

**SAN MARCOS ESTATES
HOMEOWNERS ASSOCIATION**

**DECLARATION OF
COVENANTS, CONDITIONS
AND RESTRICTIONS
(CC&Rs)**

When recorded, mail to:

Cindy Dalhover
Pulte Home Corporation
1440 South Priest
Tempe, Arizona 85281

RECORDED IN OFFICIAL RECORDS
OF MARICOPA COUNTY, ARIZONA
APR 2 1986-2 00
KEITH POLTIS, County Recorder
FEE 28⁰⁰ PGS 27 LD.

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

SAN MARCOS ESTATES

MARICOPA COUNTY, ARIZONA

THIS DECLARATION is made and entered into on the date set forth at the end hereof by PULTE HOME CORPORATION, a Michigan corporation, as Declarant. Declarant is the owner of the following described real property situated in the City of Chandler, County of Maricopa, State of Arizona:

Lots 1 through 214 inclusive, SAN MARCOS ESTATES, according to the Plat thereof recorded in Book 295 of Maps, Page 46, of the official records of the County Recorder of Maricopa County, Arizona (the "Project").

Declarant hereby declares that the Project, and all Lots and property therein, shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied, sold and improved subject to the following declarations, limitations, easements, covenants, conditions and restrictions, all of which are and shall be interpreted to be for the purpose of enhancing and protecting the value and attractiveness of the Project and all Lots therein. All of the limitations, covenants, conditions and restrictions shall constitute covenants which shall run with the land and shall be binding upon Declarant, its successors and assigns and all parties having or acquiring any right, title or interest in or to any part of the Project.

ARTICLE I

Definitions

SECTION 1

"Assessment" shall mean that portion of the cost of maintaining, improving, repairing, operating and managing the Common Area and Association Maintenance Property as provided in this Declaration and operating the Association which is to be paid by each Lot Owner as determined by the Association and as provided herein.

SECTION 2

"Association" shall mean the San Marcos Estates Homeowners Association, an Arizona nonprofit corporation. The Association shall be established by the filing of its Articles of Incorporation (the "Articles") and governed by its Bylaws (the "Bylaws").

SECTION 3

"Association Maintenance Property" shall mean and refer to those portions of certain Lots located between the exterior perimeter fences of those Lots and the public streets adjacent thereto, more particularly described as the Property located between the exterior perimeter fences and (i) the north boundary of Lots 1-6, inclusive; (ii) the east boundary of Lots 12, 13 and 214; (iii) the northwest boundary of Lots 162 and 163; (iv) the south boundary of Lots 57-64, inclusive, 127, 128 and 136-138, inclusive and (v) the east boundary of Lots 33, 34 and 200. Title to the Association Maintenance Property shall remain vested in the Owners of Lots on which the same is located. The Owner of a Lot shall have the exclusive use of the Association Maintenance Property located on his Lot, if any, except that the Association shall maintain the landscaping thereon as further provided herein. Said Owner shall not place any structures or improvements, install landscaping, or take any other actions with regard to the Association Maintenance Property which would interfere with or increase the Association's maintenance obligations for the Association Maintenance Property under this Declaration subject to any further requirements or restrictions of the City of Chandler.

SECTION 4

"Common Area" shall mean Tract A, including all structures, facilities, improvements and landscaping thereon and all rights, easements and appurtenances relating thereto. Title to the Common Area shall be conveyed to the Association by Declarant for the benefit of all of the Lot Owners upon the completion of all of the improvements designed therefor and approved by the Veterans Administration and the City of Chandler prior to the conveyance of the first Lot in the Project to an Owner other than Declarant. Every Owner shall have a right and easement of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Lot subject to the right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated on the Common Area, the right of the Association to suspend Common Area use rights as provided in the Bylaws and the right of the Association to dedicate or transfer Common Area to any public agency, authority or utility company as provided in the Articles. Any Owner may delegate, in accordance with the Project Documents, his right of enjoyment to the Common Area and facilities thereon to members of his family, tenants and contract purchasers who reside on his Lot.

SECTION 5

"Developer" shall mean Pulte Home Corporation, a Michigan corporation, and its successors and assigns, if any such successor or assign should acquire one or more undeveloped Lots from the Declarant or a Developer for the purpose of development.

SECTION 6

"Lot" shall mean one of the separately designated Lots in the Project as shown on the Plat, together with any improvements thereon. Each numbered and lettered parcel in the Project is a separate.

SECTION 7

"Member" shall mean and refer to those persons entitled to membership in the Association as provided herein.

SECTION 8

"Owner" shall mean and refer to the record holder of title to a Lot in the Project. This shall include any person having fee simple title to any Lot in the Project, but shall exclude persons or entities having any interest merely as security for the performance of any obligation. Further, if a Lot or other property is sold under a recorded contract of sale or subdivision trust to a purchaser, the purchaser, rather than the fee owner, shall be considered the "Owner" as long as he or a successor in interest remains the contract purchaser or purchasing beneficiary under the recorded contract or subdivision trust.

SECTION 9

"Plat" shall mean that certain plat of recorded in Book 225 of Maps, Page 46 of the official records of the County Recorder of Maricopa County, Arizona, together with any other plats of all or any portion of the Project, as the same are amended from time to time.

SECTION 10

"Project" shall mean only that certain real property shown on the Plat.

SECTION 11

"Project Documents" shall mean and include this Declaration, as it may be amended from time to time, the exhibits, if any, attached hereto, the Plat, the Articles and Bylaws and any "Rules and Regulations" adopted from time to time by the Association as provided herein or in the Bylaws.

Administration, Membership and Voting Rights
of the Association

SECTION 1: BASIC DUTIES OF THE ASSOCIATION

The management of the Common Area and Association Maintenance Property shall be vested in the Association in accordance with this Declaration and the Articles and Bylaws. The Owners covenant and agree that the administration of the Project shall be in accordance with the provisions of this Declaration, the Articles and the Bylaws and any Rules and Regulations adopted by the Association as provided herein or in the Articles and Bylaws, subject to the standards set forth in this Declaration and all applicable laws, regulations and ordinances of any governmental or quasi-governmental body or agency having jurisdiction over the Project.

SECTION 2: MEMBERSHIP

The Owner of a Lot shall automatically, upon becoming the Owner of same, be a Member of the Association and shall remain a Member thereof until such time as his ownership ceases for any reason, at which time his membership in the Association shall automatically cease. Membership shall be in accordance with the Articles and the Bylaws of the Association.

SECTION 3: TRANSFER OF MEMBERSHIP

Membership in the Association shall not be transferred, pledged or alienated in any way, except upon the transfer of ownership of the Lot to which it is appurtenant, and then automatically to the new Owner as provided in Section 2 above. Any attempt to make a prohibited transfer is void. Upon the transfer of an ownership interest in a Lot, the Association shall record the transfer upon its books, causing an automatic transfer of membership as provided in Section 2 above.

SECTION 4: MEMBERSHIP CLASSES

The Association shall have two (2) classes of voting membership established according to the following provisions:

A. Class A Membership shall be that held by each Owner of a Lot other than Declarant (while two classes of membership exist), and each Class A Member shall be entitled to one (1) vote for each Lot owned. If a Lot is owned by more than one (1) person, each such person shall be a Member of the Association but there shall be no more than one (1) vote for each Lot.

B. Class B Membership shall be that held by Declarant (or its successor) which shall be entitled to three (3) votes for each Lot owned by Declarant, provided that Class B Membership shall be

converted to Class A Membership and shall forever cease to exist on the occurrence of whichever of the following is first in time:

(i) One hundred twenty (120) days following the first date when the total outstanding votes held by Class A Members equals the total outstanding votes (tripled as above) held by the Class B Member; or

(ii) The fifth anniversary of the close of escrow for the sale of the first Lot by Declarant.

Declarant may voluntarily convert Class B Membership at any time by notice to the Association.

SECTION 5: ASSOCIATION VOTING REQUIREMENTS

Any action by the Association which must have the approval of the Association membership before being undertaken shall require the vote of fifty-one percent (51%) of the membership present and voting at a duly called and held meeting of the membership at which a quorum as prescribed herein or in the Bylaws has been constituted or the written assent of fifty-one percent (51%) of the membership unless another percentage is specifically prescribed by a provision within this Declaration, the Bylaws or the Articles.

SECTION 6: VESTING OF VOTING RIGHTS

Voting rights attributable to all Lots owned by Declarant shall vest immediately by virtue of Declarant's ownership thereof. Except for Declarant, no Owner of any Lot shall have any voting rights attributable to that Lot until an Assessment has been levied against that Lot and Owner by the Association pursuant to Article III below.

SECTION 7: MEETINGS OF THE ASSOCIATION

Regular and special meetings of Members of the Association shall be held with the frequency, at the time and place and in accordance with the provisions of the Bylaws.

SECTION 8: BOARD OF DIRECTORS

The affairs of the Association shall be managed by a Board of Directors which shall be established and which shall conduct regular and special meetings according to the provisions of the Bylaws.

ARTICLE IIIAssessments and ChargesSECTION 1: ASSESSMENT OBLIGATIONS

Each Owner of any Lot, by acceptance of a deed or recorded contract of sale therefor, whether or not it shall be so expressed in such document, is deemed to covenant and agree to pay to the Association (a) regular annual Assessments, (b) special Assessments for capital improvements and unexpected expenses and (c) other charges made or levied by the Association against the Owner or Lot pursuant to this Declaration or the Bylaws, such Assessments and charges to be established and collected as provided herein and in the Bylaws. Any part of any Assessment (or other amount due from the Owner to the Association, including interest) not paid within when due as established in this Article III shall bear interest at the rate of twelve percent (12%) per annum from the due date until paid and shall be subject to a reasonable late charge not exceeding twenty five percent (25%) of the delinquent amount as determined by the Board. The annual and special Assessments and any other charge made against an Owner or a Lot pursuant to this Declaration or the Bylaws, together with interest, late charges, costs and reasonable attorneys' fees incurred by the Association in enforcing compliance with this Declaration (whether or not a lawsuit or other legal action is instituted or commenced) as provided herein, shall be a charge and a continuing lien upon the Lot (hereinafter "Assessment lien"). Each such Assessment and charge, together with interest, late charges, costs and reasonable attorneys' fees as provided above, shall also be the personal obligation of the person who was the Owner of such Lot at the time the Assessment or other charge fell due as provided in this Article III or elsewhere in this Declaration, but this personal liability shall not pass to successor Owners unless specifically assumed by them. The Assessment lien on each Lot shall be prior and superior to all other liens except (a) all taxes, bonds, Assessments and other levies which, by law, would be superior thereto and (b) the lien or charge of any First Mortgage on that Lot. No Owner of a Lot may exempt himself from liability from liability for Assessments by waiver of the use or enjoyment of any of the Common Area or by the abandonment of his Lot.

SECTION 2: PURPOSE OF ASSESSMENTS

The Assessments by the Association shall be used exclusively to promote the recreation, health, safety and welfare of all the residents in the Project, for the improvement and maintenance of the Common Area and Association Maintenance Property as provided herein and for the common good of the Project. Annual Assessments shall include an adequate reserve fund for taxes, insurance, maintenance, repairs and replacement of the Common Area and Association Maintenance Property and other improvements which the Association is responsible for maintaining.

SECTION 3: ANNUAL ASSESSMENTS

The Board shall annually determine and fix the amount of the annual (calendar year) Assessment against each Lot, including those owned by Declarant (and Developers) at an amount not exceeding the maximum annual Assessment for the year in question which is increased annually as described below, and shall notify the Owner of each Lot in writing as to the amount of such annual Assessment not less than forty-five (45) days prior to the date that such Assessment is to commence. The annual Assessment against each Lot as fixed by the Board shall not exceed the maximum annual Assessment amount then in effect and shall not be decreased by more than twenty percent (20%) of the annual Assessment against the Lot for the prior calendar year without the affirmative vote of Declarant (while Class B Membership exists) and of two-thirds (2/3) of the voting power of Class A Members voting in person or by proxy at a meeting duly called for this purpose. Except as to the maximum annual Assessment amount for the first year as set forth below, the maximum annual Assessment amount shall be automatically increased each year by a percentage equal to the percentage increase, if any, in the Consumer Price Index - United States City Average for Urban Wage Earners and Clerical Workers - All Items (published by the Department of Labor, Washington, D.C.) for the year ending with the preceding July (or a similar index chosen by the Board if the above-described Index is no longer published) without the vote or approval of the Members of the Association; however the maximum annual Assessment amount may be increased by an amount in excess of the amount produced by the foregoing formula only if such increase is approved by the affirmative vote of Declarant (while Class B Membership exists) and of two-thirds (2/3) of the voting power of Class A Members voting in person or by proxy at a meeting duly called for this purpose. All annual Assessments shall be payable in twelve (12) equal monthly installments or four (4) equal quarterly installments at the option of the Board. In the year prior to January 1 of the year immediately following the close of escrow on the sale of the first Lot in the Project the maximum annual Assessment amount per Lot shall be \$228.00. The annual Assessment shall be prorated based on the number of months remaining before January 1 of such year as well as any partial months remaining and said sum shall be payable in equal monthly installments or four (4) equal quarterly installments, at the option of the Board.

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first lot
prorated.*

Notwithstanding anything to the contrary stated in this article, until Class B Membership is terminated pursuant to Section 4B of Article II above, Declarant and any other Developers shall be obligated to pay only twenty-five percent (25%) of the annual Assessment amount fixed for Lots pursuant to this section, and shall pay said percentage of the annual Assessment amount in the same manner established for payment of the annual Assessment amount by other Lot Owners, except that Declarant and any other Developers owning Lots shall pay and be liable for the full

Assessment amount for any Lot owned by Declarant or said other Developers, if any, after said Lot and the Unit on the Lot are first rented or leased to or occupied by another person. In the event said reduced Assessment amount for Lots owned by Declarant or Developers is insufficient to cover the reasonable share of those Lots' contribution toward insurance costs and depreciation reserves for the Project, as determined by generally accepted cost accounting methods, Declarant and other Developers, if any, shall also pay such amount monthly or quarterly, as applicable, in addition to said reduced Assessment amount for the Lots, as is necessary to cover those Lots' contribution toward the insurance cost and depreciation reserves.

Until Class B Membership is terminated pursuant to Section 4B of Article II above, Declarant shall be responsible for the prompt payment on a current basis of all costs and expenses related to maintenance and repair of the Common Area and other areas required to be maintained by the Association hereunder in the event and to the extent that the funds available to the Association are inadequate for payment of such costs and expenses on a current basis. Declarant's failure to perform the requirements contained in this section shall constitute a default under this Declaration entitling any Lot Owner or First Mortgagee to record a notice of lien against Declarant's property interest in the Project to enforce the provisions of this section.

Declarant shall establish a working capital fund for the Association for the initial months of the Project operations equal to at least two (2) months' estimated monthly Assessments for each Lot and each Lot's share shall be collected and paid to the Association at the time that the sale of that Lot is closed. Notwithstanding the foregoing, within sixty (60) days after closing the sale of the first Lot in the Project Declarant shall pay each unsold Lot's share to the Association, but Declarant shall be reimbursed therefor as provided below. These monies shall be held in a segregated fund. Upon the close of escrow in connection with the sale of a Lot by Declarant to an Owner, such Owner shall pay to the Association an amount equal to two (2) months' assessments relative to such Lot to establish a working capital fund for the Association, and Declarant shall be reimbursed from the funds collected at close of escrow for such unsold Lot for which Declarant has paid the working capital contribution set forth above. Such working capital fund shall be used by the Association as the Association, in its discretion, may determine and under no circumstances shall any Owner be entitled to reimbursement of any amounts paid to the Association to establish such fund.

SECTION 4: SPECIAL ASSESSMENTS

In addition to the regular annual Assessments authorized above, the Board may levy, in any Assessment year, a special Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction,

repair or replacement of a capital improvement upon the Common Area or other improvements the Association is responsible for maintaining, including fixtures and personal property related thereto, or to defray any unanticipated or underestimated expense normally covered by a regular Assessment and, where necessary, for taxes assessed against the Common Area, provided however, that no such special Assessment shall be made without the affirmative vote of Declarant (while Class B Membership exists) and of two-thirds (2/3) of the voting power of Class A Members voting in person or by proxy at a meeting duly called for this purpose.

SECTION 5: PROCEDURES FOR VOTING ON ASSESSMENTS

Written notice of any meeting called for the purpose of taking any action authorized under Sections 3 or 4 shall be sent to all Owners not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or proxies therefor entitled to cast sixty percent (60%) of all of the votes of the membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. While Class B Membership exists, the quorum requirements described above shall apply to both classes and a quorum shall not exist for a meeting unless a quorum of each class is present.

SECTION 6: ALLOCATION OF ASSESSMENTS

The Owners of each Lot shall bear an equal share of each regular and special Assessment except as specified in Sections 3 and 4 of this article.

SECTION 7: COMMENCEMENT OF ASSESSMENTS

The regular annual Assessments provided for herein shall commence as to each Lot in the Project on the first day of the month following the close of escrow on the sale of the first Lot in the Project by Declarant to a Developer or another person. Due dates of Assessments shall be established by the Board and notice shall be given to each Lot Owner at least forty-five (45) days prior to any due date, provided that if Assessments are to be due on a monthly basis, no notice shall be required other than an annual notice setting forth the amount of the monthly Assessment and the day of each month on which each Assessment is due.

SECTION 8: EFFECT OF TRANSFER OF LOT BY SALE OR FORECLOSURE

The sale or transfer of any Lot shall not affect the Assessment lien or liability for Assessments due and payable except as provided below. No sale or transfer of a Lot shall relieve such

Lot from liability for any Assessments thereafter becoming due or from the lien therefor. Where, however, the First Mortgagee of a First Mortgage of record or another person obtains title to a Lot as a result of foreclosure, trustee's sale or deed in lieu thereof of any such First Mortgage, such First Mortgagee or other person shall not be liable for the Assessments by the Association chargeable to such Lot which became due prior to the acquisition of title to such Lot by such First Mortgagee or other person, and the Assessment lien therefor on such Lot shall be extinguished. Such unpaid Assessments shall be deemed to be common expenses collectible from all of the Lots through regular or special Assessments as provided herein. In a voluntary conveyance of a Lot, the grantee of the same shall not be personally liable for Assessments or any other charges due to the Association in connection with that Lot which accrued prior to the conveyance unless liability therefor is specifically assumed by the grantee. Any such grantee shall be entitled to a statement from the Association setting forth the amount of the unpaid Assessments due the Association, and such grantee shall not be liable for nor shall the Lot conveyed be subject to a lien for any unpaid Assessments made by the Association against the grantor in excess of the amount set forth in the statement, provided however, the grantee shall be liable for any such Assessment becoming due after the date of any such statement.

SECTION 9: REMEDIES FOR NONPAYMENT

When any Assessment or other amount due from an Owner to the Association on behalf of any Lot is not paid within thirty (30) days after the due date, the lien therefor may be enforced by foreclosure of the lien and/or sale of the Lot by the Association, its attorney or other person authorized by this Declaration or by law to make the sale or as provided herein. The lien may be foreclosed and the Lot sold in the same manner as a realty mortgage and property mortgaged thereunder, the Lot may be sold pursuant to the statutory or customary procedures for sales of trust property under deeds of trust (with the Association acting as trustee) or the lien may be enforced or foreclosed in any other manner permitted by law for the enforcement or foreclosure of liens against real property or the sale of property subject to such a lien. Any such enforcement, foreclosure or sale action may be taken without regard to the value of such Lot, the solvency of the Owner thereof or the relative size of the Owner's default. Upon the sale of a Lot pursuant to this section, the purchaser thereof shall be entitled to a deed to the Lot and to immediate possession thereof, and said purchaser may apply to a court of competent jurisdiction for a writ of restitution or other relief for the purpose of acquiring such possession, subject to applicable laws. The proceeds of any such sale shall be applied as provided by applicable law but, in the absence of any such law, shall be applied first to discharge costs thereof, including but not limited to court costs, other litigation costs, costs and attorneys' fees incurred by the Association, all other expenses of the proceedings, interest, late charges, unpaid

Assessments and other amounts due to the Association, and the balance thereof shall be paid to the Owner. It shall be a condition of any such sale, and any judgments or orders shall so provide, that the purchaser shall take the interest in the Lot sold subject to this Declaration. The Association, acting on behalf of the Lot Owners, shall have the power to bid for the Lot at any sale and to acquire and hold, lease, mortgage or convey the same. In the event the Owner against whom the original Assessment was made is the purchaser or redemptioner, the lien shall continue in effect and said lien may be enforced by the Association, or by the Board for the Association, for the Lot's Assessments and other amounts that were due prior to the final conclusion of any such foreclosure, sale or equivalent proceedings. Further, notwithstanding any foreclosure of the lien or sale of the Lot, any Assessments and other amounts due after application of any sale proceeds as provided above shall continue to exist as personal obligations of the defaulting Owner of the Lot to the Association, and the Board may use reasonable efforts to collect the same from said Owner even after he is no longer a Member of the Association.

SECTION 10: SUSPENSION OF RIGHTS

In addition to all other remedies provided for in this Declaration or at law or in equity, the Board may temporarily suspend the Association voting rights and/or rights to use the Common Area of a Lot Owner who is in default in the payment of any Assessment or any other amount due to the Association, as provided in the Bylaws.

SECTION 11: OTHER REMEDIES

The rights, remedies and powers created and described in Sections 9 and 10 and elsewhere in the Project Documents are cumulative and may be used or employed by the Association in any order or combination, except as specifically provided to the contrary herein. Without limiting the foregoing sentence, suit to recover a money judgment for unpaid Assessments, interest, rent, costs, attorneys' fees and/or other amounts due hereunder, to obtain specific performance of obligations imposed hereunder and/or to obtain injunctive relief may be maintained without foreclosing, waiving, releasing or satisfying the liens created for Assessments or other amounts due hereunder.

SECTION 12: UNALLOCATED TAXES

In the event that any taxes are assessed against the Common Area or the personal property of the Association, rather than against the Lots, said taxes shall be included in the Assessments made under the provisions of this article, and, if necessary, a special Assessment may be levied equally against all of the Lots in an amount equal to said taxes, as provided in Section 4 of this article.

ARTICLE IV

Duties and Powers of the Association

SECTION 1: DUTIES AND POWERS OF THE ASSOCIATION

In addition to the duties and powers enumerated in the Bylaws and the Articles, or elsewhere provided for herein, and without limiting the generality thereof, the Association shall:

A. MAINTENANCE. Maintain, paint, repair, replace, restore, operate and keep in good condition all of the Common Area and all facilities, improvements, furnishings, equipment and landscaping thereon as well as the exterior of the perimeter fences adjacent to the Association Maintenance Property and landscaping on said Association Maintenance Property. The responsibility of the Association for maintenance and repair shall not extend to repairs or replacements arising out of or caused by the willful or negligent act or neglect of an Owner or his guests, tenants or invitees. The repair or replacement of any portion of the Common Area or any Lot resulting from such excluded items shall be the responsibility of each Owner. The Association shall be entitled to commence an action at law or in equity to enforce this responsibility and duty and/or recover damages for the breach thereof. Liability hereunder shall be limited to that provided for or allowed in the statutory or case law of the State of Arizona.

B. INSURANCE.

1. Public Liability and Casualty Insurance. Obtain and continue in effect comprehensive public liability insurance insuring the Association, the Declarant, any other Developers, the agents and employees of each and the Owners and their respective family members, guests and invitees against any liability incident to the ownership or use of the Common Area and Association Maintenance Property, including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured and a "severability of interest" endorsement precluding the insurer from denying coverage to one Owner because of the negligence of other Owners or the Association or other insureds. Such insurance shall be in amounts deemed appropriate by the Board but in no event shall the limits of liability for such coverage be less than \$1,000,000 for each occurrence with respect to bodily injury and property damage. Additionally, the Association shall obtain and continue in effect a policy of multi-peril insurance, providing at a minimum fire and extended coverage, said coverage to be obtained on a replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based upon replacement cost) of all improvements in the Common Area. Such policy shall contain extended coverage and replacement cost endorsements (providing for replacement of insured improvements from insurance loss

proceeds) and may also contain vandalism and malicious mischief coverage, a stipulated amount clause and a determinable cash adjustment clause or a similar clause to permit cash settlement covering the full value of the improvements. All insurance premiums shall be included in the Assessments of the Association. If any of the improvements, furnishings or equipment on the Common Area are damaged by fire or other casualty, insurance proceeds payable to the Association shall be used to rebuild, repair or replace the same substantially in accord with the original plans and specifications therefor unless the Association membership otherwise determines in a meeting called for the purpose of considering the same. Any excess insurance proceeds shall be deposited in the general fund of the Association. In the event insurance proceeds are inadequate therefor, then the Association may levy a special Assessment on Lot Owners therefor as provided in Article III. The Association's use of funds from its general account or levy of a special Assessment shall not constitute a waiver of the Association's or any Owner's right to institute any legal proceeding or suit against the person or persons responsible, purposely or negligently, for the damage.

2. Fidelity Bonds and Other Insurance. The Association shall obtain and maintain bonds covering all persons or entities which handle funds of the Association, including without limitation, any professional manager employed by the Association and any of such professional manager's employees, in amounts not less than the maximum funds that will at any time be in the possession of the Association or any professional manager employed by the Association but, in no event less than the total of assessments for a three (3) month period on all Lots and all reserve funds maintained by the Association. With the exception of a fidelity bond obtained by a professional manager covering such professional manager's employees, all fidelity bonds shall name the Association as an obligee. In addition, all such bonds shall provide that the same shall not be terminated, cancelled or substantially modified without at least thirty (30) days' prior written notice to the Association. The Association shall also obtain and maintain any insurance which may be required by law, including, without limitation, workmen's compensation, and shall have the power and authority to obtain and maintain other and additional insurance coverage meeting the the insurance requirements established by the Federal National Mortgage Association ("FNMA"), so long as FNMA is a Mortgagee or Owner of a Lot, except to the extent that such coverage is not available or has been waived in writing by FNMA.

C. Enforce the provisions of this Declaration by appropriate means, including without limitation the expenditure of funds of the Association, the employment of legal counsel and the commencement of legal actions.

D. Grant and reserve easements where necessary for utilities and sewer facilities over the Common Area to serve the Common Area and the Lots.

E. Have the authority to employ a manager or other persons and to contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Association, subject to the Bylaws and restrictions imposed by any governmental or quasi-governmental body or agency having jurisdiction over the Project.

F. Adopt reasonable rules not inconsistent with this Declaration, the Articles or the Bylaws relating to the use of the Common Area and all facilities thereon and the conduct of Owners and their tenants and guests with respect to the Project and other Owners.

G. Adopt a schedule of reasonable monetary penalties for violation by Owners of the provisions of this Declaration, the Articles, the Bylaws and Rules and Regulations of the Association and impose the same according to procedures in the Bylaws.

ARTICLE V

Use Restrictions

SECTION 1: USE OF LOTS AS A SINGLE FAMILY SUBDIVISION

All Lots within the Project shall be known and described as residential Lots and shall be occupied and used for single family residential purposes only, and construction thereon shall be restricted to single-family houses and related improvements. No business uses or activities of any kind whatsoever shall be permitted or conducted in the Project, except as set forth in Section 4 of this article below. No Owner may rent his/her Lot and the single family house and related improvements thereon for transient or hotel purposes or shall enter into any lease for less than the entire Lot. No lease shall be for a rental period of less than thirty (30) days. Subject to the foregoing restrictions, the Owners of Lots shall have the absolute right to lease their respective Lots provided that the lease is in writing and is specifically made subject to the covenants, conditions, restrictions, limitations, and uses contained in this Declaration and the Bylaws and any reasonable Rules and Regulations adopted by the Association. A copy of any such lease shall be delivered to the Association prior to the commencement of the term of the lease. No Owner shall bring any action for or cause partition of any Lot, it being agreed that this restriction is necessary in order to preserve the rights of the Owners. Judicial partition by sale of a single Lot owned by two or more persons or entities and the division of the sale proceeds is not prohibited (but partition of title to a single Lot is prohibited). No horizontal property regime or condominium shall be created within the Project. No unsightly objects or nuisance shall be erected, placed or permitted on any Lot, nor shall any use, activity or thing be permitted which may endanger the health or unreasonably

disturb the Owner or occupant of any Lot. No noxious, illegal or offensive activities shall be conducted on any Lot.

SECTION 2: NATURE OF BUILDINGS

No buildings or structures shall be moved from other locations onto any Lot, and all improvements erected on a Lot shall be of new construction. No structure of a temporary character and no trailer, basement, shack, garage, barn or other out-building shall be used on any Lot at any time as a residence, either temporarily or permanently.

SECTION 3: ANIMALS

No animals, livestock or poultry shall be raised, bred or kept on any Lot except that customary household pets such as dogs, cats and household birds may be kept but only such number and types shall be allowed which will not create a nuisance or disturb the health, safety, welfare or quiet enjoyment of the Lots by the Owners. All animals shall be kept under reasonable control at all times and in accordance with applicable laws. All animal wastes must be promptly disposed of in accordance with applicable city or county regulations.

SECTION 4: SIGNS; RESTRICTIONS ON COMMERCIAL USES

No sign of a commercial nature, except for one "For Rent" or one "For Sale" sign per Lot of no more than five (5) square feet, shall be allowed in the Project. No signs may be installed or placed upon the Common Area except as provided in Subarticles 3.3 and 5.1 of the Bylaws. No billboards, stores, offices or other places of business of any character, or any institution or other place for the care or treatment of the sick or disabled, physically or mentally, shall be placed or permitted to remain on any of said Lots, nor shall any theater, bar, restaurant, saloon, or other place of entertainment ever be erected or permitted on any Lot, and no business of any kind or character whatsoever shall be conducted in or from any Lot. No unsightly objects or nuisance shall be erected, placed or permitted on any Lot. Notwithstanding any provision contained herein to the contrary, it shall be expressly permissible for the Declarant and any other Developers to move, locate and maintain, during the period of construction and sale of Lots, on such portions of the Project owned by that party as that party may from time to time select, such facilities as in the sole opinion of that party shall be reasonably required, convenient or incidental to the construction of houses and sale of Lots, including but not limited to business offices, storage areas, trailers, temporary buildings, construction yards, construction materials and equipment of every kind, signs, models, and sales offices, subject to prior approval thereof by the Declarant.

SECTION 5: USE OF GARAGES

No garages or any other buildings whatsoever shall be constructed on any Lot until a house shall have been erected thereon (or is being erected thereon) or until a contract with a reliable and responsible contractor shall have been entered into for the construction of a house which shall comply with the restrictions herein. The restrictions and conditions set forth in this Section 5 shall not be applicable to Declarant or any other Developers.

SECTION 6: SIZE OF HOUSES

Unless approved in writing by the Architectural Control Committee, no house having a ground floor level of less than 1200 square feet, exclusive of open porches, ramadas, patios, balconies, pergolas, carports, detached garage or attached garage, if any, shall be erected, permitted or maintained on any Lot in the Project.

SECTION 7: SOLAR COLLECTORS

Solar collectors and related equipment may be installed on roofs of houses and elsewhere on Lots, provided prior written approval is obtained from the Architectural Control Committee pursuant to Article VII. The Association, through the Architectural Control Committee, may from time to time adopt guidelines concerning the types of solar collectors and related equipment which may be installed in the Project and acceptable means of installation therefor.

SECTION 8: STORAGE SHEDS AND SWINGS

No storage sheds or similar or related type objects shall be located on any Lot if the height of such object is greater than the height of the fence on or adjoining said Lot or if such object is visible from the front of the Lot. All swings and slides (including those used in connection with a swimming pool) shall be at least seven (7) feet from all fences located on or near perimeter Lot Lines.

SECTION 9: SCREENING MATERIALS

All screening areas, whether fences, hedges or walls, shall be maintained and replaced from time to time on the Lots by the Owners thereof in accordance with the original construction of the improvements by the Declarant, or as approved by the Architectural Control Committee pursuant to Article VII.

SECTION 10: GARBAGE AND RUBBISH; STORAGE AREAS.

Each Lot shall be maintained free of rubbish, trash, garbage or other unsightly items or equipment, and the same shall be promptly removed from each Lot and not allowed to accumulate

thereon, and no garbage, trash or other waste materials shall be burned on any Lot. Garbage cans, clotheslines, woodpiles and areas for the storage of equipment and unsightly items shall be kept screened by adequate fencing or other aesthetically pleasing materials acceptable to the Architectural Control Committee so as to conceal same from the view of adjacent Lots and streets.

SECTION 11: VEHICLES

No vehicle, wagon, trailer, camper, mobile home or boat of any type which is abandoned or inoperative shall be stored or kept on any Lot or in front of any Lot in such manner as to be visible from any other Lot or any street or alleyway within or adjacent to the Project. No vehicles, wagons, trailers, campers, mobile homes or boats or other mechanical equipment may be dismantled or allowed to accumulate on any Lot or in front of any Lot. No commercial vehicle, camper, boat, trailer, mobile home or recreational vehicle or similar type vehicle shall be parked in front of a Lot or in a front driveway or otherwise on a Lot where it can be seen from any street, except for temporary parking only not exceeding four consecutive hours. Commercial vehicles shall not include sedans or standard size pickup trucks which are used both for business and personal use, provided that any signs or markings of a commercial nature on such vehicles shall be unobtrusive and inoffensive as determined by the Architectural Control Committee.

SECTION 12: SANITARY FACILITIES

None of the Lots shall be used for residential purposes prior to the installation thereon of water-flushed toilets and all bathrooms, toilets and sanitary conveniences shall be inside the house permitted hereunder on each Lot.

SECTION 13: WINDOW COVER MATERIALS

Prior to installation of any reflective materials on the windows or any portion of the house or any other area on any Lot, approval and consent must be obtained from the Architectural Control Committee pursuant to Article VII, except such consent shall not be required for any such installations made by the Declarant or any Developer.

SECTION 14: DRILLING AND MINING

No oil drilling, oil development operations, oil refining, quarrying, or mining operations of any kind shall be permitted upon or in any Lot, nor shall oil or water wells, tanks, tunnels, mineral extractions, or shafts be permitted upon or in any Lot. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted upon any Lot.

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the Developer of a portion of the Project for the foregoing purposes, or for the purposes set forth in Subsection 3C below. Except as may be installed by any Developer, no structure, planting or other materials shall be placed or permitted to remain within these easements which may interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels in the easements, if any, or which may obstruct or retard the flow of water through the channels in the drainage easements, if any. The easement area of each Lot and all improvements located thereon shall be maintained continuously by the Owner of the Lot, except for those improvements for which a public authority or utility company is responsible, and except for any easement area referred to in Subsection 3C below, which may be fenced off by a fence installed by the Developer. In the latter case, the easement area shall be maintained by the Owner of the Lot who has use of the easement.

B. For the purpose of repairing and maintaining any fence or wall located upon the dividing line between Lots (or located near or adjacent thereto because of an existing easement located on the dividing line), an easement not to exceed five (5) feet in width is hereby created over the portion of every Lot immediately adjacent to any perimeter fence or wall to allow the adjoining Owner access for maintenance purposes set forth herein and no other purpose.

C. In addition to the foregoing, if a fence is not located on a dividing line between Lots, an easement is hereby created for purposes of constructing and maintaining a fence between Lots over that portion of each Lot adjacent to or near the dividing line wherever a fence may be constructed by the Developer thereof within six (6) months after a house is constructed on any Lot. With respect to any fence not located on a dividing line between Lots but located near or adjacent to such dividing line, an Owner of a Lot shall have and is hereby granted a permanent easement over any property immediately adjoining said Owner's Lot up to the middle line of said fence for the use and enjoyment of the same.

ARTICLE VII

Architectural Control

SECTION 1: CREATION OF COMMITTEE

For the purpose of maintaining the aesthetic and beautification features and the architectural and aesthetic integrity and consistency within the Project, an Architectural Control Committee (the "Committee") of three (3) members is hereby established. The first members of said Committee are Cindy Dalhover, Marilu Deignan and Shirley J. McDonald, who shall serve until their resignation or removal by Declarant, whereupon Declarant may appoint replacements who need not be Lot Owners. After the

Project has been fully developed (i.e., all Lots have houses constructed thereon), or at such earlier time as Declarant may specify in its sole discretion, the Board of Directors of the Association shall have the right from time to time to remove and/or replace the members of the Committee. Unless earlier removed as provided above, members of the Committee shall serve for a period of one (1) year or until their successors are duly appointed whichever is later. A majority of the Committee shall be entitled to take action and make decisions for the Committee. Except for Committee members appointed by the Declarant, all Committee members shall be Owners or representatives of Developers.

SECTION 2: REVIEW BY COMMITTEE

No buildings or improvements, fences, walls, antennas (including customary TV antennas), underground TV apparatus, broadcasting towers, other structures, landscaping or grade changes shall be commenced, erected, repaired structurally, replaced or altered (except as set forth below) and no changes to exterior colors of any of the foregoing shall be made until the plans and specifications showing the nature, kind, shape, size, height, color, material, floor plan, location and approximate cost of same shall have been submitted to and approved by the Committee. Failure of the Committee to reject in writing said plans and specifications within forty-five (45) days from the date same were submitted shall constitute approval of said plans and specifications, provided the design, location, color and kind of materials in the building or improvement or other item to be built, installed or altered on said Lot shall be governed by all of the restrictions herein set forth and said improvement or alteration or other item shall be in harmony with existing buildings and structures in the Project. Approval of plans and specifications shall not be unreasonably withheld and rejection of any proposal reflected in plans or specifications must be based on reasonable judgment as to the effect said construction, installation or alteration will have on the Project as a whole. The Committee shall have the right to refuse to approve any such plans and specifications which are not suitable or desirable in their opinion for aesthetic or other reasons and in so passing upon such plans and specifications, it shall have the right to take into consideration the suitability of the proposed improvements or other structure or alteration, and of the material (including type and color) of which it is to be built, the site (including location, topography, finished grade elevation) upon which it is proposed to be erected, the harmony thereof with the surroundings (including color and quality of materials and workmanship) and the effect of the improvements or other structure or alteration as planned on the adjacent or neighboring property including visibility and view. The restrictions and conditions set forth in this paragraph shall not be applicable to any original construction whatsoever undertaken by the Declarant. The Committee's approval of materials submitted to it shall not be interpreted or deemed to be an endorsement or verification of the

safety, structural integrity or compliance with applicable laws or building ordinances of the proposed improvements or alterations and the Owner and/or its agents shall be solely responsible therefor. The Committee and its members shall have no liability for any lack of safety, integrity or compliance thereof. The Committee and its members shall have no personal liability for judicial challenges to its decisions and the sole remedy for a successful challenge to a decision of the Committee shall be an order overturning the same without creating a right, claim or remedy for damages.

SECTION 3: IMPROVEMENTS BY DEVELOPERS

The plans, specifications and elevations of all houses, buildings or other improvements, landscaping and other structures or other items that a Developer (other than Declarant) intends to construct, install or erect in the Project, whether or not the same is visible from another Lot, Common Area or public street, shall be subject to the review and approval of the Architectural Control Committee prior to the commencement thereof in accordance with the procedures set forth above. In addition to the foregoing requirements, such Developers shall strictly comply with the design and improvement standards adopted by Declarant from time to time for the Project as such standards are revised from time to time in Declarant's sole discretion, provided that any such Developer may continue construction within the Project in accordance with plans, specifications and elevations consistent with the standards in effect at the time the plans, specifications and elevations were submitted by Declarant. The Committee shall refuse approval of any such Developer's plans, specifications and elevations if the same do not comply with the standards then in effect.

ARTICLE VIII

General

SECTION 1: EFFECT OF DECLARATION AND REMEDIES

The declarations, limitations, easements, covenants, conditions and restrictions contained herein shall run with the land and shall be binding on all persons purchasing or occupying any Lot in the Project after the date on which this Declaration is recorded. In the event of any violation or attempted violation of these covenants, conditions, and restrictions, they may be enforced by an action brought by the Association, Architectural Control Committee or by the Owner or Owners (not in default) of any Lot or Lots in the Project or by Declarant, at law or in equity. Declarant has no duty to take action to remedy any such default. Remedies shall include but not be limited to damages, injunctive relief and/or any and all other rights or remedies pursuant to law or equity and the prevailing party shall be entitled to collect all costs incurred and reasonable attorneys'

fees sustained in commencing and/or defending and maintaining such lawsuit. Any breach of these covenants, conditions and restrictions, or any remedy by reason thereof, shall not defeat nor affect the lien of any mortgage or deed of trust made in good faith and for value upon the Lot in question, but all of these covenants, conditions and restrictions shall be binding upon and effective against any Owner of a Lot whose title thereto is acquired by foreclosure, trustee's sale or otherwise, and the breach of any of these covenants, conditions and restrictions may be enjoined, abated or remedied by appropriate proceedings, notwithstanding the lien or existence of any such mortgage or deed of trust.

All instruments of conveyance of any interest in any Lot shall contain (and if not, shall be deemed to contain) reference to this Declaration and shall be subject to the declarations, limitations, easements, covenants, conditions and restrictions herein as fully as though the terms and conditions of this Declaration were therein set forth in full; provided, however, that the terms and conditions of this Declaration shall be binding upon all persons affected by its terms, whether express reference is made to this Declaration or not in any instrument of conveyance. No private agreement of any adjoining property owners shall modify or abrogate any of these restrictive covenants, conditions and restrictions.

SECTION 2: SEVERABILITY

Invalidity of any one or more of these covenants, conditions and restrictions or any portion thereof by judgment or court order shall in no way affect the validity of any of the other provisions and the same shall remain in full force and effect.

SECTION 3: RULES CONCERNING DEVELOPERS; TRANSFER BY DECLARANT

Notwithstanding anything to the contrary contained herein, the Declarant or the Architectural Control Committee shall have the right from time to time to promulgate and amend reasonable rules and regulations concerning the conduct and operations and building activities of any other Developer (except the Declarant) who shall be bound thereby. Wherever the Declarant is granted certain rights and privileges hereunder, Declarant shall have the right to assign and transfer any of such rights and privileges to any other Developer as evidenced by a written instrument recorded in the office of the Maricopa County Recorder. Upon assignment by Declarant of its rights hereunder, the named Declarant shall thereafter have no further liability, responsibility or obligations for future acts or responsibilities of Declarant hereunder and the successor Declarant shall be solely responsible therefor and all parties shall look to the successor Declarant therefor. At any time, Declarant may, by a written, recorded notice, relinquish all or any portion of its rights hereunder and all parties shall be bound thereby.

SECTION 4: RIGHTS OF FIRST MORTGAGEES AND INSURERS OR GUARANTORS OF FIRST MORTGAGES.

Upon written request to the Association identifying the name and address of the First Mortgagee for any Lot or the insurer or guarantor of any such First Mortgage and the Lot number or address, any such First Mortgagee or insurer or guarantor of such First Mortgage will be entitled to timely written notice of:

(1) Any condemnation loss or any casualty loss which affects a material portion of the Project or any Lot on which there is a First Mortgage held, insured or guaranteed by such First Mortgagee or insurer or guarantor, as applicable;

(2) Any delinquency in the payment of Assessments or charges owed or other default in the performance of obligations under the Project Documents by an Owner of a Lot subject to a First Mortgage held, insured or guaranteed by such First Mortgagee or insurer or guarantor which remains uncured for a period of sixty (60) days;

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

(4) Any proposed action which would require the consent of a specified percentage of Eligible First Mortgagees as described in this Declaration.

SECTION 5: MISCELLANEOUS

This Declaration shall remain and be in full force and effect for an initial term of thirty-five (35) years from the date this Declaration is recorded. Thereafter, this Declaration shall be deemed to have been renewed for successive terms of ten (10) years, unless revoked by an instrument in writing, executed and acknowledged by the then Owners of not less than seventy-five percent (75%) of the Lots in the Project, and by Eligible First Mortgagees (those First Mortgagees who have filed a written request with the Association requesting notice of certain matters set forth in Section 4, Article VIII of this Declaration) holding First Mortgages on Lots which have at least sixty-seven percent (67%) of the votes of Lots subject to First Mortgages held by Eligible First Mortgagees, which said instrument shall be recorded in the office of the County Recorder of Maricopa County, Arizona, within ninety (90) days prior to the expiration of the initial effective period hereof, or any ten (10) year extension. If there is any conflict between any of the Project Documents, the provisions of this Declaration shall prevail. Thereafter, priority shall be given to the Project Documents in the following order: the Plat, Articles, Bylaws and Rules and Regulations of the Association. As long as there is Class B Membership, the following actions require the prior approval of the Federal Housing Administration or the Veterans Administra-

tion: annexation of additional properties, dedication of the Common Area, amendment of this Declaration and withdrawal or deannexation of any property from this Declaration.

SECTION 6: AMENDMENTS

At any time, this Declaration may be amended by an instrument in writing, executed and acknowledged by the then Owners of not less than seventy-five (75%) of the Lots in the Project. In addition, the approval of Eligible First Mortgagees holding First Mortgages on Lots which have at least fifty-one percent (51%) of the votes of Lots subject to First Mortgages held by Eligible First Mortgagees shall be required to add to or amend any "material" provisions of the Project Documents which establish, provide for, govern and regulate any of the following:

- (a) voting;
- (b) Assessments, Assessment liens or subordination of such liens;
- (c) reserves for maintenance, repair and replacement of the Common Area;
- (d) insurance or fidelity bonds;
- (e) rights to use of or reallocation of interests in the Common Area;
- (f) responsibility for maintenance and repair of the various portions of the Project;
- (g) expansion or contraction of the Project or the addition, annexation or withdrawal of property to or from the Project;
- (h) convertability of Lots into Common Area or Common Area into Lots;
- (i) leasing of Lots;
- (j) imposition of any right of first refusal or similar restriction on the right of a Lot Owner to sell, transfer or otherwise convey his/her Lot; and
- (k) any provisions which are for the express benefit of Mortgagees, Eligible First Mortgagees or Eligible Insurers or Guarantors of First Mortgages on Lots.

An addition or amendment to the Project Documents shall not be considered "material" if it is for the purpose of correcting technical errors or for clarification only. Any Eligible First Mortgagee which receives a written request to approve additions or amendments pursuant to this paragraph and which does not

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deliver or post to the requesting party a negative response within thirty (30) days shall be deemed to have approved such request.

DATED this 26 day of March, 1986.

PULTE HOME CORPORATION, a
Michigan corporation

By



Its

Division President

1229-05601

86 158885

STATE OF ARIZONA)
) ss.
County of Maricopa)

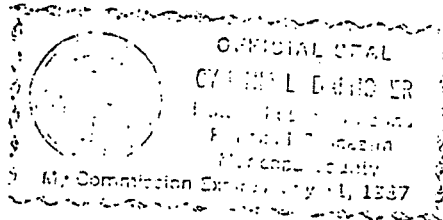
The foregoing instrument was acknowledged before me this
21 day of March, 1986, by Robert C. Parker,
the Buy President of Pulte Home Corporation, a Michigan corpora-
tion, for an on behalf of said corporation.

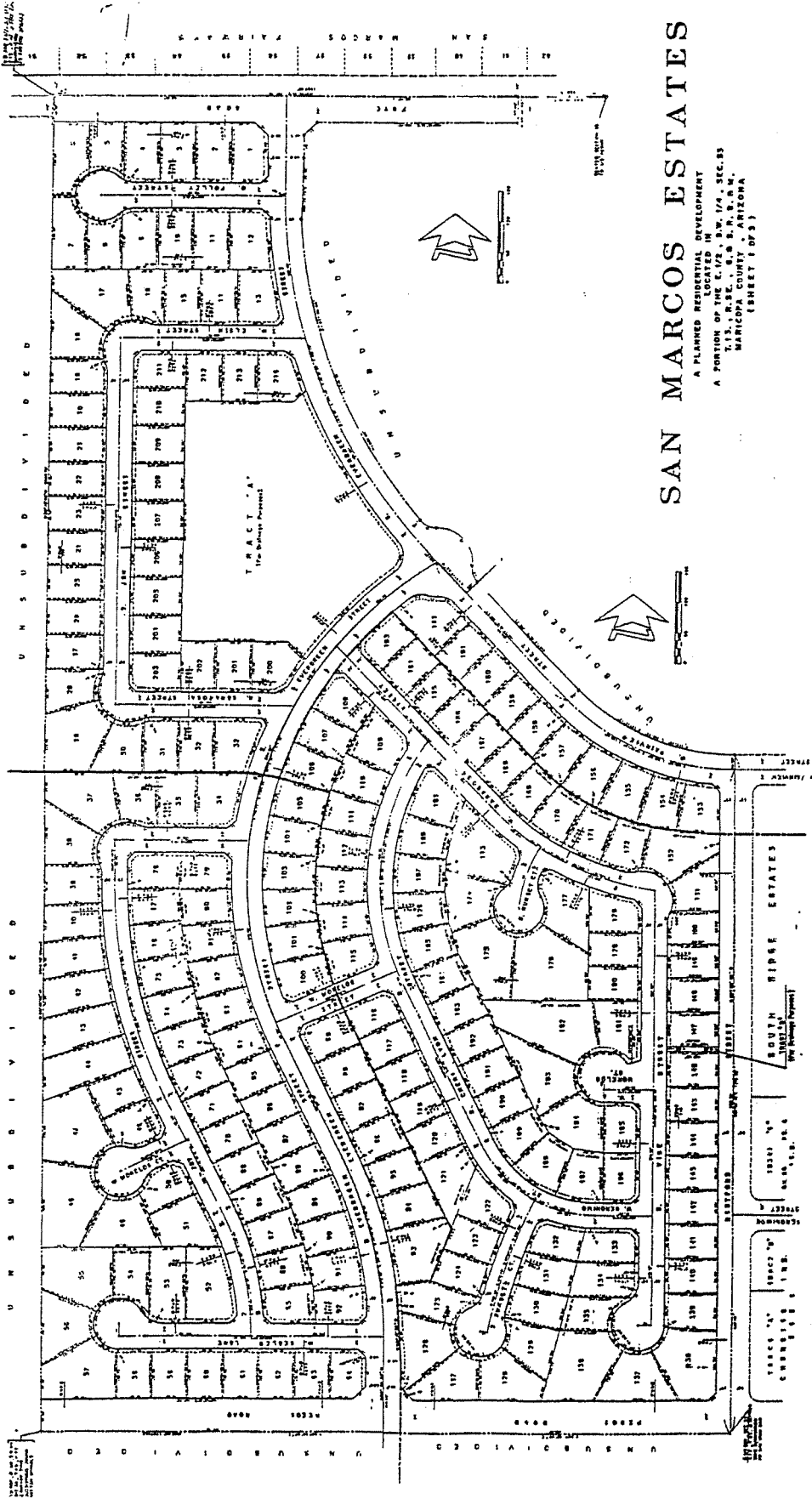
IN WITNESS WHEREOF, I hereunto set my hand and official
seal.

Caroline L. DeChavez
Notary Public

My Commission Expires:

5/1/87





SAN MARCOS ESTATES

A PLANNED RESIDENTIAL DEVELOPMENT
LOCATED IN
A PORTION OF THE E. 1/2, S.W. 1/4, SEC. 35
T.13, N.2.E., R.8 E., S.2 E., S.W. 1/4
MARICOPA COUNTY, ARIZONA
(SHEET 1 OF 3)

WHEN RECORDED, RETURN TO:

San Marcos Associates
3921 South Ivanhoe, #189
Chandler, Arizona 85226

HOLD FOR PICK UP
Title USA Company of Arizona
Trust Department
88 260189
MOD RSTR (DF)

3
FIRST AMENDMENT TO DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR SAN MARCOS ESTATES

THIS FIRST AMENDMENT is made and entered into this 25 day of May, 1988 by SAN MARCOS ASSOCIATES, an Arizona general partnership ("San Marcos") and HOOKER HOMES, INC., a Georgia corporation doing business in Arizona as LJ Hooker Homes ("Hooker") and is as follows:

WITNESSETH:

WHEREAS, San Marcos and Hooker own more than seventy-five percent (75%) of the lots in the following described subdivision which is located in the City of Chandler, Maricopa County, Arizona:

Lots 1 through 214, inclusive, San Marcos Estates, according to Book 295 of Maps, page 46, records of Maricopa County, Arizona (the "Project"); and

WHEREAS, a Declaration of Covenants, Conditions and Restrictions for the Project was recorded April 2, 1986 at Document No. 86-158885, in the office of the Maricopa County, Arizona Recorder; and

WHEREAS, San Marcos and Hooker desire to amend the Declaration in accordance with the provisions of Article VIII, Section 6 thereof which allows the Declaration to be amended "by the then Owners of not less than seventy-five percent (75%) of the Lots in the Project". San Marcos and Hooker own more than the required minimum number of Lots to amend the Declaration and this is a clarifying, non-material amendment as described in said Section 6 such that the consent of Eligible First Mortgagees is not required.

NOW, THEREFORE, San Marcos and Hooker hereby amend the Declaration to provide that the Project shall be developed in three distinct development phases as follows:

Phase 1: shall consist of Lots 1 through 33, inclusive, 108, 153 through 166, inclusive, and 200 through 214, inclusive.

Phase 2: shall consist of Lots 34 through 107, inclusive.

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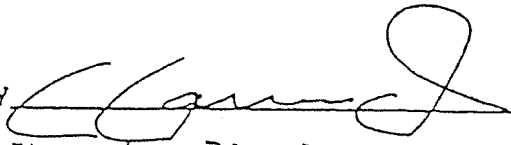
Phase 3: shall consist Lots 109 through 152, inclusive,
and 167 through 199, inclusive.

IN WITNESS WHEREOF, San Marcos and Hooker have executed
this First Amendment to be effective on the date first written
above.

SAN MARCOS ASSOCIATES,
an Arizona general partnership

By: SAN MARCOS 214, INC.,
a Delaware corporation
Its Managing General Partner

By

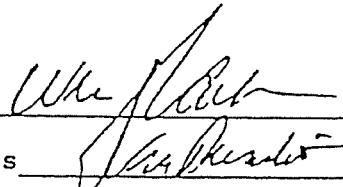

Its VICE PRESIDENT

"SAN MARCOS"

HOOKEE HOMES, INC.,
a Georgia corporation

By

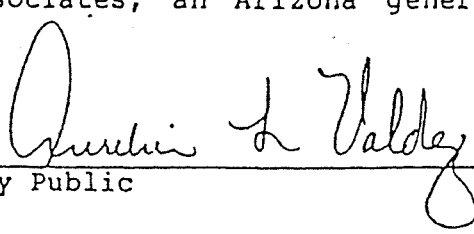
Its



"HOOKER"

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this
25th day of May, 1988 by
Charles Carrington the Vice President
of SAN MARCOS 214, INC., a Delaware corporation as Managing
General Partner of San Marcos Associates, an Arizona general
partnership.


Notary Public

My Commission Expires: 3
AURELIA L. VALDEZ
Notary Public — State of AZ
MARICOPA COUNTY
My Comm. Expires June 30, 1989

88 260189

STATE OF ARIZONA),
 + ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this
24 day of May, 1988 by William J. Carlson, the
Vice President of HOOKER HOMES, INC., a Georgia corporation
for and on behalf of said corporation.

Eileen D. Butcher
Notary Public

My Commission Expires:

Feb 2, 1992

RECORDED IN OFFICIAL RECORDS OF MARICOPA COUNTY, ARIZONA			
MAY 27 '88 4 55			
KEITH POLETIS, County Recorder			
FEE	10.00	PGS	3
			BJ