

375

RECORDED IN OFFICIAL RECORDS
OF MARICOPA COUNTY, ARIZONA
JUL 3 - '86 - 2 00
KEITH POLETIS, County Recorder
FEE 7400 PGS 73 T.S.

When recorded, return to:

Realty Dealers, Ltd.
c/o D. Randall Stokes, Esq.
Lewis and Roca
100 West Washington, 23rd Floor
Phoenix, Arizona 85003-1899

Declaration of Covenants, Conditions and
Restrictions for Garden Lakes Manor 86 342625

TABLE OF CONTENTS

	PAGE
Article I	
Definitions.....	2
Section 1. "Articles".....	2
Section 2. "Assignee of Declarant".....	2
Section 3. "Association".....	2
Section 4. "Board of Directors" or "Board".....	2
Section 5. "Bylaws".....	3
Section 6. "Common Area".....	3
Section 7. "Common Expenses".....	3
Section 8. "Declarant".....	3
Section 9. "Eligible Mortgage Holder".....	4
Section 10. "First Mortgage".....	4
Section 11. "Lot".....	4
Section 12. "Master Association".....	4
Section 13. "Master Declaration".....	4
Section 14. "Member".....	5
Section 15. "Mortgage".....	5
Section 16. "Mortgagee".....	5
Section 17. "Mortgagor".....	5
Section 18. "Owner".....	6
Section 19. "Person".....	6
Section 20. "Phase".....	6
Section 21. "Plat".....	6
Section 22. "Property".....	7
Section 23. "Recorder".....	7
Section 24. "Residential Unit".....	7
Article II	
Property Rights.....	7

Article III Membership and Voting Rights..... 8

Section 1. Membership..... 8

Section 2. Voting..... 9

Article IV Maintenance..... 11

Section 1. Association's General Responsibilities..... 11

Section 2. Front Yard Landscaping..... 12

Section 3. Maintenance of Owner's Structures..... 12

Section 4. Publicly-Dedicated Areas..... 14

Section 5. No Discrimination..... 14

Article V Insurance and Fidelity Bonds; Casualty Losses..... 14

Section 1. Insurance to be Obtained by the Association..... 14

Section 2. Insurance to be Obtained by the Owners..... 22

Section 3. Casualty Losses..... 22

Article VI Annexation of Additional Property..... 26

Section 1. Limitations on Annexations..... 26

Section 2. FHA and VA Approval..... 27

Section 3. Recordation of Annexation Instrument..... 27

Section 4. Effect of Annexation..... 28

Article VII Rights and Obligations of the Association.... 28

Section 1. The Common Area..... 28

Section 2. Personal Property and Real Property for Common Use..... 29

Section 3. Rules and Regulations..... 29

Section 4. Availability of Books, Records and Other Documents..... 30

Section 5. Audited Financial Statements.... 31

Section 6. Implied Rights..... 31

Article VIII Assessments..... 32

Section 1. Creation of Assessment Right..... 32

Section 2.	Computation of Assessments; Annual Budget.....	37
Section 3.	Special Assessments.....	38
Section 4.	Lien for Assessments; Foreclosure.....	37
Section 5.	Notice and Quorum for Meetings to Consider Special Assessments and Certain Increases in General Assessments.....	39
Section 6.	Declarant's Obligation for Operating Deficiencies.....	40
Article IX	Use Restrictions.....	41
Section 1.	Residential and Recreational Purpose.....	41
Section 2.	Garages and Driveways.....	41
Section 3.	Temporary Structures.....	42
Section 4.	New Construction.....	42
Section 5.	Signs.....	42
Section 6.	Heating, Ventilating and Air Conditioning Units.....	43
Section 7.	Solar Collecting Panels or Devices.....	44
Section 8.	Antennas and Towers.....	45
Section 9.	Basketball Goals or Similar Structures.....	46
Section 10.	Tanks.....	46
Section 11.	Vehicles.....	46
Section 12.	Underground Facilities.....	47
Section 13.	Outdoor Burning.....	47
Section 14.	Sanitation.....	48
Section 15.	Fences, Interferences and Obstructions.....	48
Section 16.	Nuisance.....	50
Section 17.	Drainage Alteration; Easements..	50
Section 18.	Clothes-Drying Facilities.....	51
Section 19.	Pets.....	51
Section 20.	Renting or Leasing of Lots.....	51
Section 21.	Storage and Tool Sheds or Structures.....	53
Section 22.	Miscellaneous.....	54

Article X Party Walls..... 55

Section 1. General Rules of Law to Apply... 55

Section 2. Repair and Maintenance..... 55

Section 3. Sharing of Repair and Maintenance..... 55

Article XI General Provisions..... 56

Section 1. Term..... 56

Section 2. Amendment..... 57

Section 3. Indemnification..... 59

Section 4. Easements for Utilities, Etc.... 60

Section 5. No Partition..... 61

Section 6. Severability..... 61

Section 7. Perpetuities..... 61

Section 8. Enforcement..... 61

Section 9. Property Held in Trust..... 62

Section 10. FHA/VA Approval..... 63

Section 11. Notices to Certain Mortgage Holders, Insurers or Guarantors..... 63

Section 12. Dissolution or Termination of the Association or Legal Status of the Property..... 64

Section 13. Amendments Requested by Governmental Agency..... 64

Section 14. Relationship to Master Declaration..... 65

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR
GARDEN LAKES MANOR

This Declaration of Covenants, Conditions and Restrictions is made as of the 1st day of July, 1986, by REALTY DEALERS, LTD., an Illinois limited partnership (hereinafter referred to as "Declarant").

W I T N E S S E T H :

Declarant is the owner of fee title to the Property (as defined below). Declarant intends by this Declaration to impose upon the Property mutually beneficial restrictions under a general plan of improvement for the benefit of all owners of residential property within the Property. Declarant desires to provide a flexible (yet common) and reasonable procedure for the overall development of the Property, and to establish a method for the administration, maintenance, preservation, use and enjoyment of the property.

NOW, THEREFORE, Declarant hereby declares that all of the Property 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 and which shall run with the real property subject to this Declaration and which shall be binding on all parties having any right, title or interest in said real property and their heirs, personal representatives, successors and assigns,

and shall inure to the benefit of each owner of all or any part thereof.

Article I

Definitions

Section 1. "Articles" shall mean and refer to the Articles of Incorporation of the Association, as the same may be amended from time to time in accordance with the provisions thereof and with the applicable provisions of this Declaration, the Bylaws and the statutes and regulations of the State of Arizona.

Section 2. "Assignee of Declarant" shall mean and refer to any assignee(s) of any or all of Declarant's rights hereunder (other than rights appurtenant solely to ownership of a Lot), as evidenced by an instrument assigning any or all of those rights recorded with the Recorder. The term "Assignee of Declarant" shall in no event mean or refer to a retail Lot buyer.

Section 3. "Association" shall mean and refer to Garden Lakes Manor Association, an Arizona nonprofit corporation, and its successors and assigns.

Section 4. "Board of Directors" or "Board" shall mean and refer to the group or body of persons elected in accordance with the provisions of the Articles, the Bylaws and the statutes and regulations of the State of Arizona, in which group or body is vested the management of the affairs of the Association, and shall be equivalent in meaning to the term

"board of directors," as defined in A.R.S. Section 10-1002(6), as in effect at the date hereof.

Section 5. "Bylaws" shall mean and refer to the Bylaws of the Association, as the same may be amended from time to time in accordance with the provisions thereof and with the applicable provisions of this Declaration, the Articles and the statutes and regulations of the State of Arizona.

Section 6. "Common Area" shall mean all real property (including the improvements thereto) owned by the Association for the common use and enjoyment of the Owners. The Common Area to be owned by the Association at the time of the conveyance of the first Lot to a retail purchaser shall be Tracts F through M, inclusive, according to the Plat.

Section 7. "Common Expenses" shall mean and include the actual and estimated expenses of operating the Association, including any reasonable reserves, all as may be found to be necessary and appropriate by the Board pursuant to this Declaration or pursuant to the Articles or the Bylaws.

Section 8. "Declarant" shall mean and refer to Realty Dealers, Ltd., an Illinois limited partnership, and any assignee of any of the rights and duties granted or reserved to the Declarant herein, which assignment shall be evidenced by a duly executed and acknowledged instrument recorded with the Recorder. The term "Declarant" shall in no event mean or refer to a retail Lot buyer.

Section 9. "Eligible Mortgage Holder" shall mean and refer to any holder (as evidenced by an instrument recorded with the Recorder) of a First Mortgage who or which shall have made written request to the Association for notice of any proposed action that, pursuant to Article XI, Section 2 hereof or Article XI, Section 11 hereof, requires the consent of a specified percentage of Eligible Mortgage Holders (which written request must contain the name and address of said Eligible Mortgage Holder and the Lot number or street address of the Lot securing the First Mortgage held by said Eligible Mortgage Holder).

Section 10. "First Mortgage" shall mean and refer to a Mortgage secured by a Lot which has priority over any and all other Mortgages secured by such Lot.

Section 11. "Lot" shall mean and refer to a lot into which the Property is subdivided as set forth in the Plat. For purposes of this Declaration, a Lot shall be deemed to come into existence on and as of the date this Declaration is recorded with the Recorder. In no event shall the term "Lot" mean or refer to all or any part of the Common Area.

Section 12. "Master Association" shall mean and refer to Garden Lakes Community Association, an Arizona non-profit corporation.

Section 13. "Master Declaration" shall mean and refer, collectively, to: (a) that certain Declaration of Covenants, Conditions, Restrictions and Easements for Garden

Lakes recorded on January 28, 1986, at Recorder's No. 86-043351, as amended by that certain Supplementary Declaration of Covenants, Conditions, Restrictions and Easements recorded on May 22, 1986 at Recorder's No. 86-253674, all in the office of the Maricopa County, Arizona Recorder, as the same may be further amended from time to time; and (b) that certain Tract Declaration with respect to the Property recorded on 6-27-86, 1986 at Recorder's No. 86-328760 in the office of the Maricopa County, Arizona Recorder, as the same may be amended from time to time.

Section 14. "Member" shall mean and refer to a person or entity entitled to membership in the Association, as provided herein, provided, however, that there shall be only one Class "A" membership for each Lot, as further provided in Article III below.

Section 15. "Mortgage" shall include a recorded deed of trust, as well as a recorded mortgage, which, in either case, is secured by a Lot or any other part of the Property.

Section 16. "Mortgagee" shall include a beneficiary or holder of a recorded deed of trust, as well as a mortgagee under a recorded mortgage, which, in either case, is secured by a Lot or any other part of the Property.

Section 17. "Mortgagor" shall include the trustor of a recorded deed of trust, as well as a mortgagor under a recorded mortgage, which, in either case, is secured by a Lot or any other part of the Property.

Section 18. "Owner" shall mean and refer to the owner (as evidenced by an instrument recorded with the Recorder), whether one or more persons or entities, of fee simple title to a Lot or, in the case of any valid and outstanding executory agreement of sale recorded with the Recorder with respect to a Lot, the seller under such agreement of sale. The term "Owner" shall exclude in all cases any party holding an interest merely as security for the performance of an obligation.

Section 19. "Person" (whether or not such term is capitalized herein) means a natural person, corporation, partnership, trustee or other legal entity.

Section 20. "Phase" shall mean and refer to any one of the portions of the Property described and identified by a phase number or letter (or number and letter) on Exhibit "A" attached hereto and incorporated herein by reference. The numbers or letters (or numbers and letters) assigned to Phases hereby are and shall be for reference only and shall not control the order of development or sale of Lots within any Phase or from Phase to Phase. Declarant shall retain full discretion as to the order and timing of the development and sales of Lots within any Phase or from Phase to Phase.

Section 21. "Plat" shall mean that certain amended plat of Garden Lakes Manor recorded in Book 299 of Maps, page 24, in the office of Maricopa County, Arizona Recorder, as amended.

Section 22. "Property" shall mean and refer to all of the real property described and depicted on, and subjected to, the Plat (but excluding Tracts A through E, inclusive, on the Plat, and further excluding any part of Garden Lakes Parkway shown on the Plat), and shall further refer to any additional property as is now or may hereafter be owned in fee simple by the Association.

Section 23. "Recorder" shall mean and refer to the County Recorder for Maricopa County, Arizona, or such other governmental authority, office or official with which or whom the applicable laws of the State of Arizona prescribe that documents affecting title to real property in the area including the Property are to be recorded or filed for public record. Further, the term "recorded" shall include "filed" or "lodged" or any similar term indicating placing such an instrument of public record with the Recorder.

Section 24. "Residential Unit" shall mean any structure constructed on a Lot which is intended for use and occupancy as a residence by a single household, but shall in no event include all or any part of the Common Area.

Article II

Property Rights

Every Owner shall have a non-exclusive right and easement of enjoyment in, to and over the Common Area, subject to any restrictions or limitations contained herein or in any

instrument conveying to the Association or subjecting to this Declaration such property, and subject further to the reasonable rules and regulations of the Association. Any Owner may assign his, her or its right of enjoyment to (and share the same with) the members of his or her household and assign the same to and share the same with his, her or its tenants and invitees subject to the provisions of this Declaration and to reasonable regulation by the Board and otherwise in accordance with such procedures as the Board may adopt.

Article III

Membership and Voting Rights

Section 1. Membership. The Association shall have two (2) classes of membership, Class "A" and Class "B," as follows:

(a) Class "A". There shall be one Class "A" membership in the Association for each Lot. Each such membership shall be held by the Owner (from time to time) of such Lot and shall be appurtenant to and may not be separated from ownership of such Lot. The foregoing is not intended to include persons who hold an interest merely as security for the performance of an obligation, and the giving of a security interest shall not terminate an Owner's membership. No Owner, whether one or more persons, shall have more than one membership per Lot owned. In the event any Lot is owned by two or more persons or entities, whether by joint tenancy, tenancy

80 04020

in common, community property or otherwise, the membership as to such Lot shall be joint, provided, however, that such owners shall jointly designate to the Association in writing one of their number who shall have the power to vote said membership, and, in the absence of such designation and until such designation is made, the Board shall make such designation and such designation shall be binding for all purposes. In no event shall more than one (1) Class "A" membership exist for each Lot. Notwithstanding the foregoing, so long as the Class "B" membership is in existence, Declarant shall not be a Class "A" member nor shall Declarant have any Class "A" votes, and Declarant's membership and number of votes shall be determined in accordance with Subsections 1(b) and 2(b) of this Article III.

(b) Class "B". Class "B" members shall be Declarant and any assignee of all or any part of Declarant's Class "B" membership rights.

Section 2. Voting. The voting rights of the Class "A" and Class "B" members are as follows:

(a) Class "A". Each Class "A" member shall be entitled on all issues to one (1) vote for each Lot with respect to which such member holds the interest required for membership by Section 1 of this Article III. When more than one person holds such interest in any Lot, there shall be only one (1) vote with respect to such Lot, which vote shall be exercised by the person designated to exercise the power to

cast such vote, as provided in Section 1 of this Article III. Any attempt to cast a vote appurtenant to a Lot in a manner inconsistent with the aforescribed designation shall result in the suspension of the power to cast such vote until such time as such vote is cast in accordance with such designation. Any Owner of a Lot which is leased or which is subject to a valid, outstanding and recorded executory agreement of sale may, in the lease, agreement of sale or other written instrument, assign the voting right appurtenant to the Lot to the lessee of the Lot or to the purchaser of the Lot under such agreement of sale, as applicable, provided that a copy of such instrument is furnished to the Secretary of the Association prior to any meeting.

(b) Class "B". The Class "B" member or members shall be entitled to three (3) votes for each Lot owned by such Class "B" member or members. Declarant shall have the right, at any time and from time to time, to assign all or any part of its voting rights appurtenant to its Class "B" membership rights (as well as all or any other rights appurtenant thereto) to one or more persons or entities acquiring, for purposes of development and sale, any part of the Property. Further, Declarant shall have the right, at any time and from time to time, to designate an individual or individuals to exercise Declarant's voting rights (whether appurtenant to Class "A" or Class "B" membership), provided, however, that such designation shall not act as an assignment by Declarant of its membership

or voting rights hereunder. Upon the earlier to occur of:
(i) January 1, 1990; or (ii) the time at which the total number of Class "A" votes outstanding (as determined above) equals (or exceeds) the total number of Class "B" votes outstanding (as determined above), the Class "B" membership shall terminate and be deemed converted to a Class "A" membership, whereupon the membership and voting rights of Declarant (and any assignee of Declarant's Class "B" membership rights) shall be determined in accordance with subsections 1(a) and 2(a) of this Article III.

Article IV

Maintenance

Section 1. Association's General

Responsibilities. The Association shall maintain and keep in good repair the Common Area, the costs of such maintenance to be Common Expenses of the Association. This maintenance shall include, but not be limited to: (a) maintenance, repair and replacement, subject to any insurance then in effect, of all landscaping and other flora, structures and improvements situated upon the Common Area, including any perimeter or boundary walls; (b) maintenance, repair and replacement of landscaping and flora in or upon public rights-of-way within or immediately adjacent to the Property; and (c) maintenance and repair of any drainage easements which are upon, or constitute a part of, the Common Area. Notwithstanding the foregoing, landscaping and flora upon or in public rights-of-way for

Garden Lakes Parkway abutting the Property or any part thereof shall be the responsibility of the Master Association pursuant to the Master Declaration; maintenance of the side facing any public right-of-way of any boundary walls situated upon the Property along Garden Lakes Parkway shall be the responsibility of the Association (unless such maintenance responsibility is assigned to, or expressly assumed by, the Master Association in or pursuant to the Master Declaration), while the maintenance of the side of such boundary walls facing an Owner's Lot shall be the responsibility of such Owner.

Section 2. Front Yard Landscaping. In addition, the Association shall be responsible for maintaining and keeping in good repair on each and every Lot, as a Common Expense of the Association, the landscaping and flora situated in or upon the "front yard" of each and every Lot. For purposes hereof, the "front yard" of a Lot shall mean and refer to such portion of that Lot as is adjacent to or abutting public or private roadways or adjacent to or abutting any part of the Common Area, except where such portion of that Lot is screened from view from such roadways or Common Area by a wall or other structure.

Section 3. Maintenance of Owner's Structures. Each Owner shall be responsible for the maintenance, cleaning, painting, repair and general care of the Residential Unit and any other structure existing or constructed upon such Owner's Lot, and, in particular, each Owner shall cause the exterior of

said Residential Unit or other structure to be maintained in good condition and repair and in an attractive state consistent with general community standards within the Property. In the event that the Association shall determine by the affirmative vote of a majority of the votes of each class of Members represented in person or by valid proxy at a meeting called for such purpose that any Owner is in breach of such Owner's obligation to cause the exterior of the Residential Unit or other structure on such Owner's Lot to be maintained in good condition and repair and in an attractive state consistent with general community standards within the Property, the Association shall promptly give such Owner written notice of such determination, including a reasonably detailed list or description of the repairs, maintenance or other work required to cure such Owner's breach, and in the event the Owner shall not have cured such breach within thirty (30) days after the date of said written notice, the Association shall cause the repairs, maintenance or other work to be performed so as to cure such Owner's breach, and the Association's costs in doing so, together with interest from the date of expenditure at the rate set forth in Article XI, Section 8 of this Declaration, shall constitute a lien on such Owner's Lot, which lien shall have the priority and may be enforced in the manner described in Article VIII, Section 4 of this Declaration. The Association shall have an easement on, over, across and through each Lot to

permit it to carry out its duties and obligations under this Article IV.

Section 4. Publicly-Dedicated Areas. Except as expressly provided in this Article IV (and, in particular, in part (b) of Section 1 of this Article IV), and except as may otherwise be required by applicable law, the Association shall have no responsibility to maintain any areas within the Property (including, but not limited to, public streets) which are dedicated to or the responsibility of a municipality or other governmental entity.

Section 5. No Discrimination. The provision of services in accordance with this Article shall not be deemed to be discrimination in favor of or against any Owner.

Article V

Insurance and Fidelity Bonds: Casualty Losses

Section 1. Insurance to be Obtained by the Association.

(a) Hazard Insurance. The Board, acting on behalf of the Association, shall obtain and maintain at all times insurance for all insurable improvements on the Common Area against loss or damage by fire or other hazards, casualties and risks embraced within the coverage of the standard "extended coverage" policy available from time to time in the State of Arizona, against all other perils customarily covered for similar types of projects (including those covered by the

standard "all risk" endorsement available from time to time in the State of Arizona), and against loss or damage due to vandalism and malicious mischief. Said insurance shall be in an amount equal to 100% of the current replacement cost, from time to time, without deduction for depreciation, of all such insurable improvements (excluding land, foundations, excavations and other items usually excluded from such insurance coverage, but including fixtures and building service equipment and personal property and supplies owned by the Association), with such amount to be redetermined annually.

The policy or policies providing such insurance shall provide that: (i) any insurance trust agreement will be recognized; (ii) the insurer shall waive any right of subrogation against the Owners, the Board or the Association, and their respective agents, employees, guests and household members; (iii) such insurance shall not be cancelled, invalidated or suspended by reason of any acts or omissions of any Owner (or of such Owner's invitees, agents, employees or household members) or of any member, officer or employee of the Board without a prior written demand to the Board that any such act or omission be cured and without providing a sixty (60) day period within which the Board may cure same (or cause the same to be cured); (iv) such insurance coverage shall be primary, and shall in no event be brought into contribution with any insurance maintained by individual Owners or their Mortgagees; and (v) the coverage afforded by such policy or policies shall

not be prejudiced by any act or omission of any Owner or any occupant of a Lot (or their agents) when such act or omission is not within the control of the Association.

The policy or policies providing such insurance shall also contain (if available at no additional cost or at such additional cost as is not demonstrably unreasonable) the following endorsements (or their equivalents): (i) "agreed amount" and "inflation protection" endorsements; (ii) "increased cost of construction" endorsement; (iii) "contingent liability from operation of building laws or codes" endorsement; and (iv) "demolition cost" endorsement.

The policy or policies providing such insurance shall also contain a steam boiler and machinery endorsement providing coverage in an amount not less than the lesser of \$2,000,000 or the insurable value of the building(s) housing such boiler and machinery, if any.

Unless a higher maximum deductible amount is required by applicable law, each policy providing the insurance coverage described in this Subsection 1(a) shall provide for a deductible not to exceed the lesser of \$10,000 or one percent (1%) of the face amount of such policy.

(b) Liability Insurance. The Board, acting on behalf of the Association, shall obtain and maintain at all times a comprehensive general liability policy insuring the Association, each member of the Board and each Owner (and, so long as Declarant, or any person or entity with whom Declarant

contracts directly for the performance of all or a substantial portion of Declarant's rights and obligations hereunder, or for the construction of substantial improvements on the Property, retains an interest in the Property or any Lot, insuring Declarant and such person or entity, if identified by Declarant to the Association, provided that any added premium cost or other expense resulting from naming Declarant or such person or entity as insureds shall be borne by Declarant or such other person or entity), against any liability to the public or to any Owner (and such Owner's invitees, agents, employees and household members) arising out of or incident to the ownership and/or use of the Common Area or arising out of or incident to the performance by the Association of its maintenance and other obligations hereunder. The Board, with the assistance of the insurer(s) providing such coverage, shall review annually (and upon the subjection of any portion, or all, of the Annexable Property to the effect of this Declaration) the amounts of coverage afforded by said comprehensive general liability policy or policies, but in no event shall said policy or policies provide coverage less than One Million Dollars (\$1,000,000.00) for bodily injury and property damage for any single occurrence. The policy or policies providing such insurance shall, by specific endorsement or otherwise, preclude denial by the insurer(s) providing such insurance of a claim under such policy or policies because of negligent acts or omissions of the Association or any Owner(s) (or of Declarant or any other per-

son or entity named as an insured or additional insured thereunder).

(c) Flood Insurance. In the event any part of the Common Area is in a "special flood hazard area," as defined by the Federal Emergency Management Agency (or its successors), the Board, acting on behalf of the Association, shall obtain (and maintain at all times during which any part of the Common Area is in such a "special flood hazard area") a "master" or "blanket" policy of flood insurance covering all insurable improvements on the Common Area and covering any personal property owned from time to time by the Association (to the extent such personal property is normally covered by the standard flood insurance policy available from time to time in the State of Arizona). Said insurance shall be in an amount not less than the lesser of: (i) 100% of the current replacement cost, from time to time, of all such insurable improvements (and such insurable personal property owned by the Association) located in the "special flood hazard area"; or (ii) the maximum coverage available for such insurable improvements and insurable personal property under the National Flood Insurance Program. Unless a higher maximum deductible amount is required by applicable law, the policy providing such insurance shall provide for a deductible not to exceed the lesser of \$5,000 or one percent (1%) of the face amount of such policy.

(d) General Provisions Governing Insurance. The insurance required to be obtained under Subsections 1(a), 1(b)

and 1(c) of this Article V shall be written in the name of the Association as trustee for each of the Owners, for each holder of a Mortgage secured by a Lot and for any other person or entity insured thereunder (all as their respective interests may appear) and shall be governed by the provisions hereinafter set forth:

(i) All policies shall be written with one or more companies authorized to provide such insurance in the State of Arizona;

(ii) Exclusive authority to adjust losses under policies in force on property owned by the Association shall be vested in the Board;

(iii) In no event shall the insurance coverage obtained and maintained by the Board 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;

(iv) Subject to the requirement of item (ii) of the second paragraph of Subsection 1(a) above, the Board shall be required to make every reasonable effort to secure insurance policies that will provide for a waiver of subrogation by the insurer as to any claims against the Board or the Owners and their respective tenants, servants, agents and guests (if securing same will impose on the Association no additional cost or only such reasonable cost as the Board may determine, in its discretion);

(v) Each policy providing such insurance coverage shall require the applicable insurer to give not less than ten (10) days written notice to the Association, and to each holder of a First Mortgage which shall have given such insurer written notice of such holder's interest in the Property (which notice must include the name and address of such holder), of any cancellation or material modification of such policy.

(e) Fidelity Bonds. The Board, acting on behalf of the Association, shall obtain and maintain at all times adequate fidelity bond coverage to protect against dishonest acts on the part of officers, directors and employees of the Association and all others who handle, or are responsible for handling, funds held or administered by the Association, whether or not such officers, directors, employees or others receive compensation for services they render to or on behalf of the Association. Any independent management agent which handles funds for the Association shall also obtain (and pay for) such fidelity bond coverage with respect to its own activities (and those of its directors, officers and employees, whether or not such directors, officers or employees receive compensation for services rendered). Such fidelity bonds: (i) shall name the Association as obligee; (ii) shall be issued by one or more companies authorized to issue such bonds in the State of Arizona; and (iii) shall be in an amount sufficient to cover the maximum total of funds reasonably expected by the

0030

Board to be in the custody of the Association or such agent at any time while such bond is in force, but in no event shall the amount of such fidelity bond coverage be less than the sum of three (3) months' general assessments on all Lots, plus the total of funds held in the Association's reserves. Each such fidelity bond shall provide that the issuer thereof shall provide not less than ten (10) days written notice to the Association and to each Eligible Mortgage Holder before such bond may be cancelled or substantially modified for any reason.

(f) Workers' Compensation Insurance. The Board, acting on behalf of the Association, shall obtain and maintain workers' compensation insurance if and to the extent necessary to meet the requirements of applicable law.

(g) Cost of Insurance. All premiums for the insurance or bonds required to be obtained by the Board by this Section 1 shall be Common Expenses (except that, as provided in Subsection 1(e) above, the cost of the fidelity bond required to be furnished by any independent management agent shall be paid by such agent, and, as provided in Subsection 1(b) above, any added cost of naming Declarant, or any person or entity with whom or which Declarant contracts directly for the performance of all or a substantial portion of Declarant's rights or obligations hereunder, or for the construction of improvements on the Property, shall be borne by Declarant or such other person or entity). The Board shall not be liable for failure to obtain or maintain any of the insurance coverage required by

this Section 1, or for any loss or damage resulting from such failure, if such failure is due to the unavailability of such insurance coverage from reputable companies authorized to provide such insurance in the State of Arizona, or if such insurance coverage is available only at a demonstrably unreasonable cost.

Section 2. Insurance to be Obtained by the Owners.

(a) Public Liability Insurance. It shall be the individual responsibility of each Owner to provide, as such Owner sees fit and at such Owner's sole expense, comprehensive public liability insurance against loss or liability for damages and any expense of defending against any claim for damages which might result from the ownership, use or occupancy of such Owner's Lot.

(b) Hazard and Contents Insurance. It shall be the individual responsibility of each Owner to provide, as such Owner sees fit and at such Owner's sole expense, fire, liability, theft and any other insurance covering the Residential Unit and any other structure on such Owner's Lot, as well as any and all fixtures and personal property upon such Lot or in such Residential Unit or other structure(s).

Section 3. Casualty Losses.

(a) Damage and Destruction.

(i) Immediately after any damage or destruction by fire or other casualty to all or any part of the property required to be insured by the Association under

Section 1 above, the Board or its duly authorized agent shall:

(a) proceed with the filing and adjustment of all claims arising under such insurance; (b) obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed property; and (c) upon receipt of the proceeds of such insurance and except as is otherwise provided herein, use such proceeds to repair or reconstruct the damaged or destroyed property, subject to the applicable requirements hereof and of the Master Declaration. Repair or reconstruction, as used in this Article V, means repairing or restoring the property in question to substantially the same condition as that in which it existed prior to the fire or other casualty (or, where applicable, replacing the damaged or destroyed property with property substantially similar to the damaged or destroyed property as it existed prior to such damage or destruction), all subject to the applicable requirements hereof and of Master Declaration.

(ii) Subject to the applicable requirements of the Master Declaration: Any major damage or destruction to all or any part of the property required to be insured by the Association under Section 1 above shall be repaired or reconstructed unless: (a) at a special meeting of the Members of the Association duly noticed and convened within sixty (60) days after the occurrence of such damage or destruction, the Members determine, by a vote of Owners owing not less than seventy-five percent (75%) of all Lots, not to so repair or

reconstruct; and (b) Eligible Mortgage Holders representing at least fifty-one percent (51%) of all Lots subject to First Mortgages held by Eligible Mortgage Holders concur in such determination not to so repair or reconstruct. If for any reason either the amount of the insurance proceeds to be paid as a result of such damage or destruction, or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not made available to the Association within said period, then the period shall be extended until such information shall be made or become available; provided, however, that such extension shall not exceed sixty (60) days. The Board shall determine whether any minor damage or destruction to the Common Area should be repaired or reconstructed.

(iii) Subject to the applicable requirements of the Master Declaration: In the event that it is determined in the manner described above that the damage or destruction of any part of the Common Area shall not be repaired or reconstructed and no alternative improvements are authorized, then and in that event such property shall be maintained by the Association in a neat and attractive condition as an undeveloped portion of the Common Area.

(b) Excess or Deficiency of Proceeds. 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 shall, without the necessity of a vote of the Members, levy an equal assess-

00 0-9-000

ment against the Owner of each Lot. Additional assessments may be made in like manner at any time during or following the completion of any repair or reconstruction. If the funds available from insurance exceed the cost of repair, such excess shall be used to meet Common Expenses.

(c) Repair or Reconstruction of Residential Units. In the event of the destruction of a Residential Unit or other structure on a Lot, or of damage to such Residential Unit or other structure which, in the reasonable judgment of the Board, materially affects the exterior appearance thereof, the Board shall have the right, at its option, exercisable by written notice to the Owner of the Lot upon which such Residential Unit or other structure is situated, to require such Owner to repair or reconstruct (or cause to be repaired or reconstructed), at such Owner's expense (subject to any insurance proceeds as such Owner may then or thereafter receive in respect of such destruction or damage), such Residential Unit or other structure within such period of time as shall be specified by the Board in such notice (which period of time shall in no event be less than eight (8) months from the date of such destruction or damage, or such shorter period as may be specified in the Master Declaration or by the Master Association). The Board may exercise such right and establish such time period notwithstanding such Owner's failure to maintain hazard or casualty insurance upon such Owner's Lot or any structures thereon and notwithstanding any unavailability or delay in

receipt of proceeds of any insurance policy or policies, although the Board may take such matters into account in establishing or extending the time period within which such repair or reconstruction must be completed. Any such repair or reconstruction work shall be performed in compliance with all applicable provisions hereof and of the Master Declaration, and the Owner of such Lot shall take such steps as are reasonably necessary to prevent damage to surrounding property and injury to persons as may result from or arise in connection with the destroyed or damaged Residential Unit or other structure or the repair or reconstruction activities with respect thereto.

Article VI

Restrictions on Annexation of Additional Property

Section 1. Limitations on Annexations. Declarant

does not intend to annex any additional residential property or common area to the Property, and additional residential property and common area may be annexed to the Property only:

- (a) by the affirmative vote of two-thirds (2/3) of the votes of each class of Members represented in person or by valid proxy at a meeting of Members duly called for that purpose; and
- (b) with the approval of the applicable percentage of Eligible Mortgage Holders, as provided in Article XI, Section 2 hereof; and
- (c) with the express written consent of each owner of all or any part of the property proposed to be annexed.

00 04025

Section 2. FHA and VA Approval. Notwithstanding Section 1 above, so long as the Class "B" membership is in existence no additional property may be annexed to the Property without the prior approval of the Federal Housing Administration and the Veterans Administration.

Section 3. Recordation of Annexation Instrument. Upon approval to the extent required by this Article VI of any annexation of property to the Property, the President and Secretary of the Association shall execute, acknowledge and record with the Recorder an instrument effecting and evidencing such annexation (which instrument shall also be duly executed and acknowledged by each owner of all or any part of the property being annexed), and such annexation shall be deemed effective only upon such recordation. Such instrument (or a separate instrument recorded against any property annexed to the Property pursuant to this Article VI and executed by the owner of such annexed property) may subject the annexed property to such additional covenants, conditions and restrictions as the owner thereof may deem appropriate or desirable (subject, however, to approval thereof by the Association and to such other approval rights as may be granted hereby or by the Master Declaration to other parties in connection with such annexation), provided, however, that any and all such additional covenants, conditions and restrictions shall be subordinate and subject to the provisions of this Declaration and of the Master Declaration.

Section 4. Effect of Annexation. Upon the effective date of an annexation pursuant to this Article VI, as provided above: (i) the property so annexed shall immediately be and become a part of the Property and subject to all of the provisions hereof; (ii) any Lot then or thereafter constituting a part of the annexed property, and the Owner of any such Lot, shall thereupon be subject to all of the provisions of this Declaration (including, but not limited to, the provisions of Articles II, III and VIII hereof); (iii) any part or parts of the property annexed which is or are designated or declared to be Common Area shall thereupon be subject to the provisions of this Declaration (including, but not limited to, the provisions of Articles II and IV hereof); and (iv) improvements then or thereafter situated upon the annexed property shall be subject to the provisions of this Declaration and shall be reasonably consistent, in terms of quality of construction, with the improvements situated upon other portions of the Property prior to such annexation.

Article VII

Rights and Obligations of the Association

Section 1. The Common Area. The Association, subject to the rights of the Owners set forth in this Declaration, shall be responsible for the exclusive management and control of the Common Area and shall keep the Common Area

in good, clean, attractive and sanitary condition, order and repair, pursuant to the terms and conditions hereof.

Section 2. Personal Property and Real Property for Common Use. The Association, through action of the Board, may acquire, hold and dispose of tangible and intangible personal property and real property, except that, subject to the provisions of Sections 2, 4 and 11 of Article XI hereof, no dedication, sale or transfer of all or any part of the Common Area shall be made or effective unless approved by not less than two-thirds (2/3) of the votes of each class of Members represented in person or by valid proxy at a meeting of Members duly called for such purpose. The Board, acting on behalf of the Association, shall accept any real or personal property, leasehold or other property interests within, adjacent to or related to all or any part of the Property, including, but not limited to, the property described in Article I, Section 6 hereof, as may be conveyed or assigned to the Association by Declarant (or an Assignee of Declarant). As provided in Article I, Section 6 above, the property described in that Section is intended to be Common Area and shall be transferred to the Association prior to conveyance of the first Lot to a retail purchaser.

Section 3. Rules and Regulations. The Association, through the Board, may make and enforce reasonable rules and regulations governing the use of the Property, which rules and regulations shall be consistent with the rights and duties

86-342625

established by this Declaration. Sanctions for violation of such rules and regulations or of this Declaration may be imposed by the Board and may include suspension of the right to vote and the right to use the recreational facilities on the Common Area, and, where approved by a majority vote of each class of Members represented in person or by valid proxy at a meeting of Members duly called for such purpose, may also include reasonable monetary fines. No suspension of an Owner's right to vote or of the right of such Owner (or such Owner's tenants, invitees or other occupants of such Owner's Lot) to use the recreational facilities on the Common Area due to a violation of the rules and regulations of the Association may be for a period longer than sixty (60) days (except where such Owner, tenant, invitee or occupant fails or refuses to cease or correct an on-going violation or commits the same or another violation, in which event such suspension may be extended for additional periods not to exceed sixty (60) days each until such violation ceases or is corrected).

Section 4. Availability of Books, Records and Other Documents. The Association shall maintain complete and current copies of this Declaration, the Articles, the Bylaws and all rules and regulations of the Association (as well as any amendments to the foregoing) and of the books, records and financial statements of the Association, and, upon the prior written request to the Association by any Owner or by any holder, insurer or guarantor of a First Mortgage, shall make

the same available for inspection, at reasonable times and under reasonable circumstances, by such Owner or such holder, insurer or guarantor.

Section 5. Audited Financial Statements. In the event any holder, insurer or guarantor of a First Mortgage submits to the Association a written request for an audited financial statement of the Association for the most recently concluded fiscal year of the Association, the Association shall promptly deliver such an audited financial statement to such holder, insurer or guarantor, and in the event no such audited financial statement has been prepared for the most recently concluded fiscal year, the Association shall cause the same to be prepared and delivered to such holder, insurer or guarantor as soon as reasonably possible. The cost of having such an audited financial statement prepared shall be a Common Expense.

Section 6. Implied Rights. The Association may exercise any other right or privilege given to it expressly by this Declaration, the Articles or the Bylaws, 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.

Article VIII

AssessmentsSection 1. Creation of Assessment Right.

(a) Right of Assessment by Board; Allocation Among Lots. In order to provide funds to enable the Association to meet its financial and other obligations and to create appropriate reserves, there is hereby created a right of assessment exercisable by the Board. General Assessments and Special Assessments shall be allocated equally among all Lots (subject to Section 1(f) of this Article VIII) and shall be for Common Expenses. Unless otherwise specified herein, the term "assessments" shall include General Assessments and Special Assessments. The General Assessments and Special Assessments provided for herein are in addition to and not in lieu of or in substitution for any assessments, fees or other charges levied against all or any of the Lots, Owners or Members (or other persons) pursuant to the Master Declaration. To the extent that the Master Association elects, pursuant to the Master Declaration, to bill the Association, rather than the respective Owners, for assessments or other charges authorized or permitted by the Master Declaration, the Association shall have full power and authority to in turn, bill such assessments or other charges to the appropriate Owners, and regardless whether the Master Association or the Association bills and collects such assessments or other charges authorized or permitted under the Master Declaration, the same shall not be considered to be

a part of the General Assessments or Special Assessments levied by the Association hereunder for purposes of any maximum amounts or limitations imposed thereon (including, without limitation, the limitations imposed by Subsection 1(e) of this Article VIII).

(b) Covenant to Pay; Lien. Each Owner, by acceptance of his, her or its deed with respect to one or more Lots, is deemed to covenant and agree to pay the aforescribed assessments. All such assessments, together with interest from the date due at a rate equal to ten percent (10%) per annum, and together with such costs and reasonable attorneys' fees as may be incurred in seeking to collect such assessments, shall be a charge on the land and shall be a continuing lien upon the Lot against which each assessment is made.

(c) Personal Obligation to Pay. Each such assessment, together with interest, costs and reasonable attorneys' fees as provided above, shall also be the personal obligation of the person who or which was the Owner of such Lot at the time the assessment arose with respect to such Lot, provided, however, that the personal obligation for delinquent assessments shall not pass to a successor in title of such Owner unless expressly assumed by such successor.

(d) Due Dates. General Assessments for each fiscal year shall be due and payable in semiannual installments on or before the first day of January and the first day of July of such fiscal year. Special Assessments, if any, shall be

paid in such manner and on such dates as may be fixed by the Board. In addition to any other powers of collection or enforcement granted hereunder, in the event any assessments with respect to a Lot are delinquent, the Board shall have the right, in its sole discretion, to accelerate the date on which assessments with respect to such Lot are due and payable.

(e) Maximum Permitted General Assessments. The

General Assessments provided for herein shall not commence until January 1, 1987, and shall not at any time exceed the Maximum Permitted General Assessment, as determined in accordance with this Section 1(e). For the fiscal year beginning January 1, 1987 and ending December 31, 1987, the Maximum Permitted General Assessment shall be eight hundred forty dollars (\$840.00) per year for each Lot. Thereafter, unless a greater increase is approved by the affirmative vote of two-thirds (2/3) of the votes of each class of Members represented in person or by valid proxy at a meeting of Members duly called for such purpose, the Maximum Permitted General Assessment for any fiscal year shall be equal to the Maximum Permitted General Assessment for the immediately preceding fiscal year increased at a rate equal to the greater of: (i) the percentage increase for the applicable fiscal year over the immediately preceding fiscal year in the Consumer Price Index--All Urban Consumers--All Items (1967 = 100 Base) published by the Bureau of Labor Statistics of the U.S. Department of Labor (or its successor governmental agency), or, if such index is no longer

published by said Bureau or successor agency, in the index most similar in composition to such index; or (ii) five percent (5%). Notwithstanding the foregoing, the Board may, without the approval of the Members, increase the Maximum Permitted General Assessment for any fiscal year by an amount sufficient to permit the Board to meet any increases over the preceding fiscal year in: (a) premiums for any insurance coverage required by this Declaration to be maintained by the Association; or (b) charges for utility services necessary to the Association's performance of its obligations under this Declaration, in either case (a) or (b) notwithstanding the fact that the resulting increase in the Maximum Permitted General Assessment is at a rate greater than otherwise permitted under the preceding sentence. In the event that, for any fiscal year, the Board elects to levy a General Assessment at less than the full amount of the Maximum Permitted General Assessment for such fiscal year, the Board may, in its reasonable discretion the circumstances so warrant, subsequently levy a supplemental General Assessment during said fiscal year so long as the total of the General Assessments levied during such fiscal year does not exceed the Maximum Permitted General Assessment for such fiscal year.

(f) Dates Assessments Become Payable; Phasing for Assessment Purposes. Assessments shall be payable in respect of a Lot (including any Lot owned by Declarant) from the date upon which title to said Lot, or any other Lot within

the Phase containing said Lot, shall first be conveyed to a retail purchaser, and such assessments shall be payable regardless of whether a Residential Unit or other structure shall be situated upon such Lot on such date. As to any Lot owned by Declarant with respect to which assessments shall have commenced as provided in the preceding sentence, the assessments payable by Declarant with respect to such Lot shall be an amount equal to twenty-five percent (25%) of the assessments which would otherwise be payable hereunder with respect to such Lot if it were owned by an Owner other than Declarant. No assessments shall be payable with respect to a Lot so long as Declarant shall own all of the Lots within the Phase containing said Lot. As to any Lot conveyed by Declarant to a retail purchaser, assessments as to such Lot shall be prorated as of the close of escrow with respect to such Lot (or, if no escrow is utilized, as of the date of recordation of the deed conveying such Lot to such retail purchaser). The numbers or letters (or numbers and letters) assigned to the Phases are for reference only, and Declarant shall retain full discretion as to the order and timing of its development and sales of Lots within any Phase or from Phase to Phase.

(g) No Relief from Obligation upon Abandonment.

No Owner shall be relieved of his, her or its obligation to pay any of the assessments provided or permitted hereunder by abandoning or not using his, her or its Lot or the Common Area.

(h) Certificates. The Association shall, upon the written request of any Owner or the holder, insurer or guarantor of any Mortgage and upon payment of such reasonable charge as may be determined by the Board, furnish to the requesting party a certificate, executed by an officer of the Association, stating the date to which assessments with respect to the Lot specified in the request have been paid and the amount, if any, of any assessments which have been levied with respect to said Lot but which remain unpaid as of the date of such certificate; said certificate shall be binding upon the Association as to the matters set forth therein as of the date thereof.

Section 2. Computation of Assessments: Annual Budget. The Board shall prepare and adopt an estimated annual budget for each fiscal year of the Association, which annual budget shall serve as the basis for determining the General Assessments for the applicable fiscal year (subject to the limitations of Article VIII, Section 1(e) hereof). Such budget shall take into account the estimated Common Expenses and cash requirements of the Association for the year. The annual budget shall also take into account the estimated net available cash income for the year, if any, from the operation or use of any of the Common Area. The annual budget shall provide for a reserve for contingencies for the year (or for subsequent fiscal years) and a reserve for replacements, all in such reasonably adequate amounts as shall be determined by the Board. The

Board shall cause a copy of the budget and a statement of the amount of the General Assessments to be levied against each Lot for the fiscal year covered by said budget to be delivered or mailed to each Owner not less than sixty (60) days following the meeting of the Board at which such budget shall have been adopted.

Section 3. Special Assessments. In addition to the General Assessments authorized in Section 1 of this Article VIII, the Association may levy a Special Assessment in any year, provided, however, that any Special Assessment shall be effective only with the approval of not less than two-thirds (2/3) of the votes of each class of Members represented in person or by valid proxy at a meeting of Members duly called and convened to consider such Special Assessment. Special Assessments shall be allocated equally among all Lots (subject to Section 1(f) of this Article VIII).

Section 4. Lien for Assessments; Foreclosure. The assessments provided for herein shall constitute a lien on each Lot prior and superior to all other liens, except: (1) all taxes, bonds, assessments and other levies which, by law, would be superior thereto; (2) the lien or charge of any First Mortgage made in good faith and for value; and (3) the lien for assessments created and established pursuant to the Master Declaration. Such liens may be foreclosed in the manner provided for the foreclosure of mortgages. The sale or transfer of any Lot pursuant to a mortgage foreclosure or any pro-

ceeding in lieu thereof shall extinguish the lien of the assessments provided for herein as to payments which became due prior to such sale or transfer, but no such sale or transfer shall relieve such Lot from liability for any assessments becoming due after such sale or transfer, or from the lien thereof. The Association shall have the power and authority to bid for any Lot at any sale to foreclose the Association's lien on the Lot, and to acquire and hold, lease, mortgage and convey the same. During the period any Lot is owned by the Association following foreclosure, no right to vote shall be exercised with respect to such Lot, nor shall any assessment (whether General or Special) be assessed or levied on or with respect to such Lot, provided, however, that the Association's acquisition and ownership of a Lot under such circumstances shall not be deemed to convert the same into Common Area. Suit to recover a money judgment for unpaid assessments, rent, interest and attorneys' fees shall be maintainable without foreclosing or waiving the lien securing the same.

Section 5. Notice and Quorum for Meetings to Consider Special Assessments and Certain Increases in General Assessments. Notwithstanding any other provision hereof or of the Articles, the Bylaws or the rules and regulations of the Association, written notice of any meeting called for the purpose of: (a) approving the establishment of any Special Assessment, as required by Article VIII, Section 3 hereof; or (b) approving any increase in the Maximum Permitted General

Assessment greater than that permitted without approval of the Members pursuant to Article VIII, Section 1(e) hereof, shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days prior to the date of said meeting. At the first meeting thus called to consider the particular Special Assessment or increase in the Maximum Permitted General Assessment, a quorum shall consist of sixty percent (60%) of the votes in each class of Members (whether represented in person or by valid proxy), provided, however, that if a quorum, as so determined, is not present at said first meeting, a second meeting may be called (subject to the same notice requirements as set forth above) to consider the same issue, and a quorum at said second meeting shall be one-half (1/2) of the required quorum at the first meeting, as described above. Such second meeting may not be held more than sixty (60) days after the first meeting.

Section 6. Declarant's Obligation for Operating Deficiencies. So long as the Class "B" membership exists, Declarant shall pay and contribute to the Association, within thirty (30) days after the end of each fiscal year of the Association, or at such other times as may be requested by the Board, such funds as may be necessary, when added to the assessments levied by the Association pursuant to this Declaration, to provide for: (i) the operation and maintenance of the Common Area and the recreational facilities located thereon; (ii) the maintenance of adequate reserve accounts; and

(iii) the performance by the Association of all other obligations of the Association under this Declaration or under the Articles or the Bylaws.

Article IX

Use Restrictions

Section 1. Residential and Recreational Purpose.

The Property shall be used only for residential, recreational and related purposes. No Lot or any other part of the Property shall be used, directly or indirectly, for any business, commercial, manufacturing, industrial, mercantile, vending or other similar purpose, except for use by Declarant (or an affiliate or Assignee of Declarant), to the extent permitted by the Master Declaration, for a period not to exceed five (5) years from the conveyance by Declarant of the first Lot, directly in connection with their construction and sales activities with respect to the Property (including, but not limited to, maintenance and operation of model homes, sales offices, and signs advertising the Property).

Section 2. Garages and Driveways. The interior of all garages constructed on the Property shall be maintained by the respective Owners thereof in a neat, clean and sightly condition. Garages shall be used for parking vehicles and storage only, and shall not be used or converted for living or recreational activities. All driveways shall be of concrete construction.

Section 3. Temporary Structures. No temporary residence, structure or garage shall be placed or erected upon any part of the Property (except as may otherwise be permitted by Sections 4 and 21(b) of this Article). Except with the express written approval of Declarant (and, to the extent required by the Master Declaration, of the Master Association), no Residential Unit or other structure on any Lot shall be occupied in any manner while in the course of original construction or prior to issuance by the appropriate local governmental authority of a certificate of occupancy (or other similar document) with respect to such Residential Unit or other structure.

Section 4. New Construction. All buildings or structures erected on the Property shall be of new construction and the buildings and structures shall not have been moved to the Property from other locations (except, to the extent permitted by the Master Declaration, for temporary construction and/or sales facilities placed or maintained on the Property by Declarant or an affiliate or Assignee of Declarant in connection with the construction and sales activities of Declarant or such affiliate or Assignee of Declarant).

Section 5. Signs. No billboards or signs of any type or character shall be erected or permitted on any part of the Property or on any Lot, except for signs used by Declarant (or an affiliate of Declarant), to the extent permitted by the Master Declaration, to advertise the Property during the con-

struction and sales period. Nothing herein shall be deemed to prohibit attachment to the exterior of a Residential Unit, to the extent permitted by the Master Declaration, of a single nameplate and a single address plate identifying the occupant and the address of such Residential Unit or the placing upon the exterior of any Residential Unit (or upon the Lot containing the Residential Unit), to the extent permitted by the Master Declaration, of a single "For Sale" or "For Lease" sign, provided that such nameplates and address plates shall be subject to the rules and regulations of the Board or such committee as the Board may designate, and of the Master Association, and except that such "For Sale" or "For Lease" sign shall not have dimensions exceeding eighteen (18) inches by twenty-four (24) inches. Further, nothing herein shall be deemed to prohibit installation and maintenance of directional signs, subdivision identification signs, street signs or similar signs as may be approved by the Board (and, if required by the Master Declaration, by the Master Association) for installation or maintenance by the Association (or by the Master Association).

Section 6. Heating, Ventilating and Air Conditioning Units. No heating, air conditioning or evaporative cooling units or equipment shall be placed, constructed or maintained upon the Property, including, but not limited to, upon the roof or exterior walls of any structure on any part of the Property unless: (i) where such unit or equipment is

installed upon the roof of any structure upon the Property, such unit or equipment is fully screened from view from adjacent properties by a parapet wall which conforms architecturally with such structure; or (ii) in all other cases, such unit or equipment is attractively screened or concealed from ground level view from adjacent properties, which means of screening or concealment shall (in either case (i) or (ii)) be subject to the regulations and approval of the Board and, to the extent required by the Master Declaration, of the Master Association.

Section 7. Solar Collecting Panels or Devices.

Declarant recognizes the benefits to be gained by permitting the use of solar energy as an alternative source of electrical power for residential use. At the same time, Declarant desires to promote and preserve the attractive appearance of the Property and the improvements thereon, thereby protecting the value generally of the Property and the various portions thereof, and of the various Owners' respective investments therein. Therefore, subject to the provisions of the Master Declaration, solar collecting panels and devices may be placed, constructed or maintained upon any Lot within the Property (including upon the roof of any structure upon any Lot), so long as either: (a) such solar collecting panels and devices are placed, constructed and maintained so as not to be visible from ground level view from adjacent properties; or (b) such solar collecting panels and devices are placed, constructed and maintained in such location(s) and with such means of screening

or concealment as the Board may reasonably deem appropriate to limit, to the extent possible, the visual impact of such solar collecting panels and devices when viewed at ground level from adjacent properties.

Section 8. Antennas and Towers. No television, radio, shortwave or other antenna, pole or tower shall be placed, constructed or maintained upon the Property (including, but not limited to, upon the roof or exterior walls of any Residential Unit), unless: (a) where such antenna, pole or tower is installed upon the roof of a Residential Unit, such antenna, pole or tower is fully screened and concealed from view from adjacent properties by a parapet wall which conforms architecturally with the structure of such Residential Unit; or (b) in all other cases, such antenna, pole or tower is fully and attractively screened or concealed from view from adjacent properties, which means of screening or concealment shall (in either case (a) or (b)) be subject to the regulations and approval of the Board and, to the extent required by the Master Declaration, of the Master Association. Notwithstanding the foregoing, to the extent permitted by the Master Declaration, and subject to the provisions thereof, the Board may install (or permit to be installed) upon the Common Area a television and/or radio "dish-type" antenna designed and intended to serve all Owners or residents of the Property (or as many of such Owners or residents as elect to use such service).

Section 9. Basketball Goals or Similar

Structures. No basketball goal or similar structure or device (whether mounted on a pole, wall or roof) shall be placed or constructed upon the front yard, front elevation or front roof surface of any structure on any part of the Property (except upon the Common Area). For purposes of the foregoing sentence, the term "front" shall be deemed to mean visible from ground level view from the street(s) running immediately in front of or along the side of a Residential Unit or other structure.

Section 10. Tanks. No tanks of any kind (including tanks for the storage of fuel) shall be erected, placed or maintained on the Property unless such tanks are buried underground. Nothing herein shall be deemed to prohibit use or storage upon the Property of propane or similar fuel tanks with a capacity of ten (10) gallons or less used in connection with a normal residential gas barbecue, grill or fireplace.

Section 11. Vehicles.

(a) No private passenger automobiles or pickup trucks shall be parked upon the Property or any roadway adjacent thereto except within a garage, in a private driveway appurtenant to a Residential Unit, or within areas designated for such purpose by the Association.

(b) No other vehicles (including, but not limited to, mobile homes, motor homes, boats, recreational vehicles, trailers, trucks, campers, permanent tents or similar vehicles or equipment) shall be kept, placed or maintained upon

the Property or any roadway adjacent thereto, except:

(i) within a fully enclosed garage appurtenant to a Residential Unit; or (ii) in such areas and subject to such rules and regulations as the Board may designate and adopt.

(c) No vehicle (including, but not limited to, those enumerated in subsections (a) and (b) above) shall be constructed, reconstructed or repaired upon the Property or any roadway adjacent thereto except within a fully enclosed garage.

(d) No motor vehicles of any kind which are not in operating condition shall be parked in any unenclosed parking areas (including, but not limited to, private driveways appurtenant to a Residential Unit).

Section 12. Underground Facilities. No cesspool or well may be dug or installed without the prior written approval of the Board. No part of the Property shall be used for purposes of boring, mining, exploring for or removing oil or other hydrocarbons, minerals, gravel or earth (except to the limited extent required in connection with the normal construction activities of Declarant or an affiliate or Assignee of Declarant during the construction period).

Section 13. Outdoor Burning. There shall be no outdoor burning of trash or other debris, provided, however, that the foregoing shall not be deemed to prohibit the use of normal residential barbecues or other similar outside cooking grills or outdoor fireplaces.

Section 14. Sanitation. Garbage and refuse facilities, containers and the like shall be attractively screened and camouflaged in such manner as to conceal them from the view of neighboring Lots, Residential Units, property, roads or streets. All equipment for the storage or disposal of garbage or other waste shall be kept in a clean and sanitary condition. All rubbish, trash and garbage shall be kept only in containers meeting applicable municipal sanitation requirements (and any applicable reasonable rules and regulations of the Association), shall be regularly removed from the Property and shall not be allowed to accumulate thereon.

Section 15. Fences, Interferences and Obstructions. All fences shall be of block construction (except as may be otherwise permitted with the prior written consent of the Board and, to the extent required by the Master Declaration, of the Master Association) and shall be painted or colored to match the exterior of the structure(s) enclosed by or upon the same Lot as such fence. No fence shall exceed six and one-half (6 1/2) feet in height, provided that no fence within fifteen (15) feet of the front property line of a Lot shall exceed three (3) feet in height. The foregoing shall not apply to boundary walls or fences constructed by Declarant along property lines bounding public rights-of-way, provided, however, that such boundary walls or fences shall be constructed so as to comply with applicable municipal zoning and other laws and ordinances as well as the requirements

imposed by the Master Declaration, the Master Association or the Architectural Design Review Committee established pursuant to the Master Declaration. No fence shall be permitted to interfere with existing recorded restrictions, drainageways or easements. Except as otherwise provided by applicable law or governmental rule or regulation, and subject to any applicable restrictions or requirements set forth in any recorded plat of all or any part of the Property, fences may be constructed in or over a recorded utility easement, provided, however, that should the utility companies ever require access to such easement, it shall be the responsibility of the Owner of the applicable Lot or Residential Unit, at his, her or its sole expense, to remove and replace such fence.

No structure, shrubbery or other vegetation shall be permitted to exist on any Lot or other portions of the Property, the height or location of which shall be deemed by the Board either to constitute a traffic hazard or to be unattractive in appearance or unreasonably detrimental to adjoining property. As an aid to freer movement of vehicles at and near street intersections and in order to protect the safety of pedestrians and the operators of vehicles and/or property, the Board may impose further limitations on the height of fences, walls, gateways, ornamental structures, hedges, shrubbery and other fixtures, and construction and planting on corner Lots or other parcels at the intersection of two or more streets or roadways.

Section 16. Nuisance. No rubbish or debris of any kind shall be placed or permitted to accumulate for any unreasonable length of time on any portion of the Property, and no odors shall be permitted to arise therefrom, so as to render the Property or any portion thereof unsanitary, unsightly or offensive or detrimental to any other portion of the Property in the vicinity thereof or to its occupants. No nuisance shall be permitted to exist or operate upon any portion of the Property so as to be offensive or detrimental to any Owner. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, bells or other sound devices, except ordinary home intercom systems or security devices used exclusively for security purposes, shall be located, used or placed on the Property. The Board in its discretion shall have the right to determine the existence of any such nuisance. Furthermore, the Board shall have the right to remove any nuisance at the expense of the Owner responsible for the nuisance (or at the expense of the Owner whose tenant, occupant or guest is responsible for the nuisance).

Section 17. Drainage Alteration; Easements. No vegetation (except suitable ground cover) may be planted or permitted to remain on areas subject to drainage easements, as shown on recorded plats, in such manner as to interfere with drainage or which shall be deemed by the Board to be a detriment to utilities located under or near such vegetation. Except as otherwise provided herein or in the Master

Declaration, or by applicable governmental rule, regulation or ordinance, the owner of property subject to recorded easements shall be responsible for maintaining said property.

Section 18. Clothes-Drying Facilities. Outside clotheslines or other outside facilities for drying or airing clothes shall not be erected, placed or maintained on any part of the Property unless they are erected, placed or maintained exclusively within a fenced yard or otherwise concealed and shall not be visible to a person six feet tall standing at ground level on neighboring property.

Section 19. Pets. No animals, livestock or poultry of any kind shall be raised, bred or kept on the Property, provided, however, that nothing herein shall be construed as prohibiting the keeping of a reasonable number of ordinary household pets in or on a Lot, subject to rules and regulations adopted by the Board, provided that such pets are not kept, bred or maintained for any commercial purpose. Notwithstanding the foregoing, no pets may be kept upon the Property (or on or in any Lot) which, in the opinion of the Board, result in any annoyance or are obnoxious to Owners or occupants of other Lots in the vicinity.

Section 20. Renting or Leasing of Lots. Lots may be rented or leased only by written leases and subject to the following restrictions: All tenants shall be subject to the terms and conditions of this Declaration, the Articles, the Bylaws and the rules and regulations adopted by the Board as

though such tenant were an Owner. Each Owner shall cause his, her or its tenants, occupants or persons living with such Owner or with his, her or its tenants to comply with this Declaration, the Articles, the Bylaws and the rules and regulations adopted by the Board, and shall be responsible and liable for all violations and losses caused by such tenants or occupants, notwithstanding the fact that such tenants or occupants of the Lot are fully liable for any violation of said documents and regulations.

In the event that a tenant, occupant or person living with the tenant violates a provision of this Declaration, the Articles, the Bylaws or rules and regulations adopted by the Board, the Association shall have the power to bring an action or suit against such tenant, occupant or other person to recover sums due for damages or injunctive relief, or for any other remedy available at law or equity. The Association's costs in doing so, including, but not limited to, reasonable attorneys' fees, together with interest as provided in Section 8 of Article XI hereof, shall be reimbursed by the tenant to the Association and constitute a lien on the applicable Lot which shall have the priority and may be enforced in the manner described in Section 4 of Article VIII hereof.

The Board shall also have the power to suspend the right of the tenant, occupant or person living with the tenant to use the recreational facilities on the Common Area for any violation by the tenant, occupant or person living with the

tenant of any duty imposed under this Declaration, the Articles, the Bylaws or the rules and regulations adopted by the Board, and, where approved by a majority vote of each class of Members represented in person or by valid proxy at a meeting of Members duly called for such purpose, to impose reasonable monetary fines upon the tenant or the Owner of the applicable Lot, or both. No suspension hereunder of the right of a tenant, occupant or person living with the tenant to use the recreational facilities on the Common Area may be for a period longer than sixty (60) days except where the tenant, occupant or person living with the tenant fails or refuses to cease or correct an on-going violation or commits the same or another violation, in which event such suspension may be extended for additional periods not to exceed sixty (60) days each until such violation ceases or is corrected; the foregoing limitation shall not affect or prevent termination of the applicable lease if permitted by the terms of said lease or otherwise by applicable law.

Section 21. Storage and Tool Sheds or Structures.

No storage or tool sheds or similar structures shall be placed, erected or maintained upon any part of the Property except:

(a) where such storage or tool shed or similar structure is constructed as an integral part of a Residential Unit (including materials, color and the like) in accordance with the provisions of the Master Declaration; or (b) where such storage or tool shed or similar structure is temporarily placed

on the Property by Declarant (or an affiliate or Assignee of Declarant) in connection with construction activities of Declarant (or such affiliate or Assignee of Declarant), to the extent permitted by the Master Declaration.

Section 22. Miscellaneous. The Board, in its good faith discretion, is hereby authorized to grant such waivers of the restrictions contained in this Article IX as it shall deem appropriate in the circumstances, so long as the use permitted by such waiver shall not result in an unsafe, unsanitary or aesthetically displeasing condition and shall not result, in the Board's discretion, in a substantial departure from the common plan of development contemplated by this Declaration. In addition, all portions of the Property shall continue at all times to be subject to any and all applicable zoning laws and ordinances, provided, however, that where the provisions of this Declaration are more restrictive than such laws or ordinances, the provisions of this Declaration shall control. In imposing upon the Property the restrictions contained in this Article IX, Declarant does not intend in any way to revoke or countermand any provision of the Master Declaration. The restrictions contained in this Article IX are intended to be, and shall be interpreted and applied to be, supplemental and in addition to the Master Declaration. Compliance by any Owner or other person with the provisions of this Article IX shall not relieve or excuse such Owner or other person of or from compliance with the provisions of the Master Declaration.

Article X

Party Walls

Section 1. General Rules of Law to Apply. Each wall (including fence walls) which is built by or on behalf of Declarant on the dividing line between two Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article X and of the Master Declaration, the general rules of law regarding party walls and liability for property damages due to negligent or willful acts or omissions shall apply thereto.

Section 2. Repair and Maintenance. No Owner or resident of any Lot (or any guest, invitee, employee or agent of such Owner or resident) shall do or permit any act (or omit to do any act) that will or does damage, destroy or impair the structural soundness or integrity of any party wall, or which would cause any party wall to be exposed to the elements, and, in the event any such Owner, resident, guest, invitee, employee or agent does or permits any such act (or so omits to do any act), such Owner's or resident's liability with respect to such damage, destruction, impairment or exposure shall be determined in accordance with applicable law.

Section 3. Sharing of Repair and Maintenance. In the event any repair, maintenance or reconstruction of any party wall shall be necessary (other than due to the negligence or willful act or omission of the Owner or resident of one Lot, or such Owner's or resident's guests, invitees, employees or

agents) the cost thereof shall be borne equally by the Owners and/or residents of the Lots having in common such party wall, and in the event any Owner (or resident) fails or refuses timely to pay such Owner's (or resident's) share of such cost, the other Owner (or resident) shall have the right to pay in full such cost and recover from such Owner (or resident) such Owner's (or resident's) share of such cost (together with interest as provided in Article XI, Section 8 of this Declaration).

Article XI

General Provisions

Section 1. Term. The covenants, conditions, restrictions, easements and other provisions set forth in this Declaration: (a) shall run with and bind the Property; (b) shall inure to the benefit of and shall be enforceable by the Association or by the owner of any property subject to this Declaration, their respective legal representatives, heirs, successors and assigns; and (c) shall remain in full force and effect until January 1, 2037, at which time said covenants, conditions, restrictions and other provisions, unless revoked by an affirmative vote of Members owning not less than seventy-five percent (75%) of all Lots, shall automatically be extended for successive periods of twenty-five (25) years each, until revoked in the manner provided above. Notwithstanding any such revocation of this Declaration, each Owner of a Lot (and such

Owner's occupants, tenants, residents, guests and invitees) shall nevertheless have a permanent easement across the Common Area for access to such Lot and for access to and use of such recreational facilities as may exist on the Common Area at the time of such revocation.

Section 2. Amendment. Except as otherwise provided herein (and subject to the provisions of Sections 10, 11, 12 and 13 of this Article XI), this Declaration may be amended only by the affirmative vote (in person or by proxy) or written consent of Members owning at least seventy-five percent (75%) of all Lots. No amendment to this Declaration shall be effective unless and until such amendment shall be recorded with the Recorder. In addition to and notwithstanding the foregoing: (a) so long as the Class "B" membership exists, no amendment to this Declaration shall be effective without the prior approval of the Federal Housing Administration and the Veterans Administration; and (b) no amendment of a material nature to this Declaration (or to the Articles or the Bylaws) shall be effective unless approved by Eligible Mortgage Holders representing at least fifty-one percent (51%) of all Lots subject to First Mortgages held by Eligible Mortgage Holders. A change to any of the following would be considered to be a change of a material nature:

(a) provisions relating to voting rights in the Association;

(b) provisions relating to assessments, assessment liens or subordination of assessments;

(c) provisions relating to reserves for maintenance and repairs;

(d) provisions relating to Owners' rights to use the Common Area;

(e) boundaries of any Lot;

(f) conversion of any Lot into Common Area or vice versa;

(g) addition or annexation of property to, or withdrawal of property from, the Property, or addition or annexation of any property to, or withdrawal of any property from, the Common Area;

(h) provisions relating to insurance or fidelity bonds;

(i) provisions relating to the leasing of Lots (or Residential Units thereon);

(j) provisions relating to the right of an Owner to sell or transfer such Owner's Lot;

(k) restoration or repair of any structures or improvements on the Common Area following a hazard damage or condemnation in a manner other than as specified in this Declaration;

(l) any action to dissolve or otherwise terminate the Association or the legal status of the Property

00 046000

after substantial destruction or condemnation of improvements on the Property occurs; or

(m) any provisions that expressly benefit the holders, insurers or guarantors of Mortgages.

In the event a proposed addition, amendment or change to this Declaration, the Articles or the Bylaws is deemed by the Board as not being of a material nature, the Association shall nevertheless provide written notice to each Eligible Mortgage Holder of the proposed addition, amendment or change (and of the Board's determination that the same is not of a material nature), and each Eligible Mortgage Holder which shall not have made written response to such notice within thirty (30) days after the date of such notice shall automatically be deemed to have approved the proposed addition, amendment or change.

Section 3. Indemnification. The Association shall indemnify every officer and director of the Association (including, for purposes of this Section, former officers and directors of the Association) against any and all expenses, including attorneys' fees, reasonably incurred by or imposed upon any officer or director of the Association 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 or director of the Association, except for their own individual willful misfeasance, malfeasance, misconduct or bad faith. The officers and direc-

tors 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 indirectly to the extent that such officers or directors may also be Members of the Association and therefore subject to assessment to fund a liability 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, or former officer or director of the Association, may be entitled.

Section 4. Easements for Utilities, Etc. There is hereby reserved to the Association the power to grant blanket easements upon, across, over and under all of the Common Area for installation, replacement, repair and maintenance of master television antenna systems, security and similar systems, and all utilities, including, but not limited to, water, sewers, telephones, cable television, gas and electricity (which easements shall also include appropriate rights of ingress and egress to facilitate such installation, replacement, repair and maintenance) provided, that no such easement shall interfere with a Residential Unit or its reasonable use and such easements shall require the holder of the easement to repair any damage caused to the property of any Owner. Should any entity furnishing a service covered by the general easement herein

provided request a specific easement by separate recordable document, the Association shall have the right to grant such easement on said property in accordance with the terms hereof.

Section 5. No Partition. No person acquiring any interest in the Property or any part thereof shall have a right to, nor shall any person seek, any judicial partition of the Common Area. This Section shall not be construed to prohibit the Board: (a) from acquiring and disposing of tangible personal property; or (b) from acquiring or disposing of title to real property (other than disposition of title to the Common Area) which may or may not be subject to this Declaration.

Section 6. 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 7. Perpetuities. If any of the covenants, conditions, restrictions or other provisions of this Declaration shall be unlawful, 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 Ronald Reagan, President of the United States.

Section 8. Enforcement. The Association shall have the standing and power to enforce the provisions of this Declaration and the provisions of any other recorded document pertaining to any Lot or Lots and its costs in doing so,

including, but not limited to, reasonable attorneys' fees, together with interest thereon from the date the costs are expended at a rate equal to ten percent (10%) per annum, shall constitute a lien on all Lots owned by the Owner or Owners against whom the action is taken, which lien shall have the priority and may be enforced in the manner described in Section 4 of Article VIII hereof. Further, any Owner shall have the standing and the right to bring an action against the Association for any violation or breach by the Association or any Owner or other person of any provision hereof or of the Articles or the Bylaws.

Section 9. Property Held in Trust. Any and all portions of the Property which are now or hereafter held in a subdivision or other trust or trusts (or similar means of holding title to property), the beneficiary of which trust(s) is Declarant, shall be deemed for all purposes hereunder to be owned by Declarant and shall be treated for all purposes hereunder in the same manner as if such real property were owned in fee by Declarant. No conveyance, assignment or other transfer of any right, title or interest in or to any of such real property by Declarant to any such trust (or the trustee thereof) or to Declarant by any such trust (or the trustee thereof) shall be deemed for purposes of this Declaration to be a sale of such real property or any right, title or interest therein.

Section 10. FHA/VA Approval. So long as the Class "B" membership is in existence, the following actions shall not

be taken without the prior approval of the Federal Housing Administration and the Veterans Administration: (a) annexation of additional properties to the Property; (b) dedication of any part or all of the Common Area; or (c) amendment of this Declaration.

Section 11. Notices to Certain Mortgage Holders, Insurers or Guarantors. The Association shall give timely written notice of any of the following actions, events or occurrences to any holder, insurer or guarantor of a Mortgage who or which, prior to such action, event or occurrence, shall have made written request to the Association for such notice (which written request shall state the name and address of such holder, insurer or guarantor and the Lot number or street address of the Lot to which the applicable Mortgage pertains):

(a) Any condemnation or casualty loss that affects either a material portion of the Property or the Lot securing the applicable Mortgage;

(b) Any delinquency lasting sixty (60) days or more in payment of any assessments or other charges owed to the Association by the Owner of the Lot securing the applicable Mortgage, or any other breach or default hereunder by the Owner of the Lot securing the applicable Mortgage which is not cured within sixty (60) days after notice thereof from the Association to such Owner;

(c) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; or

(d) Any proposed action which requires the consent of a specified percentage of Eligible Mortgage Holders, as provided in Article XI, Section 2 hereof.

Section 12. Dissolution or Termination of the Association or Legal Status of the Property. No action to dissolve or otherwise terminate the Association or the legal status of the Property for any reason other than the substantial destruction or condemnation of the Property shall be taken without the consent of Eligible Mortgage Holders representing not less than sixty-seven percent (67%) of all Lots subject to First Mortgages held by Eligible Mortgage Holders.

Section 13. Amendments Requested by Governmental Agency. Notwithstanding any other provision of this Declaration, Declarant shall have the right to amend all or any part of this Declaration to such extent and with such language as may be requested by the Federal Housing Administration, Veterans Administration, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or other similar governmental or quasi-governmental agency which issues, guarantees, insures or purchases Mortgages (or securities or other debt instruments backed or secured by Mortgages), or otherwise governs transactions involving Mortgages or instruments evidencing same, as a condition to such agency's approval of this

Declaration or of the residential development encompassing the Property. Any such amendment shall be effected by Declarant's recording with the Recorder an instrument executed by Declarant and appropriately acknowledged, specifying the agency requesting such amendment and setting forth the appropriate amendatory language. Recording of such amendment shall constitute conclusive proof of such agency's request for such amendment. Such amendment shall be effective, without the consent or approval of any other person or entity, on and as of the date the same is recorded with the Recorder, and shall thereupon and thereafter be binding upon any and all Owners or other persons having any interest in all or any part of the Property. Except as expressly provided in this Section, neither Declarant nor any other person(s) shall have the right to amend this Declaration except in accordance with and pursuant to the other provisions and requirements of this Declaration.

Section 14. Relationship to Master Declaration.

This Declaration shall be in addition and subordinate to the Master Declaration, and the Property (including, but not limited to, each Lot) shall be subject not only to this Declaration but also to all of the provisions of the Master Declaration (provided, however, that to the extent any provision of this Declaration imposes upon the Property or any part thereof any added or greater restriction than is contained in the Master Declaration, such added or greater restriction shall control). All Owners and Members shall not only be entitled to

the rights and privileges and subject to the duties and obligations granted and imposed by or pursuant to this Declaration but shall also be entitled to the rights and privileges and subject to the duties and obligations granted and imposed by or pursuant to the Master Declaration. Any and all assessments or other charges levied or imposed by or pursuant to this Declaration shall be in addition to any and all assessments or other charges levied or imposed by or pursuant to the Master Declaration.

IN WITNESS WHEREOF, the undersigned has executed this Declaration as of the day and year first set forth above.

DECLARANT:

REALTY DEALERS, LTD., an Illinois limited partnership

By UDC ADVISORY SERVICES, INC., an Illinois corporation, its General Partner

By [Handwritten Signature]

Its [Handwritten Name]

APPROVAL

The Architectural Review Committee of Garden Lakes,
for itself and on behalf of Garden Lakes Community Association,
hereby approves of the foregoing Declaration of Covenants,
Conditions and Restrictions and consents to the recordation
thereof with the Maricopa County, Arizona, Recorder.

ARCHITECTURAL REVIEW COMMITTEE

By Sue E. Graham
Its Secretary
The Garden Lakes
Community Association

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this 3 day of July, 1986, before me, the
undersigned officer, personally appeared David L. Wilson,
who acknowledged himself to be President of UDC
ADVISORY SERVICES, INC., an Illinois corporation which is
General Partner of REALTY DEALERS, LTD., an Illinois limited
partnership, and that he, in such capacity, being authorized so
to do, executed the foregoing instrument for the purposes
therein contained by signing the name of said Corporation and
said Partnership by himself.

IN WITNESS WHEREOF, I hereunto set my hand and offi-
cial seal.

Pat E. Nuzum
Notary Public

My Commission Expires:



STATE OF ARIZONA)
) ss.
County of Maricopa)

On this 2nd day of July, 1986,
before me, personally appeared Sue E. Thoburn
who acknowledged herself to be Secretary of
The Garden Lakes Community Association, and that she, in
such capacity, being authorized so to do, executed the
foregoing instrument for the purposes therein contained.

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

Kathy Williams
Notary Public


My Commission Expires:
**KATHY WILLIAMS**
Notary Public - State of Arizona
MARICOPA COUNTY
My Comm. Expires Nov. 14, 1987

EXHIBIT "A"

Phases and Lots within Garden Lakes Manor according to the amended Plat recorded in Book 299 of Maps, page 24, in the office of the Maricopa County, Arizona Recorder.

<u>Phase Number</u>	<u>Lots Included Within the Phase</u>
1	45-94, inclusive
2	95-100, inclusive; and 41-44, inclusive; and 35-37, inclusive
3	101-105, inclusive; and 1-7, inclusive
4	38-40, inclusive; and 8-12, inclusive; and 30-34, inclusive
5	13-17, inclusive; and 25-29, inclusive
6	18-24, inclusive