

TRANSCRIBED DIRECTLY FROM ORIGINAL FOR LEGIBILITY

**FIRST AMENDED
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
SPRING CHASE COMMUNITY ASSOCIATION, INC.
(As Amended September, 1998)**

THIS FIRST AMENDED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS is made this 27th day of September, 1998, by Spring Chase Community Association Inc., a Maryland Corporation, hereinafter referred to as "Declarant" throughout this document. Wherever the term "Declarant" is used, it shall mean Spring Chase Community Association, Inc. These amendments are being made pursuant to powers to amend contained in Article XII, Section 2 "Amendment" in the Declaration of Covenants, Conditions and Restrictions for Spring Chase Community Association, Inc. dated February 26, 1987 and recorded among the Land Records of Wicomico County Maryland at Liber 1094, Folio 861.

W I T N E S S E T H:

WHEREAS, Harkins Associates, Inc., Declarant's predecessor in interest, executed and recorded a Declaration of Covenants, Conditions and Restrictions for Spring Chase Community Association, Inc. dated February 26, 1987 and recorded in the Land Records of Wicomico County in Liber No. 1094, Folio 861 which pertained to property duly described therein in "Exhibit A" attached thereto and incorporated therein (which is incorporated herein as though set forth in full);

AND WHEREAS the Declarant and its members have the power to amend the Declarations of Covenants, Conditions and Restrictions pursuant to Article XII by affirmative vote of sixty-seven percent (67%) * of the total votes of the Association.

NOW THEREFORE, Declarant intends by this First Amended Declaration of Covenants, Conditions and Restrictions to amend the said Declaration of Covenants, Conditions and Restrictions made by Harkins Associates, Inc. and recorded as aforesaid; to further provide mutually beneficial restrictions under a general plan of improvement for the benefit of all owners of real property within the Property made subject to this First Amended Declaration and any amendments thereto by the recording of this First Amended Declaration of Covenants, Conditions and Restrictions; to continue the flexible and reasonable procedure for the overall development of the Property and the interrelationship of the component residential associations; and to sustain the established method for the administration, maintenance, preservation, use and enjoyment of such Property as are now or may hereafter be subjected to the First Amended Declaration of Covenants, Conditions and Restrictions;

AND, THEREFORE, Declarant hereby declares that all of the Property described as aforesaid in Exhibit A of the Declaration of Covenants, Conditions and Restrictions for

Spring Chase Community Association, Inc., recorded as aforesaid among the Land Records of Wicomico County in Liber 1094, Folio 0861, to be added to the subject to this First Amended Declaration of Covenants, Conditions and Restrictions shall be held, sold, and conveyed subject to the following easements, restrictions, covenants and conditions which are for the purpose of protecting the value and desirability of said real property and which shall run with the real property subjected to this First Amended Declaration of Covenants, Condition and Restrictions; and which shall be binding on all parties having any right, title or interest in the described Property or any part thereof, their heirs, successors, successors-in-title, and assigns, and shall inure to the benefit of each owner thereof.

Article I
Definitions

- 1. “Areas of Common Responsibility” shall mean and refer to the Common Area, together with those areas which may become the responsibility of the Association.**
- 2. “Association” shall mean and refer to Spring Chase Community Association, Inc., a Maryland Corporation, and its successors and assigns.**
- 3. “Board of Directors” or “Board” shall be the elected body of the Association having its normal meaning under Maryland Law.**
- 4. “Common Area” shall mean all real and personal property now or hereafter owned by the Association or otherwise held for the common use and enjoyment of the Owners. This Common Area has been conveyed to the Association prior to the conveyance of a subdivision interest to any Residential Unit purchaser and is more fully shown and described on Exhibit B attached to the original Declaration of Covenants, Conditions and Restrictions of Spring Chase Community Association, Inc., recorded among the Land Records of Wicomico County in Liber 1094, Folio 0861 (which is incorporated by reference herein as though set forth in full.) This Common Area includes, but is not limited to, any picnic area or recreational amenity constructed within the Common Open Space shown, the storm water management systems, pathways, and site lighting (excluding street lights). All lands as so designated on the aforementioned Exhibit B shall be owned in perpetuity the said Association.**
- 5. “Common Expenses” shall mean and include the actual and estimated expenses of operating the Association, including any reasonable reserve, all as may be found to be necessary and appropriate by the Board pursuant to this First Amended Declaration, the By-Laws, and the Articles of Incorporation of the Association. Notwithstanding any of the above, said expenses shall also include but are not limited to City, County and State property taxes.**
- 6. “Member” shall mean and refer to a person or entity entitled to membership in the Association as provided for in Article III, Section 1.**

7. **“Mortgage” shall include a Deed of Trust as well as a Mortgage.**
8. **“Mortgagee” shall include a beneficiary or holder of a Deed of Trust, as well as a Mortgagee.**
9. **“Mortgagor” shall include the grantor/trustor of a Deed of Trust, as well as a Mortgagor.**
10. **“Owner” shall mean and refer to one or more persons or entities who hold the record title to any Residential Unit which is part of the Property, but excluding in all cases any party holding an interest merely as security for the payment of a debt or the performance of an obligation.**
11. **“Phase” shall mean and refer to the two (2) separately designated, developed residential areas shown on Exhibit B attached to the Declaration of Covenants, Conditions and Restrictions of Spring Chase Community Association, Inc., recorded among the Land Records of Wicomico County at Liber 1094, Folio 0861, and incorporated herein as aforesaid, comprised of various types of housing or any additional area by amendment made subject to this First Amended Declaration of Covenants, Conditions and Restrictions.**
12. **“Person” shall mean a natural person, a corporation, a partnership, trustee, or other legal entity.**
13. **“Property” shall mean and refer to the real property described in Exhibit A attached to the Declaration of Covenants, Conditions and Restrictions for Spring Chase Community Association, Inc. recorded among the Land Records of Wicomico County in Liber 1094, Folio 0861, and incorporated herein by reference, and shall further refer to such additional property as may hereafter be annexed by subsequent Amendment to the First Amended Declaration.**
14. **“Residential Unit” shall mean a portion of the Property intended for any type of independent ownership for use and occupancy as a single family residence and shall, unless otherwise specified, included within its meaning (by way of illustration, but not limitation) single family townhomes, on separately platted lots, as have been developed, used and defined as herein provided or as may be provided in subsequent amendments covering all or part of the Property; provided, further, the term shall also include all portions of the lot owned as a part of any structure thereon.**
15. **“Declarant” shall mean (a) the Corporation hereinabove named as such, (b) such Corporation’s successors, (c) each person to whom such persons or any other person who as the Declarant expressly assigns his rights as the Declarant hereunder, (d) each such assignee’s heirs, personal representatives, and successors.**

Article II
PROPERTY RIGHTS

Every Owner, except owners who are members of Class B as defined in Article III, Section 1, shall have a right and easement of enjoyment in and to the Common Area subject to the First Amended Declaration and to any restrictions or limitations contained in any Deed or amendment to this First Amended Declaration of Covenants, Conditions and Restrictions conveying to the Association or subjecting to this First Amended Declaration of Covenants, Conditions, and Restrictions such property including, but not limited to, the restrictions contained in an easement occupancy agreement executed by and between Harkins Associates, Inc. and Delmarva Power. Said easement occupancy agreement is hereby incorporated as if fully set forth herein. Any Owner may delegate his or her right of enjoyment to the members of his or her family, tenants and social invitees, subject to reasonable regulation by the Board and in accordance with procedures it may adopt.

The Board of Directors by resolution may extend permission to and contract with recognized community groups to use certain of the recreation facilities within the Common Area subject to such terms and conditions as the Board may impose.

Article III
MEMBERSHIP AND VOTING RIGHTS

1. **Membership.** Every owner shall be deemed to have a membership in the Association subject to certain rights, restrictions and responsibilities as set forth herein. The membership in the Association shall be divided into two classes Class A Members and Class B Members. The Owners of the Residential Units located at Glen Avenue, Salisbury, Maryland commonly referred to as "Glen Avenue Neighbors" as more specifically described in "Legal Description - Glenn Avenue Properties" attached hereto and incorporated herein, shall constitute the membership of Class B. All other Owners of Residential Units, including any future Residential Units to be constructed or acquired by the Association which are not located on the property referred to as "Glen Avenue Neighbors", shall constitute the membership of Class A. No Owner, whether one or more persons, shall have more than one (1) membership per Residential Unit owned. In the event the Owner of a Residential Unit is more than one person or entity, votes and rights of use and enjoyment shall be as provided herein.
2. **Voting.** Each Member shall be entitled on all issues to one (1) vote for each Residential Unit in which they hold the interest required for membership by Section 1 hereof. When more than one person or entity hold such interest in any Residential Unit, the vote for such Residential Unit shall be exercised as those persons or entities themselves determine and advise the Secretary of the Association prior to any meeting. In the absence of such advice, the Residential Unit's vote shall be suspended in the event more than one person or entity seeks to exercise it.

Any Owner of Residential Units which are leased may, in the lease or other written instrument,

Assign the voting right appurtenant to that Residential Unit to the lessee, provided that a copy

of such instrument is furnished to the Secretary at least five (5) days prior to any meeting.

Article IV
MAINTENANCE

- 1. Association's Responsibilities. The Association shall maintain and keep in good repair the Area of Common Responsibility, until such time, if ever, as same is dedicated and accepted by any governmental entity or agency for public use, and such maintenance is to be funded as hereinafter provided. This Common Area is designated on a plat approved by the Wicomico County Planning Commission and City Council and recorded in the Land Records for Wicomico County, as aforesaid. The Common Area included but is not limited to all areas designated as "open space" in the aforesaid plat, all landscaping thereon, and the stormwater management facilities located thereon.**

- 2. Owner's Responsibilities. In accordance with any additional Declaration and subsequent amendments to this First Amended Declaration of Covenants, Conditions and Restrictions which may be filed on portions of the Property and in accordance with this First Amended Declaration of Covenants, Conditions and Restrictions, all maintenance of the Residential Unit and all structures, parking areas, and other improvements within the Residential Unit shall be the sole responsibilities of the Owner thereof who shall perform such maintenance in a manner consistent with the standard for the Property and the applicable covenants. If such maintenance is not properly performed by the Owner, provided, however, 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.**

- 3. Notwithstanding any other provision in the Article, it is expressly understood that the Association in its corporate form shall not be dissolved nor shall any covenants or other legal arrangements (including any specifications deemed necessary by the Planning Commission or the City of Salisbury) relative to the maintenance of landscaping, open spaces, and storm water management or any other public service item required by the City be modified without the consent of the Mayor and City Council.**

Article V
INSURANCE AND CASUALTY LOSSES

- 1. Insurance. The Association's Board of Directors, or its agent, shall have the authority to and shall obtain insurance for all insurable improvements on the Common Area against loss or damage by fire or other hazards, including extended coverage, vandalism, and malicious mischief. This insurance shall be in an amount sufficient to cover the full replacement cost of any repair or reconstruction in the event of damage or destruction for any such hazard. This insurance shall be obtained for the benefit of only Class A Members.**

The Board shall also obtain a public liability policy covering the Common Area, the Association, and its members, for all damage or injury caused by the negligence of the Association or any of its Members or agents. The public liability policy shall have at least a Five Hundred Thousand Dollars (\$500,000) single person limit as respects bodily injury and property damage, a One Million Dollars (\$1,000,000) limit per occurrence, and a Two Hundred Fifty Thousand Dollars (\$250,000) minimum property damage limit. This public liability policy shall be obtained for the benefit of the Members of Class A and Class B.

Premiums for all insurance on the Common Area shall be common expenses of the Association; however, the expense for the insurance on the Common Area shall not be assessed against the Members of Class B. The policy may contain a reasonable deductible, and the amount thereof shall be added to the face amount of the policy in determining whether the insurance at least equals the full replacement cost.

Cost of insurance coverage obtained by the Association for the Common Area shall be included in the General Assessment assessed against the Members of Class A, excluding any assessment for insurance of the Common Area against the Members of Class B.

All such insurance coverage obtained by the Board of Directors shall be written in the name of the Association Trustee for the respective benefitted parties, as further identified in (b) below. Such insurance shall be governed by the provisions hereinafter set forth:

- a) All policies shall be written with a company licensed to do business in Maryland.**
- b) The insurance referred to in Section 1 of this Article V as insurance for all insurable improvements on the Common Area against loss or damage by fire or other hazards, including extended coverage, vandalism, and malicious mischief, shall be for the benefit of the Residential Unit Owners who are members of Class A and their Mortgagees as their interests may appear. The insurance policy referred to in Section 1 of this Article V as**

public liability policy shall be for the benefit of the Residential Unit Owners who are Members of Class A and Class B and their respective Mortgagees as their interests may appear.

- c) Exclusive authority to adjust losses under policies in force on the Property obtained by the Association shall be vested in the Association's Board of Directors; provided, however, no mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related thereto.**
- d) In no event shall the insurance coverage obtained and maintained by the Association's Board of Directors hereunder be brought into contribution with insurance purchased by individual Owners, occupants, or their mortgagees, and the insurance carried by the Association shall be primary.**
- e) The Association's Board of Directors shall be required to make every reasonable effort to secure insurance policies that will provide for the following:**
 - i. a waiver of subrogation by the insurer as to any claims against the Association's Board of Directors, its manager, the Owners, and their respective tenants, servants, agents and guests;**
 - ii. a waiver by the insurer of its rights to repair and reconstruct, instead of paying cash;**
 - iii. that no policy may be cancelled, invalidated, or suspended on account of any one or more individual Owners;**
 - iv. that no policy may be cancelled, invalidated or suspended on account of the conduct of any Director, officer, or employee of the Association or its duly authorized manager without prior demand in writing delivered to the Association to cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured by the Association, its manager, any Owner or mortgage;**
 - v. that any "other insurance" clause in any policy exclude individual Owners' policies from consideration; and**

that no policy may be cancelled or substantially modified without at least fifteen (15) days prior written notice to the Association.

In addition to the other insurance required by this Section, the Board shall obtain, as a common expense, workers' compensation insurance, if

and to the extent necessary, and a fidelity bond or bonds on directors, officers, employees, and other persons handling or responsible for the Association's funds. The amount of fidelity coverage shall be determined in the director's best business judgment, but may not be less than three (3) months assessments, plus reserves on hand. Bonds shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation and may not be cancelled or substantially modified without at least fifteen (15) days prior written notice to the Association.

2. Disbursement of Proceeds. Proceeds of insurance policies shall be disbursed as follows:

- a) **If the damage or destruction for which the proceeds are paid is to be repaired or reconstructed, the proceeds, or such portion thereof as may be required for such purpose, shall be disbursed in payment of such repairs or reconstruction thereafter as hereinafter provided. Any proceeds remaining after defraying such costs of repair or reconstruction is made, after making such settlement as is necessary and appropriate with the affected Owner or Owners and their mortgagee (s) as their interests may appear, shall be retained by and for the benefit of the Association and placed in a capital improvements account. This is a covenant for the benefit of any mortgagee of a Residential Unit and may be enforced by such mortgagee.**
- b) **If it is determined, as provided for in Section 3 of this Article, that the damage or destruction to the Common Area for which the proceeds are paid shall not be repaired or reconstructed, such proceeds shall be disbursed in the manner as provided for excess proceeds in Section 2 (a) of this Article V.**

3. Damage and Destruction.

- a) **Immediately after the damage or destruction by fire or other casualty to all or any part of the Property covered by insurance written in the name of the Association, the Board of Directors, or its agent, shall proceed with the filing and adjustment of all claims arising under such insurance and obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed Property. Repair or reconstruction means repairing or restoring the Property to substantially the same condition in which it existed prior to the fire or other casualty.**
- b) **Any damage or destruction to the Common Area shall be repaired or reconstructed unless at least seventy five percent (75%) of the total votes of the Association shall decide within sixty (60) days after the casualty not to repair or reconstruct. This provision is subject to the condition that any action not to repair or reconstruct which involves all or any portion of the Common Area shown on the recorded landscape and Open Space Plan**

attached as Exhibit B to the Declaration of Covenants, Conditions and Restrictions for Spring Chase Community Association, Inc., recorded among the Land Records of Wicomico County at Liber 1094, approved by the Mayor and City Council.

c) In the event that it should be determined by the Association in the manner described above that the damage or destruction of the Common Area shall not be repaired or reconstructed and no alternative improvements are authorized, then and in that event the Property shall be restored to its natural state and maintained as an undeveloped portion of the Common Area by the Association in a neat and attractive condition.

4. Repair and Reconstruction. If the damage or destruction for which the insurance proceeds are paid is to be repaired or reconstructed, and such proceeds are not sufficient to defray the cost thereof, the Board of Directors shall, without the necessity of a vote of the Members, levy a special assessment against all Owners, provided such levy does not exceed the hereinafter stated limit. Additional assessments may be made in like manner at any time during or following the completion of any repair or reconstruction. The Board may not, however, without the vote or written assent of a majority of the Members, levy in any fiscal year special assessments in which the aggregate exceed ten percent (10%) of the budgeted gross expenses of the Association for that fiscal year. If the funds available from insurance exceed the cost of the repair, such excess shall be deposited to the benefit of the Association and used for such purposes as the Board of Directors of the Association shall determine.

Article VI **NO PARTITION**

Except as is permitted in the Declaration or amendments thereto, there shall be no physical partition of the Common Area or any part thereof, nor shall any person acquiring any interest in the Property or any part thereof seek any such judicial partition until the happening of the conditions set forth in Section 2 of Article V in the case of damage or destruction, or unless the Property has been removed from the provisions of the First Amended Declaration.

Article VII **CONDEMNATION**

Whenever all or any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation by the board acting on the written direction of all Owners) by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to notice thereof. The award made for such taking shall be payable to the Association as Trustee for all Owners to be disbursed as follows:

If the taking involves a portion of the Common Area on which improvements have been constructed, then, unless within sixty (60) days after such taking at least seventy-five percent (75%) of the Members of the Association shall otherwise agree, the Association shall restore or replace such improvements so taken on the remaining land included in the Common Area to the extent lands are available therefor. If such improvements are to be repaired or restored, the above provisions in Article V hereof regarding the disbursement of funds in respect to casualty damage or destruction which is to be repaired shall apply. If the taking does not involve any improvements on the Common Area, or if there is a decision made not to repair or restore, or if there are net funds remaining after any such restoration or replacement the Association and used for such purposes as the Board of Directors of the Association shall determine.

Article VIII
RIGHTS AND OBLIGATIONS OF THE ASSOCIATION

- 1. Common Area and Rights-of-Ways.** The Association, subject to the rights of the Owners set forth in this First mended Declaration of Covenants, Conditions and Restrictions, shall be responsible for the exclusive management, maintenance and control of the Common Area and all improvements thereon, (including furnishings and equipment related thereto, including without limitation, any private roads, water, sewer, lighting and drainage facilities; the recreational amenities and common landscaped areas), and shall keep it in good, clean, attractive and sanitary condition, order and repair, pursuant to the terms and conditions hereof.
- 2. Personal Property and Real Property for Common use.** The Association, through actions of the Board of Directors, may acquire, hold, and dispose of tangible and intangible personal property and real property.
- 3. Rules and Regulations.** The Association, through its Board of Directors, may make and enforce reasonable rules and regulations governing the use of the Property Sanctions may include reasonable monetary fines and suspension of the right to vote and the right to use the recreational facilities. The Board shall, in addition, have the power to seek relief in any court for violations or to abate nuisances. Imposition of sanctions shall be as provided by the By-Laws of the Association. In addition, the Association, through the Board, may permit any governmental entity or agency to enforce ordnances on the Property for the benefit of the Association and its Members.

Article IX
ASSESSMENTS

- 1. Creation of 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 IX, Section 6. General Assessments shall be allocated equally among all Residential Units which are Members of Class A within the Association. The assessment for the Residential Units which are Members of Class B shall be ten percent (10%) of members of Class A. The assessments shall be for expenses determined by the Board to be for the benefit of the Association as a whole. Each Owner by acceptance of his or her deed or recorded contract of sale, is deemed to covenant and agree to pay these assessments as set forth herein. All such assessments, together with interest at the rate of fifteen percent (15%), costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the Residential Unit against which each assessment is made, which lien is enforceable by the Association pursuant to the Maryland Contract Lien Act set out in the Real Property Article of the Annotated Code of Maryland.**

Each such assessment, together with interest, costs and reasonable attorney's fees shall also be the personal obligation of the person who was the Owner of such Residential Unit at the time the assessments arose, and his or her grantee shall be jointly and severally liable for such portion thereof as may be due and payable at the time of conveyance to the extent expressly assumed, except no first mortgagee who obtains title to a Residential Unit pursuant to the remedies provided in the mortgage shall be liable for unpaid assessments which accrued prior to such acquisition of title. Assessments shall be paid in such manner and on such dates as may be fixed by the Board of Directors which may include, without limitation, acceleration of the annual assessment for delinquents; unless the Board otherwise provides, the assessments shall be paid in monthly installments.

- 2. Computation of Assessment. It shall be the duty of the Board, at least thirty (30) days before the beginning of the fiscal year, to prepare a budget covering the estimated costs of operating THE Association during the coming year and present same to the Association membership. The Board shall cause a copy of the budget, and the amount of the assessment, to be levied against each Residential Unit for the following year to be delivered to each Owner at least fifteen (15) days prior to the meeting. The budget and the assessment shall become effective unless disapproved at the meeting by a vote of at least a majority of the Association membership.**

In the event the membership disapproves the proposed budget of the Board fails for any reason to create a budget for the succeeding year, then and until such time as a budget shall have been prepared and approved as provided herein, the budget in effect for the then current year shall continue for the succeeding year.

The Board may not, without the vote or written consent of a majority of the votes of the Association, impose a General Assessment per Residential Unit which is greater than fifteen (15%) of the budget for the previous fiscal year.

- 3. Special Assessment. In addition to the assessments authorized in Section 1 of this Article, the Association may levy a special assessment or special assessments in any year applicable to that year; provided, however such assessment shall have the vote or written assent of fifty-one percent (51%) of the total votes 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 his Residential Unit into compliance with the provisions of the Declaration, the Amendments thereto, the Articles, the By-Laws, and the Association Rules and Regulations, which Special Assessment may be levied upon the vote of the Board after notice and an opportunity for a hearing.**
- 4. Lien for Assessments. When a statement of the lien has been recorded, such assessments shall constitute a perfected lien of each Residential Unit prior to the superior to all other liens, except (1) all municipal and government taxes, assessments, and other levies which by law would be superior thereto and (2) the lien or charge of any first mortgage of record (meaning any recorded mortgage or Deed of Trust with first priority over other Mortgages or Deeds of Trust) made in good faith and for value.**

Such lien, when delinquent, may be enforced by suit, judgment and foreclosure pursuant to the Maryland Contract Lien Act. The Foreclosure of any such lien shall be in the same manner and subject to the same requirements as the foreclosure of mortgages or deeds of trust on property in the State of Maryland having a power of sale or an assent to a decree.

The Association, acting of behalf of the Owner, shall have the power to bid for the Residential Unit at foreclosure sale and to acquire and hold, lease, mortgage and convey the same. During the period owned by the Association, following the foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be assessed or levied on it; and (c) each other Residential Unit shall be charged, in addition to its usual assessment, its equal pro rata share of the assessment that would have been charge such Residential Unit had it not been acquired by the

Association as a result of foreclosure. Suit to recover a money judgment for unpaid common expenses and attorney's fees shall be maintainable without foreclosure or waiving the lien securing the same. After notice and hearing, the Board may temporarily suspend the voting rights of a member who is in default of payment of any assessment.

- 5. Capital Budget and Contribution. The Board of Directors shall annually prepare a capital budget which shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement. The Board shall set the required capital contribution, if any, in an amount sufficient to permit meeting the projected capital needs of the Association with respect both to amount and timing by annual assessments over the period of the budget. The capital contribution required shall be fixed by the Board and included within the budget and assessment, as provided in Section 2 of the Article. A copy of the capital budget shall be distributed to each Member in the same manner as the operating budget.**
- 6. Date of Commencement of Annual Assessments. The annual assessments provided for herein shall commence as to each Residential Unit on the first day of each year. Assessments shall be due and payable in a manner and on a schedule as the Board of Directors may provide.**
- 7. Subordination of the Lien to First Deeds of Trust and First Mortgages. The lien on the assessments, including interest, late charges and subject to the limitations of Maryland law, and costs (including attorney's fees) provided for herein, shall be subordinate to the lien of any first Mortgage upon a Residential Unit. The sale or transfer of any Residential Unit shall not affect the assessment lien. However, the sale or transfer of any Residential Unit pursuant to judicial or nonjudicial foreclosure of a first Mortgage shall extinguish the lien of such assessments as to payments which become due prior to such sale or transfer. No sale or transfer shall relieve such Residential Unit from lien rights for any assessments thereafter becoming due. Where the Mortgagee of a first Mortgage of record or other purchaser of a Residential Unit obtains title, his successors and assigns shall not be liable for the share of the common expenses or assessments by the Association chargeable to such Residential Unit which became due prior to the acquisition of title to such Residential Unit by such acquirer. Such unpaid share of common expenses or assessments shall be deemed to be the common expenses collectible from all of the Residential Units, including such acquirer, his successors and assigns**

Article X
ARCHITECTURAL STANDARDS

The Board of Directors shall have the authority and standing, on behalf of the Association to enforce in courts of competent jurisdiction decisions of the Committee established in this Article X.

No construction or modification as set forth in Section 1 of this Article X shall take place except in strict compliance with the First Amended Declaration of Covenants, Conditions and Restrictions until the approval of the Construction and Modification Committee (as initially established in the Declaration of Covenants, Conditions and Restrictions recorded among the Land Records of Wicomico County at Liber 1094, Folio 0861 and as established herein) has been obtained.

- 1. Construction and Modifications Committee. The Construction and Modification Committee (C&MC) shall have the exclusive jurisdiction over all original construction and any modifications, additions, or alterations on any portion of the Property. The Board of Directors of the Spring Chase Community Association, Inc. shall appoint all members of the C&MC which shall consist of at least three (3) persons, all of whom shall be required to be residents of Spring Chase, the Property and all of whom may be, but shall not be required to be, members of the Association's Board of Directors.**

The plans and specifications showing the nature, kind, shape, color, size, materials and location of improvements to be constructed, modifications, additions or alterations, shall be submitted to the C&MC for approval as to quality of workmanship and design and harmony of external design as to location in relation to surrounding structure, topography, and finish grade elevation. Nothing contained herein shall be construed to limit the right to remodel the interior of any Residential Unit or to paint the interior of any Residential Unit any color desired. In the event the C&CM fails to approve or to disapprove such plans or to request additional information reasonably required within forty-five (45) days after submission, the plans shall be deemed approved.

Article XI
USE RESTRICTIONS

The Property shall be used only for residential recreational and related purposes as may mor particularly be set forth in this First Amended Declaration or amendments thereto. The Association, acting through the Board of Directors, shall have standing authority and the power to make and enforce use restrictions governing the use of Residential Units and Common Area, including the imposition of reasonable user fees for facilities.

Land use standards constituting the initial land use restrictions and standards are attached as Exhibit C to the original Declaration of Covenants, Conditions and Restrictions for Spring Chase Community Association, Inc. recorded among the Land Records of Wicomico at Liber 1094, Folio 0861, which is incorporated herein by reference.

Article XII
GENERAL PROVISIONS

- 1. Term. The covenants and restrictions of this First Amended Declaration of Covenants, Conditions and Restrictions shall run with and bind the Property, and shall inure to the benefit of and shall be enforceable by the Association of the Owner of any Property subject to this First Amended Declaration of Covenants, Conditions and Restrictions, their respective legal representatives, heirs, successors and assigns, for a term of thirty (30) years from the date this First Amended Declaration of Covenants, Conditions and Restrictions is recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless the instrument in writing, signed by a majority of the then Owners, has been recorded within the year preceding the beginning of each successive period of ten (10) years, agreeing to change said covenants and restrictions, in whole or in part, or to terminate same.**

- 2. Amendment. This First Amended Declaration of Covenants, Conditions and Restrictions may be amended only by affirmative vote (in person or by proxy) or written consent of the Members representing sixty-seven percent (67%) * of the total votes of the Association.**

However, the percentage of votes necessary to amend specific clause shall not be less than the prescribed percentage of affirmative voted required for action to be taken under that clause. Any amendment must be recorded in the Land Records of Wicomico County, Maryland.

- 3. Indemnification. The Association shall indemnify every officer and director against any al all expenses, including counsel fees, reasonably incurred by or imposed upon any officer or director in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer of director. The officers or directors shall not be liable for any mistake of judgment, negligent, or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the extent that such officers or directors may also be Members 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. The Association shall, as a common expense, maintain adequate general liability and officers and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

- 4. Delegation of Use. Any Owner may delegate, in accordance with the By-Laws of the Association, his or her right of enjoyment to the Common Area and facilities to the members of his or her family, tenants, and social invitees.**

- 5. Easements of Encroachment. There shall be reciprocal appurtenant easements of encroachment as between each Residential Unit and such portion or portions of the Common Area adjacent thereto or as between adjacent Residential Units due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon.**

- 6. Easements for Utilities. Declarant hereby reserves for itself and its designees (including without limitation, the City of Salisbury and any utility company) blanket easements upon, across, over and under all of the Common Areas and to the extent shown on any plat, over the Residential Units for ingress, egress, installation, replacing, repairing and maintaining cable television systems, master television antenna systems, security and similar systems, walkways, and all utilities, including, but not limited to, water, sewers, drains, meter boxes, telephones, gas and electricity. This reserved easement has been assigned by Harkins Associates, Inc., the Declarant's predecessor in interest by written instrument and in Covenants, Conditions and Restrictions for Spring Chase Community Association, Inc., recorded among the lands Records of Wicomico County in Liber 1094, Folio 0861.**

Notwithstanding anything to the contrary contained in this, no sewers, electrical lines, water lines, or other utilities may be installed or relocated on said Property, except as may be approved by the Association's Board of Directors. Should any entity furnishing a service covered by the general easement herein provided request a specific easement by separate recordable document, the Board of Directors shall have the right to grant such easement on said Property without conflicting with the terms hereof.

The Board shall have, by a two-thirds (2/3) vote, the power to dedicate all or part of the Common Area to Wicomico County, or other local, state or federal government entity for continued open space or recreational purposes.

- 7. Construction and Sale. Section 7 of this Article, as appearing in the Declaration of Covenants, Conditions and Restrictions for Spring Chase Community Association, Inc. recorded in the land records of Wicomico County in Liber 1094, Folio 0861 is hereby deleted.**
- 8. Pets. Except as may be authorized by the Declarant or by the Board of Directors or as may be set out in this First Amended Declaration of Covenants, Conditions and Restrictions or amendments thereto, no more than a total of two (2) normal household pets may be kept in the Residential Unit. The keeping of any animal or other pet shall be subject to the rules and regulations adopted by the Association through its Board of Directors, provided that such pets are not kept, bred, or maintained for any commercial purpose. The Association, acting through its Board of Directors, shall have standing and the power to enforce such standards.**
- 9. 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.**
- 10. Right of Entry. The Association shall have the right but not be obligated, to enter into any Residential Unit for emergency, security and safety, which right may be exercised by the Association's Board of Directors, officers, agent, employees, managers, and all policemen, firemen, ambulance personnel, and similar emergency personnel in the performance of their respective duties.**

Article XIII
MORTGAGEES' RIGHTS

The following provisions are for the benefit of holders or insurers of first Mortgages on Residential Units in the Property. To the extent applicable, necessary or proper, the provisions of this Article XIII apply to this First Amended Declaration of Covenants, Conditions and Restrictions, to the Articles of Incorporation, and to the By-Laws of Spring Chase Community Association, Inc. Where indicated, these provisions apply only to "eligible holders" as hereinafter defined; provided, however, voting percentages set forth herein are subject to and controlled by higher percentage requirements, if any set forth elsewhere in the First Amended Declaration of Covenants, Conditions and Restrictions for specific actions.

- 1. Notice of Action. Any institutional holder or insurer of a first Mortgage, who provided written request to the Association (such request to state the name and address of such holder, insurer or guarantor and the unit number), (therefore becoming an "eligible holder"), will be entitled to timely written notice of:**

- a) **Any proposed termination of the Association;**
- b) **Any condemnation loss or any casualty loss which affects a material portion of the property;**
- c) **Any delinquency in the payment of assessments or charges owed by an Owner of a Residential Unit subject to the mortgage of such eligible holder, where such delinquency has continued for a period of sixty (60) days;**
- d) **Any lapsed, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;**
- e) **Any proposed action which would require the consent of eligible holders, as required in 2 and 3 of this Article.**

2. Other Provisions for First Lien Holders. To the extent possible under Maryland law:

- a) **Any restoration or repair of the Property after a partial condemnation or damage due to an insurable hazard shall be substantially in accordance with this First Amended Declaration of Covenants, Conditions and Restrictions and the original plans and specifications unless the approval of the eligible holders of the first Mortgages on Residential Units to which at least fifty-one percent (51%) of the votes of Residential Units, subject to Mortgages held by such eligible holders are allocated, is obtained.**
- b) **Any election to terminate the Association after substantial destruction or a substantial taking in condemnation must require the approval of the eligible holders of first Mortgages on Residential Units to which at least fifty-one percent (51%) of the votes of Residential Units, subject to Mortgages held by such eligible holders, are allocated.**

3. Amendments to Documents. The following provisions do not apply to amendments to the constitute documents or termination of the Association made, as a result of destruction, damage or condemnation pursuant to 2 (a) and (b) of this Article XIII, nor do they supersede Section 3 of Article III hereof.

- a) **The consent of at least sixty seven percent (67%) of the votes of the Members and the approval of the eligible holders of first Mortgages on unity to which at least Sixty-Seven percent (67%) of**

the votes of units subject to a Mortgage appertain, shall be required to terminate the Association.

b) The consent of at least sixty-seven percent (67%) of the votes of the Members and the approval of eligible holders of first Mortgages on Residential Units to which at least fifty-one percent (51%) of the votes of Residential Units subject to a Mortgage appertain, shall be required materially to amend any provisions of this First Amended Declaration of Covenants, Conditions or Restrictions, By-Laws, or Articles of incorporation of the Association, or to add any material provisions thereto, which establish, provide for, govern or regulate any of the following

- I. voting;**
- II. assessments, assessment liens, or subordinate of such liens;**
- III. reserves for maintenance, repair and replacement of the Common Area;**
- IV. insurance or fidelity bonds;**
- V. rights to use of the Common Area;**
- VI. responsibility for maintenance and repair of the Property;**
- VII. expansion or contraction of the Property or the addition, annexation, or withdrawal of the Property to or from the association;**
- VIII. imposition of any right of first refusal or similar restriction of the right of any Owner to sell transfer or otherwise convey his or her Residential Unit;**
- IX. establishment of self-management by the Association where professional management has been required by an eligible holder; or**
- X. any provisions included in this First Amended Declaration of Covenants, Conditions and Restrictions, By-Laws, or Articles of Incorporation which are for the express benefit of holders,**

guarantors, or insurers of first Mortgages or Residential Units.

4. Special FHLMC Provision. So long as required by The Federal Home Loan Mortgage Corporation, the following provisions apply in addition to and not in lieu of the foregoing three sections of the Article. Unless two-thirds (2/3) of the first Mortgages or Owners give their consent, the Association shall not:

- a) by act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer to Common Area which the Association owner, directly or indirectly (the granting of easements for public utilities or for other public purposes consistent with the intended use of the Property shall no be deemed a transfer);**
- b) change the method of determining the obligations, assessments, dues, or other charges which may be levied against an Owner;**
- c) by act or omission change, waive, or abandon any scheme or regulations or enforcement thereof pertaining to the architectural design or the exterior appearance and maintenance of Residential Units and of the Common Area;**
- d) fail to maintain fire and extended coverage insurance, as required by this First Amended Declaration of Covenants, Conditions and Restrictions; or**
- e) use hazard insurance proceeds for any Common Area losses for other than the repair, replacement or reconstruction of such Property.**

The provisions of this Section 4 of this Article shall not be construed to reduce the percentage vote that must be obtained from Mortgagees or Owners where a larger percentage vote is otherwise required for any of the actions contained in this.

First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may pay overdue premiums on casualty insurance policies, or secure new casualty insurance coverage upon the lapse of a policy, for the Common Area, and first Mortgagees making such payments shall be entitle to immediate reimbursement from the Association.

5. Limited Purpose of Joinder. The attesting Mortgagees join in this First Amended Declaration of Covenants, Conditions and Restrictions for the limited purpose of expressing consent hereto and binding and subjecting their interest in any portion of the Property herein described to the terms hereof, to the same extent as though this First Amended Declaration of Covenants, Conditions and Restrictions has been executed and recorded prior to the time when their interest in the Property herein described were created.

SIGNATURE PAGES AND LEGAL DESCRIPTION ASSOCIATED WITH THIS DOCUMENT CAN BE VIEWED ON THE ORIGINALLY RECORDED DOCUMENT.

THIS DOCUMENT WAS RETYPES FOR LEGIBILITY ONLY

EVERYTHING PROVIDED IN GOOD FAITH BUT MAY CONTAIN SOME ERRORS AND OMISSIONS AND MINOR SPELLING CORRECTIONS. PLEASE REFER TO ORIGINAL IF IN DOUBT.

* Section 11B-116(c) of the Maryland HOA Act allows homeowners associations to amend governing documents with a 60% affirmative vote of lot owners. This was change in Spring Chase Documents SECOND AMENDED DECLARATION OF COVENANTS CONDITIONS AND RESTRICTIONS FOR SPRING CHASE COMMUNITY ASSOCIATION, INC. BOOK 4654 PAGE 499.

