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DECLARATION OF PROTECTIVE COVENANTS,
CONDITIONS AND RESTRICTIONS OF
GRANADA ESTATES NEIGHBORHOOD

A NEIGHBORHOOD OF



HAMMOCK DUNESSM IS A SERVICE MARK OF
ITT COMMUNITY DEVELOPMENT CORPORATION

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DECLARATION OF
PROTECTIVE COVENANTS, CONDITIONS AND RESTRICTIONS
OF
GRANADA ESTATES NEIGHBORHOOD

This DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS AND RESTRICTIONS OF GRANADA ESTATES NEIGHBORHOOD is made this 11th day of May, 1989 by ITT Community Development Corporation, a Delaware corporation, its successors and assigns (the "Declarant").

W I T N E S S E T H:

WHEREAS, Declarant is presently developing a planned community located in Flagler County, Florida (the "County") known as Hammock Dunes of which the Granada Estates Neighborhood is a part; and

WHEREAS, Declarant by this Declaration of Protective Covenants, Conditions and Restriction of Granada Estates Neighborhood (the "Declaration") imposes the covenants, conditions and restrictions contained herein upon the "Land," the legal description of which is attached hereto and made a part hereof as Exhibit "A"; and

WHEREAS, Declarant has determined that the Land is Committed Property, as that term is defined in the Declaration of Protective Covenants, Conditions and Restrictions for Hammock Dunes (the "Master Declaration"), and is subject to the specific Land Use Classifications as set forth in the Granada Estates Property Plan which is attached hereto and made a part hereof as Exhibit "B"; and

WHEREAS, Granada Estates Neighborhood is a Neighborhood created pursuant to Article 7 of the Master Declaration;

WHEREAS, Declarant has caused the Hammock Dunes Owners' Association to be formed, and to which, pursuant to Article 7 of the Master Declaration, there has been or will be delegated and assigned certain powers and duties of operation, administration, maintenance and repair of portions of the Granada Estates Neighborhood, and the collection and disbursement of Operating Expenses and Neighborhood Assessments, all as more particularly set forth herein and in the Master Declaration; and

WHEREAS, Declarant has reserved herein and in Article 7.03 of the Master Declaration the right to create a Subassociation to hold these powers and perform these duties of the Owners'

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Association as to the Granada Estates Neighborhood. The Owners' Association and any Subassociation which may be created for the purposes of performing these functions are NOT condominium associations under Chapter 718, Florida Statutes; and

WHEREAS, the Granada Estates Neighborhood is, for the purposes of this Declaration and the Master Declaration, a part of the Destination Resort Community.

NOW, THEREFORE, Declarant declares that the Land is and shall be owned, used, sold, conveyed, encumbered, demised and occupied subject to the provisions of this Declaration, which shall run with the Land and be binding on all parties having any right, title or interest in the Land or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner thereof.

I. DEFINITIONS

A. The terms contained in this Declaration shall have the meanings given such terms in the Declaration of Protective Covenants, Conditions and Restrictions for Hammock Dunes except as may otherwise be set forth herein.

B. "Administrator" shall mean a member of the Board of Administrators elected or designated as set forth in the Articles or By-Laws of the Owners' Association.

C. "Assessments" shall mean any assessments made by the Owners' Association in accordance with the Master Documents, including, but not limited to, Base Assessments, Community Assessments, Neighborhood Assessments and Special Assessments.

D. "Base Assessments" shall mean those Assessments for which all Members of the Owners' Association are responsible in the manner set forth in Article VIII(A)(1)(a) herein and in Article 10.01(c)(2) of the Master Declaration.

E. "Board of Administrators" or "Board" shall mean the governing body of the Owners' Association.

F. "Budget" shall mean the budget adopted by the Board, as discussed in Article VIII of this Declaration, and more fully described in Article 10.01 of the Master Declaration.

G. "Clubs" shall mean and refer to Hammock Dunes Club, Inc., a Florida corporation not for profit, and any other recreational-type club or country club which may be established in conjunction with the Total Property, as described further in Article 2 of the Master Declaration.

H. "Committed Property" shall mean those portions of the Total Property which are subjected to specific Land Use Classifications, including the Land.

I. "Common Areas" shall mean the Land Use Classification assigned to all real property, including any improvements and fixtures thereon, owned by, leased to, or the use of which has been granted to the Owners' Association as set forth in the Master Declaration. Common Areas have not been, and are not intended to be, submitted to the condominium form of ownership.

J. "Community" shall mean a portion of the Committed Property comprised of one or more Neighborhoods or Tracts or both, and designated as such by Declarant, which may share certain services or facilities.

K. "Community Assessments" shall mean those Assessments due from Members of the Destination Resort Community for those Operating Expenses which have been incurred to benefit primarily the Members of the Destination Resort Community.

L. "Community Common Areas" shall mean all real property including any improvements and fixtures thereon owned by, leased to, or their use of which has been primarily granted to a community for the common use and enjoyment of the Owners in such Community.

M. "County" shall mean Flagler County, Florida.

N. "Declarant" shall mean ITT Community Development Corporation, a Florida corporation, its nominees, successors and/or assigns.

O. "Design Review Committee" shall mean the body established by the Board to administer the Development Codes to control the initial design and location of all Structures, and all alterations and modifications to existing Structures and improvements to the Committed Property as fully discussed in Article V(B) herein and in Article 6.02 of the Master Declaration. Declarant shall have the right to divide the Design Review Committee into various subcommittees with specific functions.

P. "Design Review Manual for Granada Estates" shall mean the Development Codes established for Granada Estates.

Q. "Development Codes" shall mean the standards established from time to time by the Declarant and/or Board to control the design and location of all Structures and other work within the Committed Property, are more fully described in Article 6.02 of the Master Declaration, and Article V(B)(3) of this Declaration.

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R. " Dwelling Unit " shall mean any residential dwelling unit or any portion of real property upon which a residential dwelling unit is intended to be constructed and has been conveyed by a Land Segment Owner to a Person intended as an abode for one family constructed on a portion of the Land including, without limitation, a detached, single-family home which has received a certificate of occupancy from the applicable governmental authority.

S. " Golf Course " shall mean that golf course of the Hammock Dunes Club which abuts portions of the Neighborhood Property.

T. " Granada Estates " shall mean that Neighborhood on the Total Property which is comprised of the Land, as may be expanded as provided for in Article II(D) herein.

U. " Granada Estates Property Plan " shall mean and refer to that property plan annexed here to as Exhibit " B " and made a part hereof. The Granada Estates Property Plan shows and identifies, among other things, the pertinent Land Use Classifications of the Granada Estates Neighborhood, and each Lot.

V. " Hammock Dunes Club " shall mean the Hammock Dunes Club, Inc., a Florida corporation not for profit, as described further in Article 2 of the Master Declaration.

W. " Institutional Mortgagee " shall mean (a) any generally recognized lending institution having a first mortgage lien upon a unit including, but not limited to, any of the following institutions: a federal or state savings and loan or building and loan association; national, state or other bank or real estate investment trust; or mortgage banking company doing business in the state of Florida, or a life insurance company; or a subsidiary of a holding company holding any of the foregoing; or (b) any " secondary mortgage institution " including the Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), Federal Housing Administration (FHA), Veterans Administration (VA) and such other secondary mortgage institution as the Board shall hereafter approve in writing which have acquired a first mortgage upon a Unit; or (c) any and all investors or lenders, or the successors and assigns of such investors or lenders, which have loaned money to Declarant to acquire, or to construct improvements on the Committed Property and who have a mortgage lien on or a portion of the Committed Property securing such loan; or (d) such other lenders as the Board shall hereafter approve in writing which have acquired a first mortgage lien upon a Unit.

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X. "Land" shall mean the real property subject to this Declaration, as more fully described in Exhibit "A" attached hereto.

Y. "Land Segment" shall mean a portion of the Committed Property which is designated by Declarant in writing as a Land Segment, all as more fully described in Articles 8.04 and 10.01 of the Master Declaration.

Z. "Land Use Classifications" shall mean one of the specific uses which Declarant has determined to assign to Committed Property, which Land Use Classifications are more fully described in Article 5 of the Master Declaration.

AA. "Lot" shall mean that portion of the Committed Property upon which a Dwelling Unit is to be built. Each Lot is shown on the Granada Estates Property Plan, attached hereto as Exhibit "B," as may be amended from time to time.

BB. "Master Declaration" shall mean and refer to the Declaration of Protective Covenants, Conditions and Restrictions for Hammock Dunes.

CC. "Master Documents" shall mean the Master Declaration and the Articles of Incorporation, By-Laws and the Rules of the Owners' Association.

DD. "Members" shall mean members of the Owners' Association.

EE. "Neighborhood" shall mean the Granada Estates Neighborhood.

FF. "Neighborhood Assessments" shall mean those Assessments due from Members of the Granada Estates Neighborhood for those Operating Expenses which have been incurred to benefit primarily the Members of the Granada Estates Neighborhood.

GG. "Neighborhood Common Areas" shall mean all real property including any improvements and fixtures thereon, the use of which has been primarily granted to the Granada Estates Neighborhood for the common use and enjoyment of the Owners in the Granada Estates Neighborhood.

HH. "Neighborhood Property" shall mean and refer to the Land and all improvements thereon submitted to this Declaration and all easements and rights appurtenant thereto intended for use in connection therewith.

II. "Operating Expenses" shall mean the expenses for which Members are liable to the Owners' Association and include, but are not limited to, the cost and expenses incurred by the Owners'

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Association in (a) fulfilling its obligations under the Master Documents and under applicable law; (b) fulfilling obligations under the Order, and (c) administering, operating, and owning the Common Areas and Neighborhood Common Areas, all as more fully described in Article 11 of the Master Declaration.

JJ. "Order" shall mean the Development Order for Hammock Dunes adopted pursuant to Section 380.06(20), Florida Statutes, on March 30, 1984, by resolution of the Board of County Commissioners of the County regarding the development of the Total Property.

KK. "Owner" shall mean a record owner of a fee interest in a Unit, but excluding those having an interest in a Unit merely as security for the performance of an obligation.

LL. "Owners' Association" shall mean the Hammock Dunes Owners' Association, Inc., a Florida corporation not for profit, its successors or assigns. The Owners' Association is NOT a condominium association.

MM. "Person" shall mean any individual, corporation, governmental agency, business trust, estate, trust, partnership, association, two or more persons having a joint or common interest, or any other legal entity.

NN. "Rules" shall mean the rules and regulations promulgated by the Board in accordance with the provisions of this Declaration and the Master Documents.

OO. "Special Assessments" shall mean those Assessments more particularly described in Article VIII(A)(2) of this Declaration and Article 10.03 of the Master Declaration.

PP. "Structure" shall mean that which is built or constructed, or any work artificially built up or composed of parts joined together in some definite manner, the use of which requires more or less permanent or temporary location on the ground, or which is attached to something having a permanent or temporary location on the ground. The term shall be construed as if followed by the words "or part thereof."

QQ. "Subassociation" shall mean any homeowner's association or such other entity, its successors and assigns, which may become responsible for administering the Granada Estates Neighborhood, but excluding the Owners' Association.

RR. "Supplement" shall mean an instrument executed by Declarant for such purposes as are more fully described in this Declaration.

SS. "Total Property" shall mean the real property subject to the Master Declaration, as is legally described in the Master Declaration, of which the Granada Estates Neighborhood is a part.

TT. "Tract" shall mean any specifically delineated portion of the Total Property designated by Declarant or as otherwise shown or fully discussed in the Master Declaration.

UU. "Turnover" shall mean a date no later than one hundred twenty (120) days after Declarant has conveyed ninety (90%) percent of the Dwelling Units permitted to be constructed on the Total Property.

VV. "Unit" shall mean Dwelling Units, Tracts, and Land Segments.

WW. "Visitors" shall mean and refer to the family members, guests, invitees and lessees of Club members of the Hammock Dunes Club; the players or users of the Golf Course; and the spectators at golf tournaments.

XX. "Voting Member" shall mean the Person who shall represent the Dwelling Unit Owners of the Granada Estates Neighborhood at meetings of the Owners' Association, as set forth more fully in the Articles and By-Laws of the Owners' Association.

II. DESCRIPTION OF GRANADA ESTATES NEIGHBORHOOD

A. Neighborhood Property. The Neighborhood Property will contain single-family detached residential Dwelling Units to be built upon each Lot.

B. Golf Course. The Golf Course is being developed as an integral part of Declarant's plan of development of the Total Property. The Golf Course, however, is not a part of the Granada Estates Neighborhood. The Golf Course has been built as part of the Hammock Dunes Club. The Hammock Dunes Club is a private, member equity Club, and it is subject to those documents promulgated by the Hammock Dunes Club. It is Declarant's belief that the development of the Hammock Dunes Club shall be in the best interest of the Granada Estates Neighborhood including the property values of the Granada Estates Neighborhood. The Persons who use the Golf Course shall be given use of the easement provided in Article IV(E) of this Declaration, as well as the easement provided in Article 12.07 of the Master Declaration. Moreover, Declarant reserves the right, by its act alone and without the joinder of the Owners' Association or any Unit Owner being required, to impose upon the Neighborhood Common Areas such other easements which are required for the use and enjoyment of the Clubs. The location of a Lot within the Neighborhood

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Property may result in nuisances or hazards to persons and property on the Lot as a result of normal Golf Course operations. EACH LOT OWNER COVENANTS FOR ITSELF, ITS SUCCESSORS, SUCCESSORS IN TITLE, AND ASSIGNS THAT IT SHALL ASSUME ALL RISKS ASSOCIATED WITH SUCH LOCATION INCLUDING, BUT NOT LIMITED TO, THE RISK OF PROPERTY DAMAGE OR PERSONAL INJURY ARISING FROM STRAY GOLF BALLS OR ACTIONS INCIDENTAL TO SUCH GOLF COURSE ACTIVITIES AND SHALL INDEMNIFY AND HOLD HARMLESS THE OWNERS' ASSOCIATION, DECLARANT AND THE HAMMOCK DUNES CLUB FROM ANY LIABILITY, CLAIMS, OR EXPENSES, INCLUDING ATTORNEYS' FEES, ARISING FROM SUCH PROPERTY DAMAGE OR PERSONAL INJURY. Any Lot Owner interested in membership in the Hammock Dunes Club should contact the Hammock Dunes Club.

C. Use of Golf Course. NOTWITHSTANDING ANYTHING CONTAINED HEREIN, THE OWNERSHIP OF A UNIT, OR MEMBERSHIP IN THE OWNERS' ASSOCIATION, DOES NOT CONFER ANY OWNERSHIP INTEREST IN OR RIGHT TO USE ANY OF THE GOLF COURSE FACILITIES OR OTHER CLUB FACILITIES IN ANY MANNER.

D. Expansion of Neighborhood. Declarant shall have the right, but shall not be obligated, to designate additional real property as part of the Granada Estates Neighborhood by executing and recording a Supplement or other instrument intended to have the same effect in the Public Records of the County, without the consent of any Person. Declarant makes no representation regarding the size of such real property, if any. That portion of real property added by Declarant to the Granada Estates Neighborhood shall be subject to the provisions of this Declaration. Some of the effects of adding such real property to the Granada Estates Neighborhood may be to increase the number of Lots, the number of Persons using the Neighborhood Common Areas, the size of the Neighborhood Assessments and the total number of votes which may be cast pertaining to Neighborhood affairs. Notwithstanding anything provided herein, the maximum number of Dwelling Units to be constructed in the Granada Estates Neighborhood shall be three hundred (300).

III. HAMMOCK DUNES OWNERS' ASSOCIATION, INC.

A. Duties and Responsibilities. The Owners' Association manages and administers certain parts of the Total Property which may include the Neighborhood Common Areas. The duties and responsibilities of the Owners' Association are more specifically set forth in the Master Documents. Moreover, the Owners' Association may perform such functions for the Granada Estates Neighborhood which may typically be performed by Subassociations in other Neighborhoods in Hammock Dunes. Such functions may include but are not limited to, establishing and collecting Neighborhood Assessments, and promulgating rules and regulations for the Granada Estates Neighborhood.

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B. Membership.

1. Every Lot Owner shall be a Member of the Owners' Association. Membership shall be appurtenant to, and may not be separated from, ownership of a Lot. The votes of members other than Declarant shall be cast at meetings of the Members of the Owners' Association by their Voting Members as set forth more fully herein and in the Master Documents.

2. The Voting Member shall have the same number of votes as the number of Lots in the Granada Estates Neighborhood and shall cast the votes of the Members he represents as such Voting Member determines to be in the best interests of such Members at meetings of the Members called for such purpose. Nothing herein contained shall require that the Voting Member cast in the same manner all of the votes he is entitled to cast at the meetings of the Members of the Owners' Association, and the Voting Member may cast fewer than the total number of votes possessed by the Members he represents.

3. The Voting Member of the Granada Estates Neighborhood shall be selected on an annual basis by the Dwelling Unit Owners and Land Segment Owners in Granada Estates Neighborhood at a meeting of those Owners called by the Owners' Association for the purpose of electing the Voting Member. This meeting shall be held at least ninety (90) days, but no more than one hundred twenty (120) days, prior to the Annual Members' Meeting of the Owners' Association. Notice of this meeting shall be delivered or mailed by the Owners' Association at least thirty (30) days, but not more than forty (40) days, in advance of the meeting. Notice may be given either personally or by sending a copy of the notice through the mail, postage prepaid, to the address of the Member appearing on the books of the Owners' Association. The presence at this meeting of the Dwelling Unit Owners and Land Segment Owners entitled to cast one-quarter (1/4) of the votes possessed by the total number of all Lots located in the Granada Estates Neighborhood shall establish a quorum. If a Subassociation is created as set forth in paragraph D below, the Voting Member shall be elected as set forth in the Master Declaration.

4. At the Turnover meeting and thereafter, the Voting Member may cast his vote for Administrator only for the Administrator vacancy set aside for the Destination Resort Community. Notwithstanding anything provided herein, in electing an Administrator, the Voting Member is entitled to one (1) vote only, regardless of the total number of Members in the Granada Estates Neighborhood.

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5. At all meetings of Members, Members may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary of the Owners' Association. No proxy shall extend beyond a period of eleven (11) months.

C. Master Documents. The Master Documents impose certain rights and obligations on the Unit Owners. The Master Documents set forth the manner in which the Unit Owners in the Neighborhood, their family members, guests, invitees and lessees may use and enjoy the Common Areas and the sharing of Operating Expenses. The Neighborhood Property and the provisions of this Declaration are subject to the Master Documents. Further, all the covenants set forth in the Master Documents including, but not limited to, the affirmative covenants and obligations to pay Operating Expenses, as therein set forth, shall run with the Neighborhood Property, and any assessments for Operating Expenses made pursuant to the Master Documents against any Unit shall be assessable against all of the Neighborhood Property as a whole.

D. Subassociations.

1. Declarant hereby reserves the right and the power, but neither the duty nor the obligation, without the consent of any other Person being required, to create a Subassociation for the operation, administration and maintenance of the Granada Estates Neighborhood, which may be required to perform any of the duties and responsibilities of the Owners' Association set forth in the Declaration. If Declarant creates such Subassociation, the Subassociation shall be subject to all rights and obligations of Subassociations as set forth in the Master Declaration.

2. Any Subassociation created in accordance with this Declaration shall administer the Granada Estates Neighborhood in accordance with this Declaration and the Articles of Incorporation and By-Laws of the Subassociation (the "Neighborhood Documents"). The Neighborhood Documents shall be approved in writing by Declarant and recorded in the Public Records of the County; provided, however that Declarant's approval thereof shall not be a representation of Declaration that such Neighborhood Documents are in compliance with the Order.

3. If any Neighborhood Association does not perform any of its duties and responsibilities pursuant to this Declaration or the Neighborhood Documents, the Owners' Association shall have the right to perform such duties and responsibilities, including any and all maintenance provisions, and obtain the payment of the cost of such enforcement and maintenance. The Owners' Association shall be entitled to reimbursement of attorneys' fees and court costs incurred during the enforcement by it of Neighborhood Documents.

IV. EASEMENTS

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A. Perpetual Nonexclusive Easement to Public Ways. The walks and other rights-of-way on the Neighborhood Property shall be and the same are hereby declared and reserved to be subject to a perpetual nonexclusive easement over and across the same for ingress, egress and access to and from the public ways in favor of the Owners' Association, the Declarant, and the Lot Owners for their use and for the use of their family, guests, invitees, and lessees and for all proper and normal purposes. The easement rights hereunder shall be used in a manner consistent with the structural design of any improvements on the Neighborhood Property and shall not be used in a manner so as to create a nuisance.

B. Easements and Cross-Easements on Common Elements. Declarant, for itself, its successors and assigns, and the Owners' Association, reserves the right to impose upon the Common Areas or the Neighborhood Common Areas henceforth and from time to time such easements and cross-easements for ingress and egress and the installation, maintenance, construction and repair of facilities, including, but not limited to, electric power, telephone, governmental purposes and services, sewer, water, gas, drainage, irrigation, lighting, television transmission, limited access assurance services, garbage and waste removal and the like as it deems to be in the best interest of, and necessary and proper for, the Neighborhood Property and the remainder of the Total Property.

C. Easement for Encroachments. All of the Neighborhood Property shall be subject to easements for encroachments, which now or hereafter exist, caused by settlement or movement of any improvements upon the Neighborhood Property or improvements contiguous thereto, or caused by minor inaccuracies in building or rebuilding of such improvements. The above easements shall continue until such encroachments no longer exist.

D. Easement of Enjoyment and Use. Every owner of a Lot in the Granada Estates Neighborhood shall have a non-exclusive right and easement of enjoyment and use in and to the Neighborhood Common Areas for their intended purposes, which right and easement shall be appurtenant to and shall pass with the title to the Lot, subject to the Master Documents, this Declaration, and all applicable governmental regulations.

E. Easement for Use of Golf Course. Portions of the Granada Estates Neighborhood abut and are adjacent to the Golf Course. Declarant, the Club members, all their family members, guests, invitees and lessees, the players or users of the Golf Course, and the Visitors, shall have a perpetual, non-exclusive easement in their favor to use the Roadways and Entranceways as

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necessary during any golf tournament being held on the Golf Course for the purposes of ingress, egress and access to such tournament. Declarant, the Club members, and the Visitors shall also have a perpetual, non-exclusive easement in their favor over the back thirty (30') feet of the real property of any Lot abutting the Golf Course for the sole purpose of retrieving any golf ball(s). Any disputes as to the extent of any of these easements during the term of this Declaration shall be determined by Declarant in its sole and absolute discretion. Declarant reserves the right to impose upon the Neighborhood Common Areas such other easements as are required for the enjoyment of use of the Golf Course.

V. OCCUPANCY AND USE RESTRICTIONS

A. Lot Area and Width; Setback; Size of Dwelling Unit; Structures.

1. Minimum Lot Size - No Dwelling Unit shall be built on any Lot having an area less than 15,000 square feet. Further, subdivision of any Lot within Granada Estates Neighborhood is prohibited.

2. Setbacks - No part of any Dwelling Unit shall be located nearer than: 30 feet to the front Lot line; 20 feet to the side Lot line, and 20 feet from the rear Lot line. Where a side Lot line is adjacent to a street, the minimum setback shall be increased by 20 additional feet. Where a rear or side Lot line is adjacent to the Golf Course, lake, or marsh, the minimum setback shall be increased by 30 additional feet.

3. Minimum Dwelling Unit Size - No Dwelling Unit shall contain less than 2,500 square feet of air-conditioned enclosed living area. An enclosed garage for a minimum of two cars shall be provided.

4. Determination of Square Footage - The method of determining the square footage of the enclosed living area of a Dwelling Unit, structure or addition thereto, shall be to multiply together the horizontal dimensions of the walls forming the outer boundaries of the Dwelling Unit, structure or addition for each floor level. Open porches, atriums, screened-in patios, courtyards, garages and other similar type space shall not be taken into account in calculating the minimum air-conditioned enclosed living area square footage as required herein.

5. Use - All Lots are restricted to use for a single-family detached residence, designed for and occupied by one family. No more than one (1) Dwelling Unit with a private attached garage may be built on a Lot. No Dwelling Unit may exceed 35 feet in height. Buildings accessory to the use of a

Dwelling Unit may be erected, provided such accessory buildings are not used as living quarters and provided further that prior written approval is first obtained from the Design Review Committee. A construction shed or trailer may be temporarily placed upon a Lot and remain there during active construction of a residence for a period not to exceed six (6) months; otherwise, no portable buildings, tents, trailers or other temporary buildings may be placed upon a Lot. All building exteriors shall be completed within six (6) months from commencement of construction or issuance of a building permit, whichever comes first.

6. Businesses - No trade, business, professional office, or any other type of commercial activity shall be conducted on any Lot or in any Dwelling Unit; however, notwithstanding this restriction, Declarant and its assigns shall not be prohibited from operating sales models and/or a sales office on any Lot.

7. Entity Ownership - When legal title to a Lot is in the name of a corporation, trust, partnership or other than an individual or individuals, the Unit Owner shall, by certificate delivered to the Secretary of the Association, designate one (1) family or person as the occupant of the Dwelling Unit. Unless the Board of Administrators approves, there may be no more than two (2) such designations in any twelve (12) month period. Except for the designated family or individual, no other family or individual may occupy the Dwelling Unit.

8. Guests - Two (2) occasional guests may be permitted to occupy any Dwelling Unit at any one time. The Owners' Association shall be able to promulgate rules and regulations to specify the number of guests permitted and the lengths of their visits.

9. Insurance Rates - A Unit Owner shall not permit or suffer anything to be done or kept on his Lot which will increase the insurance rates on his Lot, the Common Areas or the Neighborhood Common Areas or which will obstruct or interfere with the rights of other Unit Owners or the Owners' Association.

10. Contractors - All construction activity must be conducted or supervised by a contractor licensed in the State of Florida. All such contractors must meet the requirement for contractors set forth in the Design Review Manual for Granada Estates. The Unit Owner is responsible to select a contractor who meets the requirements set forth for contractors under the Design Review Manual for Granada Estates. NEITHER THE DECLARANT NOR THE OWNERS' ASSOCIATION SHALL BE LIABLE FOR A UNIT OWNER'S FAILURE TO DETERMINE WHETHER THE CONTRACTOR THE UNIT OWNER SELECTS IS LICENSED IN THE STATE OF FLORIDA AND OTHERWISE MEETS THE REQUIREMENTS OF THE DESIGN REVIEW MANUAL FOR GRANADA ESTATES.

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B. Uses and Other Restrictions.

1. Rules and Regulations; Conduct. The Owners' Association shall, from time to time, promulgate rules and regulations with respect to the Granada Estates Neighborhood as it determines to be in the best interests of the Granada Estates Neighborhood and the Unit Owners. No Unit Owner shall annoy other Unit Owners by unreasonable noises or otherwise, nor shall any Unit Owner commit or permit to be committed any nuisance or immoral or illegal act on his Lot or on the Neighborhood Common Areas.

2. Pets. A Unit Owner shall be allowed to keep or harbor domesticated household pets in his Unit, subject to the provisions immediately following. Such pet must be walked only in areas designated for such purpose; provided that such pet must be leashed whenever outside the Unit. Any Unit Owner having a pet shall also abide by any rules and regulations promulgated by the Board of Administrators in this regard. Violation of this paragraph or of any of said rules and regulations may result in the termination of the Unit Owner's right to keep such pet. A Unit Owner shall not keep any livestock or poultry in his Dwelling Unit or upon his Lot, nor may any of the same be raised, bred, or kept upon the Common Areas or any portion of the Neighborhood Property. A maximum of two (2) dogs, cats or other domesticated household pets may be kept on any Lot or Dwelling Unit. For purposes of this paragraph, a domesticated household pet is an animal which may traditionally be kept within one's Dwelling Unit, such as a dog, cat, bird or hamster.

3. Development Codes. A Unit Owner shall be required to comply with the Development Codes, as more fully set forth in the Master Documents, provided, however, that the Board of Administrators may promulgate development codes pertaining solely to the Neighborhood Property ("Design Review Manual for Granada Estates"), subject to Declarant's approval prior to Turnover.

4. Neighborhood Common Areas. Nothing shall be stored, constructed within, or removed from the Neighborhood Common Areas other than by Declarant or the Owners' Association, except with the prior written approval of Declarant or the Board of Administrators.

5. Garages. The garage door of any Dwelling Unit shall remain closed except when being used for access to or ingress from the garage.

6. Parking. No motor vehicle or trailer, including but not limited to pick-up trucks, vans, trucks over one ton capacity, trucks used for commercial purposes, boats, campers, motor homes or similar recreational vehicles may be parked or stored on any Lot unless same are parked or stored in an enclosed

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garage. Notwithstanding the above, personal passenger vehicles may be parked on the paved portion of a Lot, provided, however, that no personal passenger vehicle may be parked on the paved portion of a Lot if that vehicle contains any permanent lettering or signs thereon. On-street parking is prohibited.

7. Signs. No sign of any type shall be erected or displayed on any Lot provided, however, that a builder advertising his Lot or Dwelling Unit during the construction and sales period shall be permitted to have signs for those purposes if such signs have received the prior written approval of the Design Review Committee.

8. Satellite Dishes and Antennae. No electronic, satellite dishes or other type antenna or dish may be erected on a Lot or attached to any Dwelling Unit thereon. Provided, however, any such electronic or other type antenna or dish may be installed within the attic space of a Dwelling Unit.

9. Swimming Pools. Swimming pools (including their screen enclosures), deck area, patios, hot tubs and sun decks must be approved in writing by the Design Review Committee prior to construction. None of the Structures described in this paragraph shall be constructed closer than 30 feet from the rear Lot line where adjacent to the Golf Course, lake or marsh.

10. Walls and Fences. No wall, fence or hedge shall be erected or maintained on any Lot unless approved in writing by the Design Review Committee as to the type, style, location, material, height and color.

11. Trees. No Person, without the prior written consent of the Design Review Committee, shall remove any live tree with a trunk of three (3) inches or more in diameter (as measured four (4) feet from ground level) from any Lot.

12. Lot Elevations. To preserve and maintain proper drainage in the Granada Estates Neighborhood, no changes in grades or elevations of any portion of a Lot (including the swale areas) shall be made without the prior written approval of the Design Review Committee. Final floor elevations and all other applicable grades must be shown on the construction drawings and approved by the Design Review Committee prior to construction.

13. Drainage Swales. The Unit Owner shall maintain any drainage swales within the Owner's Lot and/or adjacent to an Owner's Lot where such drainage swale is part of the road right-of-way. The location, width, depth and invert grades of culverts and dipped driveways shall be established by the Design Review Committee from time to time. No driveway shall be constructed, maintained, altered or permitted to exist on any Lot if, in the

opinion of the Design Review Committee, its obstructs, would obstruct or otherwise impede the flow of surface drainage.

14. Road Rights-of-Way; Mailboxes. No Person shall place any items, objects or shrubs in or on any road right-of-way, except with the prior written approval of the Design Review Committee. Provided, however, mailboxes may be installed at the edge of pavement in accord with U.S. Postal Service regulations and the requirements of the Design Review Committee.

15. Drilling; Mining. No oil drilling, oil development operations, oil refining, quarrying, natural gas or mining operations of any kind shall be permitted upon or in any Lot. To minimize the removal of ground and surface water in any appreciable quantities and avoid unnecessary saltwater intrusion or diminution or material alteration of the aquifer, the construction and/or use of individual wells for any purpose on any Lot is prohibited.

16. Fertilizers. Only biodegradable fertilizers, pesticides and fungicides approved by the United States Environmental Protection Agency and the Florida Department of Environmental Regulation shall be used within the Granada Estates Neighborhood.

17. Power Lines. All electric power lines or utility lines, including telephone and cable television, servicing the Dwelling Unit or any portion of the Lot shall be installed underground.

18. Landscaping; Containers; Garbage. All yards of Lots shall be sodded or otherwise appropriately landscaped and kept as a lawn which shall extend to the pavement line of the street. The Lot Owner shall maintain all lawns and landscaping on that Owner's Lot to the edge of any pavement. No graveled, blacktopped or paved parking strips, except as approved in writing by the Design Review Committee, are permitted. All garbage containers, trash containers, oil tanks, gas tanks, and other similar type receptacles must be hidden from view from adjoining properties and the road. All garbage and rubbish contained in a receptacle shall be placed at curbside or street edge on the morning designated for pickup service. All such receptacles shall be removed from curbside or street edge during the same day as said pickup service.

19. Wetlands; Sanctuaries. To reduce damage and prevent injury to the environment, no Wetlands or Sanctuaries may be cleared, filled or disturbed in any way unless done in accordance with the Order and the Master Documents, and then approved by the Design Review Committee.

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VI. LEASES AND TENANTS

A. Application. This Declaration and the Master Documents shall apply not only to Unit Owners, but also to any lessee or tenant or the party who is occupying a Dwelling Unit by way of lease express or implied, license or invitation.

B. Leasing Requirements and Limitations. Each time a Unit Owner leases his Unit, he shall give written notice of such lease to the Owners' Association together with the name and address of the lessee and such other information as the Owners' Association may reasonably require on forms that are supplied by the Owners' Association. No Unit Owner may lease his Dwelling Unit for a term of less than three (3) months or for a term of more than two (2) years. A Unit Owner may only lease his Dwelling Unit once in any twelve (12) month period. However, if a tenant defaults under the terms of a lease and the lease is therefore prematurely terminated, the Board of Administrators may, in its sole discretion, permit a second lease within such twelve (12) month period.

C. Failure to Notify. Failure of a Unit Owner to notify any person of the existence of the provisions of this Declaration shall not in any way act to limit the right of the Owners' Association to enforcement of the provisions of this Declaration against such person.

D. Enforcement. The Owners' Association may enforce the provisions of this Declaration against any person occupying a Unit whether Unit Owner, lessee, tenant, invitee, guest or other person. Further, each Unit Owner hereby irrevocably delegates to the Owners' Association the power for the Owners' Association to enforce any provisions of any lease or license or other agreement permitting occupancy of the Dwelling Unit to the extent it may against a Unit Owner. The right of enforcement includes the right to evict such lessee, tenant, invitee, guest or other such person pursuant to Florida Statutes, in the event any such person violates any of the provisions of this Declaration. Declarant shall be entitled to all costs thereof including, but not limited to, attorneys' fees.

E. Right to Use Facilities. During any period when Unit Owner has leased his Dwelling Unit or otherwise permitted his Dwelling Unit to be occupied only by someone other than Unit Owner, the Unit Owner's right to use any of the recreational facilities otherwise available to Unit Owners shall be suspended.

VII. MAINTENANCE, REPAIRS AND ALTERATIONS

A. Unit Owners.

- 1. Except as set forth below in this Article VII,

each Unit Owner shall maintain in good condition and repair and replace at his expense when necessary all portions of his Lot and Dwelling Unit.

2. Each Unit Owner must perform promptly all such maintenance and repairs which, if not performed, would affect a Dwelling Unit or Lot belonging to any other Unit Owner or the Neighborhood Property. Each Unit Owner shall be liable for any damages that arise due to his failure to perform the above maintenance, repairs and replacement. Each Lot and Dwelling Unit shall be maintained and repaired in accordance with the Development Codes. Each Unit Owner shall pay for any utilities which are separately metered and charged to his Lot or Dwelling Unit.

3. No Unit Owner shall make any alteration in or on the Neighborhood Common Areas, or the portions of a Lot or Dwelling Unit which may be maintained by the Owners' Association, remove any portion thereof, make any additions thereto or do anything which shall or may jeopardize or impair the safety or soundness of the Neighborhood Property or which, in the sole opinion of the Board of Administrators, would detrimentally affect the architectural design of the Neighborhood Property. Any alteration or addition to the Neighborhood Property by a Unit Owner shall be deemed to detrimentally affect the architectural design of the Neighborhood Property, unless made pursuant to the Development Codes.

4. No Unit Owner shall paint, stain, alter, decorate, enclose or change the Neighborhood Common Areas.

5. Each Unit Owner shall promptly report to the Owners' Association or its agents any defect or need for repair on the Neighborhood Property for which the Owners' Association is responsible to maintain and repair upon the Unit Owner being aware of such defect or need.

6. Each Unit Owner acknowledges and recognizes that any officer of the Owners' Association or any agent of the Board of Administrators shall have the irrevocable right to have access to each Lot and Dwelling Unit from time to time during reasonable hours as may be necessary for emergency repairs to prevent damage to the Neighborhood Common Areas, or to another Lot or Dwelling Unit.

B. The Owners' Association.

1. Except as required of Unit Owners in Paragraph A above, or in the Master Documents, the Owners' Association shall repair, maintain and replace as necessary the Neighborhood Common Areas.

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2. The Owners' Association shall have the right to make or cause to be made structural changes and improvements of the Neighborhood Common Areas which are approved by the Board of Administrators and which do not prejudice the right of any Unit Owner or any Institutional Mortgagee; provided, however, except in the case of an emergency, if the cost of the same shall exceed Five Thousand and No/100 Dollars (\$5,000.00), the affirmative vote representing seventy-five percent (75%) of the Lots shall be required in addition to such Board approval, and the cost of such alterations and improvements shall be assessed against the Unit Owners in the manner provided in the By-Laws.

VIII. NEIGHBORHOOD ASSESSMENTS, OPERATING EXPENSES AND OTHER ASSESSMENTS

A. Annual and Special Assessments.

1. Annual Assessments. (a) The Owners' Association, by the Board of Administrators, shall prepare and adopt in accordance with the By-Laws annual budgets (the "Budget"), which shall also set forth those Community Assessments and Neighborhood Assessments attributable to the Granada Estates Neighborhood, which are those Operating Expenses which have been incurred to benefit primarily the Members of the Granada Estates Neighborhood. The Budget shall also disclose the Unit Owner's shares of the Base Assessments. A Unit Owner's share of the Granada Estates Neighborhood Assessments shall be assessed against each Unit Owner annually as part of the Annual Assessment. The Annual Assessment shall also include, in addition to the Neighborhood Assessment, such Unit Owner's applicable portion of the Base Assessments, and such Unit Owner's applicable portion of Community Assessments. (b) Each Granada Estates Dwelling Unit's share of the Granada Estates Neighborhood Assessments shall be the product arrived at by multiplying that portion of the total anticipated Operating Expenses reflected by the Budget which is properly the subject of Granada Estates Neighborhood Assessments, other than those Operating Expenses which are properly the subject of a Special Assessment, by a fraction, the numerator of which is one (1), and the denominator of which shall be the total number of Dwelling Units in the Granada Estates Neighborhood as of the date the Budget was adopted. (c) Each Granada Estates Dwelling Unit's share of the Community Assessments shall be determined as set forth in the Master Declaration. (d) The Board of Administrators may, but is not obligated to, require that the Neighborhood Assessment shall include the funds necessary to establish an adequate reserve fund (the "Reserves") for depreciation or deferred maintenance of the Neighborhood Common Areas and the Structures thereon in an amount determined by the Owners' Association. The Reserves shall be deposited in a separate account in the name of the Owners' Association. The monies

collected by the Owners' Association on account of Reserves shall be and shall remain the exclusive property of the Owners' Association, and no Owner shall have any interest, claim or right to such Reserves or any fund composed of same.

2. Special Assessments. The Unit Owners shall be obligated to pay such Special Assessments as shall be levied in addition to the Annual Assessment by the Board of Administrators against their Unit or Units, whether as a result of (a) extraordinary items of expense, (b) the failure or refusal of other Unit Owners to pay their Annual Assessment, (c) such other reason or basis determined by the Board of Administrators which is not inconsistent with the terms of the Master Documents or the Neighborhood Documents, or (d) special assessments levied by the Owners' Association pursuant to the Master Documents. Special Assessments may be assessed against individual Units, a particular group of Units, or all Units within the Granada Estates Neighborhood.

B. Liability for Assessments.

1. The record owners for each Unit shall be personally liable, jointly and severally, to the Owners' Association, or to any Subassociation created pursuant to Article III(D) hereof, for the payment of the Annual Assessment or of any Special Assessments levied against their Unit and for all costs of collecting such Assessments, including but not limited to, interest, late fees and court costs and attorneys' fees at all trial and appellate levels. Annual Assessments shall be payable in monthly installments in advance during the year in which such Annual Assessments apply. In the event of a default by a Unit Owner in the payment of an installment or an Annual Assessment or in the payment of a Special Assessment, the Board of Administrators, or any Subassociation created pursuant to Article III(D) hereof, may accelerate any remaining installments of the Annual Assessment or any portion thereof of such Unit Owner, and upon written notice thereof to such Unit Owner, the entire unpaid balance of the Annual Assessment shall become due upon the date stated in such notice, which date shall not be less than ten (10) days after the date of such notice. If any Special Assessment, installment of an Annual Assessment or accelerated Annual Assessment (hereinafter collectively referred to as "Assessments") is not paid within twenty (20) days after its respective due date, the Owners' Association, by action of the Board of Administrators, or any Subassociation created pursuant to Article III(D) hereof, may proceed to enforce and collect any of such delinquent Assessments or any portion thereof against the Unit Owner owing the same in any manner provided for under Florida law, including foreclosure and sale of the Unit.

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2. The Owners' Association may at any time require Unit Owners to maintain with the Owners' Association a deposit to cover future Assessments.

3. The Owners' Association shall have all of the powers, rights, privileges and may avail itself of any and all of the legal remedies provided for by Florida law, including a lien upon a Unit for any unpaid Assessment and interest thereon owed by the Unit Owner of such Unit and the right to collect from such Unit Owner reasonable attorneys' fees at all trial and appellate levels incurred by the Owners' Association incident to the collection of such Assessments or the enforcement of such lien. Assessments (including installments thereon) not paid when due shall bear interest from the date when due until paid up at the highest rate permitted under law.

4. No lien for Assessments under this Declaration shall be effective until recorded amongst the Public Records of Flagler County, Florida.

5. Annexed hereto as Exhibit "C" is a schedule of the Granada Estates Neighborhood Assessments ("Original Neighborhood Assessments") for the period commencing with the date hereof and ending on December 31, 1989 ("Original Assessment Period"). Notwithstanding the foregoing, Declarant reserves the right in its sole and absolute discretion, to extend the Original Assessment Period beyond December 31, 1989, and thereafter on one or more occasions to again extend it. Declarant shall advise the Owners' Association in a written notice of any such extension of the Original Assessment Period and the amount of the new Neighborhood Assessment at least thirty (30) days prior to the termination of the Original Assessment Period. Thereafter, the amount of such Neighborhood Assessment during such extended Original Assessment Period shall be the amount set forth by Declarant in the notice to the Association. Notwithstanding anything contained herein, the Original Assessment Period shall terminate on Turnover. Declarant states that during any Original Assessment Period, the Original Neighborhood Assessments will not be increased, except as set forth in this subparagraph 5, and Declarant will pay all Neighborhood Assessments not paid for by Original Neighborhood Assessments assessed against Unit Owners other than Declarant ("Declarant's Payment"). In no event, however, shall the Original Neighborhood Assessments include any amount attributable to a Special Assessment, casualty loss, or liability loss. No Neighborhood Assessments shall be made against Units owned by Declarant during the Original Assessment Period or any extension thereof. Upon the termination of Declarant's Payment, Assessments shall be determined as provided in Paragraph A of this Article VIII, the other subparagraphs of this Paragraph B, and the Master Documents.

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6. Any rights or duties of the Owners' Association pertaining to the collection of Assessments may be assigned, in whole or in part, to any Subassociation created pursuant to Article III(D) hereof.

C. Working Capital Fund. The initial grantee of any Dwelling Unit shall be required to pay to the Owners' Association for that Dwelling Unit an amount equal to one-sixth (1/6) of the Annual Neighborhood Assessments due for that Unit. Each Unit's share of the working capital fund must be collected and transferred to the Owners' Association at the time of closing of the sale of each Unit and maintained in an account for the use and benefit of the Neighborhood. The purpose of the fund is to insure that the Owners' Association Board will have cash available to meet unforeseen expenditures or to acquire additional equipment or services deemed necessary or desirable by the Board of Administrators for the use and benefit of the Neighborhood. Amounts paid into the working capital fund are not to be considered as advance payment of regular Assessments, or as payment of a portion of the Original Neighborhood Assessments.

IX. LIABILITY INSURANCE

A. The Board of Administrators shall obtain liability insurance in such amounts as it may determine from time to time for the purpose of providing liability insurance coverage for all Neighborhood Common Areas; provided, however, that such policy or policies shall have limits of not less than One Million Dollars (\$1,000,000.00) covering all claims for personal injury and One Hundred Thousand Dollars (\$100,000.00) for property damage arising out of a single occurrence. The Board of Administrators shall collect and enforce the payment of a share of the premium for such insurance from each Unit Owner as a part of the Annual Assessment. Said insurance shall include, but not be limited to, legal liability for property damage, bodily injuries and deaths of persons in connection with the operation, maintenance or use of any property or improvements within the Neighborhood Common Areas, legal liability arising out of lawsuits related to employment contracts of the Owners' Association, water damage, liability for hazards related to usage, and liability for property of others, hired automobile, non-owned automobile and off-premises employee coverage. All such policies shall name the Owners' Association (and Declarant, so long as Declarant shall own any Lot or Dwelling Unit, as their respective interests may appear) as the insured under such policy or policies. The original or a true copy of each policy shall be held in the office of the Owners' Association. The insurance purchased shall contain a "severability of interest endorsement", or equivalent coverage, which would preclude the insurer from denying the claim of a Unit Owner because of the negligent acts of either the

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Owners' Association, Declarant or any other Unit Owners or deny the claim of either Declarant or the Owners' Association because of the negligent acts of the other or the negligent acts of a Unit Owner. All liability insurance shall contain cross liability endorsements to cover liabilities of the Unit Owners as a group to a Unit Owner. Each Unit Owner shall be responsible for the purchasing of liability insurance for accidents occurring in his own Unit and, if the Unit Owner so determines, for supplementing any insurance purchased by the Owners' Association.

B. All insurance policies purchased pursuant to this Article shall provide that they may not be cancelled without at least ten (10) days' prior written notice to the Owners' Association and to Listed Mortgagees.

X. CASUALTY INSURANCE AND DESTRUCTION OF IMPROVEMENTS

A. Each Unit Owner shall be responsible for the purchase of casualty insurance for all of his personal property and his Unit. The Owners' Association shall obtain casualty insurance with such coverage and in such amounts as it may determine from time to time for the purpose of providing casualty insurance coverage for the Neighborhood Common Areas, including fire and extended coverage insurance, vandalism and malicious mischief insurance and, if the Owners' Association so determines, flood insurance sponsored by the Federal government, all of which insurance shall insure all of the insurable improvements on and within the Neighborhood Common Areas, including personal property owned by the Owners' Association, in and for the interest of the Owners' Association, all Unit Owners, the Neighborhood, and Institutional Mortgagees, as their interests may appear, in a company acceptable to the standards set by the Board of Administrators. The Owners' Association shall purchase insurance for any Structure located within the Neighborhood Common Areas in an amount equal to one hundred percent (100%) of the "replacement value" thereof. The term "Replacement Value" shall mean one hundred percent (100%) of the current replacement costs exclusive of land, foundation, excavation, items of personal property and other items normally excluded from coverage as determined annually by the Board of Administrators. The Board of Administrators may determine the kind of coverage and proper and adequate amount of insurance. The casualty insurance shall contain an "agreed amount endorsement" or its equivalent, "inflation guard endorsement", and if determined necessary, an "increased cost of construction endorsement", or "continuant liability from operation of building laws endorsement" or a "demolition endorsement" or the equivalent. The casualty insurance shall insure any Structure located within the Neighborhood Common Areas from loss or damage caused by or resulting from at least the following: fire and other hazards

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covered by the standard extended coverage endorsement and by sprinkler leakage, windstorm, vandalism, malicious mischief, flood and/or water damage, debris removal and demolition, and such other risks as shall customarily be covered with respect to projects or developments similar to the structure in construction, location and use.

The Owners' Association may, to the extent possible and not inconsistent with the foregoing, obtain one (1) policy to insure all of the insurable improvements within the Neighborhood Common Areas. The premiums for such coverage and other expenses in connection with such insurance shall be paid by the Owners' Association and charged to Unit Owners as part of the Neighborhood Assessments. The company or companies with which the Owners' Association shall place its insurance coverage, as provided in this Declaration, and the insurance agent or agents placing such insurance must be authorized to do business in the State of Florida. The Owners' Association shall have the right to designate an insurance trustee (the "Insurance Trustee") to act as an insurance trustee in the manner provided in this Declaration, which Insurance Trustee shall be a commercial bank or trust company which is authorized to do business in the State of Florida and, thereafter, at any time and from time to time, the Owners' Association shall have the right to change the Insurance Trustee to another such bank or trust company provided such Insurance Trustee shall be acceptable to the Listed Mortgagees holding first mortgages encumbering fifty-one percent (51%) of the Dwelling Units encumbered by first mortgages held by Listed Mortgagees.

B. All such aforesaid policies shall provide that they may not be cancelled without at least ten (10) days' prior written notice to the Owners' Association and Listed Mortgagees and insurance purchased by the Owners' Association shall be deposited with the Insurance Trustee upon its written acknowledgement that the policies and any proceeds thereof will be held in accordance with the terms hereof. Said policies shall provide that all insurance proceeds payable on account of loss or damage shall be payable to the Insurance Trustee, and the Insurance Trustee may deduct from the insurance proceeds collected a reasonable fee for its services as Insurance Trustee. The Board of Administrators is hereby irrevocably appointed agent for each Unit Owner to adjust all claims arising under insurance policies purchased by the Owners' Association in which Unit Owners have or may have an interest. The Insurance Trustee shall not be liable in any manner for the payment of any premiums on policies, the renewal of policies, the sufficiency of the coverage of any such policies or any failure to collect any insurance proceeds under any policies.

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C. In the event of any damage to the Neighborhood Common Areas, no mortgagee shall have any right to participate in the determination of whether the Neighborhood Common Areas are to be rebuilt nor shall any mortgagee have the right to apply insurance proceeds received by the Insurance Trustee to the repayment of its loan, unless such proceeds are distributed to Unit Owners and/or their respective mortgagees.

D. The duty of the Insurance Trustee shall be to receive any and all proceeds from the insurance policies held by it as such Insurance Trustee and to hold such proceeds in trust for the Owners' Association, Unit Owners and Institutional Mortgagees under the following terms:

1. If a loss of Five Thousand Dollars (\$5,000.00) or less as determined by detailed estimates or bids for repair and reconstruction obtained by the Board of Administrators occurs to any Neighborhood Common Area or to any Lots and Neighborhood Common Area which are contiguous, the Insurance Trustee shall pay the proceeds received as a result of such loss to the Owners' Association. Upon receipt of such proceeds, the Owners' Association shall promptly cause the necessary repairs to be made to the Neighborhood Common Areas and to any such damaged contiguous Lots. In such event, should the insurance proceeds be insufficient for the repair of all of the damage to the Lots contiguous thereto, the proceeds shall be applied first to completely repair the Neighborhood Common Areas, and the balance of the funds shall be apportioned by the Owners' Association to repair the damage to the Lots, which apportionment shall be made to each Unit in accordance with the proportion of damage sustained by each of such Lots as estimated by the insurance companies whose policies cover such damages. Any deficiency between such proceeds apportioned to a damaged Lot and the cost of the repair of such damaged Lot shall be borne by the Lot Owner. Upon satisfactory completion of such repairs, the Owners' Association shall provide the Institutional Mortgagee holding the highest dollar indebtedness encumbering the Neighborhood Common Areas with an affidavit stating that the repairs have been completed in a manner acceptable to the Owners' Association.

2. If the Insurance Trustee receives proceeds in excess of Five Thousand Dollars (\$5,000.00) as a result of damages to any Neighborhood Common Areas or to any Lots and Neighborhood Common Areas which are contiguous, then the Insurance Trustee shall hold in trust all insurance proceeds received with respect to such damages together with any and all other monies paid to Insurance Trustee pursuant to the following subparagraph 2(c) and shall distribute such funds in the following manner:

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(a) The Board of Administrators shall obtain detailed estimates or bids for the cost of rebuilding and reconstruction of such damaged property for the purpose of determining whether such insurance proceeds are sufficient to pay for the same;

(b) If the insurance proceeds are sufficient to rebuild and reconstruct all of such damaged improvements or if the insurance proceeds together with the funds described in subparagraph 2(c) below are sufficient for such purpose, then such damaged improvements shall be completely repaired and restored. The Board of Administrators shall negotiate for the repair and restoration of such damaged Neighborhood Common Areas and the Owners' Association shall negotiate and enter into a construction contract with a contractor to do the work on a fixed price basis or on any other reasonable terms acceptable to the Board of Administrators, which contractor shall post a performance and payment bond with respect to such work. The Insurance Trustee shall disburse the insurance proceeds and other applicable funds held in trust in accordance with provisions for progress payments to be contained in such construction contract; provided, however, prior to any payment of such funds, the payees of such funds shall deliver to the Insurance Trustee any paid bills, waivers of liens under any lien laws and executed affidavits required by law, the Owners' Association or any respective Institutional Mortgagees.

(c) If the insurance proceeds are insufficient to repair and replace all of the damaged improvements within the Neighborhood Common Areas alone or to Neighborhood Common Areas, and Lots contiguous to such damaged Neighborhood Common Areas, the Board of Administrators shall hold a special meeting to determine a Special Assessment against all of the Unit Owners to obtain any necessary funds to repair and to restore such damaged improvements. Such Special Assessment need not be uniform as to all Lots, but may be in accordance with such factors as the Board of Administrators shall consider to be fair and equitable under the circumstances. Upon the determination by the Board of the amount of such Special Assessment, the Board of Administrators shall immediately levy such Special Assessment against the respective Dwelling Units setting forth the date or dates of payment of the same, and any and all funds received from the Unit Owners pursuant to such Special Assessment shall be delivered to the Insurance Trustee and disbursed as provided in subparagraph 2(b) immediately preceding. If the deficiency between the estimated cost of the repair and replacement of the damaged Neighborhood Common Areas and the insurance proceeds exceeds the sum of Fifty Thousand (\$50,000.00) Dollars, and Owners of three-fourths (3/4) of the Lots advise the Board of Administrators in writing on or before the date for the first payment thereof that they are opposed to a Special Assessment, then the Insurance Trustee shall divide the net insurance

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proceeds into as many shares as there are Lots existing in the Neighborhood and shall promptly pay each share of such proceeds to the Unit Owners and Institutional Mortgagees of record as their interests may appear (an "Insurance Proceeds Distribution"). In making such distribution to the Unit Owners and the Institutional Mortgagees, the Insurance Trustee may rely upon a certificate of an abstract company as to the names of the then Unit Owners and their respective Institutional Mortgagees. Any Insurance Proceeds Distribution shall also require the approval of Listed Mortgagees holding first mortgages encumbering fifty-one percent (51%) of the Units encumbered by first mortgages held by Listed Mortgagees.

3. If after the completion of and payment for the repair and reconstruction of the damage to the Neighborhood Common Areas, and after the payment of the Insurance Trustee's fee with respect thereto, any excess insurance proceeds remain in the hands of the Insurance Trustee, then such excess shall be disbursed in the manner of the Insurance Proceeds Distribution. However, if such repairs and replacements were paid for by any Special Assessment as well as by the insurance proceeds, then it shall be presumed that the monies disbursed in payment of any repair, replacement or reconstruction were first disbursed from insurance proceeds and any remaining funds held by the Insurance Trustee shall be distributed to the Unit Owners in proportion to their contributions by way of Special Assessment.

4. If the Insurance Trustee has on hand, within ninety (90) days after any casualty or loss, insurance proceeds and, if necessary, funds from any Special Assessment sufficient to pay for any required restoration and repair with respect to such casualty or loss, then no mortgagee shall have the right to require the application of any insurance proceeds or Special Assessment to the payment of its loan. Any provision contained herein for the benefit of any Institutional Mortgagee may be enforced by an Institutional Mortgagee.

5. Any repair, rebuilding or reconstruction of damaged Neighborhood Common Areas shall be substantially in accordance with the architectural plans and specifications for (a) the originally constructed Neighborhood Common Areas, (b) reconstructed Neighborhood Common Areas or (c) new plans and specifications approved by the Board of Administrators; provided, however, any material or substantial change in new plans and specifications approved by the Board of Administrators from the plans and specifications or previously constructed Neighborhood Common Areas shall require approval by Listed Mortgagees holding first mortgages encumbering fifty-one (51%) of the Units encumbered by first mortgage held by Listed Mortgagees.

6. The Board of Administrators shall determine, in its sole and absolute discretion, whether damage or loss has occurred

to improvements within Lots or Neighborhood Common Areas alone or to improvements within Neighborhood Common Areas and Lots contiguous thereto.

XI. INTERPRETATION

A. Article, paragraph and subparagraph titles in this Declaration are intended only for convenience and in no way do such titles define, limit, or in any way affect this Declaration or the meaning or contents of any material contained herein.

B. Whenever the context so requires, the use of any gender shall be deemed to include all genders, the use of the plural shall include the singular and the use of the singular shall include the plural.

C. If any court should hereafter determine that any provision of this Declaration is in violation of the rule of property known as the "rule against perpetuities" or any other rule of law because of the duration of a time period, such provision shall not thereby become invalid, but instead the duration of such time period shall be reduced to the maximum period allowed under such rule of law, and in the event the determination of the duration of such time period requires measuring lives, such measuring lives shall be those of the incorporators of the Owners' Association.

XII. PROVISIONS FOR ALTERATIONS OF LOTS AND NEIGHBORHOOD COMMON AREAS BY DECLARANT

A. Declarant reserves the right to combine (2) or more Lots into one (1) Lot, or to sever any Lot into (2) or more Lots as long as Declarant owns the Lots so altered; and to make aesthetic alterations to the exterior of the Neighborhood Common Areas, which, in Declarant's reasonable discretion, is in the best interest of the Neighborhood (which alterations made by Declarant are hereinafter referred to as the "Alterations").

B. After the time sixty-five (65%) percent of all Dwelling Units to be built in the Granada Estates Neighborhood have been conveyed to Persons other than Declarant, any Alteration which will alter the boundaries of the Neighborhood Common Areas will first require an amendment of this Declaration in the manner provided in Article XIII hereof.

C. If the Alterations do not require an amendment in accordance with the provisions of Paragraph B above, then an amendment of this Declaration shall be filed by Declarant in accordance with the provisions of this Paragraph C. Such amendment ("Declarant's Amendment") need be signed and

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acknowledged only by Declarant and shall not require approval of the Owners' Association, other Unit Owners or lienors or mortgagees of the Dwelling Units, whether or not such approvals are elsewhere required for an amendment of this Declaration. This amendment shall adjust the voting rights and assessment obligations attributable to the Lots or Dwelling Units being affected by the Alterations and may be made as a Declarant's Amendment as long as Declarant owns the Lots for which the shares are being so adjusted.

XIII. AMENDMENTS OF THE DECLARATION

A. Except as to matters described in Paragraphs B, C, D, E and F of this Article XIII, Article II (B), Article III (D), Article IV (E), Declarant's Amendment and as may be provided elsewhere in this Declaration and the Master Declaration, this Declaration may be amended by the affirmative vote of not less than the Owners of two-thirds (2/3) of all Lots within the Granada Estates Neighborhood. Such vote shall be taken at any regular or special meeting of the Unit Owners called and held in accordance with the By-Laws; provided, however, that any such amendment shall also be approved or ratified by a majority of the Board of Administrators. Such amendment shall be evidenced by a certificate executed by the Owners' Association in recordable form, and a true copy of such amendment shall be mailed via certified mail by the Owners' Association to Declarant. The amendment shall become effective upon the recording of such certificate amongst the Public Records of Flagler County, Florida; provided, however, such certificate shall not be so recorded until thirty (30) days after the mailing of a copy thereof to Declarant unless such thirty (30) day period is waived in writing by Declarant.

B. Whenever it shall appear to the Board of Administrators that there is a defect, error or omission in this Declaration or any other documentation required by law to establish this Declaration, the Owners' Association, through its Board of Administrators, shall immediately call a special meeting of the Unit Owners to consider amending the Declaration or such other documents. Upon the affirmative vote of the Owners of at least one-fourth (1/4) of the Lots within the Granada Estates Neighborhood, with more such affirmative votes than negative votes, the Owners' Association shall amend the appropriate documents to correct such defect, error or omission, and a true copy of such amendment shall be mailed by the Owners' Association to Declarant. Such amendment shall become effective upon the recording of the certificate amongst the Public Records of Flagler County, Florida, but such certificate shall not be recorded until thirty (30) days after the mailing of a copy thereof to Declarant, unless such thirty (30) day period is waived in writing by Declarant.

C. Prior to the time sixty-five (65%) percent of all Dwelling Units to be built in the Granada Estates Neighborhood have been conveyed to Persons other than Declarant, Declarant alone may amend this Declaration in order to correct a scrivener's error or other minor defect or omission without the consent of the Unit Owners or the Board of Administrators, provided that such amendment does not materially and adversely affect a Unit Owner's property rights. This amendment shall be signed by Declarant alone and a copy of the amendment shall be furnished to each Owner of a Lot within the Granada Estates Neighborhood, the Owners' Association as soon after recording thereof amongst the Public Records of Flagler County, Florida as practicable.

D. No amendment of this Declaration or any Article or portion hereof shall be passed which shall impair or prejudice the rights or priorities of Declarant or Institutional Mortgagees or prejudice the Owners' Association or the Hammock Dunes Club without the specific written approval of Declarant or the Institutional Mortgagees or the Owners' Association or the Hammock Dunes Club, as the case may be.

E. Supplements are not amendments and need only be executed by Declarant alone.

F. Declarant may, in its sole discretion, amend this Declaration if necessary to do so for purposes of fulfilling the requirements of any governmental or quasi-governmental entity, including, but not limited to, the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), the Department of Housing and Urban Development (HUD), the Veterans Administration (VA), and the Federal Housing Administration (FHA). Nothing contained herein, however, shall require Declarant to amend this Declaration for any purpose whatsoever.

XIV. RIGHT OF DECLARANT TO TRANSACT BUSINESS AND TO SELL OR LEASE UNITS OWNED BY IT FREE OF RESTRICTIONS SET FORTH IN ARTICLES V AND VI

A. The provisions, restrictions, terms and conditions of Articles V and VI hereof shall not apply to Declarant as a Unit Owner, and in the event and so long as Declarant shall own any Lot, whether by reacquisition or otherwise, Declarant shall have the absolute right to lease, sell, convey, transfer, mortgage or encumber in any way any such Lot upon any terms and conditions as it shall deem to be in its own best interests.

B. Notwithstanding the other provisions of this Declaration, Declarant reserves and Declarant and its nominees

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shall have the right to enter into and transact on the Granada Estates Neighborhood any and all business necessary to consummate the sale, lease or encumbrance of Lots or real property on the Total Property including, but not limited to, the right to maintain models, a sales area and a sales office, place signs, employ sales personnel, use the Neighborhood Common Areas and show Lots or Dwelling Units, and Declarant reserves and shall have the right to make repairs and carry on construction activity. Declarant and its nominees may exercise the foregoing rights without notifying the Owners' Association. Any such models, sales area, sales office, signs and any other items pertaining to such sales and construction efforts shall not be considered a part of the Neighborhood Common Areas and shall remain the property of Declarant. Paragraphs A and B of this Article may not be suspended, superseded or modified in any manner by any amendment to this Declaration unless such amendment is consented to in writing by Declarant. This right of use and transaction of business as set forth in this Paragraph B, the provisions of Paragraph A of this Article and the other rights reserved by Declarant in the Neighborhood Documents may be assigned in writing by Declarant in whole or in part.

XV. RIGHTS OF INSTITUTIONAL MORTGAGEES

A. The Owners' Association shall be required to make available for inspection upon request, during normal business hours or under reasonable circumstances, the Declaration and the books, records and financial statements of the Owners' Association to the Unit Owners and Institutional Mortgagees. In addition, evidence of insurance shall be issued to each Unit Owner and mortgagee holding a mortgage encumbering a Unit upon written request to the Owners' Association.

B. Upon written request to the Owners' Association, any Institutional Mortgagee shall be entitled to financial statements for the immediately preceding fiscal year to be given within a reasonable time period.

C. Upon written request to the Owners' Association, identifying the name and address of the Institutional Mortgagee and the legal description of such Unit, the Owners' Association shall provide such Institutional Mortgagee with timely written notice of the following:

1. Any condemnation, loss or casualty loss which affects any material portion of the Neighborhood Common Area;
2. Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Owners' Association;

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3. Any proposed action which would require the consent of mortgagees holding a mortgage encumbering a Unit;

4. Any failure by a Unit Owner owning a Unit encumbered by a mortgage held, insured or guaranteed by an Institutional Mortgagee to perform his obligations under this Declaration, including, but not limited to, any delinquency in the payment of Annual Assessments or Special Assessments, or any other charge owed to the Owners' Association by said Unit Owner when such failure or delinquency has continued for a period of sixty (60) days.

D. Declarant and any Institutional Mortgagee shall have the right, but not the obligation, jointly or singularly, and at their sole option, to pay any of the assessments which are in default and which may or have become a charge against any Unit. Further, Declarant and any Institutional Mortgagees shall have the right, but not the obligation, jointly or singularly, and at their sole option, to pay insurance premiums or fidelity bond premiums on behalf of the Owners' Association when, in regard to insurance premiums, the premiums are overdue and when lapses in policies may or have occurred. Declarant and any Institutional Mortgagees paying insurance premiums on behalf of the Owners' Association as set forth above shall be entitled to immediate reimbursement from the Owners' Association plus any costs of collection, including, but not limited to, reasonable attorneys' fees at all trial and appellate levels.

XVI. GENERAL AND PROCEDURAL PROVISIONS

A. Declaration Runs with Committed Property.

The covenants, reservations, restrictions and other provisions of this Declaration shall run with and bind the Land and shall inure to the benefit of Declarant and all Owners, their respective legal representatives, heirs, successors and assigns, for a term of ninety-nine (99) years from the date this Declaration is recorded, after which time this Declaration shall automatically be extended for successive periods of ten (10) years, unless an instrument signed by the Owners of at least two-thirds (2/3) of all Lots within the Granada Estates Neighborhood has been recorded agreeing to change or terminate (if not prohibited by other provisions of this Declaration or the Master Declaration) this Declaration in whole or in part; provided, however, that the Board of Administrators must first approve such termination by a vote of two-thirds (2/3) of the entire Board of Administrators taken at a special meeting called for that purpose, which meeting must be held prior to the obtaining of written consent from the Unit Owner.

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B. Condemnation.

If the Owners' Association receives any award or payment arising from any taking of the Neighborhood Common Areas or any part thereof as a result of the exercise of the right of condemnation or eminent domain, the net proceeds thereof shall first be applied to the restoration of the remaining Neighborhood Common Areas and improvements thereon to the extent deemed advisable by the Owners' Association and the remaining balance of such net proceeds, if any, shall then be held by the Owners' Association for the use of the Owners' Association.

C. Non-liability of Declarant.

Declarant shall not in any way or manner be held liable or responsible for any violation of this Declaration by any Person other than Declarant.

D. Enforcement.

1. Declarant reserves unto itself and its designees the right and the power (i) to enforce the covenants, conditions, restrictions, and other provisions of this Declaration, and (ii) to delegate or assign, either exclusively or non-exclusively, any or all of its rights, powers, duties or privileges hereunder to the Owners' Association, a Subassociation, Owner, or to any other designee.

2. If Declarant does not enforce the covenants, conditions, restrictions or other provisions of this Declaration, then the following parties may in the following priority enforce same as hereinafter set forth: (i) the Owners' Association; (ii) a Subassociation established pursuant to Article III(D) hereof; or (iii) an Owner. If a party with a lesser priority desires to enforce this Declaration, then that party must first give thirty (30) days written notice to the parties with higher priority, starting first with Declarant, that the noticing party intends to initiate enforcement upon the expiration of such thirty (30) days, and if during such period the parties with the higher priority do not initiate enforcement procedures then the party of the lesser party may so initiate such enforcement procedures. A party not initiating enforcement procedures shall incur no liability whatsoever for such non-enforcement.

3. Declarant, its designees or any other party having the right to enforce this Declaration, if any, pursuant to subparagraph 2 above, shall have the right and the power to enforce the covenants, conditions, restrictions and other provisions imposed by this Declaration by any proceeding at law or in equity against any Person or entity violating or attempting violation of such provisions, and to enforce any lien created by this Declaration or the Master Declaration. Failure by

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Declarant, or the Owners' Association, or a Subassociation, to enforce any of such provision shall in no event be deemed a waiver of its right to do so thereafter.

4. The cost and attorneys' fees, including those resulting from any appellate proceedings, incurred by Declarant or its designees or party having the right to enforce this Declaration, if any, pursuant to subparagraph 2 above, who prevails in any such enforcement action, and any action against a Person or entity to enforce any provisions of this Master Declaration shall be a personal obligation of such Person which shall be paid by such Person.

E. Fines.

In addition to all other remedies provided for in this Declaration and the Master Declaration, the Owners' Association shall have the right to impose a fine on a Owner or Subassociation for failure of a Owner, his family members, guests, invitees, tenants and licensees, or Subassociation to comply with any provisions of this Declaration; provided, however, the Owners' Association grants reasonable notice and opportunity to be heard. The decisions of the Owners' Association shall be final. Fines shall be in such reasonable amounts as the Owners' Association shall determine. Fines shall be considered as Special Assessments against the Owners' Unit or other common properties of such Subassociation, if any, as appropriate. The Owners' Association shall have the right to collect fines in the same manner as set forth in Article 9.03 of the Master Declaration.

F. Severability.

If any provision of this Declaration is held to be invalid in whole or in part by any court of competent jurisdiction, then such holdings shall in no way affect the validity of the remaining provisions of this Declaration, all of which shall remain in full force and effect, and such holdings shall be limited to its most narrow application.

G. Dissolution.

In the event of a dissolution of the Owners' Association, or any Subassociation created to administer the Granada Estates Neighborhood, each Unit shall continue to be subject to the Assessments specified in this Declaration and the Master Declaration, and each Member shall continue to be personally obligated to Declarant or the successors or assigns of the Owners' Association, as the case may be, or such Assessment to the extent that such Assessments are required to enable Declarant or any such successors or assigns acquiring any real property previously owned by the Owners' Association to properly maintain,

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operate and preserve it. The provisions of this paragraph shall only apply with regard to the maintenance, operation and preservation of property which has been Common Areas or Neighborhood Common Areas and continues to be so used for the common use and enjoyment of the Owners in the Granada Estates Neighborhood.

H. Gender.

Wherever in this Declaration the context so requires, the singular number shall include the plural, and the converse; and the use of one gender shall be deemed to include the other gender.

I. Construction.

The provisions of this Declaration shall be liberally interpreted and construed to provide maximum flexibility consistent with Declarant's general plan for development of the Total Property and the Granada Estates Neighborhood and the purposes set forth herein, including the preamble.

IN WITNESS WHEREOF, Declarant has caused these presents to be signed in its name and on its behalf of its President and attested to by its Secretary and its corporate seal affixed this 11th day of May, 1989.

Signed, sealed and delivered in the presence of:

Wickie Post
Victoria P. Gard

Victoria P. Gard
[Signature]

DECLARANT:

ITT COMMUNITY DEVELOPMENT CORPORATION, a Delaware corporation

By: [Signature]

Attest: [Signature]
[CORPORATE SEAL]

Joined by: OWNERS' ASSOCIATION

HAMMOCK DUNES OWNERS' ASSOCIATION, INC., a Florida corporation not-for-profit

By: [Signature]

Attest: [Signature]
[CORPORATE SEAL]

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STATE OF FLORIDA)
 : SS.:
COUNTY OF FLAGLER)

I HEREBY CERTIFY that on this day personally appeared before me, an officer duly authorized to take acknowledgements, ~~James E. [REDACTED]~~ and Robert G. Cuff, Jr., the President and Secretary respectively, of ITT COMMUNITY DEVELOPMENT CORPORATION, a Delaware corporation, to me known to be the persons who signed the foregoing instrument as such officers, and they severally acknowledged that the execution thereof was their free act and deed as such officers for the uses and purposes therein expressed and that the said instrument is the act and deed of said Delaware corporation.

WITNESS my hand and official seal in the County and State last aforesaid this 11th day of May, 1989.

Victoria P. Gard
Notary Public
My Commission Expires: [SEAL]

STATE OF FLORIDA)
 : SS.:
COUNTY OF FLAGLER)

Notary Public, State of Florida
My Commission Expires June 1, 1992
Bonded thru Tru-Fair Insurance Inc.

I HEREBY CERTIFY that on this day personally appeared before me, an officer duly authorized to take acknowledgements, John L. Schlecel, and Alan L. Markee, the President and Secretary respectively, of HAMMOCK DUNES OWNERS' ASSOCIATION, INC., a Florida corporation, to me known to be the persons who signed the foregoing instrument as such officers, and they severally acknowledged that the execution thereof was their free act and deed as such officers for the uses and purposes therein expressed and that the said instrument is the act and deed of said Florida corporation.

WITNESS my hand and official seal in the County and State last aforesaid this 11th day of May, 1989.

Victoria P. Gard
Notary Public
My Commission Expires: [SEAL]

Notary Public, State of Florida
My Commission Expires June 1, 1992
Bonded thru Tru-Fair Insurance Inc.

wp\rwl\granada.dec\12
05/08/89:td

LEGAL DESCRIPTION:

A parcel of land lying in Government Sections 4 and 38, Township 11 South, Range 31 East, Flagler County, Florida, being more particularly described as follows:

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As a Point of Reference being the Southeast corner of Government Section 38, Township 11 South, Range 31 East, thence North 20°38'59" West along the Easterly line of said Government Section 38 a distance of 3932.47 feet, thence departing said Easterly line of Section 38 North 51°52'52" West a distance of 74.78 feet to the POINT OF BEGINNING of this description, thence continue North 51°52'52" West a distance of 96.97 feet to a Point of curvature, thence 137.02 feet along a curve to the right (concave Northeasterly) having a central angle of 39°15'13", a radius of 200.00 feet, a chord bearing of North 32°15'15" West and a chord distance of 134.36 feet to a Point of tangency, thence North 12°37'39" West a distance of 113.32 feet to a Point of curvature, thence 91.93 feet along a curve to the right having a central angle of 52°40'22", a radius of 100.00 feet, a chord bearing of North 13°42'32" East and a chord distance of 88.73 feet to a point of tangency, thence North 40°02'43" East a distance of 122.48 feet to a Point of curvature, thence 56.76 feet along a curve to the right having a central angle of 32°31'13", a radius of 100.00 feet, a chord bearing of North 56°18'20" East and a chord distance of 56.00 feet to a Point of reverse curvature, thence 231.28 feet along a curve to the left having a central angle of 33°05'20", a radius of 400.47 feet a chord bearing of North 56°01'17" East and a chord distance of 228.07 feet to a Point of compound curvature, thence 111.22 feet along a curve to the left having a central angle of 68°11'37", a radius of 93.45 feet, a chord bearing of North 05°22'48" East and a chord distance of 104.77 feet to a Point of compound curvature, thence 36.62 feet along a curve to the left having a central angle of 03°46'11", a radius of 556.53 feet, a chord bearing of North 30°36'06" West and a chord distance of 36.61 feet to a Point of compound curvature, thence 24.21 feet along a curve to the left having a central angle of 27°44'32", a radius of 50.00 feet, a chord bearing of North 46°21'27" West and a chord distance of 23.97 feet to a Point of reverse curvature, thence 127.18 feet along a curve to the right having a central angle of 56°31'08", a radius of 128.93 feet, a chord bearing of North 31°58'09" West and a chord distance of 122.09 feet to a Point of tangency, thence North 03°42'35" West a distance of 28.69 feet to a Point of curvature, thence 70.10 feet along a curve to the right having a central angle of 10°02'29", a radius of 400.00 feet, a chord bearing of North 01°18'40" East and a chord distance of 70.01 feet to a Point of tangency, thence North 06°19'55" East a distance of 237.49 feet, thence North 07°22'59" West a distance of 117.13 feet to a Point intersecting a curve, thence Westerly 76.47 feet along a curve to the right (concave Northerly) having a central angle of 09°48'07", a radius of 447.00 feet, a chord bearing of South 87°31'04" West and a chord distance of 76.38 feet to a Point of tangency, thence North 87°34'52" West a distance of 200.00 feet to a Point of curvature, thence 312.68 feet along a curve to the left having a central angle of 13°05'46", a radius of 1368.00 feet, a chord bearing of South 85°52'15" West and a chord distance of 312.00 feet to a Point of tangency, thence South 79°19'22" West a distance of 65.26 feet to a Point on the Easterly right-of-way line of Palm Coast Parkway (120'R/W), thence South 10°40'38" East along said right-of-way a distance of 58.00 feet to a Point of curvature, thence 861.12 feet along a curve to the right having a central angle of 33°03'36", a radius of 1492.39 feet, a chord bearing of South

Exhibit "A"

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05°51'10" West and a chord distance of 849.22 feet, thence departing said Easterly right-of-way North 67°37'02" West a distance of 120.00 feet to a Point on the Westerly right-of-way of said Palm Coast Parkway, thence 791.88 feet along a curve to the left having a central angle of 33°03'36", a radius of 1372.39 feet, a chord bearing of North 05°51'10" East and a chord distance of 780.94 feet to a Point of tangency, thence North 10°40'38" West a distance of 122.00 feet, thence departing said Westerly right-of-way North 79°19'22" East a distance of 185.26 feet to a Point of curvature, thence 67.93 feet along a curve to the right having a central angle of 02°43'04", a radius of 1432.00 feet, a chord bearing of North 80°40'54" East and a chord distance of 67.92 feet, thence North 03°07'14" East a distance of 666.10 feet, thence North 00°32'39" West a distance of 265.18 feet, thence North 03°30'01" West a distance of 315.90 feet, thence North 89°19'02" East a distance of 173.04 feet, thence North 06°15'43" East a distance of 86.74 feet, thence South 83°44'18" East a distance of 474.16 feet to a Point on a curve, thence Southwesterly 94.79 feet along a curve to the left (concave Southeasterly) having a central angle of 77°35'15", a radius of 70.00 feet, a chord bearing of South 57°28'05" West and a chord distance of 87.71 feet to a Point of tangency, thence South 18°40'27" West a distance of 60.65 feet to a Point of curvature, thence 45.75 feet along a curve to the left having a central angle of 67°20'27", a radius of 38.92 feet, a chord bearing of South 14°59'46" East and a chord distance of 43.16 feet, thence departing said curve along a non-radial line South 26°47'10" West a distance of 27.69 feet to a Point radially intersecting a curve, thence 93.86 feet along a curve to the right having a central angle of 12°39'14", a radius of 425.00 feet, a chord bearing of South 56°53'13" East and a chord distance of 93.67 feet, thence departing said curve North 37°27'23" East a distance of 37.16 feet to a Point of curvature, thence 64.22 feet along a curve to the right having a central angle of 24°31'54", a radius of 150.00 feet a chord bearing of North 49°43'20" East and a chord distance of 63.73 feet to a Point of tangency, thence North 61°59'18" East a distance of 25.28 feet to a Point of curvature, thence 72.59 feet along a curve to the right having a central angle of 83°11'05", a radius of 50.00 feet, a chord bearing of South 76°25'10" East and a chord distance of 66.38 feet to a Point of reverse curvature, thence 62.31 feet along a curve to the left having a central angle of 102°00'00", a radius of 35.00 feet, a chord bearing of South 85°49'37" East and a chord distance of 54.40 feet to a Point of tangency, thence North 43°10'23" East a distance of 29.17 feet to a Point of curvature, thence 32.99 feet along a curve to the right having a central angle of 54°00'00", a radius of 35.00 feet, a chord bearing of North 70°10'23" East and a chord distance of 31.78 feet to a Point of tangency, thence South 82°49'37" East a distance of 20.88 feet to a Point of curvature, thence 17.24 feet along a curve to the left having a central angle of 39°31'06", a radius of 25.00 feet, a chord bearing of North 77°24'50" East and a chord distance of 16.90 feet, thence departing said curve along a non-radial line South 59°42'11" East a distance of 92.55 feet, thence South 26°19'31" West a distance of 248.24 feet to a Point of curvature, thence 80.99 feet along a curve to the left having a central angle of 30°56'06", a radius of 150.00 feet, a chord bearing of South 10°51'28" West and a chord distance of 80.01 feet, thence departing said curve along a non-radial line South 52°47'33" West a distance of 51.11 feet radially intersecting a curve, thence Southeasterly 122.11 feet along a

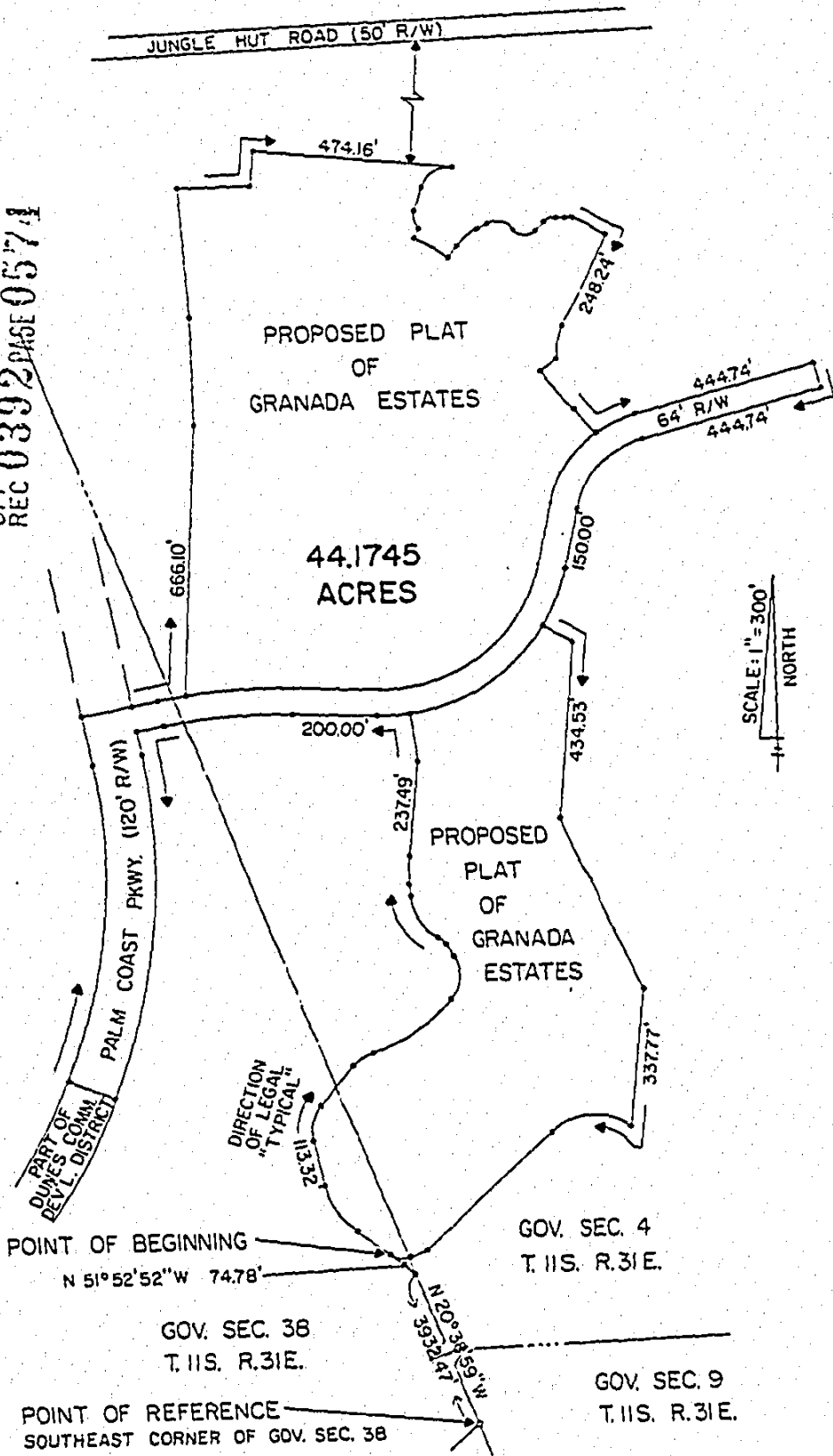
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curve to the left (concave northeasterly) having a central angle of $03^{\circ}32'33''$, a radius of 1975.00 feet, a chord bearing of South $38^{\circ}58'43''$ East and a chord distance of 122.09 feet to a Point of tangency, thence South $40^{\circ}45'00''$ East a distance of 78.62 feet to a Point intersecting a curve, thence Northeasterly 105.23 feet along a curve to the right (concave Southeasterly) having a central angle of $21^{\circ}00'31''$, a radius of 287.00 feet, a chord bearing of North $64^{\circ}45'06''$ East and a chord distance of 104.65 feet to a Point of tangency, thence North $75^{\circ}15'21''$ East a distance of 444.74 feet, thence South $14^{\circ}44'39''$ East a distance of 64.00 feet, thence South $75^{\circ}15'21''$ West a distance of 444.74 feet to a Point of curvature, thence 244.86 feet along a curve to the left having a central angle of $62^{\circ}54'47''$, a radius of 223.00 feet, a chord bearing of South $43^{\circ}47'58''$ West and a chord distance of 232.75 feet to a Point of tangency, thence South $12^{\circ}20'34''$ West a distance of 150.00 feet to a Point of curvature, thence 76.08 feet along a curve to the right having a central angle of $19^{\circ}19'05''$, a radius of 447.00 feet, a chord bearing of South $22^{\circ}00'07''$ West and a chord distance of 150.00 feet, thence departing said curve along a radial line South $58^{\circ}20'21''$ East a distance of 81.59 feet, thence South $05^{\circ}35'22''$ West a distance of 434.53 feet, thence South $24^{\circ}16'05''$ East a distance of 465.59 feet, thence South $06^{\circ}38'58''$ West a distance of 337.77 feet to a Point non-radially intersecting a curve, thence Westerly 208.68 feet along a curve to the left having a central angle of $79^{\circ}42'37''$, a radius of 150.00 feet, a chord bearing of South $86^{\circ}55'59''$ West and a chord distance of 192.25 feet to a Point of tangency, thence South $47^{\circ}04'40''$ West a distance of 417.13 feet, thence South $68^{\circ}00'45''$ West a distance of 41.26 feet to a Point of curvature, thence 52.45 feet along a curve to the right having a central angle of $60^{\circ}06'23''$, a radius of 50.00 feet, a chord bearing of North $81^{\circ}56'03''$ West and a chord distance of 50.08 feet to a Point of tangency and the POINT OF BEGINNING.

Parcel containing 44.1745 acres more or less.

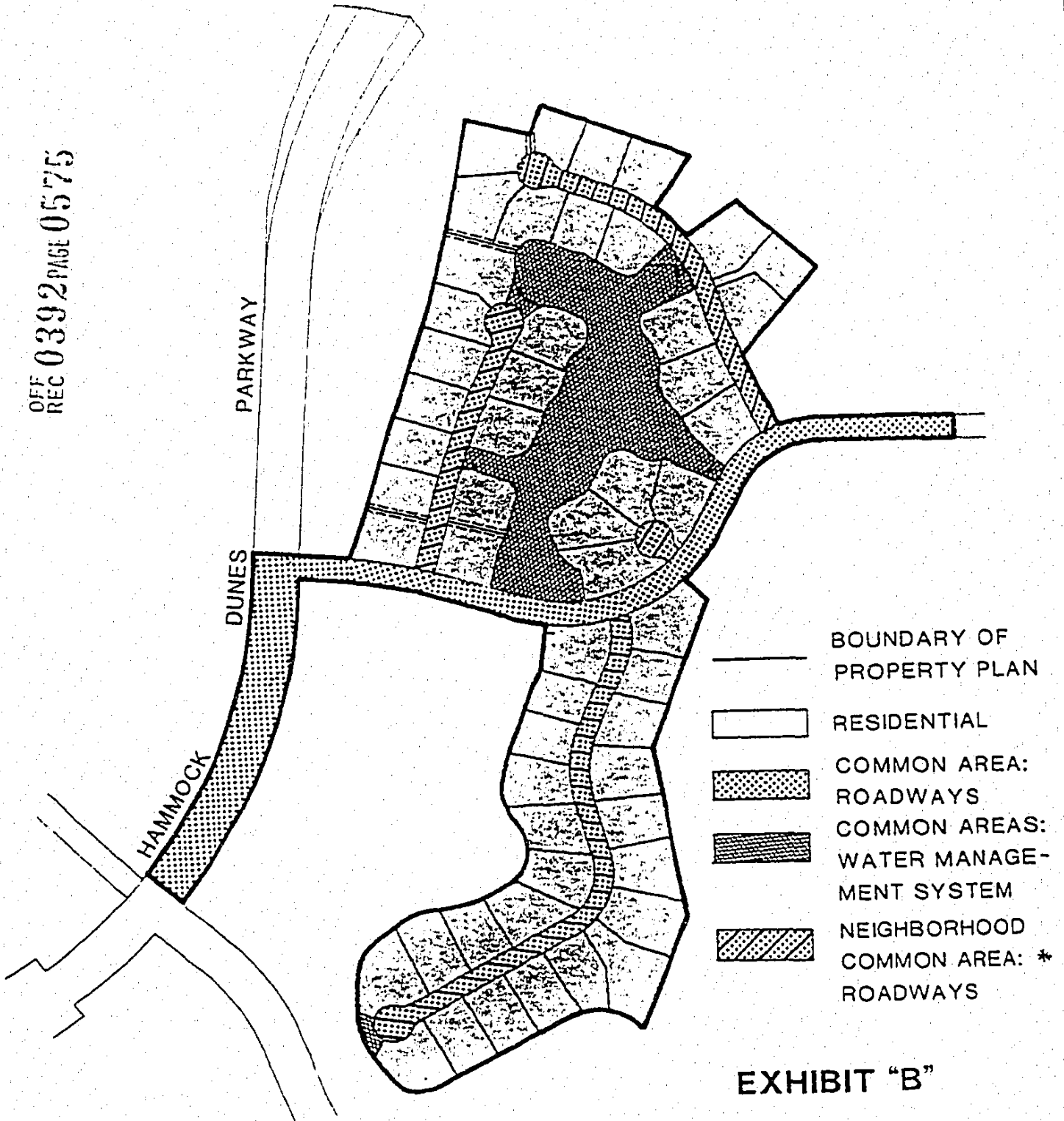
Bearings refer to the Transverse Mercator Grid System of the East Zone of Florida.

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SKETCH OF LEGAL DESCRIPTION

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* THE NEIGHBORHOOD COMMON AREA: ROADWAYS DELINEATED ON THIS PLAN PERTAIN TO THE GRANADA ESTATES NEIGHBORHOOD ONLY.

EXHIBIT "B"
GRANADA ESTATES
"PROPERTY PLAN"

EXHIBIT "C"

Original Neighborhood Assessments

1. Hammock Dunes Owners' Association, Inc.
Proposed 1989 Operating Budget
2. Granada Estates Neighborhood
Proposed 1989 Operating Budget

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HAMMOCK DUNES OWNERS' ASSOCIATION, INC.
 PROPOSED 1989 OPERATING BUDGET

RECEIPTS:

Annual

1485 Units at \$19.28 per unit per month/or \$28,783.99 monthly \$345,407.84

DISBURSEMENTS:

ADMINISTRATION

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Management Fee (Based on 100 Units @ \$6.00 each)	\$21,600.00
Accounting Services (included in Management Fee)	N/A
Corporate Annual Fee	\$25.00
Licenses & Permits	N/A
Audit Fees	\$1,000.00
Office Supplies	\$2,000.00
Legal Fees	\$1,500.00

TAXES

Income Tax	N/A
Personal Property Tax	N/A
Real Estate Tax	N/A

MAINTENANCE & REPAIR

Landscape Maintenance (specifications enclosed)	\$48,000.00
Landscape Maintenance Supplies	\$1,200.00
Extermination Services	N/A
Janitorial Supplies	\$240.00
Building Maintenance Supplies	\$2,000.00

UTILITIES

Water	N/A
Sewer	N/A
Refuse	\$1,015.00
Telephone	\$1,800.00
Electric	\$1,000.00
Irrigation	\$44,124.00

ACCESS CONTROL

\$156,000.00

INSURANCE

Directors & Officers (Errors & Omissions)	\$900.00
General Liability (\$500,000)	\$1,900.00

PAYROLL & PAYROLL TAXES

General Maintenance Person	\$22,464.00
----------------------------	-------------

CONTINGENCY FUND

\$5,000.00

TOTALS:

\$316,559.00

RESERVE TOTAL:

\$28,738.84

GRAND TOTAL:

\$345,407.84

GRANADA ESTATES NEIGHBORHOOD
PROPOSED 1989 OPERATING BUDGET

Annual

RECEIPTS:

52 Units at \$59.42 per unit per month/or \$3,149.05 monthly

\$37,788.56

DISBURSEMENTS:

ADMINISTRATION

Management Fee	\$2,316.00
Accounting Services (included in Management Fee)	N/A
Corporate Annual Fee	\$0.00
Licenses & Permits	N/A
Audit Fees	\$1,875.00
Office Supplies	\$250.00
Legal Fees	\$100.00

TAXES

Income Tax	N/A
Personal Property Tax	N/A
Real Estate Tax	N/A

MAINTENANCE & REPAIR

Landscape Maintenance (specifications enclosed)	\$20,000.00
Landscape Maintenance Supplies	\$50.00
Extermination Services	N/A
Janitorial Supplies	N/A
Building Maintenance Supplies	N/A

UTILITIES

Water	N/A
Gas	N/A
Refuse	N/A
Telephone	\$1,500.00
Electric	\$6,060.00
Irrigation	N/A

ACCESS CONTROL

INSURANCE

Directors & Officers (Errors & Omissions)	\$0.00
General Liability (\$500,000)	\$250.00

PAYROLL & PAYROLL TAXES

General Maintenance Personnel	\$0.00
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CONTINGENCY FUND

TOTALS:

RESERVE TOTAL:

GRAND TOTAL:

\$33,901.00
\$3,887.56
\$37,788.56

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FLAGLER COUNTY FLA
SHERIFF'S DEPARTMENT
J. Duckert
MAY 19 1989

