, deck, downspout, drain or other structure serves, a perpetual easement for the location, maintenance, repair and use of such structure or items within the Common Area, but only to the extent that the Declarant's original construction thereof encroaches within the Common Area. The Owner of the Lot benefiting from such easement agrees to maintain such structure or item and to indemnify and hold the Association harmless from any loss, liability or damage arising out of or resulting from the use, enjoyment and benefit of the easement granted hereby.

(l) There is hereby created for the benefit of each Lot, which is enclosed, in whole or in part, by any wooden, brick, stone or other similar fence and/or wall constructed by the Declarant, a perpetual easement to use any portion of the Common Area that may be located between such fence and/or wall and the record platted lot line for such benefited Lot. The obligation to maintain such portion of the Common Area shall be that of the Owner of the benefited Lot, and the obligation to maintain such portion of the wooden, brick, stone, or other similar fencing as is located within the Common Area, and which encloses the benefited Lot, in whole or in part, shall be that of the Association. The Owner of any Lot benefiting from the foregoing easement agrees to indemnify and hold the Association harmless from any loss, liability or damage arising out of or resulting from the use, enjoyment and benefit of the easement rights provided for herein.

(m) A mutual right and easement for utility services is hereby established for the benefit of all Owners, such that no Owner shall take any action which would in any way interfere with utility services being provided to other Owners within the Project. If a Lot contains any utility pipes, ducts, conduits, wires or the like which are for the benefit, in whole or in part, of other Owners within the Project, then the Owner of such Lot shall promptly, at his expense, repair any damage to such utilities caused by the Owner, or such Owner's tenants, lessees, agents, guests, invitees, licensees or family members.

(n) The Association, its agents and employees, shall have an irrevocable right and an easement to enter the Lots for purposes of exercising the rights and fulfilling the obligations established by this Declaration and any Supplementary Declarations recorded hereafter. The interior of any dwelling situated on a Lot may not be entered by the Association or its agents or employees except in the case of an emergency to protect the Common Area, other Lots or persons from injury or damage.

(o) The Declarant reserves the right to modify or alter the size, number, type and location of the Common Area and Lots, as well as the improvements thereon, as it deems necessary or

desirable in conjunction with the development of the Project. Without limiting the generality of the foregoing, the Declarant reserves the right to resubdivide all or a portion of the Project, to convey Common Area, to modify the site plans, to construct improvements on the Common Area, and to take whatever other action with respect to the Common Area and the Lots as the Declarant may deem necessary or desirable.

(p) There is hereby reserved unto the Declarant (and its successors and assigns to whom such easement has been specifically assigned in writing), for the benefit of the real property shown on the Development Plan, and for the benefit of the Declarant and its agents, a non-exclusive perpetual blanket easement upon, across and under the Property (provided such easement does not encroach upon any building within the Property or unreasonably interfere with the use and enjoyment of the Property), for the following purposes: (i) ingress and egress to and from any and all portions of the Property by trucks, construction equipment, construction personnel and the like; (ii) to construct, install, reconstruct, alter, modify, remove and replace streets, roads, driveways, lanes, sidewalks and parking spaces within the Property; (iii) to excavate, fill and coordinate the height, grade, slope and contour of the Property, and to add and remove soil from the Property; and (iv) for the conduct of all other development, construction, marketing, sales, leasing and related activities as may be deemed necessary or desirable by the Declarant to implement the Development Plan, to comply with requirements imposed by Harford County, Maryland, or any governmental or quasi-governmental agency or authority having regulatory jurisdiction over the Property, and/or to comply with applicable laws or regulations.

(q) Portions of the Property may be subject to scenic, conservation and/or wetlands easements and restrictions establishing one or more natural conservation or wetlands areas within the Property for purposes of restricting clearing, grading and other disturbances within such areas, subject to the terms of such easements and the regulations of any applicable federal, state or local governmental authority or agency. Such natural conservation areas may include, without limitation, stream buffers, wetlands, flood plain, forest conservation areas and reforestation areas, as may be designated on the Development Plan. The Association and the Owners shall conduct their activities in accordance with such easements and restrictions.

(r) The Association is hereby granted a non-exclusive easement and right of passage on, through, over, under and across the Lots and Common Area to maintain, repair and replace any storm water management area or facilities situated within the Lots or Common Area, including, without limitation, drainage pipes, infiltration trenches, ponds, basins, swales, berms, out-flow control devices, drainage areas, filters, inlets, oil/grit separators and underground facilities, if any.

Section 8.2. Association Easements. The Board of Directors of the Association shall have the right to grant easements, rights-of-way, licenses and similar interests over any part of the Common Area for any lawful purpose which the Board determines, in its sole discretion, to be in the best interests of the Association.

ARTICLE 9

MAINTENANCE

Section 9.1. Owners' Maintenance. Except as otherwise specifically provided in this Declaration, the Owner of each Lot shall keep the Lot, and all improvements therein or thereon, in good order and repair and free of debris in a manner and with such frequency as is consistent with good property management and the Community-Wide Standard. In the event an Owner of any Lot shall fail to maintain the Lot and such improvements, the Association or its agent shall have the right to enter upon said Lot to repair, maintain and restore the Lot and such improvements. The Association shall also have the right to enter the Lots to correct drainage. Whenever entry is not required in an emergency situation, the Association shall afford the Owner

reasonable notice and opportunity to cure the problem prior to entry. All costs related to such correction, repair or restoration shall be collectible from the Owner of such Lot in the same manner as assessments as provided in Article 5 herein.

Section 9.2. Association Maintenance. The Association shall maintain, repair and replace the Common Area, and all improvements and facilities situated thereon, and shall keep the Common Area and such improvements and facilities in good order at all times. This obligation shall include, without limitation (i) the maintenance, repair and, as necessary, replacement of any private streets and parking areas within the Common Area, (ii) the maintenance, repair and, as necessary, replacement of any pathways, sidewalks, trails and walkways that are constructed or installed by, or on behalf of, the Declarant within the Common Area, provided that the Association shall not be obligated to maintain, repair or replace any pathway, sidewalk, trail or walkway leader, or portion thereof, within any Lot (the maintenance, repair and replacement of any such pathway, sidewalk, trail or walkway leader shall be the obligation of the Lot Owner), and (iii) the removal of accumulated snow and ice from within all private streets and parking areas within the Common Area and from all pathways, sidewalks, trails, walkways, or portions thereof, required to be maintained by the Association pursuant to this Section. Further, the Association shall maintain, repair and replace (i) any rights-of-way, swales, culvert pipes, entry strips, signage, and entrance features or improvements that are situated within or that are appurtenant to and serve the Project, including, without limitation, any landscaping and other flora and improvements situated thereon, and (ii) any other real and personal property, facilities and equipment as the Association is obligated or elects to maintain pursuant to this Declaration, or any lease, easement or agreement, or the direction of any governmental authority or agency. The expenses of all such maintenance, repair and replacement shall be a Common Expense of the Association, including, but not limited to, reserves for the maintenance, repair and replacement of any such property or improvements. The Association shall also maintain any portion of any Lot that it is obligated or elects to maintain pursuant to this Declaration, any easement or other agreement.

The Association shall also have the right to enter any Lot, without the consent of the Owner and/or occupant thereof, to conduct any emergency repairs as are necessary for the maintenance and protection of the Common Area, any Lot and the Lawn and Garden Areas. The costs of such repairs shall be collectible from the Owner of such Lot in the same manner as assessments as provided in Article 5 herein.

The Association shall be responsible for the maintenance, repair and replacement of any storm water management area or facilities situated within the Common Area, including, without limitation, drainage pipes, culvert pipes, infiltration trenches, ponds, basins, swales, berms, out-flow control devices, drainage areas, filters, inlets, oil/grit separators and underground facilities, if any, which serve and/or benefit the Property whether or not located within the Common Area if the Association is responsible therefor pursuant to any easement, agreement or the direction of any governmental authority or agency. Such responsibility may be in the form of contributing the Association's share of the maintenance costs of any storm water management area, facility or equipment pursuant to an easement or agreement which shall be a Common Expense of the Association. The Board of Directors may enter into any such easements and/or other agreements as the Board may deem necessary or desirable for purposes of allocating and/or sharing the costs associated with the maintenance of any storm water management areas, facilities and/or equipment which serve and/or benefit the Property. The Association shall not refuse to accept the conveyance of any such storm water management area, facilities or equipment from the Declarant.

Section 9.3. Lawn and Garden Area Maintenance.

(a) The Board of Directors may elect, in its sole discretion, to have the Association assume such maintenance responsibilities with respect to the Lawn and Garden Area located within any Lot, group of Lots or all of the Lots, as the Board may deem necessary or appropriate, including, without limitation,

responsibility for mowing, fertilizing, trimming, pruning and/or otherwise maintaining all or any portion of the grass, shrubs, bushes, trees and other planted materials, and any replacements thereof, as may be located within the Lawn and Garden Area. Maintenance of the Lawn and Garden Area by the Association shall be with such frequency and in conformity with such standards as may be established by the Board of Directors from time to time. In the event that the Board of Directors elects to assume such maintenance responsibilities, all costs of such maintenance shall be assessed only against the Owners of Lots that contain Lawn and Garden Area maintained by the Association; provided, however, that an Owner that elects, as provided below in this Section, to maintain Lawn and Garden Area that would otherwise be maintained by the Association shall not be entitled to any reimbursement from the Association or reduction in the assessments levied against such Owner's Lot.

(b) Any Owner may request that the Association refrain from performing all or any part of the Lawn and Garden Area maintenance described above. Such a request must be made to the Association at least thirty (30) days prior to the date the Owner desires the Association to refrain from such maintenance. The Association shall not unreasonably withhold approval of such request, provided the Owner has demonstrated to the satisfaction of the Association his or her intention to maintain the Lawn and Garden Area, as applicable, in a manner acceptable to the Association. In the event an Owner elects to maintain the Lawn and Garden Area situated on his or her Lot pursuant to the terms hereof, such Owner shall not be entitled to any reimbursement from the Association or reduction in the assessments levied against such Lot.

(c) If the Board of Directors elects not to maintain the Lawn and Garden Area within any Lot, and in the event that the Owner of such Lot shall fail to maintain the Lawn and Garden Area within such Owner's Lot in a manner consistent with good property management and the Community-Wide Standard, the Association or its agent shall have the right to enter upon said Lot to repair, maintain and restore the Lawn and Garden Area therein. Whenever entry is not required in an emergency situation, the Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry. All costs related to such repair, maintenance or restoration shall be collectible from the Owner of such Lot in the same manner as assessments as provided in Article 5 hereof.

Section 9.4. Additional Maintenance Responsibilities. The Association may, in the discretion of the Board of Directors, provide additional services and/or assume additional maintenance responsibilities with respect to all or any portion of the Property. In such event, all costs of such services and/or maintenance shall be assessed only against those Owners residing within the portion of the Property receiving the additional services. This assumption of responsibility may take place either by contract or because, in the opinion of the Board, the level and quality of service or maintenance then being provided is not consistent with the Community-Wide Standard.

ARTICLE 10

INSURANCE

Section 10.1. Individual Coverage. By virtue of taking title to a Lot, each Owner covenants and agrees with all other Owners and with the Association that each individual Owner shall carry blanket all risk casualty insurance on the dwelling and all structures located upon the Lot. At a minimum, such coverage shall provide coverage against loss or damage by fire or other hazards in an amount sufficient to cover the full replacement cost of any repair or reconstruction work in the event of damage or destruction from any insured hazard. The Board of Directors of the Association, or its duly authorized agent, shall have the authority to obtain insurance for all or any of the dwellings located on the Property, unless the Owners thereof have supplied proof of adequate coverage to the Board of Directors' satisfaction. The Board of Directors and the Association shall incur no liability to any Owner or Mortgagee in the event that the Board of Directors or the

Association shall elect not to exercise their authority to obtain such insurance for all or any of the dwellings located on the Property. In the event the Board of Directors obtains insurance for any Lot or dwelling unit pursuant to this Section, the cost thereof shall be assessed against the Lot benefiting from such insurance and shall be collectible in the same manner as any other assessment under Article 5 of this Declaration. Each Owner further covenants and agrees that in the event of a partial loss or damage and destruction resulting in less than total destruction to the dwelling and other structures constructed on the Lot, the Owner shall proceed promptly to repair or to reconstruct the dwelling and other damaged structures in a manner consistent with the original construction. Each Owner of a Lot covenants and agrees that in the event that such dwelling is totally destroyed, the Owner shall proceed promptly to repair or to reconstruct the dwelling in a manner consistent with the original construction, unless approval to do otherwise is obtained from the Covenant Committee or the Board of Directors.

Section 10.2. Required Coverage. The Board of Directors of the Association, or its duly authorized agent, shall be required to obtain, maintain and pay the premiums, as a Common Expense, upon a policy of hazard insurance covering the Common Area and any property required to be insured by the Association pursuant to any easement or lease agreement (except land, foundation, excavation and other items normally excluded from coverage) including fixtures and building service equipment, to the extent that they are a part of the Common Area of the Association or such other property which the Association may insure, as well as common personal property and supplies.

The hazard insurance policy shall afford, as a minimum, protection against loss or damage by fire and all other perils normally covered by the standard extended coverage endorsement, as well as all other perils which are customarily covered with respect to projects similar in construction, location and use, including all perils normally covered by the standard "all risk" endorsement, where such is available, and shall name the Association as a named insured. The insurance should cover one hundred percent (100%) of the current replacement cost (less a reasonable deductible) of the insured property. Coverage need not include land, foundations, excavations or other items that are usually excluded from insurance coverage. Unless a higher maximum amount is required pursuant to the law of the State of Maryland, the maximum deductible amount for coverage of the Common Area is the lesser of Ten Thousand Dollars (\$10,000.00) or one percent (1%) of the policy face amount. The funds to cover this deductible amount should be included in the Association's operating reserve account.

Each hazard insurance policy must be written by a hazard insurance carrier which has a current rating by the Best's Key Rating Guide of B/III or better (or its equivalent). Each insurer must be specifically licensed or authorized by law to transact business within the State of Maryland. The policy contract shall provide that no assessment may be made against the mortgagee, and that any assessment made against others may not become a lien on the mortgaged Lot superior to the First Mortgage.

The hazard insurance policy must provide that the insurance carrier shall notify the Association and each mortgagee named in the mortgagee clause in writing at least ten (10) days before it cancels or substantially changes the Association's coverage. In addition, each Eligible Mortgage Holder shall receive timely written notice of any lapse, material modification or cancellation of any insurance policy covering the Common Area.

All policies of hazard insurance must contain or have attached the standard mortgagee clause commonly acceded by private institutions as mortgage investors in the area in which the mortgaged premises are located. The following endorsements are also required: (i) an Inflation Guard Endorsement (if reasonably available); (ii) a Construction Code Endorsement if the Common Area is subject to a construction code provision which would become operative and require changes to undamaged portions of any structures, even when only part of a structure is destroyed by an insured hazard or peril, and (iii) a Steam Boiler and Machinery Coverage Endorsement if any structure within the Common Area has central heating or cooling, which should provide

for the insurer's minimum liability per accident per location to be at least equal to the lesser of Two Million Dollars (\$2,000,000.00) or the insurable value of the structure(s) housing the boiler or machinery.

If the Common Area is located in a Special Flood Hazard Area designated as A, AE, AH, AO, A1-30, A-99, V, VE, or V1-30 on a Flood Insurance Rate Map, the Association must maintain a "master" or "blanket" policy of flood insurance on the Common Area. The amount of flood insurance shall be at least equal to the lesser of one hundred percent (100%) of the insurable value of all structures and improvements situated in such Special Flood Hazard Area or the maximum coverage available under the applicable National Flood Insurance Administration program. Unless a higher deductible amount is required under the laws of the State of Maryland, the maximum deductible amount for flood insurance policies shall be the lesser of Five Thousand Dollars (\$5,000.00) or one percent (1%) of the policy's face amount. The funds to cover this deductible amount should be included in the Association's operating reserve account.

The Association shall obtain and maintain a comprehensive general liability policy of insurance covering all of the Common Area, public ways and any other areas that are under the Association's supervision. The policy should provide coverage for bodily injury (including death) and property damage that results from the operation, maintenance or use of the Common Area and any legal liability that results from law suits related to employment contracts in which the Association is a party. Supplemental coverage to protect against additional risks should also be obtained, if required by a mortgagee. Such insurance policy shall contain a "severability of interest" endorsement which shall preclude the insurer from denying the claim of an Owner because of negligent acts of the Association or other Owners. Liability coverage shall be at least One Million Dollars (\$1,000,000.00) per occurrence, for bodily injury and property damage, unless higher amounts of coverage are required by a mortgagee. The liability policy must provide that the insurance carrier shall notify the Association in writing at least ten (10) days before it cancels or substantially modifies the Association's coverage.

Section 10.3. Fidelity Coverage. To the extent reasonably available, blanket fidelity insurance may be maintained by the Board of Directors for all officers, directors, managers, trustees, employees and volunteers of the Association and all other persons handling or responsible for funds held or administered by the Association, whether or not they receive compensation for their services. Where the Board of Directors has delegated some or all of the responsibility for the handling of funds to a management agent, such management agent shall be covered by its own fidelity insurance policy which must provide the same coverage as fidelity insurance maintained by the Board of Directors. Except for fidelity insurance that a management agent obtains for its personnel, all other fidelity insurance policies should name the Association as the insured and should have their premiums paid as a Common Expense by the Association. Fidelity insurance obtained by a management agent shall name the Association as an additional insured. The total amount of fidelity coverage required should be sufficient to cover the maximum funds (including reserve funds) that will be in the custody of the Association or management agent at any time while the fidelity insurance policy is in force, and should at least equal the sum of three (3) months aggregate assessments on all Lots within the Association, plus any reserves. Fidelity insurance policies should contain waivers by the insurers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees," or similar terms or expressions. The fidelity insurance policies should provide that they cannot be canceled or materially modified (including cancellation for non-payment of premium) without at least ten (10) days prior written notice to the Association.

Section 10.4. Repair and Reconstruction of Common Area After Fire or Other Casualty. In the event of damage to or destruction of any portion of the Common Area covered by insurance payable to the Association as a result of fire or other casualty, the Board of Directors shall arrange for the prompt repair and restoration thereof, and shall disburse the proceeds of all insurance policies to the contractors engaged in such repair and restoration, as appropriate. Promptly after a casualty causing damage or destruction of any portion

of the Common Area for which the Association has the responsibility of maintenance, repair, and/or replacement, the Board of Directors shall obtain reliable and detailed estimates of the cost to place the damaged portions of the Common Area in as good a condition as existed prior to the casualty. Such costs may include, without limitation, professional fees and premiums for such bonds as the Board of Directors may desire.

ARTICLE 11

MANAGEMENT

Section 11.1. Management Agent. The Board of Directors may employ for the Association a management agent or manager (the "Management Agent") at a rate of compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall from time to time authorize in writing, including, but not limited to, the following:

- (a) to establish (with the approval of the Board of Directors) and provide for the collection of the annual maintenance assessments and any other assessments provided for in this Declaration and to provide for the enforcement of liens therefor in a manner consistent with the law and the provisions of this Declaration; and
- (b) to provide for the care, upkeep, maintenance and surveillance of the Common Area and community facilities; and
- (c) to designate, hire and dismiss such personnel as may be required for the good working order, maintenance and efficient operation of the Common Area and community facilities; and
- (d) to promulgate (with the approval of the Board of Directors of the Association) and enforce such rules and regulations and such restrictions or requirements, "house rules" or the like as may be deemed proper respecting the use of the Common Area and community facilities and the Lots; and
- (e) to provide such other services (including legal and accounting services) for the Association as may be consistent with law and the provisions of this Declaration.

Section 11.2. Duration of Management Agreement. Any management agreement entered into by the Association shall provide, among other things, that such agreement may be terminated for cause by either party upon thirty (30) days written notice thereof to the other party. The term of any such management agreement shall not exceed one (1) year; provided, however, that the term of any such management agreement may be renewable by mutual agreement of the parties for successive one (1)-year periods.

Any management agreement entered into while the Declarant is in control of the Association must be terminable, without cause, any time after transfer of control from the Declarant, on not less than thirty (30) nor more than ninety (90) days notice, and no charge or penalty may be associated with such termination.

ARTICLE 12

GENERAL PROVISIONS

Section 12.1. Common Area Responsibility. The Association, subject to the rights of the Owners as set forth in this Declaration, shall be responsible for the exclusive management and control of the Common Area and any property, real or personal, which the Association is delegated the responsibility for pursuant to any easement or lease agreement, and all improvements thereon (including, without limitation, furnishings and

equipment related thereto, private drainage facilities and common landscaped areas), and shall keep the Common Area and such other property in good, clean, attractive, and sanitary condition, order, and repair, pursuant to the terms and conditions hereof. The Association shall accept title to any real estate or personal property offered to the Association by the Declarant.

Section 12.2. Personal Property and Real Property for Common Use. The Association may acquire, lease, hold, and dispose of tangible and intangible personal property and real property, subject to the requirements of this Declaration. The Board of Directors, acting on behalf of the Association, will accept any real or personal property, leasehold, or other property interests within the Property conveyed to it by the Declarant.

Section 12.3. Implied Rights. The Association may exercise any other right or privilege given to it expressly by this Declaration or the Bylaws or any lease, easement or other agreement or document affecting the Association, and every other right or privilege reasonably to be implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege.

Section 12.4. Limitation of Liability. The Association shall not be liable for any failure of any services to be obtained by the Association or paid for out of the Common Expense funds, or for injury or damage to persons or property caused by the elements or resulting from water which may leak or flow from any portion of the Common Area or community facilities or other property within the control or supervision of the Association, or from any wire, pipe, drain, conduit or the like. The Association shall not be liable to any Member for loss or damage, by theft or otherwise, of articles which may be stored upon the Common Area or other property within the control or supervision of the Association. No diminution or abatement of assessments, as herein elsewhere provided for, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Common Area or other property within the control or supervision of the Association, or from any action taken by the Association to comply with any of the provisions of this Declaration or with any law or ordinance or with the order or directive of any municipal or other governmental authority.

Section 12.5. Enforcement. The Declarant, the Association, or any Owner, or any Mortgagee of any Lot shall have the right to enforce, by any proceeding at law and/or in equity, all restrictions, conditions, covenants, reservations, easements, liens, charges or other obligations or terms now or hereafter imposed by the provisions of this Declaration, or the Articles of Incorporation or Bylaws of the Association or any rule or regulation promulgated by the Association pursuant to its authority as provided in this Declaration, the Articles of Incorporation or Bylaws. Failure by the Declarant, the Association or by any Owner or Mortgagee of any Lot to enforce any covenants or restrictions herein contained or any provision of the Bylaws, Articles of Incorporation or rules and regulations of the Association shall in no event be deemed a waiver of the right to do so thereafter. There shall be and there is hereby created and declared to be a conclusive presumption that any violation or breach or attempted violation or breach of any of the within covenants or restrictions or any provision of the Bylaws or Articles of Incorporation of the Association cannot be adequately remedied by action at law or exclusively by recovery of damages. If the Declarant, the Association, or any Owner or Mortgagee of any Lot, successfully brings an action to extinguish a violation or otherwise enforce the provisions of this Declaration or the Articles of Incorporation or Bylaws of the Association, the costs of such action, including legal fees, shall become a binding, personal obligation of the Owner committing or responsible for such violation, and such costs shall also be a lien upon the Lot of such Owner, provided that the requirements of the Maryland Contract Lien Act are substantially fulfilled.

Without limiting the generality of the foregoing, and in addition to any other remedies available, the Association after reasonable written notice, in writing, provided to the Owner, may enter any Lot to remedy any violation of the provisions of this Declaration, the Bylaws, Articles of Incorporation or rules and

regulations of the Association provided, however, that the Association may not enter the interior of any dwelling unit except in an emergency. The costs of such action shall become a binding, personal obligation of the Owner otherwise responsible for such violation and shall also be a lien upon the Lot of such Owner.

Section 12.6. Fines. In addition to the means for enforcement provided elsewhere in this Declaration, the Association shall have the right to levy fines against an Owner or such Owner's guests, relatives, lessees or invitees, in the manner set forth herein, and such fines shall be collectible in the same manner as any other assessment such that the Association shall have a lien against the Lot of such Owner as provided in this Declaration, the Bylaws and the Articles of Incorporation and such fine(s) shall also become the binding personal obligation of such Owner.

(a) The Board of Directors or the Covenant Committee shall be charged with determining whether there is probable cause that any of the provisions of this Declaration, the Bylaws, Articles of Incorporation or the rules and regulations of the Association, regarding the use of the dwelling units, Lots, Common Area or other Association property, are being or have been violated. In the event that the Board of Directors or the Covenant Committee determines an instance of such probable cause, the Board or the Covenant Committee shall provide written notice to the person alleged to be in violation, and the Owner of the Lot which that person occupies or is visiting if such person is not the owner, of the specific nature of the alleged violation and of the opportunity for a hearing before the Board of Directors or the Covenant Committee upon a request made within five (5) days of the sending of the notice. The notice shall also specify, and it is hereby provided, that each recurrence of the alleged violation or each day during which it continues shall be deemed a separate offense, subject to a separate fine not to exceed a reasonable amount established by the Board for each offense. The amount of the fine shall be based upon the costs and inconvenience caused to the Association and shall not be a penalty. The notice shall also specify, and it is hereby provided, that in lieu of requesting a hearing, the alleged violator or Owner may respond to the notice within five (5) days of its sending, acknowledging in writing that the violation occurred as alleged and promising that the violation will thereafter cease and will not recur, and that such acknowledgment and promise, and performance in accordance therewith, shall terminate the enforcement activity of the Association with regard to such violation.

(b) If a hearing is timely requested, the Board of Directors or the Covenant Committee shall hold the same, and shall hear any and all defenses to the charges, including any witnesses that the alleged violator, Owner, the Board of Directors or the Covenant Committee may produce. Any party at the hearing may be represented by counsel.

(c) Subsequent to any hearing, or if no hearing is timely requested and if no acknowledgment and promise is timely made, the Board of Directors or the Covenant Committee shall determine whether there is sufficient evidence of a violation or violations as provided herein. If the Board of Directors or the Covenant Committee determines that there is sufficient evidence, it may levy a fine for each violation in the amount provided herein.

(d) A fine pursuant to this Section shall be assessed against the Lot which the violator occupied or was visiting at the time of the violation, whether or not the violator is an Owner of that Lot, and shall be collectible in the same manner as any other assessment, including by the Association's lien rights as provided in this Declaration and the Bylaws. Nothing herein shall be construed to interfere with any right that an Owner may have to obtain from a violator occupying or visiting such Owner's Lot payment of the amount of any fine(s) assessed against that Lot.

(e) Nothing herein shall be construed as a prohibition of or limitation on the right of the Association to pursue any other means of enforcement of the provisions of this Declaration, the Bylaws,

Articles of Incorporation or rules and regulations, including, but not limited to, legal action for damages or injunctive relief.

Section 12.7. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions, which shall remain in full force and effect.

Section 12.8. Duration and Amendment. All covenants, conditions and restrictions set forth in this Declaration shall run with and bind the land and shall be perpetual unless expressly stated otherwise in this Declaration. This Declaration may be amended by an instrument signed by, or the affirmative vote of, Owners entitled to cast not less than sixty-seven percent (67%) of the total votes of all Owners. Any amendment must be recorded in the Land Records.

Section 12.9. Changes and Modifications by Declarant. The Declarant shall have the right, for a period of ten (10) years following the date of recordation of this Declaration, without the consent of the Members of the Association or any other party, to (i) modify, amend or change any of the provisions of this Declaration as the Declarant may deem necessary or desirable to correct errors or omissions herein, and (ii) amend this Declaration, the Articles of Incorporation and the Bylaws of the Association, as the Declarant may deem necessary or desirable, to change the name of the Association.

Section 12.10. Casualty Losses. In the event of substantial damage or destruction to any of the Common Area, the Board of Directors of the Association shall give prompt written notice of such damage or destruction to the Eligible Mortgage Holders who hold First Mortgages of record on the Lots. No provision of this Declaration or the Articles of Incorporation or the Bylaws of the Association shall entitle any Member to any priority over the holder of any First Mortgage of record on his or her Lot with respect to the distribution to such Member of any insurance proceeds paid or payable on account of any damage or destruction of any of the Common Area.

Section 12.11. Condemnation or Eminent Domain. In the event any part of the Common Area is made the subject matter of any condemnation or eminent domain proceeding, or is otherwise sought to be acquired by any condemning authority, then the Board of Directors of the Association shall give prompt written notice of any such proceeding or proposed acquisition to the Eligible Mortgage Holders who hold First Mortgages of record on the Lots. No provision of this Declaration or the Articles of Incorporation or the Bylaws of the Association shall entitle any Member to any priority over the holder of any First Mortgage of record on his or her Lot with respect to the distribution to such Member of the proceeds of any condemnation or settlement relating to a taking of any of the Common Area.

Section 12.12. Notice to Eligible Mortgage Holders; Deemed Consent.

(a) The Association shall give prompt written notice to each Eligible Mortgage Holder of (and each Owner hereby consents to, and authorizes such notice):

(i) Any condemnation loss or any casualty loss which affects a material portion of the Common Area or any Lot subject to a First Mortgage or security interest held, insured, or guaranteed by such Eligible Mortgage Holder.

(ii) Any delinquency in the payment of Common Expense assessments or charges owed by an Owner whose Lot is subject to a First Mortgage or security interest held, insured, or guaranteed, by such Eligible Mortgage Holder which remains uncured for a period of sixty (60) days.

(iii) Any lapse, cancellation, or material modification of any insurance policy or fidelity coverage maintained by the Association.

(iv) Any other matter with respect to which Eligible Mortgage Holders are entitled to notice or to give their consent as provided in this Declaration.

(b) To be entitled to receive notice of the matters set forth in this Section, the Eligible Mortgage Holder must send a written request to the Association, stating both its name and address and the Lot and Block designation or address of the Lot on which it has (or insures or guarantees) the mortgage. Any Eligible Mortgage Holder or mortgagee who is notified of any matter for which it is entitled to notice as provided herein (such notice to be delivered by certified or registered mail, return receipt requested), and which fails to respond within thirty (30) days of receipt of such notice shall be deemed to have consented, if applicable, to the matter of which the Eligible Mortgage Holder or mortgagee was provided notice.

Section 12.13. Declarant's Power of Attorney. Notwithstanding any provision to the contrary contained in this Declaration, Articles of Incorporation or Bylaws, the Declarant hereby reserves for itself, its successors, transferees and assigns, for a period of ten (10) years from the date the first Lot is conveyed to a Class A Member, or until it conveys title to the last Lot, whichever occurs first, the right to execute on behalf of all contract purchasers, Owners, Eligible Mortgage Holders, mortgagees, and other lienholders or parties claiming a legal or equitable interest in any Lot or Common Area, any such agreements, documents, amendments or supplements to this Declaration, the Articles of Incorporation and Bylaws of the Association which may be required by FNMA, FHA, VA, FHLMC, GNMA, Harford County, Maryland, any governmental or quasi-governmental agency or authority having regulatory jurisdiction over the Association, any public or private utility company designated by the Declarant, any institutional lender or title insurance company designated by the Declarant, or as may be required to comply with the federal Fair Housing Act, to comply with the Maryland Homeowners Association Act, or to comply with other applicable laws or regulations.

(a) By acceptance of a deed to any Lot or by the acceptance of any other legal or equitable interest in the Lots or Common Area, each and every such contract purchaser, Owner, Eligible Mortgage Holder, mortgagee or other lienholder or party having a legal or equitable interest in any Lot or Common Area does automatically and irrevocably name, constitute, appoint and confirm the Declarant, its successors, transferees and assigns, as attorney-in-fact for the purpose of executing such agreement, document, amendment, supplement and other instrument(s) necessary to effect the foregoing subject to the limitations set forth herein.

(b) No such agreement, document, amendment, supplement or other instrument which adversely affects the value of a Lot, or substantially increases the financial obligations of an Owner, or reserves any additional or special privileges for the Declarant not previously reserved, shall be made without the prior written consent of the affected Owner(s) and all owners of any mortgage(s) encumbering the Lots owned by the affected Owner(s). Any such agreement, document, amendment, supplement or instrument which adversely affects the priority or validity of any mortgage which encumbers any Lot or Common Area shall not be made without the prior written consent of the owners of all such mortgages.

(c) The power of attorney aforesaid is expressly declared and acknowledged to be coupled with an interest in the subject matter hereof and the same shall run with the title to any and all Lots and Common Area and shall be binding upon the heirs, personal representatives, successors, transferees and assigns of any of the foregoing parties. Further, said power of attorney shall not be affected by the death or disability of any principal and is intended to deliver all right, title and interest of the principal in and to said power of attorney. Said power of attorney shall be vested in the Declarant, its successors, transferees and

assigns for a period of ten (10) years from the date the first Lot is conveyed to a Class A Member, or until it conveys title to the last Lot, whichever occurs first.

Section 12.14. Taxes and Assessments. It is the intent of this Declaration that inasmuch as the interests of each Owner to use and enjoy the Common Area (and any other property to which such Owner may have a right of use and enjoyment) is an interest in real property appurtenant to each Lot, the value of the interest of each Owner in such Common Area (or other property) shall be included in the assessment for each such Lot and as a result, any assessment directly against such Common Area (or other property if the Association is responsible for the real estate taxes levied thereon) should be of a nominal nature reflecting that the full value of the same should be included in the several assessments of the various Lots.

Section 12.15. Successors of Declarant.

(a) Any and all rights, reservations, easements, interests, exemptions, privileges and powers of the Declarant hereunder, or any part of them, may be assigned and transferred (exclusively or non-exclusively) by the Declarant by an instrument, in writing, without notice to the Association to one or more successors or assigns (hereinafter referred to as an "Assignee").

(b) Each Owner of any Lot, by acceptance of a deed therefore, whether or not it shall be so expressed in such deed is deemed to covenant and agree that Richmond American makes no representation or warranty whatsoever, whether express or implied, with respect to any Lots, Common Areas, buildings or other improvements constructed or sold by parties other than Richmond American, nor has Richmond American authorized any other party to make any such representation or warranty, and such other parties are without legal authority to enforceably make any such representation or warranty.

Section 12.16. Arbitration.

(a) Notwithstanding any provision of this Declaration, the Bylaws, or Articles of Incorporation to the contrary, if, after good faith efforts to negotiate a satisfactory solution have failed, any dispute that cannot be resolved between (i) the Declarant (including any of the Declarant's employees, agents, or contractors) and (ii) the Association and/or any Owner or Owners, will be submitted to arbitration in accordance with this Section, unless an alternative dispute resolution procedure is agreed to by the parties to the dispute. As used in this Section, the term "dispute" includes any controversy or claim, including, without limitation, any claim based on contract, tort, or statute, arising out of or relating to (1) the rights or obligations of such parties under this Declaration, the Bylaws, Articles of Incorporation, or any rules promulgated by the Board of Directors or (2) the design, construction, or warranty of the Common Area. Upon the request of a party to a dispute, the issue shall be referred to the nearest office of Judicial Arbitration & Mediation Services, Inc. ("JAMS"), or its successor, for resolution by final and binding arbitration before a retired judge or justice from the JAMS panel.

(b) Either party may commence the arbitration process called for in this Section by filing a written demand for arbitration with JAMS, with a copy to the other party. The arbitration shall be conducted at a location determined by the arbitrator in the Washington, D.C. metropolitan area and will be administered in accordance with the provisions of JAMS' Comprehensive Arbitration Rules and Procedures in effect at the time of filing of the demand for arbitration, or such other rules and procedures that are agreed to by all parties. The parties covenant that they will participate in the arbitration in good faith and that they will share equally in the fees and expenses of the arbitrator.

(c) The arbitrator shall determine which is the prevailing party and shall include in the award payment by the non-prevailing party of the prevailing party's reasonable attorneys' fees and expenses.

The provisions of this Section and any judgment rendered by the arbitrator may be enforced by any court of competent jurisdiction, and the party seeking enforcement shall be entitled to an award of all costs, fees and expenses, including attorneys' fees, to be paid by the party against whom enforcement is ordered.

(d) EVERY OWNER, MORTGAGEE, AND ALL OTHER PARTIES WITH AN INTEREST IN ANY PORTION OF THE PROPERTY COVENANT AND AGREE TO HAVE ALL DISPUTES DECIDED BY NEUTRAL ARBITRATION IN ACCORDANCE WITH THIS SECTION AND RELINQUISH ANY RIGHTS THAT MAY BE AVAILABLE TO HAVE SUCH MATTERS LITIGATED IN A COURT OR BY JURY TRIAL, INCLUDING JUDICIAL RIGHTS TO DISCOVERY AND APPEAL. THE REFUSAL BY A PARTY TO SUBMIT TO ARBITRATION IN ACCORDANCE WITH THIS SECTION MAY RESULT IN THE PARTY BEING COMPELLED TO ARBITRATE UNDER FEDERAL OR STATE LAW.

Section 12.17. No Dedication to Public Use. Nothing herein contained shall be construed as a dedication to public use or as an acceptance for maintenance of any Common Area or community facilities by any public or municipal agency, authority, or utility and no public or municipal agency, authority or utility shall have any responsibility or liability for the maintenance or operation of any of the Common Area or community facilities.

Section 12.18. Incorporation by Reference on Resale. In the event any Owner sells or otherwise transfers any Lot, any deed purporting to effect such transfer shall contain a provision incorporating by reference the covenants, restrictions, servitudes, easements, charges and liens set forth in this Declaration however failure to do so shall not (i) affect the validity of any such deed, or (ii) the enforceability of the covenants, restrictions, servitudes, easements, charges and liens set forth in this Declaration.

Section 12.19. Declarant Reserved Rights. No amendment to this Declaration, the Bylaws or the Articles of Incorporation may remove, revoke, or modify any right, reservation or privilege of the Declarant without the prior written consent of the Declarant or any successors or assignees (pursuant to Section 12.15) of the Declarant.

Section 12.20. Perpetuities. If any of the covenants, conditions, easements, restrictions, or other provisions of this Declaration shall be unlawfully void, or voidable for violation of the rule against perpetuities, then such provisions shall continue only until twenty-one (21) years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

Section 12.21. Declarant Development. As long as the Declarant has an interest in developing the Property or the Project, the Association may not use its financial resources, directly or indirectly, to defray the costs of opposing any development activities reasonably consistent with the general intention of the Development Plan, as amended. Nothing in this Section shall be construed to limit the rights of Members to act as individuals or in affiliation with other Members or other groups.

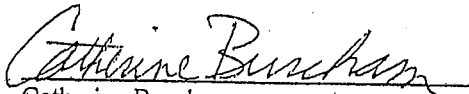
Section 12.22. Captions and Gender. The captions contained in this Declaration are for convenience only and are not a part of this Declaration and are not intended in any way to limit or enlarge the terms and provisions of this Declaration or to aid in the construction or interpretation of this Declaration. Whenever in this Declaration the context so requires, the singular number shall include the plural and the converse, and the use of any gender shall be deemed to include all genders.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned, has executed this instrument this 25th day of July, 2005.

WITNESS:

RICHMOND AMERICAN HOMES OF MARYLAND,
INC., a Maryland corporation


Catherine Burcham

By: 
Name: Mark T. Boastfield
Title: Vice President of Land Acquisition and Development

STATE OF Maryland

COUNTY OF Howard

* * *

*

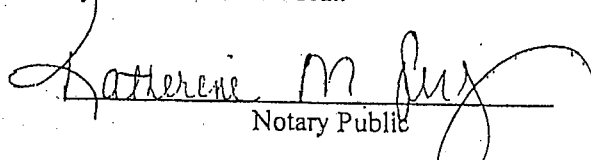
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*

to wit:

I HEREBY CERTIFY that on this 25th day of July, 2005, before me, a Notary Public in and for the jurisdiction aforesaid, personally appeared Mark T. Boastfield, known to me (or satisfactorily proven) to be the Vice President of Richmond American Homes of Maryland, Inc., a Maryland corporation, and that such person, in such capacity and being authorized to do so, executed the foregoing and annexed instrument on behalf of such corporation for the purposes therein contained.

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


Notary Public

My Commission Expires: 3/15/08

[NOTARIAL SEAL]

ATTORNEY'S CERTIFICATION

I HEREBY CERTIFY that the foregoing instrument was prepared by or under the supervision of the undersigned, an attorney duly licensed to practice before the Court of Appeals of Maryland.

Marc DeCandia

THIRD (3RD) ELECTION DISTRICT
HARFORD COUNTY, MARYLAND

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Exhibit "A"

(Description of Property)

Exhibit "A"

First:

Being Known and Designated as Lots Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 18, 19, 20, 32, 39, 40, 41, 42, 43, and 44 as shown on the Plat entitled "Final Plat One, Grafton Ridge", which Plat is recorded among the Land Records of Harford County, Maryland, in Plat Book 115 folio 24;

Second:

Being Known and Designated as Lots nos. 10, 11, 12, 13, 14, 15, 16, 17, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30 and 31 and Passive Open Space 2.843 AC shown on the Plat entitled "Final Plat Two, Grafton Ridge", which Plat is recorded among the Land Records of Harford County, Maryland, in Plat Book 115 folio 25; and

Third:

Being Known and Designated as Lots Nos. 33, 34, 35, 36, 37 and 38 as shown on the Plat entitled "Final Plat Three, Grafton Ridge" which plat is recorded among the Land of Harford County, Maryland, in Plat Book 115 folio 26; and

Fourth:

Being Known and Designated as Passive Open Space 3.183 AC all that property shown on the Plat entitled "Final Plat Four, Grafton Ridge", which Plat is recorded among the Land Records of Harford County, Maryland, in Plat Book 115 folio 27; SAVING AND EXCEPTING THEREFROM Lot 45 as shown on said Plat; and

Fifth:

Being Known and Designated as Lot 44 and Passive Open Space 0.670 Ac. shown on the Plat entitled "Revised Final Plat One Lot 44 Grafton Ridge", which Plat is recorded among the Land of Harford County, Maryland, in Plat Book 118 folio 12

Address and Lot Number

Tax Id Numbers

Grafton Ridge Court - Open space 3.18	03-374432
Grafton Ridge Court - Open space .670	03-377164
1700 Grafton Ridge Lot 1	03-374459
1702 Grafton Ridge Lot 2	03-374467
1704 Grafton Ridge Lot 3	03-374475
1705 Grafton Ridge Lot 44	03-374645
1706 Grafton Ridge Lot 4	03-374483
1707 Grafton Ridge Lot 43	03-374637
1708 Grafton Ridge Lot 5	03-374491
1709 Grafton Ridge Lot 42	03-374629
1710 Grafton Ridge Lot 6	03-374505

1711 Grafton Ridge	Lot 41	03-374510
1712 Grafton Ridge	Lot 7	03-374513
1713 Grafton Ridge	Lot 40	03-374602
1715 Grafton Ridge	Lot 39	03-374599
1718 Grafton Ridge	Lot 20	03-374572
Address and Lot Number		Tax Id. Numbers

1720 Grafton Ridge	Lot 32	03-374580
1722 Grafton Ridge	Lot 33	03-374351
1724 Grafton Ridge	Lot 34	03-374378
1726 Grafton Ridge	Lot 35	03-374386
1728 Grafton Ridge	Lot 36	03-374394
1730 Grafton Ridge	Lot 37	03-374408
1732 Grafton Ridge	Lot 38	03-374416

1200 Shop View Ct	Lot 19	03-374564
1202 Shop View Ct	Lot 18	03-374556
1203 Shop View Ct	Lot 8	03-374521
1204 Shop View Ct	Lot 17	03-374211
1205 Shop View Ct	Lot 9	03-374548
1206 Shop View Ct	Lot 16	03-374203
1207 Shop View Ct	Lot 10	03-374130
1208 Shop View Ct	Lot 15	03-374181
1209 Shop View Ct	Lot 11	03-374149
1211 Shop View Ct	Lot 12	03-374157
1213 Shop View Ct	Lot 13	03-374165
1215 Shop View Ct	Lot 14	03-374173

1202 Fristoe Ct	Lot 31	03-374335
1203 Fristoe Ct	Lot 21	03-374238
1204 Fristoe Ct	Lot 30	03-374327
1205 Fristoe Ct	Lot 22	03-374246
1206 Fristoe Ct	Lot 29	03-374319
1207 Fristoe Ct	Lot 23	03-374254
1208 Fristoe Ct	Lot 28	03-374300
1209 Fristoe Ct	Lot 24	03-374262
1210 Fristoe Ct	Lot 27	03-374297
1211 Fristoe Ct	Lot 25	03-374270
1212 Fristoe Ct	Lot 26	03-374289

**SUPPLEMENTARY DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR
GRAFTON RIDGE HOMEOWNERS ASSOCIATION, INC.**

THIS SUPPLEMENTARY DECLARATION, is made on the date hereinafter set forth by RICHMOND AMERICAN HOMES OF MARYLAND, INC., a Maryland corporation (hereinafter referred to as the "Declarant").

WITNESSETH:

WHEREAS, Declarant has heretofore recorded a certain Declaration of Covenants, Conditions, Easements and Restrictions for Grafton Ridge Homeowners Association, Inc. (hereinafter referred to as the "Declaration", which term shall include any and all subsequent corrections and modifications thereof as may be recorded among the Land Records of Harford County); and

WHEREAS, Declarant desires to extend the scheme of the covenants and restrictions of the Declaration to certain Common Area in accordance with the provisions of Article 2 of the Declaration.

NOW, THEREFORE, Declarant hereby declares that all of the properties described on the Description of Annexed Lots and/or Common Area attached hereto and made part hereof as Exhibit "A" shall be and are hereby made subject to the effect and operation of the Declaration, so that the Common Area described on Exhibit "A" hereto shall be deemed included within the scheme of the covenants and restrictions of the Declaration and fully subject to the effect and operation of the Declaration, including each and every covenant, restriction, condition and easement set forth therein.

Words or phrases defined in Article 1 of the Declaration shall have the same meaning in this Supplementary Declaration as provided for in Article 1 of the Declaration.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has executed this instrument this 11TH day of October, 2005.

ATTEST:

Catherine Burdhan

DECLARANT:

RICHMOND AMERICAN HOMES OF
MARYLAND, INC., a Maryland
corporation

By:

Name:

Title:

Mark T. Boastfield

MARK T. BOASTFIELD

VICE PRESIDENT - LAND

* * *

STATE OF Maryland
COUNTY OF Howard

*
* to wit:
*

I HEREBY CERTIFY that on this 11 day of October, 2005, before me, a Notary Public in and for the State and County aforesaid, personally appeared Mark T. Bostfield known to me (or satisfactorily proven) to be the Vice President of Richmond American Homes of Maryland, Inc., a Maryland corporation, and that such person, being authorized to do so, executed the foregoing and annexed instrument for the purposes therein contained.

GIVEN under my hand and notarial seal as of the day and year first above written.

Katherine M. Pyle
Notary Public

My Commission Expires: 3-15-08

[NOTARIAL SEAL]

CERTIFICATION

I HEREBY CERTIFY that the foregoing document was prepared by or under the supervision of the undersigned, an attorney duly licensed to practice before the Court of Appeals of Maryland.

Marc DeCandia

L&B 523344v1/07735.0039

Being Known and Designated as Open Space 1.49 AC as shown on the Plat entitled "Final Plat One, Grafton Ridge", which Plat is recorded among the Land Records of Harford County, Maryland, in Plat Book 115 folio 24.

Address:

Tax Id Number

Bear Hollow Court Open Space 1.49AC

03-374653

Exhibit "A"

(Description of Annexed Lots and/or Common Area)

Exhibit "C"

(Bylaws)

BYLAWS
OF
GRAFTON RIDGE HOMEOWNERS ASSOCIATION, INC.

ARTICLE 1
NAME AND LOCATION

The name of the corporation is GRAFTON RIDGE HOMEOWNERS ASSOCIATION, INC., hereinafter referred to as the "Association." The principal office of the corporation shall be located at 6200 Old Dobbin Lane, Suite 190, Columbia, Maryland 21045 but meetings of Members and Directors may be held at such places within or outside the State of Maryland as may be designated by the Board of Directors.

ARTICLE 2
DEFINITIONS

Section 2.1. "Association" shall mean and refer to GRAFTON RIDGE HOMEOWNERS ASSOCIATION, INC., a nonstock Maryland corporation, its successors and assigns.

Section 2.2. "Common Area" shall mean and refer to all real property owned, leased or maintained by the Association (including the improvements thereto) for the common use and enjoyment of the Owners. Notwithstanding the foregoing, in the event the Association maintains all or any portion of any Lot(s), such property shall not be considered Common Area.

Section 2.3. "Common Expenses" shall mean and refer to the actual and estimated expenses of operating the Association, including a reasonable reserve and expenses for the maintenance of the Common Area in accordance with Article 9 of the Declaration, all as may be found to be necessary or appropriate by the Board of Directors pursuant to the Declaration, these Bylaws and the Articles of Incorporation of the Association.

Section 2.4. "Declarant" shall be RICHMOND AMERICAN HOMES OF MARYLAND, INC., a Maryland corporation, its successors and assigns, but only to the extent that any of the rights, reservations, easements, interests, exemptions, privileges or powers of the Declarant are specifically assigned or transferred to any such successors or assigns by an instrument in writing.

Section 2.5. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions, Easements and Restrictions applicable to the Property recorded among the Land Records for Harford County, Maryland, including any amendments and supplements thereto.

Section 2.6. "Lot" shall mean and refer to any plot of land designated as a separate subdivided lot of record upon any recorded subdivision plat of the Property upon which the planned or actual improvements are primarily intended for use and occupancy as a residential dwelling unit, including, without limitation, single-family detached dwelling units. The term Lot shall not include Common Area or outlots of property dedicated for public use.

Section 2.7. "Member" shall mean and refer to every person, group of persons, corporation, partnership, trust, or other legal entity, or any combination thereof, who holds any class of membership in the Association.

Section 2.8. "Mortgagee" shall mean the holder of any recorded mortgage, or the party secured or beneficiary of any recorded deed of trust, encumbering one or more of the Lots. "Mortgage," as used herein, shall include deeds of trust. "First Mortgage," as used herein, shall mean a mortgage with priority over all other mortgages. As used in the Declaration, the term "mortgagee" shall mean any mortgagee and shall not be limited to institutional mortgagees. As used in the Declaration, the term "institutional mortgagee" or "institutional holder" shall include banks, trust companies, insurance companies, mortgage insurance companies, savings and loan associations, trusts, mutual savings banks, credit unions, pension funds, mortgage companies, Federal National Mortgage Association ("FNMA"), Government National Mortgage Association ("GNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), all corporations and any agency or department of the United States Government or of any state or municipal government, or any other organization or entity which has a security interest in any Lot. In the event any mortgage is insured by the Federal Housing Administration ("FHA") or guaranteed by the Department of Veterans Affairs ("VA"), then as to such mortgage, the expressions "mortgagee" and "institutional mortgagee" include the FHA or the VA as the circumstances may require, acting, respectively, through the Federal Housing Commission and the Secretary of Veterans Affairs or through other duly authorized agents.

Section 2.9. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any Lot which is a part of the Property, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 2.10. "Property" shall mean and refer to that certain real property described on Exhibit "A" to the Declaration, and such additions as may hereafter be brought within the jurisdiction of the Association pursuant to Article 2 of the Declaration.

Any other capitalized terms used herein shall be defined as set forth in the Declaration unless specifically provided otherwise in these Bylaws.

ARTICLE 3 MEETING OF MEMBERS

Section 3.1. Annual Meetings. The first annual meeting of the Members shall be held within twelve (12) months from the date of filing of the Articles of Incorporation of the Association, or within sixty (60) days of the date of conveyance of fifty percent (50%) of the Lots which may be annexed within the Property, whichever occurs earlier, and each subsequent regular annual meeting of the Members shall be held on the same day of the same month of each year thereafter or such other reasonably similar date as may be selected by the Board of Directors. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 3.2. Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of the Members who are entitled to vote not less than twenty percent (20%) of all of the votes of the Class A membership.

Section 3.3. Notice of Meetings. The Association shall provide each Member entitled to vote thereat with written notice of each meeting of the Members at least ten (10) days but not more than ninety (90) days before such meeting. Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting. Notice shall be given pursuant to this Section 3.3 when it is (i) personally delivered to a Member, (ii) left at a Member's residence, (iii) mailed to a Member at the Member's address as it last appears on the records of the Association, (iv) transmitted to a Member by electronic mail to any electronic mail address of the Member or by any other electronic means, or (v) delivered by any other means allowed under applicable law. Such notice may be waived upon the declaration of an emergency by the person calling the meeting. Such notice shall specify the time, date, and place of the meeting, and, in the case of a special meeting, the purpose of the meeting. All meetings of the Members shall be held at places and times convenient to the greatest practicable number of Members.

Section 3.4. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, twenty percent (20%) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 3.5. Voting. At every meeting of the Members, each Class A Member shall have the right to cast one (1) vote for each Class A membership which he owns on each question. Each of the Class B Members shall have the right to cast one (1) vote for each Class B membership which he owns on each question. The vote of the Members representing fifty-one percent (51%) of the total of the votes of all of the memberships at the meeting, in person or by proxy, calculated as aforesaid, shall be necessary to decide any question brought before such

meeting, unless the question is one upon which, by the express provision of law or of the Articles of Incorporation, or of the Declaration or of these Bylaws, a different vote is required, in which case such express provision shall govern and control. The vote for any membership which is owned by more than one person may be exercised by any of the co-owners present at any meeting unless any objection or protest by any other owner of such membership is noted at such meeting. In the event all of the co-owners of any membership who are present at any meeting of the Members are unable to agree on the manner in which the votes for such membership shall be cast on any particular question, then such vote shall not be counted for purposes of deciding that question. In the event any membership is owned by a corporation, then the vote for any such membership shall be cast by a person designated in a certificate signed by the President or any Vice President of such corporation and attested by the Secretary or an Assistant Secretary of such corporation and filed with the Secretary of the Association, prior to or during the meeting. The vote for any membership which is owned by a trust or partnership may be exercised by any trustee or partner thereof, as the case may be, and, unless any objection or protest by any other such trustee or partner is noted at such meeting, the Chairperson of such meeting shall have no duty to inquire as to the authority of the person casting such vote or votes. No Class A Member shall be eligible to vote, either in person or by proxy, or to be elected to the Board of Directors, who is shown on the books or management accounts of the Association to be more than sixty (60) days delinquent in any payment due the Association.

Section 3.6. Absentee Ballots. Any unsigned absentee ballot, to be valid, shall be received in a signed, sealed envelope bearing the identification of the dwelling unit on the outside, and shall be opened only at a meeting at which all candidates or their delegates have a reasonable opportunity to be present.

Section 3.7. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his or her Lot. No proxy shall be valid after eleven (11) months from its date, unless otherwise provided in the proxy. Any proxy must be in writing and must be filed with the Secretary in a form approved by the Board of Directors, which approval may not be unreasonably withheld, before the appointed time of each meeting. Any written proxy which conforms with the applicable laws of Maryland shall be satisfactory and approved as to form by the Board of Directors. Notwithstanding anything herein to the contrary only a directed proxy may be utilized to vote for a member of the Board of Directors. A nondirected proxy may be counted toward a quorum and may vote on any matters of business other than the election of Directors.

Section 3.8. Rights of Mortgagees. Any institutional mortgagee of any Lot who desires notice of the annual and special meetings of the Members shall notify the Secretary to that effect by Registered Mail - Return Receipt Requested. Any such notice shall contain the name and post office address of such institutional mortgagee and the name of the person to whom notice of the annual and special meetings of the Members should be addressed. The Secretary of the Association shall maintain a roster of all institutional mortgagees from whom such notices are received and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each annual or special meeting of the Members to each such institutional mortgagee in

the same manner, and subject to the same requirements and limitations as are otherwise provided in this Article for notice to the Members. Any such institutional mortgagee shall be entitled to designate a representative to attend any annual or special meeting of the Members and such representative may participate in the discussion at any such meeting and may, upon his or her request made to the Chairperson in advance of the meeting, address the Members present at any such meeting. Such representative shall have no voting rights at any such meeting. Such representative shall be entitled to copies of the minutes of all meetings of the Members upon request made in writing to the Secretary.

Section 3.9. Open Meetings.

(a) All meetings of the Association (including meetings of the Members, the Board of Directors, and committees appointed by the Board of Directors) shall be open to all Members of the Association or their agents, except that such meetings may be held in closed session for the following purposes, subject to applicable law, including the provisions of the Maryland Homeowners Association Act, as amended from time to time:

- (i) Discussion of matters pertaining to employees and personnel;
- (ii) Protection of the privacy or reputation of individuals in matters not related to Association business;
- (iii) Consultation with legal counsel;
- (iv) Consultation with staff personnel, consultants, attorneys or other persons in connection with pending or potential litigation;
- (v) Investigative proceedings concerning possible or actual criminal misconduct;
- (vi) Consideration of the terms or conditions of a business transaction in the negotiation stage if the disclosure could adversely affect the economic interests of the Association;
- (vii) Complying with a specific constitutional, statutory or judicially imposed requirement protecting particular proceedings or matters from public disclosure; or
- (viii) On an individually recorded affirmative vote of two-thirds (2/3) of the members of the Board of Directors (or committee, if applicable) present, for some other exceptional reason so compelling as to override the general public policy in favor of open meetings.

(b) If a meeting is held in closed session pursuant to the procedures established above:

(i) No action may be taken and no matter may be discussed other than those permitted above; and

(ii) A statement of the time, place and purpose of any closed meeting; the record of the vote of each member of the Board of Directors (or committee, if applicable) by which any meeting was closed, and the authority under this Section for closing the meeting shall be included in the minutes of the next meeting of the Board of Directors (or committee, if applicable).

ARTICLE 4 BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 4.1. Number. The affairs of the Association shall initially be managed by a Board of Directors consisting of three (3) natural persons who are set forth in the Articles of Incorporation. Until the expiration of the Class B memberships as provided in the Articles of Incorporation, the Declarant shall have the power to appoint all members of Board of Directors and designate which of the Directors, if any, may be elected by the Members other than the Declarant. Upon the expiration of the Class B memberships, all members of the Board of Directors shall be elected by the Members of the Association.

Until the expiration of the Class B memberships, the Declarant shall have the power to determine, from time to time, whether the Board of Directors shall consist of three (3) or five (5) Directors. Upon the expiration of the Class B memberships, the Members may determine whether the Board of Directors shall consist of three (3) or five (5) Directors by a vote of the Members at any annual or special meeting of Members provided, however, that no such change by the Members shall operate to curtail or extend the term of any incumbent Director.

Section 4.2. Term of Office. The Directors of the Association designated by the Declarant in accordance with Article 4, Section 4.1 above, shall hold office at the pleasure of the Declarant. The terms of office of the members of the Board of Directors elected by the Members shall be fixed at three (3) years. In the alternative, the Members may resolve at any annual meeting, following the lapse of the Class B memberships, to establish the term of office for all Directors elected by the Members to be for a period less than three (3) years, or to establish staggered terms of office for the Directors of from one (1) to three (3) years. Any change in the number of Directors or term of office of Directors shall not act to extend or curtail the term of office of any incumbent. Each Director shall hold office until the next meeting of the Board of Directors following the appointment or election of his or her successor.

Section 4.3. Removal. Except with respect to members of the Board of Directors appointed by the Declarant, at any regular or special meeting of the Association, any one or more of the members of the Board of Directors may be removed from the Board, with or without cause, by the vote of fifty-one percent (51%) of the total authorized votes of the Members of the Association. In the event of death, resignation or removal of a Director, his or her successor shall thereupon be appointed by the remaining Directors from among the Lot Owners to fill out the unexpired portion of such Director's term; provided that the successor to any Director

designated by the Declarant shall be appointed by the Declarant. The term of office of any Director who becomes more than forty-five (45) days delinquent in payment of Assessments against the Lot of which he or she is the Owner shall automatically terminate on the forty-sixth (46th) day, and the term of office of any Director who shall be absent, without reasonable cause, from three (3) consecutive regular meetings of the Board of Directors shall automatically terminate upon commencement of the next regular meeting of the Board following such Director's third consecutive absence, and, in each case, such Director's successor shall thereupon be appointed by the remaining Directors from among the Lot Owners to fill out the unexpired portion of such Director's term; provided that the successor to any Director designated by the Declarant shall be appointed by the Declarant. The Declarant may remove any member of the Board of Directors designated by the Declarant, at any time, with or without cause, by written notification to the Board of Directors specifying the date of such removal and the name of the individual designated to succeed the Director so removed.

Section 4.4. Compensation. No Director shall receive compensation for any service he or she may render to the Association. However, any Director may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

Section 4.5. Action Taken Without a Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the Directors and filing such approval with the minutes of the proceedings of the Board of Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

ARTICLE 5 NOMINATION AND ELECTION OF DIRECTORS

Section 5.1. Nomination. Nomination for election to the Board of Directors may be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. In the event a Nominating Committee is not appointed, the Board of Directors shall perform the functions of the Nominating Committee. The Nominating Committee shall consist of a Chairperson, who shall be a member of the Board of Directors, and two or more Members of the Association. The Nominating Committee, if any, may be appointed by the Board of Directors prior to each annual meeting of the Members. The Nominating Committee may make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or non-Members.

Section 5.2. Election. Election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. Only directed proxies shall be valid for the purpose of casting of votes for election of members to the Board of Directors. All election materials prepared with funds of the Association shall list candidates in alphabetical order and shall not suggest a preference among candidates. The persons receiving the largest number of votes shall be elected. Votes shall not be counted until

after the time allotted by the Association for voting has ended. Cumulative voting is not permitted.

Section 5.3. Appointed Directors. This Article 5 shall not apply to members of the Board appointed by the Declarant. Members of the Board of Directors appointed by the Declarant shall be so appointed without the need for nominations or an election.

ARTICLE 6

MEETINGS OF DIRECTORS

Section 6.1. Regular and Special Meetings. All meetings of the Board of Directors or any committee created by the Board of Directors shall be held only (i) upon regularly scheduled and established dates or periods at such time and place as shall have been made known to all Members in writing in a community newsletter, electronic bulletin board, community website, by regular or electronic mail, or by other means which the Board of Directors determines will be reasonably effective in providing such notice to all Members, or (ii) after written notice of a Board meeting is given to all Members by any of the means listed in Section 3.3 of these Bylaws not less than seventy-two (72) hours nor more than ninety (90) days prior to the date of the meeting. All such meetings shall be open to all Members of the Association or their agents, and shall be held at places and times convenient to the greatest number of Members. Meetings of the Board of Directors may be held in closed session only in accordance with Section 3.9 of these Bylaws.

Section 6.2. Quorum. A majority of the number of Directors shall constitute a quorum for the transaction of business. If any meeting of the Board of Directors cannot be held because a quorum is not present, a majority of the Directors present at such meeting may adjourn the meeting to a time not less than three (3) nor more than thirty (30) days from the date of the original meeting. At the adjourned meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice. Unless a greater number is expressly required under the Bylaws, the Declaration or the Articles of Incorporation for the Association, every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 6.3. Rights of Mortgagees. Any institutional mortgagee of any Lot who desires notice of the regular and special meetings of the Board of Directors shall notify the Secretary to that effect by Registered Mail - Return Receipt Requested. Any such notice shall contain the name and post office address of such institutional mortgagee and the name of the person to whom notice of the regular and special meetings of the Board of Directors should be addressed. The Secretary of the Association shall maintain a roster of all institutional mortgagees from whom such notices are received and it shall be the duty of the Secretary to mail or otherwise cause the delivery of a notice of each regular or special meeting of the Board of Directors to each such institutional mortgagee, in the same manner, and subject to the same requirements and limitations, as are otherwise provided in this Article for notice to the members of the Board of Directors. Any such institutional mortgagee shall be entitled to designate a representative to

attend any regular or special meeting of the Board of Directors' and such representatives may participate in the discussion at any such meeting and may, upon his or her request made to the Chairperson in advance of the meeting, address the members of the Board of Directors present at any such meeting. Such representative shall have no voting rights at any such meeting. Such representative shall be entitled to copies of the minutes of all meetings of the Board of Directors upon request made in writing to the Secretary.

Section 6.4. Fidelity Insurance. The Association shall maintain liability insurance for Directors and officers of the Association with coverages not less than those provided for under Section 5-406 of the Courts and Judicial Proceedings Article of the Annotated Code of Maryland, or any successor statute, as the same may be amended from time to time. The Board of Directors shall require that all officers, Directors and employees of the Association regularly handling or otherwise responsible for the funds of the Association shall be covered by adequate fidelity insurance or equivalent coverage against acts of dishonesty. The premiums on the insurance under this Section 6.4 shall be paid by the Association.

ARTICLE 7 POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 7.1. Powers. The Board of Directors shall have power to:

- (a) adopt and publish rules and regulations of the Association, including, without limitation, those relating to the use of the Lots, Common Area and any facilities situated thereon, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof; and
- (b) suspend the voting rights and right to use of the Common Area and any facilities situated thereon of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and an opportunity for a hearing for a period not to exceed sixty (60) days for infraction of published rules; and
- (c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration; and
- (d) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties; and
- (e) declare the office of a member of the Board of Directors to be vacant in the event such Directors shall be absent from three (3) consecutive regular meetings of the Board of Directors; and
- (f) contract for services that benefit the Property.

Section 7.2. Duties. It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by not less than twenty percent (20%) of the Class A Members who are entitled to vote;

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) as more fully provided in the Declaration, to:

(i) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period (the Board may determine, at its discretion, to round the assessments applicable to each Lot to the nearest half dollar or whole dollar amount);

(ii) send written notice of each assessment to every Owner subject thereto at least fourteen (14) days in advance of the commencement date of the new assessments; and

(iii) foreclose the lien against any property for which assessments are not paid within sixty (60) days after due date or to bring an action at law against the Owner personally obligated to pay the same;

(d) issue, or cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain adequate liability and hazard insurance on property owned by the Association;

(f) cause all officers or employees having fiscal responsibilities to be insured, as it may deem appropriate;

(g) cause the Common Area to be maintained and maintain any other property which is the responsibility of the Association pursuant to the Declaration or the direction of any governmental agency or agreement or which is appurtenant to or serves and benefits any portion of the Property; and

(h) otherwise perform or cause to be performed the functions and obligations of the Board of Directors and the Association as provided for in the Declaration and Articles of Incorporation and these Bylaws, including collection of assessments payable pursuant to any cross easement or other similar agreement. The Association may periodically employ an insurance consultant if the Board of Directors deems it necessary to do so in order to analyze the insurance requirements of the Association.

Section 7.3. Management Agent. The Board of Directors may employ for the Association a management agent or manager (the "Management Agent") at a rate of compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall from time to time authorize in writing. Any management agreement entered into by the Association shall provide, among other things, that such agreement may be terminated for cause by either party upon thirty (30) days prior written notice thereof to the other party. The term of any such management agreement shall not exceed one year; provided, however, that the term of any such management agreement may be renewable by mutual agreement of the parties for successive one (1)-year periods.

ARTICLE 8 OFFICERS AND THEIR DUTIES

Section 8.1. Enumeration of Officers. The officers of this Association shall be a President and Vice President, who shall at all times be members of the Board of Directors, a Secretary, and a Treasurer, and such other officers as the Board may from time to time by resolution create, all of which officers are to be elected by the Board of Directors.

Section 8.2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members; provided that the initial Board of Directors shall elect the first group of officers at its first organizational meeting.

Section 8.3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year or until his or her successor is duly elected and qualified, unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 8.4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 8.5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 8.6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

Section 8.7. Multiple Offices. The offices of Secretary and Assistant Secretary, Treasurer and Vice President may be held by the same person, but in no event shall the same officer execute, acknowledge or verify any instrument in more than one capacity, if such instrument is required by law, the Declaration, the Articles of Incorporation or these Bylaws to

be executed, acknowledged or verified by two (2) or more officers. No person shall simultaneously hold more than one (1) of any of the other offices except in the case of special offices created pursuant to Section 8.4 of this Article and except as otherwise provided in this Section.

Section 8.8. Duties. The duties of the officers are as follows (any of which may be assigned, in whole or in part, by the Board of Directors to the Management Agent in accordance with Section 7.3 hereof):

President

(a) The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

Vice President

(b) The Vice President shall act in the place and stead of the President in the event of his or her absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required by him or her of the Board.

Secretary

(c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Association; and shall perform such other duties as required by the Board.

Treasurer

(d) The Treasurer shall receive and deposit in appropriate bank accounts all moneys of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; keep proper books of account, cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year, if required by the Board of Directors; and shall prepare an annual budget and a statement of income and expenditures to be represented to the membership at its regular annual meeting, and deliver a copy of each to the Members.

Section 8.9. Compensation. No officer shall receive compensation for any service he or she may render to the Association. However, any officer may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

ARTICLE 9

LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Association shall indemnify every officer and Director of the Association against any and all expenses, including counsel fees, reasonably incurred by or imposed upon an officer or Director in connection with any action, suit or other proceeding (including the settlement of any such suit or proceeding if approved by the then Board of Directors of the Association) to which

he or she may be made a party by reason of being or having been an officer or Director of the Association, whether or not such person is an officer or Director at the time such expenses are incurred. The officers and Directors of the Association shall not be liable to the Members of the Association for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The officers and Directors of the Association shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association and the Association shall indemnify and forever hold each such officer and Director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer or Director of the Association or former officer or Director of the Association may be entitled. The provisions of this Article 9 or provisions elsewhere in the Declaration, Bylaws and Articles of Incorporation relating to liability, indemnification and insurance of Directors and officers shall also apply to any member of a committee of the Association.

ARTICLE 10 **COMMITTEES**

The Board of Directors may appoint a Covenant Committee, as provided in the Declaration, and a Nominating Committee, as provided in these Bylaws. In addition, the Board of Directors may appoint other committees as deemed appropriate in carrying out its purposes. All committees appointed by the Board of Directors shall hold meetings in accordance with Section 3.9 and Section 6.1 of these Bylaws.

ARTICLE 11 **INSURANCE**

Section 11.1. Insurance. In addition to the insurance coverage required to be maintained by the Declaration, the Board of Directors of the Association may obtain and maintain, to the extent reasonably available, the following:

- (a) workmen's compensation insurance for employees of the Association to the extent necessary to comply with any applicable law; and
- (b) a "Legal Expense Indemnity Endorsement," or its equivalent, affording protection for the officers and Directors of the Association for expenses and fees incurred by any of them in defending any suit or settling any claim, judgment or cause of action to which any such officer or Director shall have been made a party by reason of his or her services as such; and
- (c) such other policies of insurance, including director and officer liability insurance and insurance for other risks of a similar or dissimilar nature and fidelity insurance as required by these Bylaws, as are or shall hereafter be considered appropriate by the Board of Directors.

Section 11.2. Limitations. Any insurance obtained pursuant to the requirements of this Article shall be subject to the following provisions:

(a) All policies shall be written or reinsured with a company or companies licensed to do business in the State of Maryland and holding a rating of "B/III" or better (or its equivalent) in the current edition of Best's Insurance Guide.

(b) Exclusive authority to negotiate losses under said policies shall be vested in the Board of Directors of the Association, or its authorized representative.

(c) In no event shall the insurance coverage obtained and maintained pursuant to the requirements of this Article be brought into contribution with insurance purchased by the owners of the Lots or their mortgagees, as herein permitted, and any "no other insurance" or similar clause in any policy obtained by the Association pursuant to the requirements of this Article shall exclude such policies from consideration.

(d) All policies shall provide that such policies may not be canceled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days prior written notice to any and all insureds named thereon, including any mortgagee of any Lot who requests such notice in writing.

(e) All policies shall contain a waiver of subrogation by the insurer as to any and all claims against the Association, the Board of Directors, the Members of the Association and their respective agents, employees or tenants, and of any defenses based upon co-insurance or invalidity arising from the acts of the insured.

ARTICLE 12 BOOKS AND RECORDS/FISCAL MANAGEMENT

Section 12.1. Fiscal Year. The fiscal year of the Association shall begin on the first day of January every year, except for the first fiscal year of the Association which shall begin on the date of recordation of the Declaration. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should the practice of the Association subsequently dictate.

Section 12.2. Principal Office - Change of Same. The principal office of the Association shall be as set forth in Article 2 of the Articles of Incorporation of the Association. The Board of Directors, by appropriate resolution, shall have the authority to change the location of the principal office of the Association from time to time.

Section 12.3. Books and Accounts. Books and accounts of the Association shall be kept under the direction of the Treasurer in accordance with generally accepted accounting practices, consistently applied. The same shall include books with detailed accounts, in chronological order, of receipts and of the expenditures and other transactions of the Association and its administration and shall specify the maintenance and repair expenses of the Common Area and

any facilities situated thereon, services required or provided with respect to the same and any other expenses incurred by the Association.

Section 12.4. Auditing. At the close of each fiscal year and at the election of the Board of Directors, the books and records of the Association may be audited by an independent Public Accountant whose report shall be prepared in accordance with generally accepted auditing standards, consistently applied. Based upon such report, if prepared, the Association shall furnish the Members and any mortgagee requesting the same with an annual financial statement, including the income and disbursements of the Association, within one hundred twenty (120) days following the end of each fiscal year.

Section 12.5. Inspection of Books. The books and accounts of the Association, vouchers accrediting the entries made thereupon and all other records maintained by the Association shall be available for examination by the Members and their duly authorized agents or attorneys, and to the institutional holder of any first mortgage on any Lot and its duly authorized agents or attorneys, during normal business hours and for purposes reasonably related to their respective interests and after reasonable notice. The Declaration, the Articles of Incorporation and these Bylaws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE 13 **ASSESSMENTS**

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment may bear interest from the date of delinquency at the rate established by the Board of Directors, up to the maximum rate permitted by law, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, late charges, costs, and reasonable attorneys' fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his or her Lot.

ARTICLE 14 **CORPORATE SEAL**

The Association shall have a seal in circular form having within its circumference the words: GRAFTON RIDGE HOMEOWNERS ASSOCIATION, INC., a Maryland nonstock corporation.

ARTICLE 15
AMENDMENTS

These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members present in person or by proxy.

ARTICLE 16
INTERPRETATION/MISCELLANEOUS

Section 16.1. Conflict. These Bylaws are subordinate and subject to all provisions of the Declaration and to the provisions of the Articles of Incorporation of the Association. All of the terms hereof, except where clearly repugnant to the context, shall have the same meaning as they are defined to have in the Declaration. In the event of any conflict between these Bylaws and the Declaration, the provisions of the Declaration shall control, and in the event of any conflict between these Bylaws and the Articles of Incorporation of the Association, the provisions of the Articles of Incorporation shall control.

Section 16.2. Notices. Unless another type of notice is specifically provided for in these Bylaws, any and all notices called for in these Bylaws shall be given in writing.

Section 16.3. Severability. In the event any provision or provisions of these Bylaws shall be determined to be invalid, void or unenforceable, such determination shall not render invalid, void or unenforceable any other provisions of these Bylaws which can be given effect.

Section 16.4. Waiver. No restriction, condition, obligation or provisions of these Bylaws shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

Section 16.5. Captions. The captions contained in these Bylaws are for convenience only and are not a part of these Bylaws and are not intended in any way to limit or enlarge the terms and provisions of these Bylaws or to aid in the construction thereof.

Section 16.6. Gender, etc. Whenever in these Bylaws the context so requires, the singular number shall include the plural and the converse, and the use of any gender shall be deemed to include all genders.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, we, being all of the Directors of GRAFTON RIDGE HOMEOWNERS ASSOCIATION, INC., have hereunto set our hands this 25th day of July, 2005.

WITNESS:

Catherine Burchan

[Signature]
Director

Catherine Burchan

Katherine M. [Signature]
Director

Catherine Burchan

[Signature]
Director

* * *

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting Secretary of GRAFTON RIDGE HOMEOWNERS ASSOCIATION, INC., a Maryland nonstock corporation, and,

THAT the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Board of Directors hereof, held on the 25th day of July, 2005.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 25th day of July, 2005.

Katherine M. [Signature]
Katherine M. Surgeon
Secretary

[CORPORATE SEAL]

Exhibit "D"

(Budget)

**Grafton Ridge Phase I
Proposed Budget**

Grafton Ridge Phase I

Income

100-HOA Fees 44 Units @ 32 per month 16896.00

Total Income 16896.00

Expense

1000-Administrative

1010-Management Fee 2640.00

1015-Accounting Fee 500.00

1020-Audit Fees 750.00

1025-Office 200.00

1030-Legal Fees 500.00

1035-Postage and Mail 200.00

1040-Insurance 2600.00

Total 1000-Administrative 7390.00

3000-Utilities

3050-SWM 2000.00

Total 3000-Utilities 2000.00

4000-Maintenance

4005-SWM Pond 1500.00

Total 4000-Maintenance 1500.00

5000-Contracted Services

5005-Lawn Maintenance/Landscape 5500.00

Total 5000-Contracted Services 5500.00

6000-Reserves

6005-Reserves 500.00

Total 6000-Reserves 500.00

Total Expense 16890.00

Exhibit "E"

(Lot 45 Declaration of Restriction)

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(5)

64006358
RETURN TO:
STEWART TITLE OF MARYLAND
409 WASHINGTON AVENUE - SUITE 311
TOWSON, MARYLAND 21204
410236-5380 OPTION 2

DECLARATION OF RESTRICTION AND DEVELOPMENT COOPERATION AGREEMENT

HP FD CURE \$ 20.00
RECORDING FEE 20.00
TOTAL 40.00
Ref: HAGE 1667
JJR DCN 1608
MIR 1608

THIS DECLARATION is made as of the 11TH day of August, 2004, by and between Bear Hollow, LLC ("Lot Owner") and Richmond American Homes of Maryland, Inc. ("RAHM").

Sep 17, 2004

02:08 PM

RECITALS

A. Lot Owner is the fee simple owner of parcel of land situated and lying in the Grafton Ridge Subdivision, Harford County, Maryland ("Grafton Ridge") which is more particularly described as follows:

BEING KNOWN AND DESIGNATED as Lot 45 as shown on the plat entitled "Final Plat Four - Grafton Ridge," which plat is recorded among the Land Records of Harford County, Maryland in Liber JJR 115, page 27 ("Lot 45").

B. In connection with the sale by an affiliate of Lot Owner of other lots (the "Association Lots") and other property (other than Lot 45) within Grafton Ridge to RAHM, Lot Owner desires to impose certain restrictions on the use of Lot 45 in accordance with the terms and conditions of this instrument for the benefit of the Association Lots. The Association Lots are more particularly described as follows:

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BEING KNOWN AND DESIGNATED as Lot 1 through and including 44 as shown on the plats entitled "Final Plat One, Final Plat Two, and Final Plat Three - Grafton Ridge," which plats are recorded among the Land Records of Harford County, Maryland at Liber JJR 45, pages 24, 25 and 26.

C. The Association Lots are included within a homeowners association formed pursuant to the Maryland Homeowners Association Act (the "Association").

NOW, THEREFORE, WITNESSETH in consideration of the foregoing, and \$10.00 paid and other good and valuable consideration, the Lot Owner hereby declares and agrees as follows:

1. Restriction on Use of Property. The use of Lot 45 shall hereinafter be restricted as follows:

(a) The Lot Owner shall be permitted to keep or maintain any species of farm animals and livestock as permitted by the Harford County Zoning

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Ordinance; provided, however, that in no event shall the Lot Owner keep or maintain more than 2 pigs, 10 sheep, 10 turkeys, 10 Geese, 10 goats or 50 chickens within Lot 45.

(b) All such animals shall be at all times contained in a fenced area within Lot 45 located within the rear yard or in currently existing barn(s) on Lot 45.

(c) Such animals shall not be a source of annoyance or nuisance to Owners or occupants of the Association Lots and must be kept and maintained in strict conformance with all laws and ordinances.

2. Development Cooperation. Lot Owner agrees to cooperate with RAHM, during all times that RAHM holds title to the Association Lots, the Property, as described below or any part thereof, to facilitate the development and improvement of the Association Lots and all other property described on "Final Plat One, Final Plat Two, Final Plat Three and Final Plat Four - Grafton Ridge," recorded among the Land Records of Harford County, Maryland at Liber JJR, pages 24, 25, 26 and 27 (collectively, the "Property") including, but in no way limited to, cooperation with respect to the installation of utilities to the Property and Lots, the grading of the Property, and the placement of construction trailers on Lot 45 (which installation, grading and trailers shall be in a location mutually agreeable by Lot Owner and RAHM). Notwithstanding anything to the contrary set forth herein, this Section may not be amended without the consent of the Owner and RAHM.

3. Run with the Land, Successor and Assigns. These restrictions and covenants shall be binding on the Lot Owner, its successors, assigns, heirs and personal representatives and shall run with the land and may only be nullified by a written instrument properly authorized and executed by the board of directors of the Association and recorded among the Land Records of Harford County, Maryland. Every owner of Lot 45 now or in the future is and conclusively shall be deemed to have consented and agreed to every condition, standard and covenant set forth in this instrument whether or not any reference to this instrument is set forth in the instrument pursuant to which such owner acquires an interest in Lot 45.

4. Notices. Any notice to be given to any party hereto in connection with this instrument shall be in writing and shall be deemed given when hand delivered with a signed receipt or sent postage prepaid by Certified Mail. Notices shall be delivered to the property address for the intended recipient or to the address of a recipient's resident agent as set forth in the records of the secretary of state for the state in which the recipient entity is formed. Any party, by written notice to the other parties, may change its address to which notices are to be sent.

5. Superiority to Mortgages. The parties hereto agree that should any of Lot 45 be sold under a foreclosure of any mortgage or by deed in lieu of foreclosure of sale by a trustee in bankruptcy or other, sales under distress, such sales or conveyances will be subject to this instrument.

6. Entire Agreement and Modifications. This instrument embodies and constitutes the final and entire agreement between the parties hereto and they shall not be bound by any terms, covenants, conditions, representations or warranties not expressly contained herein. Except as set forth below in this Section 6, this instrument may not be altered, changed or amended except by an instrument in writing, executed by the Lot Owner and the board of directors of the Association. Notwithstanding the foregoing, amendments to the terms of Section 2 hereof must be made by an instrument in writing executed by Lot Owner and RAHM.

7. Applicable Law. This instrument shall be governed, construed and enforced according to the laws of the State of Maryland, without regard to principals of conflict of laws.

8. Headings. Descriptive headings are for convenience only and shall not control or affect the meaning or construction of any provision of this instrument.

9. Recordation. The parties agree that this instrument shall be recorded among the Land Records of Harford County, Maryland by RAHM.

10. Interpretation. Whenever the context hereof shall so require, the singular shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.

11. Severability. If any one or more of the provisions contained in this instrument shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this instrument shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

12. Remedies. (a) No individual owner of an Association Lot shall have the right to enforce the restrictions, conditions, covenants and obligations contained in this Declaration. The board of directors of the Association shall have the right to enforce, by any proceeding at law and/or in equity, all restrictions, conditions, covenants and obligations contained in this Declaration. Failure to enforce any provision of this Declaration, shall in no event be deemed a waiver of the right to do so thereafter. There shall be and there is hereby created and declared to be a conclusive presumption that any violation or breach or attempted violation or breach of this Declaration, cannot be adequately remedied by action at law or exclusively by recovery of damages. If the board of Directors of the Association, successfully brings an action to extinguish a violation or otherwise enforce the provisions of this Declaration, the costs of such action, including legal fees, shall become a binding, personal obligation of the Lot Owner and/or resident committing or responsible for such violation, and such costs shall constitute a lien on Lot 45, provided the provisions of the Maryland Contract Lien Act, if applicable, have been fulfilled.

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(b) Notwithstanding the terms of Section 12(a) above, RAHM shall be the only party entitled to enforce the provisions of Section 2 hereof, and shall be entitled to avail itself of all remedies at law or in equity for a breach by Lot Owner of the terms of Section 2 hereof.

IN WITNESS WHEREOF, the parties hereto have executed under seal this instrument as of the day and year first above written.

WITNESS:

LOT OWNER

BEAR HOLLOW, LLC

Chatty Busby

By: Michael A. Euler Sr. RA (SEAL)

MICHAEL A. EULER SR RA (Name)
MANAGING MEMBER (Title)

WITNESS:

RAHM:

RICHMOND AMERICAN HOMES OF
MARYLAND, INC.

Katherine M. Gung

By: Mark T. Boastfield (SEAL)
MARK T. BOASTFIELD (Name)
VICE PRESIDENT - LAND (Title)

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STATE OF Maryland
COUNTY OF Harford

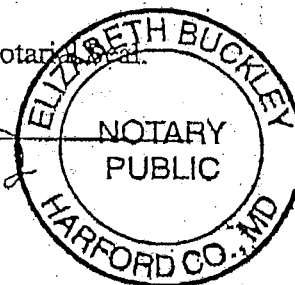
to wit:

On this 5th day of August, 2004, before me, the subscribed,
a Notary Public of the State aforesaid, personally appeared
Michael A. Eulice, and he acknowledged the above instrument for the
purposes contained therein.

IN WITNESS WHEREOF, I hereunto set my hand and Notarial Seal.

Elizabeth Buckley
NOTARY PUBLIC

My Commission Expires: 1/27/05



STATE OF Maryland
COUNTY OF Howard

to wit:

On this 11th day of August, 2004, before me, the
subscribed, a Notary Public of the State aforesaid, personally appeared
Mark T. Braastad, and he acknowledged the above
instrument for the purposes contained therein.

IN WITNESS WHEREOF, I hereunto set my hand and Notarial Seal.

Katherine M. Surgeon
NOTARY PUBLIC

My Commission Expires:

3/15/08



TOTAL P.07

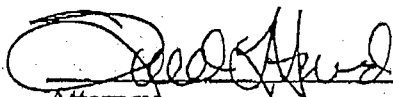
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ATTORNEY'S CERTIFICATION

I HEREBY CERTIFY that the foregoing instrument was prepared by or under the supervision of the undersigned, an attorney duly licensed to practice before the Court of Appeals of Maryland.



Attorney

SANDRA L. HOWARD