

Las Vegas Ranch Estates
Covenants Conditions and Restrictions
Draft
May 15, 2019

Contained within this document are changes to the CC&Rs for Las Vegas Ranch Estates, as proposed by the Document Review Committee. In alphabetical order, the Members of the Document Review Committee are:

- Darrell Bryant
- Joe Dalmas
- Jim Istwan
- Brian Peterson
- Mark Spiegel
- John Uczekaj

Changes to the CC&Rs:

- Proposed changes to the CC&Rs are in Red
- Comments and additional information are in Blue

In March of 2015, administration of the Association's CC&Rs was turned over to an elected Board of Directors. Over the past four years, it has become clear that some articles of the CC&Rs were written in an ambiguous manner, some restrictions should be amended to address community concerns, and provisions specific to the Developer should be eliminated. To address these problems, the Document Review Committee has proposed changes to the CC&Rs. An affirmative vote from 75% of the POA Membership is required to make changes to the CC&Rs, and the Document Review Committee is soliciting your input on the proposed changes prior to a formal vote.

This version of the document supersedes the CC&R Draft document dated May 8, 2019. This version of the document contains corrections for typographical errors, but the content is unchanged.

**DECLARATION OF
COVENANTS, CONDITIONS AND
RESTRICTIONS FOR
LAS VEGAS RANCH ESTATES**

RECITALS

A. Declarant, as the trustee of the Trust, was the record owner of that parcel of real property situated in Yavapai County, Arizona, described on Exhibit 1 attached hereto and by reference made a part hereof (the "Property"). Developer is the beneficiary of the Trust.

B. Declarant and Developer executed that certain Declaration of Covenants, Conditions and Restrictions for Las Vegas Ranch Estates dated as of October 6, 2005 (the "Original Declaration") and recorded on October 11, 2005, in Book 4320, Page 840, Official Records of Yavapai County, Arizona ("Official Records"). The Original Declaration was superseded in its entirety by that certain Amended and Restated Declaration of Covenants, Conditions and Restrictions for Las Vegas Ranch Estates (the "First Amended and Restated Declaration") dated as of May 10, 2006 and recorded on May 11, 2006 in Book 4395, Page 358 of Official Records. The First Amended and Restated Declaration was superseded in its entirety by that certain Amended and Restated Declaration of Covenants, Conditions and Restrictions for Las Vegas Ranch Estates (the "Second Amended and Restated Declaration") dated as of January 16, 2007 and recorded on January 17, 2007 in Book 4473, Page 283 of Official Records.

C. Declarant and Developer desire amend and restate the Second Amended and Restated Declaration to submit and subject the Property, together with all buildings, improvements and other permanent fixtures and whatever kind now and hereafter located thereon, and all easements, rights, appurtenances and privileges belonging or in any way pertaining thereto (all of which comprise a part of the "Property"), to the covenants, conditions, liens, assessments, easements, privileges and rights contained herein.

D. Declarant and Developer desire the Property to be developed as part of the planned ranch estate community to be known as "Las Vegas Ranch Estates" (the "Project").

E. Declarant and Developer deem it desirable to establish covenants, conditions and restrictions applicable to the Property, and each and every portion thereof, and certain mutually beneficial restrictions and obligations with respect to the proper use, occupancy and enjoyment thereof, all for the purpose of enhancing and protecting the value, desirability and attractiveness of the Property and enhancing the quality of life within the Property.

F. Declarant and Developer deem it desirable to create an owners association ("Association") for the Property and to delegate to it the powers of (i) managing, maintaining and administering any Areas of Association Responsibility within the Property, (ii) administering and enforcing these covenants, conditions and restrictions and (iii) collecting and disbursing funds pursuant to the assessments and charges hereinafter created and performing other acts provided for in this Declaration or which generally benefit its members, the Property, and the owners of any interests therein.

G. Las Vegas Ranch Estates Property Owners Association, a nonprofit corporation, has been incorporated under the laws of the State of Arizona for the purpose of being the Association.

H. Declarant and Developer intend, but are not obligated, to annex land to the Property, thereby subjecting the annexed land to the plan of this Declaration, and binding the owners of any interests therein to the covenants, conditions and restrictions contained in this Declaration. Owners of any land annexed to the Property and subjected to the Declaration will automatically become members of the Association as provided herein.

I. Declarant and Developer desire and intend that the owners, mortgagees, beneficiaries and trustees under trust deeds, occupants and all other Persons hereafter acquiring any interest in the Property shall at all times enjoy the benefits of, and shall hold their interests subject to, the covenants, conditions, restrictions, liens, assessments, easements, privileges and rights hereinafter set forth, all of which are declared to be in furtherance of a plan to promote and protect the Property.

DECLARATIONS

NOW, THEREFORE, Declarant and Developer, for the purposes above set forth, declare that the Property shall hereafter be held, transferred, sold, conveyed, leased, occupied and used subject to the covenants, conditions, restrictions, liens, assessments, easements, privileges and rights hereinafter set forth, all of which shall run with the land and be binding upon the Property and all parties having or acquiring any right, title or interest in or to the Property, or any part thereof, and shall inure to the benefit of each owner thereof, the Association and each member of the Association.

ARTICLE I

DEFINITIONS

Unless otherwise defined, the following words and phrases when used in this Declaration shall have the meanings set forth in this Article.

1.1 "Additional Property," means any real property not originally constituting the Property, together with all Improvements situated thereon, located within the vicinity of the Project.

1.2 "Annual Assessment" means the assessments levied against each Parcel pursuant to Section 6.2 of this Declaration.

1.3 "Areas of Association Responsibility" means (i) all real property, and the Improvements situated thereon, located within the boundaries of a Parcel which the Association is obligated to maintain, repair and replace pursuant to the terms of this Declaration or the terms of another Recorded document executed by the Association; (ii) all real property, and the Improvements situated thereon, within the Project located within dedicated rights-of-way with respect to which the State of Arizona or any county or municipality has not accepted responsibility for the maintenance thereof, but only until such time as the State of Arizona or any county or municipality has accepted all responsibility for the maintenance, repair and replacement of such areas; (iii) all real property, and any Improvements situated thereon, within the Project which the Association has agreed in a Recorded document signed by the Association to maintain, repair or replace. Areas of Association Responsibility shall not include Open Space Easement areas or Habitat Preservation areas established within Parcels.

1.xx "Area of Disturbance" means the boundary within which all construction, materials storage, grading, landscaping, Improvements and related activities shall occur.

1.4 "Articles" means the Articles of Incorporation of the Association, as amended from time to time.

1.5 "Assessable Property" means any Parcel, except such Parcels or parts thereof that may from time to time be Exempt Property.

1.6 "Assessment" means an Annual Assessment or Special Assessment.

1.7 "Assessment Lien" means the lien created and imposed by Article 6 of this Declaration.

1.8 "Assessment Period" means the period set forth in Section 6.6 of this Declaration.

1.9 "Association" means the Las Vegas Ranch Estates Property Owners Association, an Arizona nonprofit corporation, or such other Arizona nonprofit corporation to be organized by Developer to administer and enforce the Project Documents and to exercise the rights, powers and duties set forth therein, and its successors and assigns.

1.10 "Association Rules" means the rules adopted by the Board pursuant to Section 5.3 of this Declaration, as amended from time to time.

1.11 "Board" means the Board of Directors of the Association.

1.12 "Bylaws" means the Bylaws of the Association, as amended from time to time.

1.13 "Common Expenses" means the actual or estimated expenses incurred, or anticipated to be incurred, by the Association, together with any allocations to reserves.

1.14 "Declarant" means Pioneer Title Agency, Inc., an Arizona corporation, as Trustee under the Trust, and its successors and assigns under the Trust.

1.15 "Design Review Committee" means the committee of the Association to be created pursuant to Section 5.11 of this Declaration.

1.16 "Developer" means True West Land & Ranches, L.L.C., an Arizona limited liability company, its successors and any Person to whom it may expressly assign any or all of its rights under this Declaration by a Recorded instrument.

1.17 "Declaration" means this Declaration of Covenants, Conditions, and Restrictions, as amended from time to time.

1.18 "Design Guidelines" means the rules and guidelines adopted by the Design Review Committee pursuant to Section 5.11 of this Declaration, as amended or supplemented from time to time.

1.xx "Easement" means a non-possessory right to cross or otherwise use another's land for a specified purpose. It entitles the holder only to the right to use such land in the specified manner.

1.19 "Exempt Property" means (i) all real property and improvements owned by, or dedicated to and accepted by the United States, State of Arizona, the County of Yavapai, or any political subdivision thereof, so long as such entity or political subdivision is the owner thereof or for so long as said dedication remains effective; (ii) prior to the Transition Date, all Parcels or other real property within the Project owned in fee or beneficially by Developer or any Related Parties, except for property owned by Developer or such a subsidiary that is subject to a contract for the conveyance of real property subject to the provisions of A.R.S. §33-741 et seq.

1.20 "First Mortgage" means any mortgage, deed of trust or contract for sale pursuant to the provisions of A.R.S. §33-741 et seq. on a Parcel which has priority over all other mortgages, deeds of trust and contracts for sale on the same Parcel.

1.21 "First Mortgagee" means the holder or beneficiary of any First Mortgage.

The 3rd Amended Record of Survey for Las Vegas Ranch Estates changed the designation for Hitt Wash from an "Open Space Easement" to a "Habitat Preservation Area". A Definition for the Habitat Preservation Area was provided on the 3rd Amended Record of Survey, but not within the CC&Rs.

1.xx "Habitat Preservation Area" means the area along Hitt Wash designated as such on the 4th Amended Record of Survey Las Vegas Ranch Estates to remain private property of the parcel owner but remain undeveloped by virtue of the desire to preserve the natural habitat. The pruning or removal of trees is prohibited without permission from the Design Review Committee, which approval may be denied. When reviewing a proposal to prune or remove trees, the Design Review Committee may require the owner/applicant to provide a written report, prepared by a licensed Arborist, assessing the impact of the proposed activities on the habitat. The Habitat Preservation Area does not provide an easement for ingress and egress.

1.22 "Improvement" means any building, fence, wall or other structure or improvement above or below ground or any swimming pool, road, driveway, parking area (paved or unpaved) water well facilities, irrigation facilities, horse facilities and any trees, plants, shrubs, grass or other landscaping improvements of every type and kind.

1.23 "Las Vegas Ranch" means the operating cattle and quarter horse ranch adjoining much of the Property and commonly known as the Las Vegas Ranch. Seller has no interest in the Las Vegas Ranch, and no Purchaser by becoming an Owner shall have any interest in the Las Vegas Ranch.

1.24 "Lessee" means the lessee or tenant under a written lease of any Parcel, including an assignee of a lease.

1.25 "Livestock Access Easement" means an area of a Parcel designated as such on a Record of Survey to remain fenced, undisturbed, and undeveloped for use by livestock as paths from one pasture to another.

1.26 "Maintenance Standard" means the standard of maintenance of improvements established from time to time by the Board and/or the Design Review Committee in the Design Guidelines, or in the absence of any such standards, the standard of maintenance of Improvements generally prevailing throughout the Project.

1.27 "Master Plan" means the master plan for the Project attached hereto as Exhibit 2 which established the projected number of residential units for the Project, which is subject to change pursuant to Section 2.5 herein.

1.28 "Member" means any Person who is a member of the Association which holds a "Membership" created pursuant to Article 5.

1.29 "Open Space Easement Areas" means a parcel of areas designated as such on a Record of Survey to remain undisturbed and undeveloped by virtue of an existing stock tank or steep slope. **The Open Space Easement Areas do not provide an easement for ingress and egress.**

1.30 "Owner" means the record owner, whether one or more Persons, of beneficial or equitable title (and legal title if the same has merged with the beneficial or equitable title) to the fee simple interest of a Parcel. Owner shall not include Persons having an interest in a Parcel merely as security for the performance of an obligation or a Lessee. Owner shall include a purchaser under a contract for the conveyance of real property subject to the provisions of A.R.S. § 33-741 et seq. Owner shall not include a purchaser under a purchase contract and receipt, escrow instructions or similar executor contracts which are intended to control the rights and obligations of the parties to the executor contracts pending the closing of a sale or purchase transaction. In the case of Parcels subject to a deed of trust Recorded pursuant to A.R.S. § 33-801 et seq., the trustor shall be deemed to be the Owner. In the case of the Parcels, the fee simple title to which is vested in a trustee pursuant to a subdivision trust agreement or similar agreement, the beneficiary of any such trust who is entitled to possession of the trust property shall be deemed to be the Owner.

1.31 "Parcel" means a portion of the Project intended for independent ownership and use and designated as a Parcel on a Record of Survey and, where the context indicates or requires, shall include any building, structure or other Improvements situated on the Parcel.

1.32 "Person" means a natural person, corporation, business trust, estate, trust, partnership, limited liability company, limited liability partnership, association, joint venture, government, governmental subdivision or agency, or other legal or commercial entity.

1.33 "Property" or "Project" means the real property described on Exhibit 1 attached to this Declaration together with all Improvements, and all real property and all Improvements which is thereto annexed and subjected to this Declaration pursuant to Section 2.2 of this Declaration.

1.34 "Project Documents" means this Declaration, the Articles, the Bylaws, the Association Rules and the Design Guidelines.

1.35 "Purchaser" means any Person, other than the Declarant or Developer who by means of a voluntary transfer becomes the Owner of a Parcel, except for a Person who, in addition to purchasing a Parcel, is assigned any or all of the Developer's rights under this Declaration.

1.36 "Recording" means placing an instrument of public record in the office of the County Recorder of Yavapai County, Arizona, and "Recorded" or "Recordation" means having been so placed or the act of placing of public record.

1.37 "Related Parties" means the constituent members of Developer, affiliates of Developer, and the officers, directors, members, shareholders, trustees, and other principals of all of the foregoing entities and their respective successors and assigns.

1.38 "Resident" means each natural person occupying or residing in a Residential Unit.

1.39 "Residential Unit" means any building, or portion of a building, situated upon a Parcel and designed and intended for independent ownership and for use and occupancy as a residence.

1.40 "Special Assessment" means any assessment levied and assessed pursuant to Section 6.5 of this Declaration.

1.41 "Special Use Fee" means a special fee authorized by this Declaration which an Owner, Resident or any other Person is obligated to pay to the Association over, above and in addition to any Annual Assessment or Special Assessment imposed or payable hereunder. The amount of any Special Use Fee shall be determined in the Board's sole discretion, provided all such fees shall be fair and reasonable.

1.42 "Transition Date" means the first to occur of

(i) the day on which title to the last Parcel in the Project, including, without limitation, any Parcel within any Additional Property; owned in fee or beneficially by Developer is conveyed to a third party for value, other than as security for the performance of an obligation, or

(ii) the expiration of any five (5) year period during which title to no Parcel in the Project is conveyed by Developer to a third party for value, other than as security for the performance of an obligation, or

(iii) the date twenty (20) years after the date this Declaration is Recorded, or

(iv) such earlier date as Developer declares to be the Transition.

1.43 "Trust" means Trust No. 551339 in the records of Pioneer Title Agency, Inc., and any comparable Trust in the records of any successor Trustee if Pioneer Title is replaced as Trustee.

1.44 "Visible From Neighboring Property" means, with respect to any given object, that such object is or would be visible to a person standing at ground level on any part of an adjoining Parcel or Area of Association Responsibility.

ARTICLE 2

PLAN OF DEVELOPMENT

Although much of Article 2 is no longer relevant, it has been retained for historical perspective.

2.1 Property Initially Subject to the Declaration. Declarant and Developer intend by this Declaration to impose upon the Property mutually beneficial restrictions under a general plan of improvement and desires to provide a flexible and reasonable procedure for the overall development of the Property and to establish a method for the administration, maintenance, preservation, use and enjoyment of the Property. Declarant and Developer hereby declare that all the Property shall be held, sold, used and conveyed subject to the easements, restrictions, conditions and covenants set forth in this Declaration, which are for the purpose of protecting the value and desirability of the Property, and which shall run with the Property. Declarant and Developer further declare that this Declaration shall be binding upon all Persons having any right, title or interest in the Property or any part thereof, their successors, successors in title and assigns and shall inure to the benefit of each Owner thereof. By acceptance of a deed or by acquiring any interest in any of the property subject to this Declaration, each Person, for himself or itself, his heirs, personal representatives, successors, transferees and assigns, binds himself, his heirs, personal representatives, successors, transferees and assigns, to all of the provisions, restrictions, covenants, conditions, rules, and regulations now or hereafter imposed by this Declaration and any amendments thereof. In addition, each such Person by so doing thereby acknowledges that this Declaration sets forth a general scheme for the development, sale, lease and use of the Property and hereby evidences his interest that all the restrictions, conditions, covenants, rules and regulations contained in this Declaration shall run with the land and be binding on all subsequent and future Owners, grantees, purchasers, assignees, lessees and transferees thereof. Furthermore, each such Person fully understands and acknowledges that this Declaration shall be mutually beneficial, prohibitive and enforceable by the Association and all Owners. Declarant and Developer and their successors, assigns and grantees, covenant and agree that the Parcels and the Membership in the Association and the other rights created by this Declaration shall not be separated or separately conveyed, and each shall be deemed to be conveyed or encumbered with its respective Parcel even though the description in the instrument of conveyance or encumbrance may refer only to the Parcel.

2.2 Annexation of Additional Property.

2.2.1 At any time on or before the date which is fifteen (15) years after the date of the Recording of this Declaration, the Developer shall have the right to annex and subject to this Declaration Additional Property without the consent of any other Owner or Person or the Association. The annexation of Additional Property shall be effected by the Declarant Recording a Declaration of Annexation setting forth the legal description of the Additional Property being annexed, stating that such Additional Property is annexed and subjected to the Declaration and describing any portion of the Additional Property being annexed which will be Area of Association Responsibility.

2.2.2 Additional Property may be annexed in separate parcels and at different times, or Additional Property may never be annexed, and there are no limitations upon the boundaries thereof. Additional Property annexed by the Declarant pursuant to this Section 2.2 need not be contiguous with other property in the Project, and the exercise of the right of annexation as to any Additional Property shall not bar the further exercise of the right of annexation as to any other Additional Property. The Developer makes no assurances that Additional Property will or will not be annexed.

2.2.3 Unless a later effective date is set forth in the Declaration of Annexation, the annexation shall become effective upon Recording of the Declaration of Annexation. Subject to the provisions of Section 5.8, the voting rights of the Owners of Parcels annexed pursuant to this Section shall be effective as of the date the Declaration of Annexation annexing such property is Recorded, unless a later effective date is set forth in the Declaration of Annexation.

2.3 Withdrawal of Property. At any time on or before the date which is twenty (20) years after the date this Declaration is Recorded, the Developer shall have the right to withdraw property owned by the Declarant from the Project without the consent of any other Owner or Person. The withdrawal of all or any portion of the Project shall be effected by the Developer Recording a Declaration of Withdrawal setting forth the legal description of the property being withdrawn. Upon the withdrawal of any property from the Project pursuant to this Section, such property shall no longer be subject to any of the covenants, conditions and restrictions set forth in this Declaration.

2.4 Disclaimer of Implied Covenants. Nothing contained in this Declaration and nothing which may be represented to a Purchaser by real estate brokers or sales agents representing the Developer shall be deemed to create any implied covenants, servitudes or restrictions with respect to the use of any property subject to this Declaration or Additional Property owned by Developer or in which the Developer has an interest, or in the Las Vegas Ranch.

2.5 Master Plan. Notwithstanding any other provision of this Declaration to the contrary, the Developer, without obtaining the consent of any other Owner or Person, shall have the right to make changes or modifications to the Master Plan, with respect to any Property owned by the Developer or in which the Developer has an interest, in any way which the Developer desires, including, but not limited to, changing the density of all or any portion of the Property owned by the Developer or in which the Developer has an interest, or changing the nature or extent of the uses to which the Property may be devoted.

2.6 Disclaimer of Representations. Declarant and Developer make no representations or warranties whatsoever that: (i) the Project will be completed in accordance with the plans for the Project as they exist on the date of this Declaration is Recorded; (ii) any Property subject to this Declaration will be committed to or developed for a particular use or for any use; or (iii) the use of any Property subject to this Declaration will not be changed in the future.

2.7 Restriction on Liability of the Association and the Developer Parties; Release.

2.7.1 The Developer intends to construct gated entrances leading into the Project from Fair Oak, Camp Wood, and Williamson Valley Roads in order to limit access and to provide some privacy for the Owners and Residents; however, there are no guarantees that gated entrances will provide security and safety to Owners, Lessees, Residents and their families, invitees and licensees. Furthermore, each Owner, Lessee and Resident, for themselves and their families, invitees and licensees, acknowledge that the gated entrances may restrict or delay entry into the Project by the police, fire department, ambulances and other emergency vehicles or personnel. Each Owner, Lessee and Resident, for itself and its families, invitees and licensees, agrees to assume the risk that the gated entrances will restrict or delay entry to the Project by emergency vehicles and personnel. Neither the Declarant, Developer, Related Parties, the Association, nor any director, officer, agent or employee of the Association shall be liable to any Owner, Resident, Lessee or its family, invitees or licensees for any claims or damages resulting, directly or indirectly, from the construction, existence or maintenance of the gated entrances.

2.7.2 The roads within the Project, including the off-site access road through Las Vegas Ranch, have been built to standards established by the Developer. The roads are not engineered or constructed to Yavapai County standards nor have they been inspected or approved by Yavapai County. Therefore the roads may present a danger to drivers and their passengers. Neither the Declarant, Developer, nor the Association make any representation or warranty, expressed or implied, regarding the design and construction of the roads. Each Owner, Lessee and Resident, for itself and its families, invitees and licensees acknowledges and assumes the risk the roads may present.

2.7.3 The Project is located adjacent to the Prescott National Forest and the Las Vegas Ranch. The Project, Prescott National Forest and the Las Vegas Ranch contain many species of insects, reptiles and other wild animals, as well as cattle and horses. Wild animals indigenous to the area, including, without limitation, scorpions, snakes, spiders, bobcats, hawks, javelina, bears, mountain lions, elk, deer and antelope, may be found throughout the Prescott National Forest, the Project and the Las Vegas Ranch. Such wild animals and livestock may enter and dwell upon portions of the Project from time to time. Each Owner, Lessee and Resident, for itself and its families, invitees and licensees, assumes the risk that such animals may be present and may present danger. Neither the Declarant, Developer, or Related Parties, the Las Vegas Ranch, the Association, nor any director, officer, agent or employee of the Association shall be liable to any Owner, Resident, Lessee or its family, invitees or licensees for any claims or damages resulting, directly or indirectly, from the existence of such animals within the Project.

2.7.4 The Las Vegas Ranch is located adjacent to much of the Project. Each Owner, Lessee and Resident, for himself and his family, invitees and licensees, acknowledges, understands and agrees that the operations of the Las Vegas Ranch may present hazards to and create additional burdens upon Owners, including, but not limited to insects, odors, and noises associated with operating ranches. The Las Vegas Ranch may cause inconvenience and disturbance and possible injury to the Owners, Lessees, Residents and their families, invitees and licensees; however, each Owner, Lessee and Resident has considered the location of the Parcel being purchased, leased or occupied and its proximity to the Las Vegas Ranch. By acceptance of a deed or by acquiring any interest in any of the Property, each Owner, Lessee and Resident, for himself and his family, invitees and licensees, acknowledges and assumes the risks of the aforesaid nuisance, inconvenience, disturbance, damage and possible injury to persons.

2.7.5 This Declaration allows Owners, Residents and Lessees to maintain horses and to erect facilities for the housing and care of the horses. In addition, Developer may but is not obligated to construct or designate equestrian trails throughout the Project. Each Owner, Lessee and Resident, for itself and its families, invitees and licensees, acknowledges that (i) maintaining and riding horses within the Project may create noise, odors and dust and attract insects associated with horses; and (ii) activities involving horses may create a dangerous condition and persons may be subject to personal injury (including, without limitation, death) and property damage as a result thereof. Neither the Declarant, Developer, or Related Parties, the Association, nor any director, officer, agent or employee of the Association shall be liable to any Owner, Resident, Lessee or its family, invitees or licensees for any claims or damages resulting, directly or indirectly, from the keeping and/or riding of such animals within the Project.

2.7.6 Each Owner, Resident and Lessee hereby releases the Declarant, Developer, Related Parties, and the Association from any and all claims, actions, suits, demands, causes of action, losses, damages or liabilities (including, without limitation, strict liability) related to or arising in connection with any nuisance, inconvenience, disturbance, injury or damage resulting from activities or occurrences or standards described in this Section 2.7.

2.8 Forest Staging Area.

2.8.1 Declarant may, but is not obligated, to construct an "Forest Staging Area" at the location shown on Exhibit 1. The Forest Staging Area may include such facilities as a parking area, drinking fountains and water troughs, and ramadas and shade structures for people and horses.

2.8.2 Each Owner, Lessee and Resident, for himself and his family, invitees and licensees, acknowledges, understands and agrees that (i) activities at the Forest Staging Area may create noise, odors and dust and attract insects associated with horses; (ii) the proximity to the Forest Staging Area to certain Parcels may create additional burdens upon Owners; and (iii) activities involving horses, all terrain vehicles (ATVs) and motorcycles may create a dangerous condition and persons may be subject to personal injury (including, without limitation, death) and property damage as a result thereof. The existence of the Forest Staging Area may cause inconvenience and disturbance to the Owners, Lessees, Residents and their families, invitees and licensees, especially those parcels adjoining the Forest Staging Area; however, each Owner, Lessee and Resident has considered the location of the Parcel being purchased, leased or occupied and its proximity to the Forest Staging Area. By acceptance of a deed or by acquiring any interest in any of the Property, each Owner, Lessee and Resident, for himself and his family, invitees and licensees, acknowledges and assumes the risks of the aforesaid nuisance, inconvenience, disturbance and injury to persons. The Declarant, Developer, and Related Parties, the Association, any director, officer, agent or employee of an owner or operator of the Association, individually or collectively, shall not be responsible or accountable for, and shall have no liability (including, without limitation, strict liability) for any claims, causes of action, losses, damages, costs or expenses (including, without limitation, attorneys' fees and court costs) for any nuisance, inconvenience, disturbance, property damage or personal injury (including, without limitation, death) arising from the Forest Staging Area activities involving horses, ATVs or motorcycles, or actions or omissions incidental to Forest Staging Area activities within the Project. Each Owner, Resident and Lessee covenants and agrees for himself, herself or itself, its family members, guests, successors and assigns that he, she or it does knowingly and voluntarily assume all risks associated with the foregoing, including, but not limited, to, the risks of nuisance, inconvenience and disturbance, as well as property damage (including injury from horses or motorized vehicles) and personal liability arising from Forest Staging Area activities or activities involving horses, ATVs or motorcycles or actions or omissions incidental to the use of the Forest Staging Area, and hereby releases the Declarant, Developer, and Related Parties and the Association from any and all claims, actions, suits, demands, causes of action, losses, damages or liabilities (including, without limitation, strict liability) related to or arising in connection with any nuisance, inconvenience, disturbance, injury or damage resulting from activities or occurrences described in this Section 2.9.

2.9 Views Not Guaranteed. Although certain Parcels in the Project currently may have particular views, no express or implied rights or easements exist for views or for the passage of light and air to any Parcel. The Developer, Declarant, nor Association make no representation or warranty whatsoever, express or implied, concerning the view which any Parcel will have whether as of the date this Declaration is Recorded or thereafter. Any view which currently exists for a Parcel may be impaired or obstructed by further construction within or outside the Project, including, without limitation, by construction of Improvements by Developer, construction by third parties and by the natural growth of landscaping and native vegetation. No third party, including, without limitation, any broker or salesperson, has any right to bind Developer or the Association with respect to the preservation of any view from any Parcel or any view of a Parcel from any other property.

ARTICLE 3

USE RESTRICTIONS

3.1 Architectural Control.

3.1.1 No excavation, grading work, or cutting of Developer installed boundary fences shall be performed on any Parcel without the prior written approval of the Design Review Committee.

3.1.2 No Improvement shall be constructed or installed on any Parcel without the prior written approval of the Design Review Committee. No additions, alterations, repairs, changes or other work which in any way alters the exterior appearance, including but without limitation, the exterior color scheme, of any part of a Parcel or any improvements located thereon, from their appearance on the date this Declaration is Recorded shall be made or done without the prior written approval of the Design Review Committee. Any Owner desiring approval of the Design Review Committee for the construction, installation, addition, alteration, repair, change or replacement of any Improvement shall submit to the Design Review Committee a written request for approval specifying in detail the nature and extent of the addition, alteration, repair, change or other work which the Owner desires to perform, including, without limitation, the distance of such work from neighboring properties, if applicable. Any Owner requesting the approval of the Design Review Committee also shall submit to the Design Review Committee any additional information, plans and specifications which the Design Review Committee may request. In the event that the Design Review Committee fails to approve or disapprove an application for approval within sixty (60) days after the application, together with any fee payable pursuant to Subsection 3.1.6 of this Declaration, and all supporting information, plans and specifications requested by the Design Review Committee have been submitted to the Design Review Committee, this Section will be deemed to have been complied with by the Owner who had requested approval of such plans. The approval by the Design Review Committee of any construction, installation, addition, alteration, repair, change or other work shall not be deemed a waiver of the Design Review Committee's right to withhold approval of any similar construction, installation, addition, alteration, repair, change or other work subsequently submitted for approval.

3.1.3 In reviewing plans and specifications for any construction, installation, addition, alteration, repair, change or other work which must be approved by the Design Review Committee, the Design Review Committee, among other things, may consider the quality of workmanship and design, harmony of external design with existing structures and location in relation to surrounding structures, topography and finish grade elevation. The Design Review Committee may disapprove plans and specifications for any construction, installation, addition, alteration, repair, change or other work which must be approved by the Design Review Committee pursuant to this Section 3.1 if the Design Review Committee determines, in its sole and absolute discretion, that: (i) the proposed construction, installation, addition, alteration, repair, change or other work would violate any provision of this Declaration; (ii) the proposed construction, installation, addition, alteration, repair, change or other work does not comply with any Design Guideline; (iii) the proposed construction, installation, addition, alteration, repair, change or other work is not in harmony with existing Improvements in the Project or with Improvements previously approved by the Design Review Committee but not yet constructed; (iv) the proposed construction, installation, addition, alteration, repair, change or other work is not aesthetically acceptable; (v) the proposed construction, installation, addition, alteration, repair, change or other work would be detrimental to or adversely affect the appearance of the Project; or (vi) the proposed construction, installation, addition, alteration, repair, change or other work is otherwise not in accord with the general plan of development for the Project.

3.1.4 Upon receipt of approval from the Design Review Committee for any construction, installation, addition, alteration, repair, change or other work, the Owner who had requested such approval shall proceed to perform, construct or make the addition, alteration, repair, change or other work approved by the Design Review Committee as soon as practicable and shall diligently pursue such work so that it is completed as soon as reasonably practicable and within such time as may be prescribed by the Design Review Committee.

3.1.5 Any change, deletion or addition to the plans and specifications approved by the Design Review Committee must be approved in writing by the Design Review Committee.

3.1.6 The Design Review Committee shall have the right to charge a fee for reviewing requests for approval of any construction, installation, alteration, addition, repair, change or other work pursuant to this Section 3.1, which fee shall be payable at the time the application for approval is submitted to the Design Review Committee.

3.1.7 All Improvements constructed on Parcels shall be of new construction, and no buildings or other structures shall be removed from other locations onto any Parcel.

3.1.8 **Rescinded** ~~The provisions of this Section do not apply to, and approval of the Design Review Committee shall not be required for, the construction, erection, installation, addition, alteration, repair, change or replacement of any Improvements made by, or on behalf of the Developer.~~

3.1.9 The approval required of the Design Review Committee pursuant to this Section 3.1 shall be in addition to, and not in lieu of, any approvals or permits which may be required under any federal, state or local law, statute, ordinance, rule or regulation.

3.1.10 The approval by the Design Review Committee of any construction, installation, addition, alteration, repair, change or other work pursuant to this Section 3.1 shall not be deemed a warranty or representation by the Design Review Committee as to the quality of such construction, installation, addition, alteration, repair, change or other work or that such construction, installation, addition, alteration, repair, change or other work conforms to any applicable building codes or other federal, state or local law, statute, ordinance, rule or regulation.

3.1.11 The Design Review Committee may condition its approval of plans and specifications upon the agreement by the Owner submitting such plans and specifications (~~other than Developer who shall not be subject to the provisions of this Subsection~~) to furnish to the Association a deposit, or a bond or other security acceptable to the Design Review Committee in an amount determined by the Design Review Committee to be reasonably sufficient to: (i) assure the completion of the proposed Improvements or the availability of funds adequate to remedy any nuisance or unsightly conditions occurring as a result of the partial completion of such Improvement, and (ii) to repair any damage which might be caused to any Area of Association Responsibility as a result of such work. Any such deposit or bond shall be released or security shall be refundable to the Owner upon: (a) the completion of the Improvements in accordance with the plans and specifications approved by the Design Review Committee; and (b) the Owner's written request to the Design Review Committee; provided however that if there is damage caused to any Area of Association Responsibility by the Owner or its agents or contractor, the Design Review Committee may retain all or any part of the Compliance Deposit in order to affect the repairs caused by Owner's actions.

3.1.12 If the plans and specifications pertain to an Improvement which is within an Area of Association Responsibility so that the Association is responsible for the maintenance, repair and replacement of such Improvement, the Design Review Committee may condition its approval of the plans and specifications for the proposed construction, installation, addition, alteration, repair, change or other work with respect to the Improvement on the agreement of the Owner to reimburse the Association for the future cost of the repair, maintenance or replacement of such Improvement.

3.1.13 Notwithstanding anything to the contrary contained in this Section 3.1, the Design Review Committee shall be entitled to require Improvements for equestrian and stock facilities which may differ from all other Improvements, as set forth in the Declaration, the Design Guidelines or the Association Rules, including, without limitation, the requirement to build certain structures for the housing and maintenance of horses, the design and placement of storage facilities for hay and feed, and the design and placement of corrals, watering tanks and other horse-related facilities.

3.2 Residential Unit Size and Configuration. Only a Residential Unit not exceeding Eighteen feet (18') in height across two-thirds (2/3's) of the building area and twenty-six feet (26') in height across one third (1/3) of the building area, as measured from the natural grade of the surrounding soil to the top of the house, whichever is higher, may be constructed on each Parcel. No Residential Unit shall be constructed with a livable area of less than 2200 square feet, exclusive of open porches, ramadas, patios, balconies, pergolas, detached garage or attached garage, if any.

3.3 Temporary Occupancy and Temporary Buildings. No trailer, basement of any incomplete building, tent, shack, garage or barn, and no temporary buildings or structures of any kind, shall be used at any time for a residence, either temporary or permanent. No temporary construction buildings or trailers may be installed or kept on any Parcel without the prior written approval of the Design Review Committee. Any such temporary buildings or trailers approved by the Design Review Committee shall be removed immediately after the completion of construction.

3.4 Nuisances; Construction Activities. No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Parcel, and no odors or loud noises shall be permitted to arise or emit therefrom, so as to render any such property or any portion thereof, or activity thereon, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to the occupants of such other property. No other nuisance shall be permitted to exist or operate upon any Parcel so as to be offensive or detrimental to any other property in the vicinity thereof or to its occupants. Normal construction activities and parking in connection with the building of Improvements on a Parcel shall not be considered a nuisance or otherwise prohibited by this Declaration, but Parcels shall be kept in a neat and tidy condition during construction periods, trash and debris shall not be permitted to accumulate, and supplies of brick, block, lumber and other building materials will be piled only within the Approved Area of Disturbance in such areas as may be approved in writing by the Design Review Committee. In addition, any construction equipment and building materials stored or kept on any Parcel during the construction of Improvements may be kept only within the Approved Area of Disturbance in areas approved in writing by the Design Review Committee, which may also require screening of the storage areas. The Design Review Committee in its sole discretion shall have the right to determine the existence of any such nuisance. ~~The provisions of this Section shall not apply to construction activities of the Developer.~~

~~3.5 Antennas. Rescinded Except as may be permitted by applicable Law or under the Design Guidelines, no antenna, aerial, satellite television dish or other device for the transmission or reception of television or radio signals or any other form of electromagnetic radiation proposed to be erected, used or maintained outdoors on any portion of the Project, whether attached to a Residential Unit or structure or otherwise, shall be erected or installed without the prior written consent of the Design Review Committee.~~

3.6 Mineral Exploration. No Parcel shall be used in any manner to explore for or to remove any water, oil or other hydrocarbons, minerals of any kind, gravel, earth or any earth substance of any kind.

3.7 Trash Containers and Collection. No garbage or trash shall be placed or kept on any Parcel, except in covered containers of a type, size and style which are approved by the Design Review Committee. In no event shall such containers be maintained so as to be Visible From Neighboring Property except to make the same available for collection and then only for the shortest time reasonably necessary to effect such collection. All rubbish, trash, or garbage shall be removed from Parcels and other property and shall not be allowed to accumulate thereon. The Board shall have the right to subscribe to a trash service for the use and benefit of the Association and all Owners and Residents, with any costs to be Common Expenses or billed separately to the Owners or Residents, and to adopt and promulgate rules and regulations regarding garbage, trash, trash containers and collection, including, without limitation, the removal horse manure from the Area of Association Responsibilities and Parcels. No outdoor incinerators shall be kept or maintained on any Parcel.

3.8 Clothes Drying Facilities. No outside clothes lines or other outside facilities for drying or airing clothes shall be erected, placed or maintained on any Parcel so as to be Visible From Neighboring Property.

3.9 Utility Service. No lines, wires, or other devices for the communication or transmission of electric current or power, including telephone, television, and radio signals, shall be erected, placed or maintained anywhere in or upon any Parcel unless the same shall be contained in conduits or cables installed and maintained underground or concealed in, under or on buildings or other structures approved by the Design Review Committee. No provision of this Declaration shall be deemed to forbid the erection of temporary power or telephone structures incident to the construction of buildings or structures approved by the Design Review Committee,

3.10 Residential Use. All Parcels shall be used, improved and devoted to residential use. No trade or business may be conducted on any Parcel or in or from any Residential Unit, except that an Owner, Lessee or other Resident of a Residential Unit may conduct a business activity on a Parcel or in or from a Residential Unit so long as: (i) the business activity conforms to all applicable zoning ordinances or requirements for the Project; (ii) the business activity does not involve the door-to-door solicitation of Owners or other Residents in the Project; and (iii) the business activity is consistent with the rural character of the Project and does not constitute a nuisance or a hazardous or offensive use or threaten security or safety of other Residents in the Project, as may be determined from time to time in the sole discretion of the Board. The terms "business" and "trade" as used in this Section shall be construed to have ordinary, generally accepted meanings, and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the Residents of a provider's Residential Unit and for which the provider receives a fee, compensation or other form of consideration, regardless of whether: (i) such activity is engaged in full or part time; (ii) such activity is intended or does generate a profit; or (iii) a license is

required for such activity. Residential use as used herein specifically includes the raising and grazing of livestock such as cattle, horses, and other farm animals, and farming including cultivation of grapes for the production of wine. The leasing of one or more Residential Units by the Owner thereof and the leasing of all or part of a Parcel for grazing of livestock shall not be considered a trade or business within the meaning of this Section.

3.11 Restrictions on Alteration of Stock Tanks. No alteration to an existing stock tank shall be permitted without the prior written approval of the Design Review Committee. There shall be no dumping of any trash or other materials into stock tanks: Stock tanks may be subject to additional Association Rules deemed appropriate by the Board.

3.12 Restrictions on Use of Equestrian Trails. Equestrian trails, if designated or constructed, shall be used only for equestrian and pedestrian purposes. No motorized vehicle of any kind, including, without limitation, dirt bikes, and off-road vehicles (except for wheelchairs or other similar vehicles used by disabled persons) shall be permitted on any equestrian trail.

3.13 Animals. Animals and livestock may be kept on any Parcel subject to any applicable governmental rules and restrictions contained herein or in the Association Rules. All animals, livestock, and pets shall be confined to an Owner's Parcel except that a dog may leave an Owner's Parcel if at all times kept on a leash and a horse may leave a Resident's Parcel if ridden or led by a Resident and reasonably confined to the equestrian trails within the Project. No Pet shall be allowed to make an unreasonable amount of noise or to become a nuisance. Upon the written request of any Owner, Lessee or Resident, the ~~Design Review Committee~~ Board shall conclusively determine, in its sole and absolute discretion, whether, for the purposes of this Section, (a) the number of pets kept on a Parcel constitutes a reasonable number, and (b) a particular pet is a nuisance, including, but not limited to making an unreasonable amount of noise. Any decision rendered by the ~~Design Review Committee~~ Board shall be enforceable in the same manner as other restrictions set forth in this Declaration.

3.14 Machinery and Equipment. Machinery or equipment shall be stored so as not to be Visible From Neighboring Property when not in use, except such machinery or equipment as is usual or customary in connection with the use, maintenance or construction (during the period of construction) of a building, appurtenant structures, or other Improvements, such machinery or equipment which Declarant or the Association may require for the operation and maintenance of the Project, and such machinery or equipment reasonably necessary for the maintenance of equestrian, ranching, including the raising and grazing of livestock, and farming improvements and facilities.

3.15 Signs. No signs whatsoever (including, but not limited to, commercial, political and similar signs) which are Visible From Neighboring Property shall be erected or maintained on any Parcel without the prior written approval of the Design Review Committee except:

3.15.1 Signs required by legal proceedings.

3.15.2 Residence identification signs provided the size, color, content and location of such signs have been approved in writing by the Design Review Committee or are consistent with provisions set forth in the Design Guidelines.

3.15.3 ~~Prior to the Transition Date, Owners are prohibited from placing "For Sale" signs on any Parcel. After the Transition Date, one~~ **One** (1) "For Sale" sign may be placed by a professional residential real estate brokerage company or placed by the Owner of the Parcel, provided that the Design Review Committee shall reserve the right to prescribe within the Design Guidelines the size, materials, color and format of such signs.

3.16 Restriction on Parcel Splits and Subdivision, Property Restrictions and Rezoning. Notwithstanding any less restrictive state or local law or regulation, upon the prior written approval of the Design Review Committee and the Board, a Parcel may be split into up to three smaller parcels, each at least ten (10) acres. One new Parcel may **be** created on or after the first anniversary of the then current Owner's Parcel acquisition date, the second Parcel on or after the second anniversary of the then current Owner's Parcel acquisition date. No less than all of any Parcel shall be conveyed or transferred by any Owner ~~other than the Developer~~, without the prior written approval of the Board. No further covenants, conditions, restrictions or easements shall be Recorded by any Owner, Lessee, or other Person other than the Declarant against any part of the Property without the provisions thereof having been first approved in writing by the Board. No application for rezoning, variances or use permits pertaining to any Parcel shall be filed with any governmental authority by any Person ~~other than the Developer~~ unless the application has been approved by the Board and the proposed use otherwise complies with this Declaration.

3.17 Vehicles and Parking. Use of streets within the Project by ATV's shall be limited to vehicles with 4 stroke engines licensed for operation on public streets and operated by a licensed driver. Except for emergency vehicle repairs, inoperable vehicles shall be stored or parked in an enclosed structure. An enclosed structure specifically includes an equipment or vehicle barn with three walls and a roof. No truck, mobile home, travel trailer, tent trailer, trailer, camper shell, detached camper, recreational vehicle, boat, boat trailer, or other similar equipment or vehicle may be parked, maintained, constructed, reconstructed or repaired on any Parcel or Area of Association Responsibility unless stored in an enclosed structure, except for: (i) the parking of any such vehicle in storage areas owned and operated by the Association, if any; (ii) the temporary parking of a motor home, camper, recreational vehicle or boat and boat trailer on the driveway situated on a Parcel for the purpose of loading, unloading or cleaning such vehicle or equipment; (iii) temporary construction trailers or facilities maintained during, and used exclusively in connection with, the construction of any Improvement approved by the Design Review Committee; (iv) boats, trailers and motor vehicles parked in garages or enclosed structures on Parcels; and (v) equipment and livestock trailers. **Equipment and livestock trailers may not be stored on a Parcel absent a Residential Unit.** Parking on streets or other Areas of Association Responsibility is prohibited except in signed areas as may from time to time be designated by the Association.

3.18 Towing of Vehicles. The Board shall have the right to have any motor vehicle, trailer, camper shell, detached camper, boat, boat trailer, or similar equipment or vehicle which is parked, kept, maintained, constructed, reconstructed or repaired in violation of the Project Documents towed away at the sole cost and expense of the owner of the vehicle or equipment. Any expense incurred by the Association in connection with the towing of any vehicle or equipment shall be paid to the Association upon demand by the owner of the vehicle or equipment. If the vehicle or equipment is owned by an Owner, any amounts payable to the Association shall be secured by the Assessment Lien, and the Association may enforce collection of said amounts in the same manner provided for in this Declaration for the collection of Assessments.

3.19 Drainage. No structure, building, landscaping, fence, wall or other Improvement shall be constructed, installed, placed or maintained in any manner that would obstruct, interfere with or alter the existing natural direction or flow of water as it exits a Parcel. No Person shall alter the grading of a Parcel or alter the natural flow of water over and across a Parcel without the prior written approval of the Design Review Committee and any applicable governmental authority.

3.20 Garages. Garages situated on Parcels shall be used only for the parking of vehicles and shall not be used or converted for living or recreational activities without the prior written approval of the Design Review Committee.

3.21 Rooftop Air Conditioners Prohibited. No air conditioning units or appurtenant equipment shall be mounted, installed or maintained on the roof of any Residential Unit or other building on a Parcel.

~~3.22 Playground Equipment. Rescinded No jungle gyms, swing sets or similar playground equipment which would be Visible From Neighboring Property shall be erected or installed on any Parcel without the prior written approval of the Design Review Committee unless erected or installed in accordance with the provisions of the Design Guidelines.~~

3.23 Water Wells. Water extracted from a well on a Parcel shall solely serve to provide water for and to the Parcel upon which the well is located. Well capacity shall be limited to no more than 35 gallons per minute. The extraction of water for export off the Parcel is strictly prohibited. Each water well shall be constructed on an Owner's Parcel, in accordance with all applicable laws and regulations including those of the Arizona Department of Water Resources and shall be constructed by a qualified contractor.

3.24 Leasing of Residential Units.

3.24.1 Subject to the terms of this Section, an entire Residential Unit may be leased to a Lessee from time to time by an Owner provided that each of the following conditions is satisfied:

(i) The lease or rental agreement must be in writing and shall be for a term not less than one hundred eighty (180) days.

(ii) The lease or rental agreement must contain a provision that the lease or rental agreement is subject to this Declaration and other Project Documents and that any violation of any of the foregoing shall be a default under the lease or rental agreement;

(iii) Before commencement of the lease term or rental agreement, the Owner shall provide the Association with the names of the Lessees and each person who will reside in the Residential Unit and the address and telephone number of the Owner.

3.24.2 Any Owner that leases or rents such Owner's Residential Unit shall keep the Association informed at all times of the Owner's address and telephone number. Any lease or rental agreement shall be subject to the Project Documents, and any breach of the Project Documents shall constitute a default under the lease or rental agreement, regardless of whether it so provides in the lease or rental agreement. If any Lessee breaches any restriction contained in the Project Documents, the Owner, upon demand by the Association, immediately shall take such actions as may be necessary to correct the breach, including, if necessary, eviction of the Lessee. Notwithstanding the foregoing, the Association shall have all rights and remedies provided for under this Declaration and under the Project Documents.

3.25 Leasing of Parcel for Livestock Grazing. Subject to the terms of this Section and other applicable Association rules and regulations, an Owner may lease all or part of a Parcel for the grazing of livestock. If all or part of a Parcel is leased for the grazing of livestock pursuant to this subparagraph, then the provision for the confinement of livestock within the Parcel found in Paragraph 3.13 herein shall not apply.

3.26 Violation of Law or Insurance. No Owner shall permit anything to be done or kept in or upon a Parcel which will result in the cancellation or increase in premium, or reduction in coverage, of insurance maintained by any Owner or the Association or which would be in violation of any law.

3.27 Lights and Noise. No spotlights, flood lights or other high intensity lighting shall be placed or utilized upon any Parcel which in any manner will allow light to be directed or reflected unreasonably upon any other Parcel. No generator, excluding a backup generator used during a power outage, radio, television or other speakers or amplifiers shall be installed or operated on any Parcel so as to be audible from other Parcels or streets.

3.28 Fire/Building Repair. In the event that any Improvement is destroyed or partially destroyed by fire, act of God or as the result of any other act or thing, the damage must be repaired and the Improvement reconstructed or razed within six (6) months after such damage. Notwithstanding the foregoing, if a dangerous condition shall exist because of such damage, it shall immediately be corrected so as to not cause harm to another Person.

Article 3.29 should be amended to move the authority to grant a variance from appointed Committee Members to elected Board Members. Also, the discretion for granting a variance to Article 3 should not be limited to a hardship or an obsolete restriction.

3.29 Variances: Diminution. The ~~Design Review Committee~~ Board may, at its option and in extenuating circumstances, grant variances from the restrictions set forth in Sections 3.1 through 3.27 3.28 if the ~~Design Review Committee~~ determines in its sole discretion that: (i) a restriction would create an unreasonable hardship or burden on an Owner, Lessee or Resident or a change of circumstances since the Recordation of this Declaration has rendered such restriction obsolete and (ii) the activity permitted under the variance will not have any substantial adverse effect on the Owners, Lessees and Residents of the Project and is consistent with the high quality of life intended for Residents of the Project. In considering a request to grant a variance to Sections 3.1 through 3.28, the Board must first solicit and consider a recommendation from the Design Review Committee. Board Members that serve on the Design Review Committee are free to vote for or against a motion to grant a variance. If any restriction set forth in this Article 3 is adjudged or deemed to be invalid or unenforceable as written by reason of any federal, state or local law, ordinance, rule or regulation, then a court or the Board, as applicable, may interpret, construe, rewrite or revise such restriction to the fullest extent allowed by law, so as to make such restriction valid and enforceable. Such modification shall not serve to extinguish any restriction not adjudged or deemed to be unenforceable.

ARTICLE 4

EASEMENTS

4.1 Easement for Use of Areas of Association Responsibility. Every Owner, Lessee and Resident shall have a non-exclusive right and easement to use streets which are be part of the Areas of Association Responsibility for ingress and egress to the Owner's Parcels and the Forest Staging Area which right shall be appurtenant to and shall pass with the title to every Parcel, subject to the following:

(i) The right of the Association to dedicate, convey, transfer or encumber the Areas of Association Responsibility as provided in Section 5.12, of this Declaration.

(ii) The right of the Board to change the use of the Areas of Association Responsibility as provided in Section 5.13.

(iii) The rights and easements granted to the Developer in this Declaration, including, without limitation, the rights and easements granted to the Developer in Sections 4.3 and 4.4 of this Declaration.

(iv) The right of the Association to regulate the use of the Areas of Association Responsibility through the Association Rules and to prohibit access to such portions of those areas, such as landscaped areas; entry gates, livestock access easements and vehicular non-access easements, not intended for use by the Owners, Lessees or Residents.

4.2 Utility Easement. There is hereby created an easement upon, across, over and under the Areas of Association Responsibility for the benefit of the Developer and its contractors and the utility companies providing utility service to the Project for reasonable ingress, egress, installation, replacing, repairing or maintaining of all utilities, including, but not limited to, gas, water, sewer, telephone, cable television and electricity. By virtue of this easement, it shall be expressly permissible for the providing utility company to erect and maintain the necessary equipment on those Areas but no sewers, electrical lines, water lines, or other utility or service lines shall be installed or located on those Areas except as designed, approved and constructed by the Declarant or as otherwise approved by the Board.

4.3 Developer's Use for Sales and Management Purposes. Developer shall have the right and an easement to maintain sales and management offices for the purpose of accommodating persons visiting the Project and to maintain advertising, identification and directional signs on the Areas of Association Responsibility or on the Parcels owned by Developer while the Developer is selling Parcels. Developer reserves the right to place management offices and sales offices on any Parcels owned by Developer and on any portion of the Areas of Association Responsibility as Developer deems appropriate. In the event of any conflict or inconsistency between this Section and any other provision of this Declaration, this Section shall control.

4.4 Developer's Easements. Developer shall have the right and an easement on and over the Areas of Association Responsibility to construct all Improvements that the Developer may deem necessary and to use the Areas of Association Responsibility and any Parcels or other property within the Project owned by Declarant for construction related purposes, including the storage of tools, machinery, equipment, building materials, appliances, supplies and fixtures, and the performance of work respecting the Project. In addition, the Developer shall have the right and an easement on and over those parts of Parcels adjacent to planned streets within the Project as may be required to complete construction of said streets and related Areas of Association Responsibility. The Developer shall have the right and an easement upon, over, and through the Areas of Association Responsibility as may be reasonably necessary for the purpose of discharging its obligations or exercising the rights granted to or

reserved by the Developer by this Declaration, including, without limitation, the reasonable use of any Area of Association Responsibility for marketing purposes.

4.5 Easement in Favor of Association. The Parcels (except for the interior of a Residential Unit or other buildings) are hereby made subject to the following easements in favor of the Association and its directors, officers, agents, employees and independent contractors:

4.5.1 For inspection of the Parcels in order to verify the performance by Owners of all items of maintenance and repair for which they are responsible;

4.5.2 For inspection, maintenance, repair and replacement of the Areas of Association Responsibility accessible only from such Parcels;

4.5.3 For correction of emergency conditions in, under, upon or over one or more Parcels;

4.5.4 For the purpose of enabling the Association, the Board, the Design Review Committee or any other committees appointed by the Board to exercise and discharge their respective rights, powers and duties under the Project Documents;

4.5.5 For inspection of the Parcels in order to verify that the provisions of the Project Documents are being complied with by the Owners, their guests, tenants, invitees and the other occupants of a Parcel.

ARTICLE 5

THE ASSOCIATION; ORGANIZATION; MEMBERSHIP AND VOTING RIGHTS

5.1 Formation of Association. The Association shall be a nonprofit Arizona corporation charged with the duties and invested with the powers prescribed by law and set forth in the Articles, Bylaws, and this Declaration.

5.2 Board of Directors and Officers. The affairs of the Association shall be conducted by the Board and such officers as the Board may elect or appoint in accordance with the Articles and the Bylaws. Until the Transition Date, the directors of the Association shall be appointed by and may be removed by the Developer. After the Transition Date, directors shall be elected by the Members in accordance with the Articles and Bylaws. Unless the Project Documents specifically require the vote or written consent of the Members, approvals or actions to be given or taken by the Association shall be valid if given or taken by the Board. The Board shall have the power to levy reasonable fines against an Owner for a violation of the Project Documents by the Owner, a Lessee of the Owner or by any Resident of the Owner's Parcel, and to impose late charges for payment of such fines if unpaid fifteen (15) or more days after the due date, provided that the late charge shall not exceed the greater of fifteen dollars (\$15.00) or ten percent (10%) of the amount of the unpaid fine, or such greater amount as permitted under applicable law. Notwithstanding the foregoing, to the extent applicable law from time to time (i) provides for any shorter period of time after which fines may or shall become delinquent, such shorter period of time may be set by the Board to apply in lieu of the time period set forth in this Declaration, and (ii) provides for an increased amount to be charged as a late charge for fines, such amount may be modified by the Board to apply in lieu of the late charge set forth in this Declaration.

5.3 The Association Rules. The Board may, from time to time, adopt, amend and repeal rules and regulations pertaining to: (i) the management, operation and use of the Areas of Association Responsibility; (ii) minimum standards for any maintenance of Parcels; (iii) the health, safety or welfare of the Owners, Lessees and Residents, or (iv) restrictions on the use of Parcels. Rules and regulations pertaining to the use of the Parcels may include improvement and maintenance requirements for Parcels with equestrian facilities which may differ from all other Parcels, including, without limitation, rules governing the storage of horse-related equipment, feed and supplies, maintenance of all horse-related facilities and the periodic cleaning of pasture and horse barns. In the event of any conflict or inconsistency between the provisions of this Declaration and the Association Rules, the provisions of this Declaration shall prevail. The Association Rules shall be enforceable in the same manner and to the same extent as the covenants, conditions and restrictions set forth in this Declaration.

5.4 Personal Liability. No member of the Board or of any committee of the Association, no officer of the Association, and no manager or other employee of the Association shall be personally liable to any Member, or to any other Person, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error, or negligence of the Association, the Board, the manager, any representative or employee of the Association, or any committee member or officer of the Association; provided, however, the limitations set forth in this Section shall not apply to any Person who has failed to act in good faith or has engaged in willful or intentional misconduct.

5.5 Implied Rights. The Association may exercise any right or privilege given to the Association expressly by the Project Documents and every other right or privilege reasonably to be implied from the existence of any right or privilege given to the Association by the Project Documents or reasonably necessary to effectuate any such right or privilege.

5.6 Identity of Members. Membership in the Association shall be limited to (i) the Developer and (ii) the Owners of Parcels which are Assessable Property. An Owner of a Parcel which is Assessable Property shall automatically, upon becoming the Owner thereof, be a Member of the Association and shall remain a Member of the Association until such time as his ownership ceases for any reason, at which time his Membership in the Association shall automatically cease. Membership in the Association shall be appurtenant to each Parcel owned by the Developer and each Parcel which is Assessable Property, subject to the provisions of Subsection 5.12 herein, and may not be separately assigned, transferred or conveyed.

5.7 Allocation of Memberships.

5.7.1 Each Member shall have one Membership for each Parcel owned by the Member.

5.7.2 ~~Rescinded~~ In addition to the Memberships allocated to the Developer pursuant to Subsection 5.7 of this Declaration, the Developer shall have three (3) Memberships for each Parcel indicated for residential development on the Master Plan, which Parcel is not yet shown as a Parcel on a Record of Survey.

5.8 Voting. No Members other than the Developer shall have any voting rights until the Transition Date. After the Transition Date, the Association shall have the following two classes of voting Memberships:

Class A. Class A Memberships shall be all Memberships except for the Class B Memberships held by the Developer and each Owner shall be entitled to three votes for each Class A Membership held by such Owner.

Class B. Class B Memberships shall be all Memberships held by the Developer. The Developer shall be entitled to nine (9) votes for each Membership held by the Developer. The Class B Memberships shall expire when the Developer no longer owns any property within the Project.

5.9 Voting Procedures. No change in the ownership of a Parcel shall be effective for voting purposes unless and until the Board is given actual written notice of such change and is provided satisfactory proof thereof. As a condition to approving a proposed Parcel split, the Board will allocate the votes associated with the Parcel among the smaller created Parcels. The vote or votes for each such Parcel must be cast as a unit, and fractional votes shall not be allowed. In the event that a Parcel is owned by more than one Person or entity and such Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Member casts a vote or votes representing a certain Parcel, it will thereafter be conclusively presumed for all purposes that he was acting with the authority and consent of all other Owners of the same Parcel unless objection thereto is made at the time the vote is cast.

5.10 Transfer of Membership. The rights and obligations of any Member other than the Developer shall not be assigned, transferred, pledged, conveyed or alienated in any way except upon transfer of ownership of an Owner's Parcel, and then only to the transferee of ownership to the Parcel. A transfer of ownership to a Parcel may be effected by deed, intestate succession, testamentary disposition, foreclosure of a mortgage of record, or such other legal process as now in effect or as may hereafter be established under or pursuant to the laws of the State of Arizona. Any attempt to make a prohibited transfer shall be void. Any transfer of ownership to a Parcel shall operate to transfer the Membership appurtenant to said Parcel to the new Owner thereof. Each Purchaser of a Parcel shall notify the Association of his purchase within ten (10) days after he becomes the Owner of a Parcel.

5.11 Design Review Committee. The Association shall have ~~an~~ a Design Review Committee to perform the functions of the Design Review Committee set forth in this Declaration. The Design Review Committee shall consist of such number of regular members and alternate members as may be provided for in the Bylaws. So long as the Developer is a Member of the Association, the Developer shall have the sole right to appoint and remove all members of the Design Review Committee. At such time as the Developer no longer is a Member of the Association, the members of the Design Review Committee shall be appointed **and can be removed** by the Board. The Developer may at any time voluntarily surrender its right to appoint and remove the members of the Design Review Committee, and in that event the Developer may require, for so long as the Developer is a Member of the Association, that specified actions of the Design Review Committee, as described in a Recorded instrument, be approved by and executed by the Developer before they become effective. The Design Review Committee may adopt, amend and repeal architectural guidelines, standards and procedures to be used in rendering its decisions by establishing Design Guidelines. The Design Guidelines may include, without limitation, provisions regarding: (i) architectural design, with particular regard to the harmony of the design with the surrounding structures and topography; (ii) placement of Residential Units and other buildings; (iii) landscaping design, content and conformance with the character of the Property and permitted and prohibited plants; (iv) requirements concerning exterior color schemes, exterior finishes and materials; (v) signage; (vi) perimeter and screen wall and fence design and appearance; and (vii) specific Improvement requirements for Parcels with horses, including, without limitation, the requirement to build certain structures for the housing and maintenance of horses, the

design and placement of storage facilities for hay and feed and the design and placement of corrals, watering tanks and other horse-related facilities. The decision of the Design Review Committee shall be final on all matters submitted to it pursuant to this Declaration, subject to the laws of all applicable governmental authorities. The Design Guidelines may contain general provisions which are applicable to all of the Project as well as provisions which vary from one portion of the Project to another depending upon the location, unique characteristics and intended use thereof. The Design Review Committee may establish one or more subcommittees consisting of one or more members of the Design Review Committee and may delegate to such subcommittee or subcommittees the authority and power of the Design Review Committee to approve or disapprove the construction, installation or alteration of Improvements within a specified portion of the Project.

5.12 Conveyance or Encumbrance of Areas of Association Responsibility. Except for dedications to Yavapai County or any other governmental or quasi-governmental authority, and except for conveyances to a trust or private entity for the purpose of nature conservancy and the granting of easements incidental thereto, the Areas of Association Responsibility shall not be mortgaged, transferred, dedicated or encumbered after the Transition Date without the prior written consent or affirmative vote of Owners representing at least two-thirds (2/3) of the votes entitled to be cast by Members of the Association. The Board shall have the right to change the size, shape or location of the Areas of Association Responsibility upon (a) adoption of a resolution by the Board stating that in the Board's opinion the change proposed shall be for the benefit of the Members and Residents and shall not substantially adversely affect them, and (b) the approval of such resolution by Developer as long as the Developer owns any property within the Project.

5.13 Procedure for Change of Use of Areas of Association Responsibility. Upon (a) adoption of a resolution by the Board stating that in the Board's opinion the then present use of a designated part of the Areas of Association Responsibility is no longer in the best interests of the Members and Residents, and (b) the approval of such resolution by Developer as long as the Developer owns any property within the Project, the Board shall have the power and right to change the use of such property (and in connection therewith, construct, reconstruct, alter or change the buildings, structures and Improvements thereon in any manner deemed necessary by the Board to accommodate the new use), provided such new use (i) shall be for the benefit of the Members and Residents, as determined by the Board, and (ii) shall be consistent with any deed restrictions, zoning and other municipal regulations restricting or limiting the use of the land.

5.14 Contracts with Others for Performance of Association's Duties. Subject to the restrictions and limitations contained herein, the Association may enter into contracts and transactions with others, including Developer and its affiliated companies, and such contracts or transactions shall not be invalidated or in any way affected by the fact that one or more directors or officers of the Association or members of any committee are employed by or otherwise connected with Developer or its affiliates, provided that the fact of such interest shall be disclosed or known to the other directors acting upon such contract or transaction, and provided further that the transaction or contract is fair and reasonable. Any such director, officer or committee member may be counted in determining the existence of a quorum at any meeting of the Board or committee of which such person is a member which shall authorize any contract or transaction described above or grant or deny any approval sought by Developer, its affiliated companies or any competitor thereof and may vote at the meeting to authorize any such contract, transaction or approval with like force and effect as if he were not so interested.

5.15 Suspension of Voting Rights. If any Owner fails to pay any Assessments or other amounts due to the Association under the Project Documents within fifteen (15) days after such payment is due or if any Owner violates any other provision of the Project Documents and such violation is not cured within fifteen (15) days after the Association notifies the Owner of the violation, the Board of Directors shall have the right to suspend such Owner's right to vote until such time as all payments, including interest and attorneys' fees, are brought current, and until any other infractions or violations of the Project Documents are corrected.

ARTICLE 6

COVENANT FOR ASSESSMENTS AND CREATION OF LIEN

6.1 Creation of Lien and Personal Obligation of Assessments. Each Owner, by becoming the Owner of a Parcel, is deemed to covenant and agree to pay Assessments to the Association in accordance with this Declaration. All Assessments shall be established and collected as provided in this Declaration. The Assessments, together with interest, late charges and all costs, including but not limited to reasonable attorneys' fees, incurred by the Association in collecting or attempting to collect delinquent Assessments, whether or not suit is filed, shall be a charge on the Parcel and shall be a continuing lien upon the Parcel against which each such Assessment is made. Each Assessment, together with interest and all costs, including but not limited to reasonable attorneys' fees, incurred by the Association in collecting or attempting to collect delinquent Assessments, whether or not suit is filed, shall also be the personal obligation of the Person who was the Owner of the Parcel at the time when the Assessment became due. The personal obligation for delinquent Assessments shall not pass to the successors in title of the Owner unless expressly assumed by them.

6.2 Annual Assessments.

6.2.1 In order to provide for the operation and management of the Association and to provide funds for the Association to pay all Common Expenses and to perform its duties and obligations under the Project Documents, including the establishment of replacement and maintenance reserves, the Board, for each Assessment Period, shall assess against each Parcel which is Assessable Property an Annual Assessment, which shall be allocated to each Parcel in accordance with Section 6.3 below. The total amount to be assessed against the Parcels as an Annual Assessment shall be the amount which is reasonably estimated by the Board to produce income to the Association equal to the total budgeted Common Expenses taking into account other sources of funds available to the Association.

The allocation of votes to increase the Annual Assessment should be based on the number of Assessments paid by each Member, not on the basis of one vote per Member.

6.2.2 The Board shall give notice of the Annual Assessment to each Owner at least thirty (30) days prior to the beginning of each Assessment Period, but the failure to give such notice shall not affect the validity of the Annual Assessment established by the Board nor relieve any Owner from its obligation to pay the Annual Assessment. If the Board determines during any Assessment Period that the funds budgeted for that Assessment Period are or will become inadequate to meet all Common Expenses for any reason, including, without limitation, nonpayment of Assessments by Members, it may increase the Annual Assessment, to the extent permitted by law, for that Assessment Period and the revised Annual Assessment shall commence on the date designated by the Board. Notwithstanding any provision in the Declaration, Bylaws or Association Rules, the Board shall not impose an Annual

Assessment in any Assessment Period in excess of that amount permitted by law; however, to the extent that the law shall permit any increase in the Annual Assessment which requires the approval of the majority of Members, such increase shall be implemented only upon approval of the majority of Members **each Member will be allocated one (1) vote per Assessment.**

6.3 Determination of Annual Assessment. The amount of the Annual Assessment for each Parcel owned by Class A Members shall be the amount obtained by dividing the total budget of the Association for the Assessment Period for which the Annual Assessment is being levied by the total number of Parcels contemplated for the Project by the Master Plan. If the Master Plan is amended during any Assessment Period, then the Annual Assessment levied for such Assessment Period may be adjusted accordingly at the discretion of the Board.

6.4 Obligation of Developer for Deficiencies. **Rescinded** ~~Until the Transition Date, Developer shall pay and contribute to the Association, within thirty (30) days after the end of each fiscal year of the Association, or at such other times as may be requested by the Board, such funds as may be necessary, when added to the Annual Assessments collected by the Association, to pay all Common Expenses of the Association as they become due. After the Transition Date, Developer shall pay an Annual Assessment for each Parcel owned by the Developer in the same amount as the Annual Assessment paid by the Class A Members, whereupon Developer shall no longer be obligated to pay any sums to the Association pursuant to this Section.~~

6.5 Special Assessments. The Association may levy against each Parcel which is Assessable Property a Special Assessment for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of an improvement upon an Area of Association Responsibility, including fixtures and personal property related thereto, provided that any Special Assessment is approved by Class A Members having more than two-thirds (2/3) of the votes entitled to be cast by Class A Members present in person or by proxy at a meeting duly called for such purpose and the consent of the Developer so long as the Developer owns any Parcel or property within the Project. Special Assessments shall be levied at a uniform rate per Membership.

6.6 Assessment Period. The period for which the Annual Assessment and any Special Assessment is to be levied (the "Assessment Period") shall be the calendar year, except that the first Assessment Period, and the obligation of the Owners to pay Assessments, shall commence upon the conveyance of the first Parcel to a Purchaser or a Builder and terminate on December 31 of such year. The Board in its sole discretion from time to time may change the Assessment Period.

6.7 Commencement Date of Assessment Obligation. Each Parcel within the Property described in Exhibit I to this Declaration and each Parcel annexed pursuant to Section 2.3 of this Declaration shall be subject to assessment upon the conveyance of each such Parcel to a Purchaser, except that any Parcel owned by the Developer shall be subject to assessment on the first day following the Transition Date.

The Association does not charge pro-rated Assessments and does not provide pro-rated refunds.

6.8 Rules Regarding Billing and Collection Procedures. Annual Assessments shall be collected on a monthly, quarterly or semiannual basis or such other basis as may be selected by the Board. Special Assessments may be collected as specified by the Board. The Board shall have the right to adopt rules and regulations setting forth procedures for the purpose of making Assessments and for the billing and collection of the Assessments provided that the procedures are not inconsistent with

the provisions of this Declaration. The failure of the Association to send a bill to a Member shall not relieve any Member of his liability for any Assessment or charge under this Declaration, but the Assessment Lien therefor shall not be foreclosed until the Member has been given not less than thirty (30) days written notice prior to such foreclosure that the Assessment or any installation thereof is or will be due and of the amount owing. Such notice may be given at any time prior to or after delinquency of such payment. ~~The Association shall be under no duty to refund any payments received by it even though the ownership of a Parcel changes during an Assessment Period but successor Owners of Parcels shall be given credit for prepayments, on a prorated basis, made by prior Owners.~~ **The Association shall not refund payments during any Assessment Period including any change of an ownership of a Parcel change. Successor Owners will not be required to make a prorated payment for the remaining portion of the then current Assessment Period and will be required to begin payments beginning the following Assessment Period after transfer of the Parcel.**

6.9 Effect of Nonpayment of Assessments; Remedies of the Association.

6.9.1 Any Assessment, or any installment of an Assessment, not paid within fifteen (15) days after the Assessment, or the installment of the Assessment, first became due (or such longer period of time as required by applicable law) shall be deemed delinquent and shall bear interest from the due date on which such Assessment or installment of the Assessment first became delinquent at the rate of eighteen percent (18%) per annum. In addition, the Board may establish a late fee, not to exceed the greater of fifteen dollars (\$15.00) or ten percent (10%) of the amount of the unpaid Assessment or installment thereof (but in no event an amount greater than permitted under applicable law), to be charged to any Owner who has not paid any Assessment, or any installment of an Assessment, within fifteen (15) days after such payment was due. Notwithstanding the foregoing, to the extent applicable law from time to time provides for any shorter period of time after which Assessments or any other amounts payable hereunder may or shall become delinquent, such shorter period of time may be set by the Board to apply in lieu of the time period set forth in this Declaration, and to the extent applicable law from time to time provides for any greater amount of late fee or other amount to be charged to any Owner deemed delinquent in the payment of any Assessment, or any installment of an Assessment, such greater amount may be set by the Board to apply in lieu of the late fee set forth in this Declaration.

6.9.2 To the extent permissible by law, the Association shall have a lien on each Parcel for: (i) all Assessments levied against the Parcel; (ii) all interest, lien fees, late charges and other fees and charges assessed against the Parcel or payable by the Owner of the Parcel; (iii) all monetary penalties levied against the Owner of the Parcel; (iv) all attorneys' fees, court costs, title report fees, costs and fees charged by any collection agency either to the Association or to an Owner and any other fees or costs incurred by the Association in attempting to collect Assessments or other amounts due to the Association by the Owner of a Parcel; (v) any amounts payable to the Association pursuant to Section 7.3 or 7.4 of this Declaration; and (vi) any other amounts payable to the Association pursuant to the Project Documents. The Recording of this Declaration constitutes record notice and perfection of the Assessment Lien. The Association may, at its option, record a Notice of Lien setting forth the name of the delinquent Owner as shown in the records of the Association, the legal description or street address of the Parcel against which the Notice of Lien is Recorded and the amount claimed to be past due as of the date of the Recording of the Notice, including interest, lien recording fees and reasonable attorneys' fees. Before Recording any Notice of Lien against a Parcel, the Association shall make a written demand to the defaulting Owner for payment of the delinquent Assessments and all other amounts due to the Association by such Owner. The demand shall state the date and amount of the delinquency. Each default shall constitute a separate basis for a demand, but any number of defaults may be included within the single demand. If the delinquency is not paid within ten (10) days after delivery of the

demand, the Association may proceed with Recording a Notice of Lien against the Parcel. If the Association records a Notice of Lien, the Association may charge the Owner of the Parcel against which the Notice of Lien is Recorded a lien fee in an amount to be set from time to time by the Board.

6.9.3 Unless otherwise provided under Arizona law, the Assessment Lien shall have priority over all liens or claims except for: (i) liens and encumbrances Recorded before the Recordation of this Declaration; (ii) tax liens for real property taxes; (iii) assessments in favor of any municipal or other governmental body, including, without limitation, any utility improvement district formed to provide utility service to the Project; and (iv) the lien of any First Mortgage on the Parcel. Any First Mortgagee or any other Person acquiring title or coming into possession of a Parcel through foreclosure of the First Mortgage, purchase at a foreclosure sale or trustee sale, or through any equivalent proceedings, such as, but not limited to, the taking of a deed in lieu of foreclosure shall acquire title free and clear of any claims for unpaid Assessments and charges against the Parcel which became payable prior to the acquisition of such Parcel by the First Mortgagee or other Person. Any Assessments and charges against the Parcel which accrue prior to such sale or transfer shall remain the obligation of the defaulting Owner of the Parcel.

6.9.4 The Association shall not be obligated to release the Assessment Lien as to any portion of Assessments past due until all such delinquent Assessments, interest, lien fees, monetary penalties, reasonable attorneys' fees, court costs; title report fees, collection costs and all other sums payable to the Association by the Owner of the Parcel have been paid in full. In no event shall such release of past due Assessments release the lien of this Declaration as to all other Assessments to become due hereunder.

6.9.5 The Association shall have the right, at its option, to enforce collection of any delinquent Assessments together with interest, lien fees, reasonable attorneys' fees and any other sums due to the Association in any manner allowed by law including, but not limited to: (i) bringing an action at law against the Owner personally obligated to pay the delinquent Assessments and such action may be brought without waiving the Assessment Lien securing the delinquent Assessments and (ii) bringing an action to foreclose the Assessment Lien against the Parcel in the manner provided by law for the foreclosure of a realty mortgage. The Association shall have the power to bid at any foreclosure sale and to purchase, acquire, hold, lease, mortgage and convey any and all Parcels purchased at such sale.

6.10 Evidence of Payment of Assessments. Upon receipt of a written request from a lienholder, Member or Person designated by a Member, to the extent required by law, the Association shall issue, or cause to be issued, within the time period required by applicable law, a statement setting forth the amount of any unpaid Assessment or other fee or charge against the Parcel. The Association may impose a reasonable charge for the issuance of such statements, which charge shall be payable at the time the request for any such statement is made. Any such statement, when duly issued as herein provided, shall be conclusive and binding on the Association with respect to any matters therein stated as against any bona fide purchaser of, or lender on, the Parcel in question.

6.11 Purposes for which Association's Funds To Be Used. The Association shall use all funds and property collected and received by it (including the Assessments, fees, loan proceeds, surplus funds and all funds and property received by it from any other source) solely for the purpose of (i) discharging and performing the Association's duties and obligations under the Project Documents; (ii) exercising the rights and powers granted to the Association by the Project Documents, and (iii) the common good and benefit of the Project and the Owners, Lessees and Residents, by devoting said funds and property, among other things, to the acquisition, construction, alteration, maintenance,

provision and operation, by any manner or method whatsoever, of any and all land, properties, improvements, facilities, services, projects, programs, studies and systems, within or without the Project, which may be necessary, desirable or beneficial to the general common interests of the Project, the Owners, Lessees and Residents. Notwithstanding any other provision of this Declaration to the contrary, until the Transition Date, funds of the Association may not be used for the initial construction of improvements on the Areas of Association Responsibility unless approved by Class A Members having more than two-thirds (2/3) of the votes entitled to be cast by Class A Members present in person or by proxy at a meeting duly called for such purpose and the consent of the Developer so long as the Developer owns any Parcel or property within the Project.

6.12 Surplus Funds. The Association shall not be obligated to spend in any year all the Assessments and other sums received by it in such year, and may carry forward as surplus any balances remaining. The Association shall not be obligated to reduce the amount of any Assessment in the succeeding year if a surplus exists from a prior year, and the Association may carry forward from year to year such surplus as the Board in its discretion may determine to be desirable for the greater financial security of the Association and the accomplishment of its purposes.

6.13 Working Capital Fund. ~~Rescinded~~ ~~To ensure that the Association shall have adequate funds to meet its expenses or to purchase necessary equipment or services, each Purchaser of a Parcel from the Developer shall pay to the Association immediately upon becoming the Owner of the Parcel a sum equal to one-sixth (1/6th) of the then current Annual Assessment attributable to the Parcel. Funds paid to the Association pursuant to this Section may be used by the Association for payment of operating expenses or any other purpose permitted under the Project Documents. Payments made pursuant to this Section shall be nonrefundable and shall not be considered as an advance payment of any Assessments levied by the Association pursuant to this Declaration.~~

6.14 Reserve Fund. ~~Rescinded~~ ~~To ensure that the Association shall have adequate funds reserved for repair and replacement of the Improvements within the Areas of Association Responsibility, each Purchaser of a Parcel from the Developer shall pay to the Association immediately upon becoming the Owner of the Parcel a sum equal to one-sixth (1/6th) of the then current Annual Assessment attributable to the Parcel. Until the Transition Date, funds paid to the Association pursuant to this Section shall be deposited into a separate reserve account and may be used by the Association only for the repair and replacement of Improvements within the Areas of Association Responsibility. Payments made pursuant to this Section shall be nonrefundable and shall not be considered as an advance payment of any Assessments levied by the Association pursuant to this Declaration.~~

6.15 Transfer Fee. Immediately upon becoming the Owner of a Parcel, such Owner shall pay to the Association or to its managing agent, if directed to do so by the Board, a transfer fee in such amount as is established from time to time by the Board.

ARTICLE 7

MAINTENANCE

7.1 Areas of Association Responsibility. The Association, or its duly delegated representative, shall manage, maintain, repair and replace the Areas of Association Responsibility, and all Improvements located thereon, except for any part of the Areas of Association Responsibility which any governmental entity is maintaining or is obligated to maintain. The Board shall be the sole judge as

to the appropriate maintenance, repair and replacement of all Areas of Association Responsibility, but all Areas of Association Responsibility, and the Improvements located thereon, shall be maintained in good condition and repair at all times. No Owner, Resident or other Person shall construct or install any Improvements on the Areas of Association Responsibility or alter, modify or remove any Improvements situated on the Areas of Association Responsibility without the prior written approval of the Board. No Owner, Resident or other Person shall remove, add to or modify any plants, trees, or other landscaping Improvements in the part of their Parcel which constitutes an Area of Association Responsibility without the prior written approval of the Board. No Owner, Resident or other Person shall obstruct or interfere with the Association in the performance of the Association's maintenance, repair and replacement of the Areas of Association Responsibility, and the Improvements located thereon. The Association shall be responsible for the control, maintenance and payment of liability insurance on the Areas of Association Responsibility.

7.2 Parcels. Each Owner of a Parcel shall be responsible for maintaining, repairing or replacing his Parcel, and all buildings, Residential Units, landscaping or other Improvements situated thereon, except for any portion of the Parcel which is an Area of Association Responsibility. All buildings, Residential Units, landscaping and other Improvements shall at all times be kept in good condition and repair. All grass, hedges, shrubs, vines and plants ~~of any type~~ **as part of the landscaping plan and** within a Parcel shall be irrigated (to the extent necessary to produce healthy plant material), mowed, trimmed and cut at regular intervals so as to be maintained in a neat and attractive manner. Trees, shrubs, vines, plants and grass within an Area of Disturbance which die shall be promptly removed and replaced with living foliage of like kind, unless different foliage is approved in writing by the Design Review Committee. **Owners of a Parcel may opt to maintain natural landscaping on their Parcel and as such natural landscaping is not required to be irrigated or maintained beyond its natural state.** No yard equipment or storage areas may be maintained so as to be Visible From Neighboring Property or streets.

7.3 Assessment of Certain Costs of Maintenance and Repair. In the event that the need for maintenance or repair of an Area of Association Responsibility, or any Improvement situated thereon, is caused through the willful or negligent act of any Owner, his family, Lessees, guests or invitees, the cost of such maintenance or repairs shall be paid by such Owner to the Association upon demand and payment of such amounts shall be secured by the Assessment Lien.

7.4 Improper Maintenance and Use of Parcels. In the event any portion of any Parcel is so maintained as to present a public or private nuisance, or as to substantially detract from the appearance or quality of the surrounding Parcels or other areas of the Project which are substantially affected thereby or related thereto, or in the event any portion of a Parcel is being used in a manner which violates this Declaration; or in the event the Owner of any Parcel is failing to perform any of his obligations under the Project Documents, the Board may make a finding to such effect, specifying the particular condition or conditions which exist, and pursuant thereto give notice thereof to the offending Owner that unless corrective action is taken within fourteen (14) days, the Board may cause such action to be taken at said Owner's cost. If at the expiration of said fourteen day period of time the requisite corrective action has not been taken, the Board shall be authorized and empowered to cause such action to be taken and the cost thereof shall be paid by such Owner to the Association upon demand and payment of such amounts shall be secured by the Assessment Lien.

7.5 Parcel Fences; Shared Fences.

7.5.1 Each fence to be built on a Parcel shall require the prior written approval of the Design Review Committee.

7.5.2 The Owners of contiguous Parcels who share a fence (shared fence), shall both equally have the right to use such fence provided that such use by one Owner does not interfere with the use and enjoyment of same by the other Owner.

7.5.3 The adjoining Owners shall each have the right to perform any necessary maintenance, repair or replacement of the shared fence and the cost of such maintenance, repair or replacement shall be shared equally by the adjoining Owners except as otherwise provided in this Section.

7.5.4 In the event that any shared fence is damaged or destroyed through the act of an Owner, it shall be the obligation of such Owner to rebuild and repair the shared fence to the same condition as existed prior to such damage or destruction without cost to the other Owner or Owners.

7.5.5 In the event any such shared fence is damaged or destroyed by some cause other than the act of one of the adjoining Owners, his agents, Lessees, licensees, guests or family (including ordinary wear and tear and deterioration from lapse of time), then, in such event, both such adjoining Owners shall proceed forthwith to rebuild or repair the same to the same condition as existed prior to such damage or destruction at their joint and equal expense.

7.6 Maintenance of Perimeter and Areas of Association Responsibility Fences.

7.6.1 In the event a perimeter fence constructed by Declarant unintentionally creates an encroachment upon a Parcel, a valid easement for such encroachment and for the maintenance of the perimeter fence shall and does exist in favor of Declarant.

7.6.2 Parcel perimeter fences located on a Parcel and not adjoining an Area of Association Responsibility, shall be maintained, repaired and replaced by the Owner of the Parcel; however such fences may not be removed without the prior written consent of the Board.

~~7.6.5~~ 7.6.3 Any fence which is placed on the boundary line between a Parcel and an Area of Association Responsibility shall be maintained, repaired and replaced by the Association. In the event any fence constructed by Developer which has been placed on the boundary line between a Parcel and an Area of Association Responsibility unintentionally creates an encroachment upon a Parcel, a valid easement for such encroachment and for the maintenance of the boundary fence shall and does exist in favor of the Association.

7.7 Common Driveways. The topography and configuration of certain Parcels may require that a driveway be shared by adjoining Owners. Except as otherwise may be provided in another Recorded instrument:

7.7.1 Each driveway designated on a Parcel plan approved by the Design Review Committee for use by two Parcels shall constitute a common driveway;

7.7.2 The Owners of contiguous Parcels with a common driveway each shall have the right to use the common driveway; provided, however, that the use by one Owner shall not interfere with the use and enjoyment of the driveway by the other Owner;

7.7.3 The adjoining Owners shall each have the right to perform any necessary maintenance, repair or replacement of the common driveway and the cost of the maintenance, repair or replacement shall be shared equally by the adjoining Owners;

7.7.4 If a common driveway is damaged or destroyed by some cause other than the act of one of the adjoining Owners, his agents, employees or contractors, it shall be the obligation of such Owner to rebuild and repair the common driveway without cost to the other Owner;

7.7.5 If a common driveway is damaged or destroyed by some cause other than the act of one of the adjoining Owners, his agents, Lessees, licensees, guests or family (including ordinary wear and tear and deterioration from lapse of time), then both adjoining Owners, at their joint and equal expense, shall repair or replace the driveway;

7.7.6 The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors in title;

7.7.7 In addition to meeting the other requirements of this Declaration and of any other building code or similar regulations or ordinances, any Owner proposing to modify, make additions to or rebuild a common driveway shall first obtain the written consent of the adjoining Owner. If the affected Owners can not come to agreement as to the nature of or finish materials to be used in repair or replacement of any common driveway, the repair or replacement shall be to the same condition and surface as that originally installed.

7.8 Installation of Landscaping. Within ninety (90) days after the later of (i) the issuance of a certificate of occupancy for a Residential Unit, or (ii) conveyance of a Parcel with a Residential Unit constructed thereon from the developer of the residence, each Owner shall install trees, plants or other landscaping Improvements (together with any sprinkler system or drip irrigation system sufficient to adequately water the trees, plants or other landscaping Improvements) on that part of the Parcel which is located between the paved area of any street(s) adjacent to the Parcel and the exterior walls of the Residential Unit situated on the Parcel, except for (a) any side or back yard of the Parcel which is completely enclosed by a wall or fence and not Visible From Neighboring Property, (b) any portion of such Parcel which is an Area of Association Responsibility. All landscaping installed by an Owner or such Owner's contractors must be approved by the Design Review Committee prior to installation.

ARTICLE 8

INSURANCE

8.1 Scope of Coverage. Commencing not later than the time of the first conveyance of a Parcel to a Purchaser, the Association shall maintain, to the extent reasonably available, the following insurance coverage:

8.1.1 Commercial general liability insurance, including medical payments insurance, in an amount determined by the Board, but not less than \$1,000,000 per occurrence with a \$2,000,000 aggregate. Such insurance shall cover all occurrences commonly insured against for death, bodily

injury and property damage arising out of or in connection with the use, ownership or maintenance of the Areas of Association Responsibility and all other portions of the Project which the Association is obligated to maintain under this Declaration, and shall also include hired automobile and non-owned automobile coverages with cost liability endorsements to cover liabilities of the Owners as a group to an Owner;

8.1.2 If and when applicable, Property insurance on all Areas of Association Responsibility insuring against all risk of direct physical loss, insured against in an amount equal to the maximum insurable replacement value of the Areas of Association Responsibility, as determined by the Board; provided, however, that the total amount of insurance after application of any deductibles shall not be less than one hundred percent (100%) of the current replacement cost of the insured property, exclusive of land, excavations, foundations and other items normally excluded from a property policy.

8.1.3 If applicable, Worker's compensation insurance to the extent necessary to meet the requirements of the laws of Arizona;

8.1.4 Directors' and officers' liability insurance in an amount not less than \$1,000,000.00 covering the directors and officers of the Association against claims arising out of or in connection with the administration of the Association.

8.1.5 Such other insurance as the Association shall determine from time to time to be appropriate to protect the Association or the Owners;

8.1.6 The insurance policies purchased by the Association shall, to the extent reasonably available, contain the following provisions: (i) that there shall be no subrogation with respect to the Association, its agents, servants and employees, with respect to Owners and members of their household; (ii) no act or omission by any Owner, unless acting within the scope of his authority on behalf of the Association, will void the policy or be a condition to recovery on the policy; (iii) that the coverage afforded by such policy shall not be brought into contribution or proration with any insurance which may be purchased by Owners or their mortgagees or beneficiaries under deeds of trust; (iv) a "severability of interest" endorsement which shall preclude the insurer from denying the claim of an Owner because of the negligent acts of the Association or other Owners; (v) statement of the name of the insured as the Association; and (vi) for policies of hazard insurance, a standard mortgagee clause providing that the insurance carrier shall notify the Association and the first mortgagee named in the policy at least ten (10) days in advance of the effective date of any substantial modification, reduction or cancellation of the policy.

8.2 Certificates of Insurance. An insurer that has issued an insurance policy under this Article shall issue a certificate or a memorandum of insurance to the Association and, upon request, to any Owner, mortgagee or beneficiary under a deed of trust. Any insurance obtained pursuant to this Article may not be canceled until thirty (30) days after notice of the proposed cancellation has been mailed to the Association, each Owner and each mortgagee or beneficiary under a deed of trust to whom certificates of insurance have been issued.

8.3 Payment of Premiums. The premiums for any insurance obtained by the Association pursuant to Section 8.1 of this Declaration shall be included in the budget of the Association and shall be paid by the Association.

8.4 Payment of Insurance Proceeds. With respect to any loss to any Area of Association Responsibility covered by property insurance obtained by the Association in accordance with this Article, the loss shall be adjusted with the Association, and the insurance proceeds shall be payable to the Association and not to any mortgagee or beneficiary under a deed of trust. Subject to the provisions of Section 8.5 of this Declaration, the proceeds shall be disbursed for the repair or restoration of the damage to the Area of Association Responsibility.

8.5 Repair and Replacement of Damaged or Destroyed Property. Any portion of the Areas of Association Responsibility which is damaged or destroyed shall be repaired or replaced promptly by the Association unless (i) repair or replacement would be illegal under any state or local health or safety statute or ordinance, or (ii) Owners representing at least eighty percent (80%) of the total authorized votes in the Association vote not to rebuild. The cost of repair or replacement in excess of insurance proceeds and reserves shall be paid by the Association. If all of the Areas of Association Responsibility are not repaired or replaced, insurance proceeds attributable to the damaged Areas of Association Responsibility shall be used to restore the damaged area to a condition which is not in violation of any state or local health or safety statute or ordinance and the remainder of the proceeds shall either (i) be retained by the Association as an additional capital reserve, or (ii) be used for payment of operating expenses of the Association if such action is approved by the affirmative vote or written consent, or any combination thereof, of Members representing more than fifty percent (50%) of the votes in the Association.

ARTICLE 9

GENERAL PROVISIONS

[Article 9 should be reviewed by legal counsel to ensure that the Association is adequately protected.](#)

9.1 Enforcement. The Association or any Owner shall have the right to enforce the Project Documents in any manner provided for in the Project Documents or by law or in equity, including, but not limited to, an action to obtain an injunction to compel removal of any Improvements constructed in violation of this Declaration or to otherwise compel compliance with the Project Documents. The failure of the Association or an Owner to take enforcement action with respect to a violation of the Project Documents shall not constitute or be deemed a waiver of the right of the Association or any Owner to enforce the Project Documents in the future. If any lawsuit is filed by the Association or any Owner to enforce the provisions of the Project Documents or in any other manner arising out of the Project Documents or the operations of the Association, the prevailing party in such action shall be entitled to recover from the other party all attorney fees incurred by the prevailing party in the action. In addition to any other rights or remedies available to the Association pursuant to the Project Documents or at law or in equity, the Board shall have the power to levy reasonable monetary penalties against an Owner for a violation of the Project Documents by the Owner, a Lessee of the Owner or by any Resident of the Owner's Parcel, provided the Owner is given notice and an opportunity to be heard.

9.2 Method of Termination. This Declaration may be terminated at any time if such termination is approved by the affirmative vote or written consent, or any combination thereof, of Owners representing ninety percent (90%) or more of the votes in each class of Membership and, by the holders of First Mortgages on Parcels the Owners of which have seventy-five percent (75%) or more of the votes in the Association. If the necessary votes and consents are obtained, the Board shall cause to be Recorded a Certificate of Termination, duly signed by the President or Vice President

and attested by the Secretary or Assistant Secretary of the Association, with their signatures acknowledged. Thereupon this Declaration shall have no further force and effect, and the Association shall be dissolved pursuant to the terms set forth in its Articles.

9.3 Amendments.

9.3.1 Except for amendments made pursuant to Subsection 9.3.2 or 9.3.4 of this Declaration, the Declaration may only be amended by the written approval or the affirmative vote, or any combination thereof, of Owners representing not less than seventy-five percent (75%) of the total votes in the Association.

9.3.2 The Developer, so long as the Developer owns any Parcel, and thereafter, the Board, may amend this Declaration, without obtaining the approval or consent of any Owner or First Mortgagee, in order to conform this Declaration to the requirements or guidelines of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Veterans Administration or any federal, state or local governmental agency whose approval of the Project or the Project Documents is required by law or requested by the Developer or the Board.

9.3.3 So long as the Developer owns any Parcel or any other property within the Project, any amendment to this Declaration must be approved in writing by the Developer.

9.3.4 The Developer, so long as the Developer owns any Parcel or any other property within the Project, and thereafter, the Board, may amend this Declaration without the consent of any other Member to correct any error or inconsistency in the Declaration.

9.3.5 At any time after the Transition Date, any amendment approved pursuant to Subsection 9.3.1 of this Declaration or by the Board pursuant to Subsection 9.3.2 or 9.3.4 of this Declaration shall be signed by the President or Vice President of the Association and shall be Recorded, and any such amendment shall certify that the amendment has been approved as required by this Section. Any amendment made by the Declarant prior to the Transition Date or pursuant to Subsection 9.3.2 or 9.3.4 of this Declaration shall be signed by the Declarant and Recorded. Unless a later effective date is provided for in the amendment, any amendment to this Declaration shall be effective upon the Recording of the amendment.

9.4 Rights of First Mortgagees. Any First Mortgagee will, upon written request, be entitled to: (i) inspect the books and records of the Association during normal business hours; (ii) receive within ninety (90) days following the end of any fiscal year of the Association, a financial statement of the Association for the immediately preceding fiscal year of the Association, free of charge to the requesting party; and (iii) receive written notice of all meetings of the Members of the Association and be permitted to designate a representative to attend all such meetings.

9.5 Dispute Notification and Resolution Procedure. All actions or claims (i) by the Association against any one or more of the Declarant, Developer, or Related Parties, (ii) by any Owner(s) against any one or more of the Declarant, Developer, or Related Parties, or (iii) by both the Association and any Owner(s) against any one or more of the Declarant, Developer, or Related Parties, relating to or arising out of the Project, including but not limited to, the Declaration or any other Project Documents, the use or condition of the Project or the design or construction of or any condition on or affecting the Project, including, but not limited to, construction defects, surveys, soils conditions,

grading, specifications, installation of Improvements or disputes which allege negligence or other tortious conduct, breach of contract or breach of implied or express warranties as to the condition of the Project or any Improvements (collectively, "Dispute(s)") shall be subject to the provisions of this Section 9.5. Declarant, Developer, or Related Parties and each Owner acknowledge that the provisions set forth in this Section 9.5 shall be binding upon current and future Owners of the Project and upon the Association, whether acting for itself or on behalf of any Owner(s).

9.5.1 Any Person (including the Association) with a Dispute claim shall notify the Developer in writing of the claim, which writing shall describe the nature of the claim and any proposed remedy (the "Claim Notice").

9.5.2 Within a reasonable period after receipt of the Claim Notice, which period shall not exceed sixty (60) days, Developer and the claimant shall meet at a mutually acceptable place within the Project to discuss the claim. At such meeting or at such other mutually agreeable time, the Developer and the Developer's representatives shall have full access to the property that is the subject of the claim and shall have the right to conduct inspections, testing and/or destructive or invasive testing the same in a manner deemed appropriate by Developer (provided Developer shall repair or replace any property damaged or destroyed during such inspection or testing), which rights shall continue until such time as the Dispute is resolved as provided in this Subsection 9.5.2. The parties shall negotiate in good faith in an attempt to resolve the claim. If the Developer elects to take any corrective action, Developer and Developer's representatives and agents shall be provided full access to the Project and the property which is the subject of the claim to take and complete corrective action.

9.5.3 No Additional Obligations; Irrevocability and Waiver of Right. Nothing set forth in Subsection 9.5.2 shall be construed to impose any obligation on Developer to inspect, test, repair or replace any item of the Project for which Developer is not otherwise obligated under applicable law in connection with the sale of the Project and/or the Improvements constructed thereon. The right of Developer to enter, inspect, test, repair and/or replace reserved hereby shall be irrevocable and may not be waived or otherwise terminated except by a writing, in recordable form executed and Recorded by Developer in the Official Records of Yavapai County, Arizona.

9.5.4 Mediation. If the parties to the Dispute cannot resolve the claim pursuant to the procedures described in Subsection 9.5.2 above, the matter shall be submitted to mediation pursuant to the mediation procedures adopted by the American Arbitration Association (except as such procedures are modified by the provisions of this Subsection 9.5.4) or any successor thereto or to any other entity offering mediation services that is acceptable to the parties. No person shall serve as a mediator in any dispute in which the person has any financial or personal interest in the result of the mediation, except by the written consent of all parties. Prior to accepting any appointment, the prospective mediator shall disclose any circumstances likely to create a presumption of bias or to prevent a prompt commencement of the mediation process. No litigation or other action shall be commenced against the Declarant without complying with the procedures described in this Subsection 9.5.4.

(i) Position Memoranda; Pre-Mediation Conference. Within ten (10) days of the selection of the mediator, each party shall submit a brief memorandum setting forth its position with regard to the issues that need to be resolved. The mediator shall have the right to schedule a pre-mediation conference and all parties shall attend unless otherwise agreed. The mediation shall be commenced within ten (10) days following the submittal of the memoranda and shall be concluded within fifteen (15) days from the commencement of the mediation unless the parties mutually agree to extend the mediation period. The mediation shall be held in the county in which the Project is located or such

other place as is mutually acceptable by the parties.

(ii) Conduct of Mediation. The mediator has discretion to conduct the mediation in the manner in which the mediator believes is most appropriate for reaching a settlement of the dispute. The mediator is authorized to conduct joint and separate meetings with the parties and to make oral and written recommendations for settlement. Whenever necessary, the mediator may also obtain expert advice concerning technical aspects of the dispute, provided the parties agree and assume the expenses of obtaining such advice. The mediator does not have the authority to impose a settlement on the parties.

(iii) Exclusion Agreement. Any admissions, offers of compromise or settlement negotiations or communications at the mediation shall be excluded in any subsequent dispute resolution forum.

(iv) Parties Permitted at Sessions. Persons other than the parties, the representatives and the mediator may attend mediation sessions only with the permission of both parties and the consent of the mediator. Confidential information disclosed to a mediator by the parties or by witnesses in the course of the mediator while serving in such capacity shall be confidential. There shall be no stenographic record of the mediation process.

(v) Expenses. The expenses of witnesses for either side shall be paid by the party producing such witnesses. All other expenses of the mediation, including, but not limited to, the fees and costs charged by the mediator and the expenses of any witnesses or the cost of any proof or expert advice produced at the direct request of the mediator, shall be borne equally by the parties unless they agree otherwise. Each party to the mediation shall bear its own attorneys' fees and costs in connection with such mediation.

9.5.5 Arbitration. Should mediation pursuant to Subsection 9.5.4 above not be successful in resolving any Dispute, such claim or dispute shall be resolved by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association as modified or as otherwise provided in this Subsection 9.5.5. The parties shall cooperate in good faith to attempt to cause all necessary and appropriate parties to be included in the arbitration proceeding. Subject to the limitations imposed in this Subsection 9.5.5, the arbitrator shall have the authority to try all issues, whether of fact or law.

(i) Place. The proceeding shall be heard in the county in which the Project is located.

(ii) Arbitration. A single arbitrator shall be selected in accordance with the rules of the American Arbitration Association from panels maintained by the Association with experience in relevant real estate matters or construction. The arbitrator shall not have any relationship to the parties or interest in the Project. The parties to the Dispute shall meet to select the arbitrator within ten (10) days after service of the initial complaint on all defendants named therein.

(iii) Commencement and Timing of Proceeding. The arbitrator shall promptly commence the proceeding at the earliest convenient date in light of all of the facts and circumstances and shall conduct the proceeding without undue delay.

(iv) Pre-hearing Conferences. The arbitrator may require one or more pre-hearing conferences.

(v) Discovery. The parties shall be entitled only to limited discovery, consisting of the exchange between the parties of only the following matters: (a) witness lists; (b) expert witness designations; (c) expert witness reports; (d) exhibits; (e) reports of testing or inspections of the property subject to the Dispute, including but not limited to, destructive or invasive testing; and (f) trial briefs. The parties shall also be entitled to conduct further tests and inspections as provided in Subsection 9.5.2 above. Any other discovery shall be permitted by the arbitrator upon a showing of good cause or based on the mutual agreement of the parties. The arbitrator shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

(vi) Limitation on Remedies/Prohibition on the Award of Punitive Damages. The arbitrator shall not have the power to award punitive or consequential damages. As further provided below, the right to punitive and consequential damages is waived by the parties. The arbitrator shall have the power to grant all other legal and equitable remedies and award compensatory damages in the proceeding.

(vii) Motions. The arbitrator shall have the power to hear and dispose of motions, including motions to dismiss, motions for judgment on the pleadings and summary judgment motions, in the same manner as a trial court judge, except the arbitrator shall also have the power to adjudicate summarily issues of fact or law including the availability of remedies, whether or not the issue adjudicated could dispose of an entire cause of action or defense.

(viii) Arbitration Award. The arbitrator's award may be enforced as provided for in the Uniform Arbitration Act, A.R.S. § 12-1501, et seq., or such similar law governing enforcement of awards in a trial court as is applicable in the jurisdiction in which the arbitration is held.

9.5.6 WAIVERS.

NOTICE: BY ACCEPTANCE OF A DEED OR BY ACQUIRING ANY OWNERSHIP INTEREST IN ANY PORTION OF THE PROJECT, EACH PERSON, FOR HIMSELF, HIS HEIRS, PERSONAL REPRESENTATIVES, SUCCESSORS, TRANSFEREES AND ASSIGNS, AGREES TO HAVE ANY DISPUTE RESOLVED ACCORDING TO THE PROVISIONS OF THIS SECTION 9.5 AND WAIVES THE RIGHT TO PURSUE ANY DISPUTE IN ANY MANNER OTHER THAN AS PROVIDED IN THIS SECTION 9.5. THE ASSOCIATION, EACH OWNER AND DECLARANT ACKNOWLEDGE THAT BY AGREEING TO RESOLVE ALL DISPUTES AS PROVIDED IN THIS SECTION 9.5, THEY ARE GIVING UP THEIR RESPECTIVE RIGHTS TO HAVE SUCH DISPUTES TRIED BEFORE A JURY. THE ASSOCIATION, EACH OWNER AND DEVELOPER AND DECLARANT FURTHER WAIVE THEIR RESPECTIVE RIGHTS TO AN AWARD OF PUNITIVE AND CONSEQUENTIAL DAMAGES RELATING TO A DISPUTE. BY ACCEPTANCE OF A DEED OR BY ACQUIRING ANY OWNERSHIP INTEREST IN ANY PORTION OF THE PROJECT, EACH OWNER HAS VOLUNTARILY ACKNOWLEDGED THAT HE IS GIVING UP ANY RIGHTS HE MAY POSSESS TO PUNITIVE AND CONSEQUENTIAL DAMAGES OR THE RIGHT TO A TRIAL BEFORE A JURY RELATING TO A DISPUTE.

9.5.7 Statutes of Limitation. Nothing in this Section 9.5 shall be considered to toll, stay, reduce or extend any applicable statute of limitations.

9.5.8 Required Consent of Developer to Modify. Neither this Section 9 nor Section 9.6 below may be amended except in accordance with Subsection 9.3.1 of this Declaration and with the express written consent of the Declarant and Developer.

9.6 Required Consent of Owners for Legal Action. Notwithstanding anything to the contrary contained in this Declaration, any action or claim instituted by the Association against any one or more of the Declarant, Developer or Related Parties, relating to or arising out of the Project, the Declaration or any other Project Documents, the use or condition of the Project or the design or construction of or any condition on or affecting the Project, including, but not limited to, construction defects, surveys, soils conditions, grading, specifications, installation of Improvements (including, but not limited to, roads) or disputes which allege negligence or other tortious conduct, breach of contract or breach of implied or express warranties as to the condition of the Project or any Improvements, shall have first been approved by Owners representing seventy-five percent, (75%) of the votes in the Association who are voting in person or by proxy at a meeting duly called for such purpose.

9.6.1 Notice of Owners.

(i) Prior to obtaining the consent of the Owners in accordance with Section 9.6, the Association must provide written notice to all Owners which notice shall (at a minimum) include (1) a description of the nature of any action or claim (the "Claim"), (2) a description of the attempts of Developer to correct such Claim and the opportunities provided to Developer to correct such Claim, (3) a certification from an engineer licensed in the State of Arizona that such Claim is valid along with a description of the scope of work necessary to cure such Claim and a resume of such engineer, (4) the estimated cost to repair such Claim, (5) the name and professional background of the attorney proposed to be retained by the Association to pursue the Claim against Developer and a description of the relationship between such attorney and member(s) of the Board of Directors (if any), (6) a description of the fee arrangement between such attorney and the Association, (7) the estimated attorneys' fees and expert fees and costs necessary to pursue the Claim against Developer and the source of the funds which will be used to pay such fees and expenses, (8) the estimated time necessary to conclude the action against Developer, and (9) an affirmative statement from the Board that the action is in the best interest of the Association and its Members.

(ii) In the event the Association recovers any funds from Developer (or any other person or entity) to repair a Claim, any excess funds remaining after repair of such Claim shall be paid into the Association's reserve fund.

9.6.2 Notification to Prospective Purchasers. In the event that the Association commences any action or claim, all Owners must notify prospective purchasers of any Parcel of such action or claim and must provide such prospective purchasers with a copy of the notice received from the Association in accordance with Subsection 9.6. 1.

9.7 Interpretation. Except for judicial construction, the Association shall have the exclusive right to construe and interpret the provisions of this Declaration. In the absence of any adjudication to the contrary by a court of competent jurisdiction, the Association's construction or interpretation of the provisions hereof shall be final, conclusive and binding as to all Persons and property benefited or bound by this Declaration. In the ~~eve~~ **event** of any conflict between this Declaration and the Articles, Bylaws, Association Rules or Design Guidelines, this Declaration shall control. In the event of any conflict between the Articles and the Bylaws, the Articles shall control. In the event of any conflict between the Bylaws and the Association Rules or Design Guidelines, the Bylaws shall control.

9.8 Severability. Any determination by any court of competent jurisdiction that any provision of this Declaration is invalid or unenforceable shall not affect the validity or enforceability of any of the other provisions hereof.

9.9 Rule Against Perpetuities. If any interest purported to be created by this Declaration is challenged under the rule against perpetuities or any related rule, the interest shall be construed as becoming void and of no effect as of the end of the applicable period of perpetuities computed from the date when the period of perpetuities starts to run on the challenged interest; the "lives in being" for computing the period of perpetuities shall be (i) those which would be used in determining the validity of the challenged interest, plus (ii) those of the issue of the Board who are living at the time the period of perpetuities starts to run on the challenged interest.

9.10 Change of Circumstances. Except as otherwise expressly provided in this Declaration, no change of conditions or circumstances shall operate to extinguish, terminate or modify any of the provisions of this Declaration.

9.11 Notice of Violation. The Association shall have the right to record against a Parcel a written notice of a violation with respect to any violation of the Project Documents by the Owner, Lessee or Resident of the Parcel. The notice shall be executed by an officer of the Association and shall contain substantially the following information: (i) the name of the Owner, Lessee or Resident violating, or responsible for the violation of the Project Documents; (ii) the legal description of the Parcel against which the notice is being Recorded; (iii) a brief description of the nature of the violation; (iv) a statement that the notice is being Recorded by the Association pursuant to this Declaration; and (v) a statement of the specific steps which must be taken by the Owner, Lessee or Resident to cure the violation. Recordation of a notice of violation shall serve as notice to the Owner, Lessee and Resident, and any subsequent purchaser of the Parcel, that there is such a violation. If, after the recordation of such notice, it is determined by the Association that the violation referred to in the notice does not exist or that the violation referred to in the notice has been cured, the Association shall Record a notice of compliance with which shall state the legal description of the Parcel against which the notice of violation was Recorded; and the recording data of the notice of violation, and shall state that the violation referred to in the notice of violation has been cured or that the violation did not exist. Failure by the Association to Record a notice of violation shall not constitute a waiver of any such violation, constitute any evidence that no violation exists with respect to a particular Parcel or constitute a waiver of any right of the Association to enforce the Project Documents.

9.12 Laws, Ordinances and Regulations.

9.12.1 The covenants, conditions and restrictions set forth in this Declaration and the provisions requiring Owners and other Persons to obtain the approval of the Board or the Design Review Committee with respect to certain actions are independent of the obligation of the Owners and other Persons to comply with all applicable laws, ordinance and regulations, and compliance with this Declaration shall not relieve an Owner or any other Person from the obligation to also comply with all applicable laws, ordinances and regulations.

9.12.2 Any violation of any state, municipal, or local law, ordinance or regulation pertaining to the ownership, occupation or use of any property within the **Property Project** is hereby declared to be a violation of this Declaration and subject to any or all of the enforcement procedures set forth herein.

9.13 References to this Declaration in Deeds. Deeds to and instruments affecting any Parcel or any other part of the Project may contain the covenants, conditions and restrictions herein set forth by reference to this Declaration; but regardless of whether any such reference is made in any Deed or instrument, each and all of the provisions of this Declaration shall be binding upon the grantee, Owner or other Person claiming through any instrument and his heirs, executors, administrators, successors and assignees.

9.14 Gender and Number. Wherever the context of this Declaration so requires, words used in the masculine gender shall include the feminine and neuter genders; words used in the neuter gender shall include the masculine and feminine genders; words in the singular shall include the plural; and words in the plural shall include the singular.

9.15 Captions and Titles. All captions, titles or headings of the Articles and Sections in this Declaration are for the purpose of reference and convenience only and are not to be deemed to limit, modify or otherwise affect any of the provisions hereof or to be used in determining the intent of context thereof.

9.16 No Absolute Liability. No provision of the Project Documents shall be interpreted or construed as imposing on Owners absolute liability for damage to the Area of Association Responsibility. Owners shall only be responsible for damage to the Area of Association Responsibility caused by the Owners' negligence or intentional acts.

9.17 Limitation on Declarant's Liability. Notwithstanding anything to the contrary in this Declaration, each Owner, by accepting any interest in any portion of the Property and becoming an Owner, acknowledges and agrees that neither Declarant, Developer, or Related Parties (including, without limitation, any assignee of the interest of Developer hereunder) nor any affiliate, partner, officer, director or shareholder of Declarant, Developer, or Related Parties (or any partner of shareholder in any such assignee) shall have any personal liability to the Association, or any Owner, Member or any other Person, arising under, in connection with, or resulting from (including, without limitation, resulting from action or failure to act with respect to) this Declaration or the Association except, in the case of Developer (or its assignee), to the extent of its interest in the Property and, in the event of a judgment, no execution or other action shall be sought or brought thereon against any other assets or be a lien upon such other assets of the judgment debtor.