

**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS OF
LAKE ARTHUR ESTATES**

THIS DECLARATION, made on the date hereinafter set forth by Lake Arthur Estates Development Company, LLC, hereinafter referred to as "Declarant."

WITNESSETH:

WHEREAS, Declarant is the owner of certain property in Okaloosa County, Florida, which is more particularly described as:

LAKE ARTHUR ESTATES, a subdivision, according to the plat thereof recorded in Plat Book 22, Pages 15-18, of the Public Records of Okaloosa County, Florida.

NOW THEREFORE, Declarant hereby declares that all of the properties described above, and such other properties as shall be added from time to time, shall be held, sold and conveyed subject to the following easements, restrictions, covenants, and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with the real property and be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE 1. DEFINITIONS

Section 1. "Association" shall mean and refer to The Lake Arthur Estates Homeowners Association, a Florida not for profit corporation.

Section 2. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 3. "Properties" shall mean and refer to that certain real property herein before described and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 4. "Common Area". The "Lake Arthur Estates common area" shall mean all real property (including the improvements thereto) owned by the Association for the common use and enjoyment of all the owners residing within Lake Arthur Estates. The Common Area to be owned by the Association at the time of conveyance of the first lot include the following: Lake Arthur, dam, recreation areas, entrance, signage, decorative fence, roadways, wetlands, and drainage or storm water structure, swale, drainage basin or drainage system, all as depicted on the subdivision plat.

Section 5. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties with exception of the Common Area.

Section 6. "Declarant" shall mean and refer to Lake Arthur Estates Development Company, LLC, its successors and assigns if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

Section 7. "Gas Line Encroachment Agreement" shall mean and refer to that certain Encroachment Agreement between the Florida Gas Transmission Company (FGT) and Lake Arthur Estates Development Company, LLC, which Agreement is recorded at Official Records Book 2569, Page 81, of the public records of Okaloosa County, Florida.

ARTICLE II. PROPERTY RIGHTS

Section 1. Owner's Easement of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Lake Arthur Estates Common Area which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) The right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area.

(b) The right of the Association to suspend the voting rights and right to use any of the recreational facilities by an Owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed 60 days for any infraction of its published rules and regulations.

(c) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer signed by 2/3rds of the members has been recorded.

(d) Every Owner shall be bound by and adhere to the terms of the Gas Line Encroachment Agreement and activities of every Owner and the Association shall not be conducted in any manner that would result in a breach of the Gas Line Encroachment Agreement.

Section 2. Delegation of Use. Any Owner who has rights to the Lake Arthur Common Area may delegate, in accordance with the By-Laws, his right of enjoyment to the Lake Arthur Common Areas and facilities to the members of his family, his tenants, or contract purchasers who reside on the property.

ARTICLE III. MEMBERSHIP AND VOTING RIGHTS.

Section 1. Every Owner of a Lot which is subject to assessments shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 2. A member shall be all Owners of lots within Lake Arthur Estates and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any Lot.

The member entitled to cast the vote for the jointly owned lot shall be designated by a Certificate of Appointment of Voting Representative (certificate) signed by all of the lot owners, which certificate shall be filed with the Association. If a lot is owned by a member who is a corporation, the party entitled to cast the vote for the lot shall be designated by a certificate signed by the president or vice president and attested by the secretary or assistant secretary of the corporation and filed with the Association. Such certificate shall be valid until revoked or until superseded by a subsequent certificate or until a change in the ownership of the lot. The designation may be revoked and a substitute Voting Member designated at any time at least five (5) days prior to a meeting. If a designation of a Voting Member is not filed with the Secretary at least five (5) days prior to any meeting, no vote shall be cast at such meeting by or for the multiple lot owners.

Section 3. Transfer of control of the Homeowners Association. When lot owners other than the Developer own thirty percent (30%) of the lots in the subdivision, the lot owners, other than the Developer, shall be entitled to elect no less than one-third (1/3) of the members of the Board of Directors of the Association. Lot owners other than the Developer are entitled to elect no less than a majority of the members of the Board of Directors of the Association:

- (a) Three (3) years after fifty percent (50%) of the lots have been conveyed to the purchasers;
- (b) Three (3) months after ninety percent (90%) of the lots have been conveyed to the purchasers; or
- (c) Seven (7) years after recording the Declaration of Covenants and Restrictions, whichever occurs first.

For purposes of this section, the term "lot owners other than the developer" shall not include builders, contractors, or others who purchase a lot for the purpose of constructing improvements thereon for resale.

The Developer is entitled to elect at least one member of the Board of Directors of the Association as long as the Developer holds at least five percent (5%) of the lots in the subdivision. Following the time the Developer relinquishes control of the Association, the Developer may exercise the right to vote any Developer owned Lots in the same

manner as any other lot owner, except for purposes of reacquiring control of the Association or selecting the majority members of the Board of Directors.

Section 4. Quorum. Twenty percent (20%) of the total number of Voting Members of the Association shall constitute a quorum at all meetings of the members.

ARTICLE IV. COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. Each Owner of any Lot by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, costs, reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Section 2. Purpose of Assessment. The assessments levied by the Association shall be used exclusively to promote the recreation, safety, and welfare of the residents in Lake Arthur Estates and for the improvement, maintenance of the Common Area, Insurance and ad valorem real property taxes levied on said common areas. The assessments levied by the Association shall also be used to defray any expenses that may be incurred pursuant to the terms of the Gas Line Encroachment Agreement for repair or replacement of roads or other common area facilities after the construction of any upgrades or improvements to the gas lines by Florida Gas transmission. It is expressly understood and agreed that the Association, and thus the Owners, shall be responsible for repair and replacement costs for common area improvements which may be damaged or destroyed by the required upgrades to the gas line facilities as more clearly delineated in the Gas Line Encroachment Agreement.

Section 3. Maximum Annual Assessment. The maximum annual assessment shall be Two Hundred dollars (\$200.00) per Lot per year of which 25 percent (\$50.00) shall be set aside for roadway and drainage system maintenance. Annual assessments are not prorated.

(a) From and after January 1 of the year immediately following conveyance of the first lot to an owner, the maximum annual assessment may be increased each year not more than 15 percent (15%) above the maximum assessment for the previous year, without a vote of the membership.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum assessment may be increased above 15 percent (15%) of the assessments for the preceding year only if a vote of two thirds (2/3) of

members who are voting in person or by proxy, at a meeting duly called for this purpose approves the assessment.

In determining whether the assessment exceeds one hundred fifteen (115%) of the prior year's assessment, reasonable reserves for repairs or replacements, expenses which cannot be reasonably anticipated to be incurred on a regular or annual basis, and assessments for betterment shall not be considered in the computation.

(c) The Board of Directors may fix the annual assessment at an amount not in excess of the maximum, except as noted in (b) above.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including but not limited to fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of members who are voting in person or by proxy at a meeting duly called for this purpose.

Section 5. Notice of quorum for An Action Authorized Under Sections 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Section 3 or 4 shall be sent to all members not less than 30 days or more than 60 days in advance of the meeting. At such a meeting, the presence of members or of proxies entitled to cast a majority of all the votes of membership shall constitute a quorum.

Section 6. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all Lots. Special assessments may, at the discretion of the Board of Directors, be collected on a monthly basis.

Section 7. Date of Annual Assessment. The annual assessment provided for herein shall be due in full on the purchase date of the lot(s) and shall be renewable on the first day of January each year thereafter. Annual assessments are not prorated. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a lot is binding upon the Association as of the date of its issuance.

Section 8. Effect of Nonpayment of Assessments. Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall incur a \$25 late fee and commence bearing interest from the due date at the statutory rate of interest per annum. The Association may record a lien for any unpaid assessment on the 31 day after its due date. The Association may bring an action at law against the owner and/or an action to foreclose the association lien for assessment against the property. No Owner

may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his lot.

Section 9. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any purchase money first mortgage. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 10. Exemption from Assessments. Until the developer no longer controls the homeowner's association, or until such earlier time as the developer selects, the developer shall be exempt from the payment of the developer's share of all assessments and operating expenses. However, during any period of time in which the developer is exempt from the assessments, the developer hereby covenants and agrees to be responsible for any operating expenses that exceed the assessments receivable from other members of the association.

ARTICLE V. ARCHITECTURAL CONTROL.

No building, fence, wall, or other structure shall be commenced, erected or maintained upon the Properties, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials, and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Association or by an architectural committee composed of three (3) or more representatives appointed by the Board. If the Board or its designated committee fails to approve or disapprove such design and location within thirty (30) days after all required plans and specifications have been submitted to it, approval will not be required, and this Article will be deemed to have been fully complied with.

Section 1. Review Personnel. The Architectural committee may employ experts or contract with individuals or companies as necessary to assist in the review process.

Section 2. Fees. The Association may elect to charge an architectural review fee, not exceeding \$75.00 plus the cost of the review personnel in section 1 above, if any.

Section 3. Construction Subject to Review. All construction or modifications (except interior alterations not affecting the external structure or appearance of any structure) on any Lot or within the Common Area must be approved in advance by the Architectural Committee. Modifications subject to review specifically include, but are not limited to, painting or other alteration of the exterior of the structure (including doors, windows and trim); replacement of roof or other parts of structure other than with duplicates of the original material; installation of antennas, satellite dishes or receivers, solar panels or

other devices; construction of sidewalks, fountains, swimming pools, whirlpools or other pools, construction of privacy walls or other fences or gates; addition of awnings, flower boxes, shelves, mailboxes, statues, or other outdoor ornamentation; detached buildings; storm shutters; and individual wells or septic tanks and any material alteration of the landscaping or topography of the lot or subdivision.

Section 4. Application. The plans to be submitted for approval shall include (I) the construction plans and specifications, (II) elevation of all improvements, and (III) such other items as the Architectural Committee may require. No construction on any Lot shall be commenced and no Lot shall be modified except in accordance with such plan. Any modification to the approved plan must be reviewed and approved by separate application.

Section 5. Limitation of Liability. Review and approval of any application pursuant to this Article is made on the basis of aesthetic considerations only and the Architectural Committee shall not bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor insuring compliance with building codes and other governmental requirements. Neither the Declarant, the Association, the Board of Directors, any committee, nor any member of any of the foregoing shall be held liable for any injury, damages, or loss arising out of the manner or quality of approved construction on or modification to any unit.

Section 6. Contractors. Persons or entities constructing a residential dwelling in the subdivision must be a registered licensed residential contractor or owner acting under the laws of Florida as his own contractor. Contractor's names and copies of licenses shall be submitted at the same time the plans and specifications are submitted to the association in accordance with Section 3, above. All construction must be completed and a Certificate of Occupancy received within ten (10) months after the date a building permit is issued. As specified in Article XII, Section 5, the Association may levy such fines as it deems appropriate for failure to complete the dwelling within the specified time frame.

Section 7. Time Limitations. Every lot owner is required to begin construction of a residence within twenty-four months of the date the owner closed on the purchase of the lot from the Developer. This provision is binding on original purchasers and all subsequent purchasers. If a lot owner fails to begin construction within the twenty-four month period from the date the lot was originally sold by the Developer to the first purchaser, then the lot owner, including any subsequent owners shall be required to resell the lot back to the Developer for the same price at which the Developer sold the lot to the original purchaser, less expenses of sale. The Developer reserves the right to waive this provision on a case by case basis. This provision shall run with the land as to each lot sold by the Developer.

ARTICLE VI. ARCHITECTURAL GUIDELINES

Section 1. Garage. No garage shall face the street with the exception of corner lots. Corner Lot garages shall face the street opposite the front elevation of the house. All garages shall be a minimum double-car garage or two car garage which is capable of holding two vehicles.

Section 2. Exterior. The exterior of all homes, structures and improvement shall be brick, stone or stucco. Wood may be acceptable if consistent with the architectural design. Artificial, simulated, or imitation materials such as aluminum siding, simulated brick and vinyl siding are not permitted on the exterior of a home.

Section 3. Mailboxes. Mailbox stations shall be constructed of the same material as the home's exterior surface (i.e., brick, stone or stucco).

Section 4. Living area. All improvements must have a minimum living area, exclusive of garages, porches, patios and terraces, of 1,800 square feet, except Block B, lots 8 through 12; Block C, lots 1-7; and Block G, lots 1 through 9, which shall have a minimum living area of 2,000 square feet. No improvements shall exceed two stories of living area with no more than 40 percent (40%) of the total square footage of the residence located on the second level. Any two story structure must have a minimum of 1,400 square feet on the ground floor story. The living area must be heated and cooled entirely by a central heating and air system. Window unit air conditioners or heaters are not permitted.

Section 5. Driveways. Driveways must be concrete and complete before improvement is occupied in any way.

Section 6. Sidewalks. Each Lot Owner, simultaneously with the construction of improvements on a Lot shall construct a concrete sidewalk 4 foot in width in accordance with the Okaloosa County Standards on the edge of the street right of way abutting the Owner's Lot and must join up with existing sidewalks of adjacent lots. Such sidewalks shall run parallel and adjacent to the right of way, except a departure of this rule may be issued by the Architectural Committee if the departure is required to preserve the natural vegetation or landscape to achieve a natural effect enhancing the natural character of the lot. The decision to depart from this rule may only be granted by the Architectural Committee whose decision is final. After construction, the replacement, repair and maintenance of said sidewalk shall be a common expense of the Association.

Section 7. Landscape. All lawns must be sodded or landscaped prior to occupancy.

Section 8. Swimming Pools, Spas, and Hot Tubs. Swimming pool design and construction details must be submitted for review and approval by the Architectural Committee. In ground swimming pools are encouraged. Above ground pools are prohibited. All pools, spas and hot tubs shall be fenced in with a fence which meets all state and county safety requirements and approved by the Architectural Committee.

Section 9. Streetlights. All Lot owners shall be required to purchase and install a street lamp with post simultaneously with the construction of improvements and prior to occupancy. Installation location shall be at the intersection of the sidewalk and driveway at the widest remaining frontage of the lot and shall be no more than 10 feet from either the sidewalk or driveway. Street lights must be approved by the architectural committee.

Section 10. Utilities. All electrical, telephone lines, TV cables, and similar items shall be placed underground, and no exposed or exterior radio or television transmission or receiving antenna shall be erected, placed or maintained on the property. The foregoing shall not preclude installation of parabolic dishes or satellite dishes that are not observable by other lot owners, subject to approval by the ARC.

Section 11, Walls and Fences. Walls and fences can be intrusive and may have both a negative visual and physical impact on adjoining properties. It is the developers' vision that landscaping be used to the maximum extent possible to provide lot divisions and privacy between properties. Decorative entry walls, entry gates, courtyard walls, and privacy walls surrounding and abutting pool decks are considered structures appurtenant to the residence and may be allowed within the area of the home or in the rear of the home. All fences shall be placed behind the rear load bearing wall of the home. The Architectural Review Committee must approve the fencing or wall material and location. No solid wall or fence over six (6') feet in height, exclusive of pillars or ornaments, will be allowed. Chain link fences are not allowed.

Section 12. Docks/Decks. Owners of lots on Lake Arthur may construct docks/decks at the edge of the water to maximize the enjoyment of the water with these restrictions. No dock/deck may protrude more than six (6) feet from waters edge into the lake and may not be longer than thirty (30) percent of the total distance of the lake lot line. A set back of 20 feet from side lot lines are also required. For example, a lot which has 120 feet on the water may construct a 36 foot dock (30 percent X 120 feet = 36 feet) along the edge of the lake beginning no closer than 20 feet from side lot lines and protruding no more than six (6) feet into the water. Plans for docks must be submitted to the Architectural Review Committee for approval prior to commencing construction.

ARTICLE VII. EASEMENTS

Section 1. Utilities. Easement for Utilities, Etc. There are hereby reserved to the Declarant, Owners of any Lot, the Association, and the designees of each (which may include, without limitation, any governmental agency and utility company) perpetual non-exclusive easements upon, across, over, under and through all the Property (but not through a structure) for ingress and egress and for installation, monitoring, replacing, repairing, and maintaining equipment.

Section 2. Easements There is hereby reserved to the Declarant, so long as the Declarant owns any of the Property, the non-exclusive right and power to grant such specific easements as may be necessary, in the sole discretion of Declarant, in connection with the orderly development of the Property, or any other real property adjacent thereto.

Section 3. Damage/Repair. Any damage to a Lot, or any structure located thereon, resulting from the exercise of the easements described in this Article shall promptly be repaired by, and at the expense of, the person exercising the easement. The exercise of these easements shall not extend to permitting entry into the structures on any Lot, nor shall it unreasonably interfere with the use of any Lot and, except in an emergency, entry onto any Lot shall be made only after reasonable notice to the owner or occupant.

ARTICLE VIII. MAINTENANCE

Section 1. Association's Responsibility. The Association shall be responsible for the care, maintenance and repair of the (a) Common Area, including all improvements thereon, (b) any portion of the Property conveyed to a governmental or quasi-governmental agency or utility company that has not agreed to care for, maintain, and repair such portion of the Property, and (c) any equipment or property used by the Association located upon under or over any lot of Lot Owners. There are hereby reserved to the Association easements over the Property as necessary to enable the Association to fulfill such responsibilities. All costs associated with maintenance, repair and replacement of the Common Area shall be allocated among all Lots as part of the Annual Assessment. The Association shall be responsible for insuring compliance by the Association and all Owners with the terms of the Gas Line Encroachment Agreement.

Section 2. Owner's Responsibility. Each Owner shall be responsible for the maintenance of his Lot, including all structures, parking areas, and other improvements located thereon in a manner consistent with the community wide standards and all applicable covenants. Garbage cans, equipment, woodpiles, storage areas or septic tanks shall be concealed from view of neighboring buildings, common area and streets. Rubbish, trash, or garbage shall be regularly removed and shall not be allowed to accumulate. If the Board determines in its discretion that any Owner fails to perform his or her maintenance responsibility, the Association, by a majority vote of the Board, shall have the right without liability to enter upon such Lot to correct, restore, paint and maintain any part of the Lot and to have any assessment to which such Lot is subject, or otherwise recovered by the Association by other legal means. The Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry, except when entry is required due to an emergency situation. The expense incurred by the Association shall be collected from the lot owner as specified in Article IV, Sections 1 and 2.

ARTICLE IX. USE RESTRICTIONS

Section 1. Lots. Only single family residences and related improvements as specified in the Architectural Standards may be constructed on the Lots. Lots cannot be combined for the purpose of constructing a single residence without Declarant's permission, which he may grant or withhold in the Declarant's sole discretion. Lots shall not be further subdivided into smaller parcels, and the boundary lines of any Lot shall not be changed after a subdivision plat including such Lot has been approved and filed in the Official Records, except that the Declarant shall be permitted to subdivide or re-plat Lots which it

owns. Each lot shall be conveyed as a separately designated and legally described free hold estate subject to the terms, conditions and provisions of this Declaration. No lot may be used as a right-of-way to adjoining properties that are not part of the Lake Arthur Estates development. However, nothing herein precludes Declarant from granting easements to adjacent landowners for purposes of ingress and egress across roads, streets, and common areas in the development.

Section 2. Renting. Residential dwellings may be rented, subject only to rules and regulations established by the Association.

Section 3. Offensive Activities. No obnoxious or offensive trade or activity shall be carried on or permitted upon any Lot, nor shall anything be done on any Lot which may become a nuisance or annoyance to Owners of other Lots. Home occupations which conform to Okaloosa County's requirements and are approved in writing by the Declarant or Association shall be permitted. Signs referencing the home occupation are prohibited.

Section 4. Fires. No burning of trash, leaves, clippings or other debris or refuse shall be permitted on any part of the Lots or land contiguous thereto.

Section 5. Vehicles, Trailers, and Boat Storage. Inoperative vehicles, travel trailers, recreational vehicles, commercial vehicles, buses and trucks with more than six wheels, boats and trailers, if stored on a Lot shall be kept in a concealed manner: closed garage, storage space, or within a fence, all so as not to be observable from other Lots or Common Areas. Garage and storage spaces must be approved by the Architectural Committee.

Section 6. Mobile Homes. All mobile homes and manufactured homes are prohibited, including, but not limited to, manufactured homes constructed to the Federal Department of Housing and Urban Development standards.

Section 7. Pets. Raising, breeding or keeping of animals, livestock, or poultry of any kind is prohibited on any Lot. Household pets may be kept provided that they are under the Owner's control at all times. Those pets which are permitted to roam free, or, in the sole discretion of the Association, make objectionable noise, endanger the health and safety of, or constitute a nuisance or inconvenience to the occupants of other Lots shall be removed upon request of the Association. If the pet owner fails to honor such request, the Association may remove the pet.

Section 8. Signs. No signs shall be displayed on the property except signs identifying the property name and address as specified by the developer. The foregoing shall not preclude the erection of signs by the Declarant, its Real Estate agent, and Florida Registered Contractors during the time of its development and marketing of the subdivision. Also, this provision does not preclude property owners from placing association approved real estate signs for the sale of their property.

Section 9. Attractiveness of Lots. It shall be the responsibility of each Lot Owner to prevent any unclean, unsightly or unkempt condition of the building or grounds on such Lot which shall substantially decrease the beauty of the neighborhood as a whole or a specific area. All Lots and buildings shall be maintained in a neat, clean and well kept condition. Preservation of natural vegetation is encouraged. Areas which retain the natural vegetation or are landscaped to achieve a natural effect shall be maintained to preserve and enhance their natural character. No garbage, trash, ashes, refuse, house trailers, junk, or other waste shall be thrown, dumped, placed or kept on any of the above described Lots or lands contiguous thereto. All garbage shall be kept in sanitary containers which are hidden from view except on collection days. In the event of an Owner's failure to properly maintain or repair in accordance with the requirements of this section, following written notice thereof from the Association to such Owner of its intention the Association shall be authorized to enter upon the property to accomplish such maintenance or repair at the lot Owner's expense of which shall then be recoverable by the Association in accordance with Article IV, Sections 1 and 2.

Section 10. Time Sharing. No time-share ownership of Lots is permitted. For this purpose, the term "time-share ownership" shall mean a method of Ownership of an interest in a Lot under which the exclusive right of use, possession or occupancy of the Lot circulates among various Owners on a periodically recurring basis over a scheduled period of time.

Section 11. No Outdoor Laundry. Outdoor drying of laundry must be done in areas that are completely screened from view of adjacent Lots and any streets. No permanent cloth lines are permitted.

Section 12. Drainage. Obstruction or re-channeling of drainage flows after location and installation of drainage swales or storm drains is prohibited, except the Declarant and the Association shall have such right; provided, the exercise of such right shall not materially diminish the value or unreasonably interfere with the use of any Lot without the Owner's consent and further provided that no water flow adversely affects downstream owners.

Section 13. Detached Structures. No detached structures may be constructed without the approval of the Architectural Committee. Detached structures include, but are not limited to garages, cabanas, pool houses, bath houses, gazebos, kennels, tree houses, dog houses, potting sheds or tool sheds.

Section 14. Rubbish and Trash. No rubbish, trash, or garbage shall be allowed to accumulate except between regular garbage pick ups.

Section 15. Temporary Living Quarters. No recreational vehicles or temporary living quarters of any kind will be permitted on Lots during construction.

Section 16. Setback Requirements. Right and Left setbacks shall be a minimum of 10 feet from the right lot line and a minimum of 10 feet from the left lot line. Front setback shall be 25 feet from the right of way. Rear setback shall be 20 feet from the rear lot line.

Section 17. Wetlands/Easements. Where wetlands border rear or side lot lines, it is understood that the jurisdictional line of wetlands shall be the furthest fenceable portion of a lot. If a lot line is in a wetland area, that aforesaid lot line shall in no way allow a lot owner to place a fence on that lot line if in wetlands area. No fences shall be placed in drainage easements.

Section 18. Model Homes/Office. So long as a Florida Registered Contractor is developing and actively marketing its completed residential dwellings in the subdivision, it may use one of its dwellings as a model home and one as an office.

Section 19. An Owner is prohibited from taking any action on the Owner's property which would constitute a violation of the Gas Line Encroachment.

ARTICLE X. INSURANCE

Section 1. Insurance. The Association may purchase insurance to provide the following described coverage:

a. Casualty Insurance. Casualty insurance for all improvements to the Common Area to cover the full replacement cost, which coverage, vandalism, malicious mischief, windstorm, flood, and any other coverage deemed necessary by the Association.

b. Liability Insurance. Comprehensive general liability insurance coverage covering all Common Areas, the public ways as is owned by the Association. Coverage under such policies may include, without limitation, legal liability of the insured for property damage, bodily injuries and death of persons in connection with the operation, maintenance or use of the Common Areas, and legal liability arising out of law suits related to employment contracts of the Association. Such coverage shall include, if available, a cross liability endorsement to cover liabilities of the Owners as a group or as an Association to an individual Lot Owner.

c. Director Liability Insurance. The Association may obtain liability insurance insuring each Director personal loss for actions taken by members of the Board in the performance of their duties. Such insurance shall be of the type and amount determined by the Association.

d. Workmen's Compensation: Other Coverage. Workmen's Compensation insurance may be obtained, if and to the extent necessary to meet the requirements of law. Such other insurance may also be obtained as the Association may determine necessary or as may be requested from time to time by a majority of the Members.

e. Lots. The Association has the right but not the obligation to obtain comprehensive insurance for all Lots, and each owner by acceptance of a deed for his Lot is deemed to authorize the Association to act as his agent for the obtaining of insurance if the Association elects to obtain coverage for all Lots. If the Association does not so elect,

each Owner shall obtain and maintain at his own expense fire insurance and insurance against the perils customarily covered by an extended coverage endorsement in an amount no less the full insurable value of the improvements, based upon replacement, and if an Owner fails to do so, the Association has the right but not the obligation to purchase such insurance for him and assess the cost to him as an individual Lot assessment. Owners are responsible for insuring against personal property damage and loss, personal liability for that Lot and any other type of insurance the Owner may desire.

Section 2. Premiums. The cost of all insurance stated above shall be an Association expense and shall be included in the assessments paid to the Association by the Owners. If the Association obtains comprehensive insurance for all Lots, each Lot's ratable share shall be assessed to the Owner of such Lot as part of the assessment to the Association by such Owner.

Section 3. Repair and Reconstruction after Casualty.

a. Common Area. If fire or other casualty damages destroys any of the improvements on the Common Area, the Association shall arrange for and supervise the prompt repair and restoration of such improvements substantially in accordance with the plans and specifications under which the improvements were originally constructed. The Association shall obtain funds for such reconstruction first from the insurance proceeds, then from reserves for the repairs and replacement of such improvements, and then from any special assessments that may be necessary after exhaustion of insurance and reserves.

b. Lots. If fire or other casualty damages or destroys a house or any other improvement on a Lot, the Owner of that lot shall immediately proceed to rebuild and restore the improvements to the condition existing prior to such damage, unless other plans are approved by the Association.

c. Insurance Proceeds: Performance of Work. All insurance proceeds received by the Association shall be deposited in a financial institution with the provision agreed to by said banks or institution that such funds may be withdrawn only by signature authorized by the Board of Directors or an agent authorized by the Board. The Board may advertise for sealed bids with licensed contractors and negotiate prices for said repairs.

ARTICLE XI. STORM WATER SYSTEM

The Association shall operate and maintain any storm water management system and any storm water discharge facility exempted or permitted by the Florida Department of Environmental Protection or other state agency on the Common Area property of the Association, and shall have all power necessary to establish rules and regulations, assess members, and contract for the maintenance and operation thereof.

ARTICLE XII. GENERAL PROVISIONS

Section 1. Enforcement. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservation, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. The prevailing party in such litigation shall be entitled to all court costs and its reasonable attorneys' fees.

Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 3. Amendments. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first twenty (20) year period by an instrument signed by not less than ninety (90) percent of the Lot Owners, and thereafter by an instrument signed by not less than seventy- five percent (75%) of the Lot Owners. Any amendment must be recorded.

Section 4. National Pollutant Discharge Elimination System (NPDES). All lot owners/contractors are subject to Florida Department of Environmental Protection Agency (DEP) rules contained in Florida Administrative Code, Rule 62-621.300(4), which requires contractor to implement appropriate pollution prevention techniques to minimize erosion and sedimentation and properly manage stormwater when soil is disturbed. Disturbance includes clearing, grading and excavating.

Section 5. Powers of Association. In addition to the powers set forth in the Association's Articles of Incorporation and by-laws, the Association is specifically authorized to enact rules and regulations consistent with these covenants, conditions and restrictions. The Association is also specifically empowered to levy fines for any violations of these covenants or any duly enacted rules and regulations, in such amounts as the Association deems appropriate, after due notice to an Owner and a reasonable opportunity to cure the violation. Thirty days written notice to an Owner shall be deemed sufficient due notice to cure a violation.

Section 6. Owner's Manual. The Association is authorized to distribute an Owner's Manual.

Section 7. Adjacent Landowner. As a condition of developing the land subject to these restrictions, the Developer has entered into a binding agreement with an adjacent landowner, William Bailey, allowing him and his spouse and his immediate family to use the roads and common areas within the subdivision, in perpetuity. The landowner is not required to be a member of the Association because his land is not included within

the subdivision. The landowner is not required to pay any assessments or annual fees for his or his family's use of the roads and common areas. The landowner shall be responsible for any damages to the roads or common areas resulting from his or his family's use. The Developer has therefore granted to the Landowner a perpetual easement for the use of the roads and common areas within the subdivision.

IN WITNESS THEREOF, The undersigned, being the Declarant herein, has hereunto set its hand and seal this 23rd day of March, 2005.

Signed, sealed and delivered in the presence of:

Shay Skates

Shay Skates
Print name

Vernon E. Parker

VERNON ELIJAH PARKER
Print name

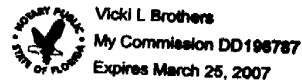
Lake Arthur Estates Development Co., LLC
A Florida Company
BY: William A. Bailey
William A. Bailey, Managing Partner

State of Florida
County of Okaloosa

The foregoing instrument was acknowledged before me the 23rd day of March, 2005, by William A. Bailey as Managing Partner of Lake Arthur Estates Development Company, A Florida Limited Liability Company.

Notary Public Vicki L. Brothers
Vicki L. Brothers
Print name

My Commission Expires:



THIS INSTRUMENT PREPARED BY:

Claire A. Duchemin, P. A.
Attorney At Law
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