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CHEVELON DEVELOPMENT, L.L.C.
c/o Harvard Investments, Inc.
2425 E. Camelback Road
Suite 900
Phoenix, Arizona 85016

THIS IS TO CERTIFY THAT THIS IS A TRUE AND CORRECT COPY
of the CCRS dated 9-9-98 at 2146
the 834 of the Records of Conveyances
of the County of Maricopa, Arizona
by Herdie Jones

DECLARATION OF
COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS
FOR
PINE CANYON

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TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
RECITALS	1
ARTICLE 1 DEFINITIONS	2
1.1a "Annexable Property"	3
1.1 "Annual Assessments"	3
1.2 "Architectural Review Committee"	3
1.3 "Articles"	3
1.4 "Assessments"	3
1.5 "Association"	3
1.6 "Association Land"	3
1.7 "Board"	3
1.8 "Bylaws"	3
1.9 "Common Area" or "Common Areas"	3
1.10 "Common Expenses"	3
1.11 "Common Roads"	4
1.12 "County"	4
1.13 "Declarant"	4
1.14 "Declaration"	4
1.15 "Development Standards"	4
1.16 "Dwelling Unit"	4
1.17 "Lot"	4
1.18 "Maximum Annual Assessment"	5
1.19 "Member"	5
1.20 "Mortgage"	5
1.21 "Occupant"	5
1.22 "Owner"	5
1.23 "Parcel"	5
1.24 "Person"	5
1.25 "Plat"	6
1.26 "Project"	6
1.27 "Property"	6
1.28 "Record" or "Recording" or "Recorded"	6
1.29 "Rules"	6
1.30 "Special Assessments"	6
1.31 "Transition Date"	6
1.32 "Utility Company"	6

TABLE OF CONTENTS
(Continued)

<u>Section</u>	<u>Page</u>
ARTICLE 2 PROPERTY SUBJECT TO DECLARATION; RIGHTS OF ENJOYMENT	6
2.1 General Declaration	6
2.2 Owners' Right of Enjoyment	7
2.3 Waiver of Use	7
ARTICLE 3 EASEMENTS	8
3.1 Easements of Enjoyment	8
3.2 Delegation of Use	8
3.3 Blanket Utility Easements	9
3.4 Common Road Easement	9
3.5 Drainage Easement	10
3.6 Special Access Easement	10
3.7 Easement for Gate or Other Controlled Access	10
3.8 Trail Easement	10
3.9 Covenants Running with the Land	10
ARTICLE 4 ASSOCIATION MEMBERSHIP AND VOTING RIGHTS . . .	11
4.1 Votes of Owners of Lots	11
4.2 Right to Vote	12
4.3 Members' Rights	12
4.4 Transfer of Membership	12
ARTICLE 5 ASSOCIATION RIGHTS AND OBLIGATIONS . . .	12
5.1 Common Areas	12
5.2 Personal Property and Real Property for Common Use	13
5.3 Rules, Regulations and Sanctions	13
5.4 Availability of Books, Records and Other Documents	14
5.5 Unaudited Financial Statement	14
5.6 Implied Rights	14

TABLE OF CONTENTS
(Continued)

<u>Section</u>	<u>Page</u>
ARTICLE 6 INSURANCE AND CASUALTIES	14
6.1 Association's Responsibility	14
6.1.1 Hazard Insurance	14
6.1.2 Liability Insurance	16
6.1.3 General Provisions Governing Insurance	16
6.1.4 Fidelity Bonds	17
6.1.5 Workers' Compensation Insurance	18
6.1.6 Cost of Insurance	18
6.1.7 Subsequent Changes in Insurance Requirements	18
6.2 Owner's Responsibility	19
6.3 Casualty Losses	19
6.3.1 Damage and Destruction	19
6.3.2 Excess or Deficiency of Proceeds	20
6.3.3 Repair or Reconstruction of Dwelling Units or Other Structures	20
ARTICLE 7 MAINTENANCE, REPAIRS AND REPLACEMENTS	21
7.1 Association's General Responsibilities	21
7.2 Maintenance of Owner's Structures	21
7.3 No Discrimination	22
ARTICLE 8 ASSESSMENTS	22
8.1 Creation of Assessment Right	22
8.2 Covenants with Respect to Assessments	22
8.3 Lien for Assessments; Foreclosure	23
8.4 Dates Assessments Commence	23
8.5 Computation of Assessments; Annual Budget	24
8.6 Due Dates	25
8.7 Maximum Annual Assessment	25
8.8 Notice and Quorum for Meetings to Consider Special Assessments and Certain Increases in Annual Assessments	26
8.9 Special Assessments	26
8.10 Rate of Assessment	27
8.11 Certificates	27
8.12 Surplus Monies	27
8.13 Remedial Assessments	28

TABLE OF CONTENTS
(Continued)

<u>Section</u>	<u>Page</u>
8.14 Working Capital Fund	28
8.15 Declarant's Obligation for Assessments	28
 ARTICLE 9 ARCHITECTURAL AND LANDSCAPE CONTROL	 29
9.1 Appointment of Architectural Review Committee	29
9.2 Development Standards	29
9.3 General Provisions	30
9.4 Approval and Conformity of Plans	31
9.5 Non-Liability for Approval of Plans	31
9.6 Inspection and Recording of Approval	32
9.7 Landscaping	32
9.8 Additional Powers of the Committee	32
9.9 Homestead Waiver	32
 ARTICLE 10 LAND USE AND OCCUPANCY RESTRICTIONS	 33
10.1 Residential Use	33
10.2 Violation of Law or Insurance	34
10.3 Fencing	34
10.4 Signs	34
10.5 Tanks	34
10.6 Animals	34
10.7 Nuisances	35
10.8 Boats, Trailers and Motor Vehicles	35
10.9 Temporary Occupancy	35
10.10 Reflective Materials; Solar Devices	35
10.11 Fires	35
10.12 Power Tools and Other Equipment	36
10.13 Lights	36
10.14 Antennas	36
10.15 Garbage	36
10.16 Mining	36
10.17 Safe Condition	36
10.18 Sewage Systems	36
10.19 Clothes Drying Area	37
10.20 No Further Subdivision; Compounds	37
10.21 No Obstructions to Drainage	37
10.22 Rental of Lots	37
10.23 Camping	37
10.24 Perimeter Walls or Fences	38
10.24 Enforcement	38

TABLE OF CONTENTS
(Continued)

<u>Section</u>	<u>Page</u>
10.25 Modification	38
10.26 Declarant's Exemption	38
 ARTICLE 11 RIGHTS OF FIRST MORTGAGEES	 38
11.1 General Provisions	38
11.2 Liability for Charges	38
11.3 No Personal Liability	39
11.4 Enforcement After Foreclosure Sale	39
11.5 Subject to Declaration	39
 ARTICLE 12 EXEMPTION OF DECLARANT FROM RESTRICTIONS.	 39
 ARTICLE 13 REMEDIES	 40
13.1 General Remedies	40
13.2 Expenses of Enforcement	40
13.3 Legal Action	41
13.4 Effect on Mortgage	41
13.5 Limitation on Declarant's Liability	41
13.6 Indemnification	41
13.7 Restriction on Liability of the Association and Declarant	 42
 ARTICLE 14 AMENDMENT	 43
14.1 Amendment to Declaration	43
14.2 Effect of Amendment	43
14.3 Amendment of Plat	43
14.4 Required Approvals	43
14.5 Declarant's Right to Amend	44
14.6 Right of Amendment if Requested by Governmental Agency or Federally Chartered Lending Institute	 44
 ARTICLE 15 GENERAL PROVISIONS	 44
15.1 Enforcement	44
15.2 Notices	45
15.3 Captions and Exhibits; Construction	45

TABLE OF CONTENTS
(Continued)

<u>Section</u>	<u>Page</u>
15.4 Severability	45
15.5 Rule Against Perpetuities	46
15.6 Mortgage of Lots	46
ARTICLE 16 RIGHTS AND OBLIGATIONS	46
ARTICLE 17 ANNEXATION	46
17.1 Requirements and Procedure for Annexation . .	46
17.2 Maximum Area of the Properties	47
17.3 Commencement of Assessments for Annexed Annexable Property; Voting Rights	47

DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS
FOR
PINE CANYON

THIS DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS (this "Declaration") is made and executed as of September 3 1998, by Chevelon Development, L.L.C., an Arizona limited liability company ("Declarant"), whose address is c/o Harvard Investments, Inc., 2425 East Camelback Road, Suite 900, Phoenix, Arizona 85016.

RECITALS:

A. Declarant is the current record owner of the parcel of real property located in Coconino County, Arizona, more fully described on Exhibit "A" attached hereto and incorporated herein by this reference (the "Parcel").

B. Declarant has the power to submit and subject the Parcel, together with all buildings, improvements and other permanent fixtures of whatever kind now or hereafter located thereon, and all easements, rights, appurtenances and privileges now or hereafter belonging or in any way pertaining thereto (all of which comprise a part of the "Property" as hereinafter defined), to the covenants, conditions, restrictions, liens, easements, privileges and rights contained herein.

C. This Declaration has been submitted by Declarant with the intent that the Property be developed, in stages, and maintained in accordance with a general scheme of development into a residential community known or to be known as "Pine Canyon " (the "Project").

D. This Declaration is intended to establish covenants, conditions, restrictions and easements upon 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 Project.

E. Under this Declaration, it is intended that the owners, mortgagees, beneficiaries and trustees under trust deeds, occupants, and all other persons hereinafter 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, easements, privileges and rights hereinafter set forth, all of which are declared to be in furtherance of a common plan to promote and protect the Project and the Property.

F. As part of the various stages of development of the Project, Declarant intends without obligation to record various subdivision plats; to dedicate portions of the project to the public for streets, roadways, drainage, flood control, and general public use; and to record various Tract Declarations covering portions of the Project, which Tract Declarations will designate the purposes for which such portions of the Project may be used and may set forth additional covenants, conditions, restrictions, easements, assessments, charges, servitudes, liens, and reservations.

G. Declarant desires to form a non-profit corporation for the social and recreational purposes of benefitting the Project, the Owners and Residents (as said terms are defined hereinbelow), which non-profit corporation will (1) acquire, construct, operate, manage and maintain a variety of Common Areas upon the Project; (2) establish, levy, collect and disburse the Assessments and other charges imposed hereunder; and (3) as the agent and representative of the Members of the Association and Residents of the Project, administer and enforce all provisions hereof and enforce use and other restrictions imposed on various parts of the Project.

THEREFORE, Declarant, for the purposes above set forth, declares that the Property shall hereafter be held, transferred, sold, conveyed, leased, occupied and used subject to the covenants conditions, restrictions, liens, 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 (as hereinafter defined).

ARTICLE 1 DEFINITIONS

Unless the context clearly requires otherwise, the following terms used in this Declaration are defined as follows. Defined terms appear throughout this Declaration with the initial letter of such term capitalized.

1.1a "Annexable Property" means that certain land depicted in Exhibit "C" attached hereto and which land will not be made a part hereof until it is annexed pursuant to a written instrument of annexation and is recorded. All or part of the Annexable Property may be added to the Project in one or more additional phases by Tract Declaration pursuant to the provisions of Article 17.

1.1 "Annual Assessments" means the assessments designated as such in this Declaration and computed and levied as provided in Article 8 of this Declaration.

1.2 "Architectural Review Committee" means the committee provided for in Article 9 of this Declaration.

1.3 "Articles" means the Articles of Incorporation of the Association together with any amendments thereto.

1.4 "Assessments" means the Annual Assessments, and any Special Assessments.

1.5 "Association" means and refers to the Arizona non-profit corporation to be organized by Declarant to administer and enforce the Declaration and to exercise the rights, powers and duties set forth in this Declaration, its successors and assigns. Declarant hereby reserves the exclusive right to cause such Association to be incorporated and intends to name the Association the Pine Canyon Homeowners' Association, and hereby reserves the right to use any similar name if, for any legal or other reason, the name cannot be used.

1.6 "Association Land" means all land, together with all improvements situated thereon, which the Association at any time owns in fee or in which the Association has a leasehold interest, easement or license for as long as the Association is the owner of the fee or holds such leasehold interest, easement or license.

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

1.8 "Bylaws" means the Bylaws of the Association, together with any amendments thereto.

1.9 "Common Area" or "Common Areas" means all Association Land and any other real Property or interests therein (including, but not limited to, easement interests), any improvements, equipment, fixtures, appurtenances and apparatus from time to time located thereon or used in connection therewith, whether designated as Common Area or Tracts on the Plat or otherwise specified herein as Common Area or Tracts, and held, operated or maintained (whether owned in fee or held pursuant to an easement) by the Association for the common use and enjoyment of the Owners, including but not limited to the Common Roads.

1.10 "Common Expenses" means the actual and estimated expenses of operating the Association and the Common Areas and performing any of the Association's other obligations set forth herein, including but not limited to any reasonable reserves, all

as may be found to be necessary and appropriate by the Board pursuant to this Declaration and the Articles and the Bylaws.

1.11 "Common Roads" means the roadway and public utility easements for all roads as shown on the Plat, which are reserved in favor of Declarant and hereby assigned to the Association for the common use and benefit of all Lots, but which shall not be expressly dedicated to public use.

1.12 "County" means Coconino County, a political subdivision of the State of Arizona.

1.13 "Declarant" means Chevelon Development, L.L.C., an Arizona limited liability company, or any successor, successor-in-title, or assignee of Chevelon Development, L.L.C. who has or takes title to the Parcel or any portion thereof for the purpose of development and/or sale in the ordinary course of business and who is designated as Declarant in a recorded assignment instrument executed by the immediately preceding Declarant.

1.14 "Declaration" means this instrument and all covenants, conditions, restrictions, liens, easements, privileges and rights contained herein, as from time to time amended.

1.15 "Developer" means a person or entity who is engaged in residential real estate development and who purchases one or more Lots or Parcels from Declarant for the purpose of constructing Improvements thereon for sale or lease and who is designated as a Developer in a recorded instrument executed by the Declarant.

1.16 "Development Standards" means the rules, regulations, restrictions, architectural standards, design guidelines and development and landscaping standards from time to time adopted by the Architectural Review Committee pursuant to Section 9.2.

1.17 "Dwelling Unit" means any improvements placed within the confines of any Lot and designed and intended for human residence, including any attached garage for motor vehicles, but excluding stables, barns, and detached storage sheds or buildings.

1.18 "Improvement" means buildings, roads, driveways, levees, dams, channels, basins, parking areas, fences, walls, rocks, hedges, plantings, planted trees and shrubs and all other structures or landscaping Improvements of every type and kind.

1.19 "Lot" means any of the subdivided lots, as shown on the Plat. A "Lot" includes the land and any residential dwelling unit, garage, structure or other improvement constructed or to be constructed thereon.

1.20 "Maximum Annual Assessment" means the amount determined for each fiscal year of the Association in accordance with Section 8.7 of this Declaration.

1.21 "Member" means any Person entitled to membership in the Association, as provided in this Declaration and the Articles.

1.22 "Mortgage" means any Recorded instrument given as security for the performance of an obligation, including without limitation a mortgage, a deed of trust or a Recorded agreement of sale or contract for the sale of real property under the terms of which the purchaser is entitled to possession of a Lot, but shall not include any instrument creating or evidencing solely a security interest arising under the Uniform Commercial Code. "Mortgagee" means the mortgagee under a Mortgage, including the trustee and beneficiary under any deed of trust, or the vendor under a recorded agreement of sale or contract for the sale of real property. "Mortgagor" means the mortgagor executing a mortgage, the trustor under a deed of trust, the maker of any similar instrument constituting a Mortgage, or the purchaser entitled to possession under a recorded agreement of sale or contract for the sale of real property. "First Mortgage" means a Recorded Mortgage which is the first and most senior of all Recorded Mortgages upon the same property. "First Mortgagee" means the holder of a First Mortgage.

1.23 "Occupant" means any Person, other than an Owner, in rightful possession of a Lot, whether as a guest, tenant or otherwise.

1.24 "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 title (except as otherwise provided herein), whether or not subject to any Mortgage, to any Lot which is a part of the Property as evidenced by a Recorded instrument, but excluding those having such interest merely as security for the performance of an obligation. A contract purchaser under a Recorded agreement of sale or contract for the sale of real property wherein legal title to the property remains in the vendor shall be deemed to be an Owner and the vendor thereunder shall be deemed to be a Mortgagee. If title to a Lot is vested of Record in a trustee under a deed of trust pursuant to Arizona Revised Statutes, Section 33-801 et seq., then, for purposes hereof, such title shall be deemed to be in the trustor, who shall be deemed to be an Owner.

1.25 "Parcel" means that parcel of real property referred to in the Recitals hereof and described on Exhibit "A" hereto.

1.26 "Person" means any natural person, corporation, partnership, joint venture, limited liability company, organization, association, trustee, governmental or political unit

or agency, or other legal or commercial entity, and that Person's respective heirs, successor and assigns.

1.27 "Plat" means the plat(s) of subdivision of any Parcel recorded in the official records of the County, which Parcel is made a part of the Project pursuant to a Tract Declaration.

1.28 "Project" means the master-planned development of the Property, as described in the Recitals hereof, known or to be known as "Pine Canyon".

1.29 "Property" means the Parcel, together with all buildings, improvements and other permanent fixtures of whatever kind now or hereafter located thereon, and all easements, rights, appurtenances and privileges now or hereafter belonging or in any way pertaining thereto.

1.30 "Record" or "Recording" or "Recorded" means an instrument of record in, or the act of recording an instrument with, the office of the County Recorder for Coconino County, Arizona.

1.31 "Rules" mean any and all rules or regulations adopted by the Board pursuant to this Declaration or the Bylaws.

1.32 "Special Assessments" means the assessments designated as such in this Declaration and computed and levied as provided in Section 8.9 of this Declaration.

1.33 "Transition Date" means the later of the following dates: (a) one hundred twenty (120) days after the date when the total votes outstanding in the Class A Memberships equal the total votes in the Class B Memberships; (b) seven (7) years from the date of the recording of this Declaration; or (c) when the Declarant notifies the Association in writing that it relinquishes its Class B Membership.

1.34 "Utility Company" means Starlight Pines Water Company, an Arizona corporation, or any successor or assign authorized by law to operate a water line to the Well Site shown in Exhibit "B"

ARTICLE 2

PROPERTY SUBJECT TO DECLARATION; RIGHTS OF ENJOYMENT

2.1 General Declaration Creating Pine Canyon. Declarant intends to develop Pine Canyon and to sell and convey Lots and Parcels. As portions of Pine Canyon are developed, Declarant intends, with respect to particular property, to record one or more Tract Declarations covering Lots and Parcels and designating Common

Areas which will incorporate this Declaration and which will establish such additional covenants, conditions, and restrictions as may be appropriate for that property. Declarant hereby declares that all of the real property within Pine Canyon is, and shall be, held, conveyed, hypothecated, encumbered, leased, occupied, built upon or otherwise used, improved or transferred, in whole or in part, subject to this Declaration and any recorded Tract Declarations applicable thereto, as amended or modified from time to time; provided, however, property which is not part of a Lot or Parcel and which is dedicated or conveyed to the public or a governmental entity for a public purpose shall not be subject to this Declaration and the covenants herein contained while owned by the public or the governmental entity, although restrictions imposed in this declaration upon the Owners and their assigns, lessees and residents concerning the use and maintenance of such public areas shall at all times apply to the Owners and their assigns, lessees and residents. This Declaration and the Tract Declarations are declared and agreed to be in furtherance of a general plan for the subdivision, Improvement and sale of Pine Canyon and are established for the purpose of enhancing and perfecting the value, desirability and attractiveness of Pine Canyon and every part thereof. All of this Declaration shall run with the Property and with all Lots, Parcels, Common Areas and Association Land for all purposes and shall be binding upon and inure to the benefit of Declarant, the Association, all Owners, and their successors in interest. Nothing in this Declaration shall be construed to prevent the Declarant from modifying the Project master plan as to any portion of Pine Canyon owned by Declarant, including streets or roadways, for uses other than as a Lot, Parcel or Common Areas. Tract Declarations may be amended by approval of the Board of the Association and Owners of all Lots and Parcels subject to the Tract Declaration. As long as Declarant owns any Lot or Parcel, Declarant approval is also required for any amendment to a Tract Declaration. Upon issuance of a Certificate of Incorporation by the Arizona Corporation Commission to the Association, the Declaration shall be binding upon and shall benefit the Association.

2.2 Owner's Right of Enjoyment Every Owner shall have a nonexclusive right to use and enjoy the Common Areas, subject to this Declaration and to the rights of Declarant and the Association as provided herein.

2.3 Waiver of Use No Owner may exempt himself, and no Owner shall be exempt, from the provisions of this Declaration, the Development Standards, the Articles or Bylaws of the Association by voluntary waiver of or the abandonment of such Owner's Lot or

membership in the Association nor by the suspension or restriction of such Owner's right to the use and enjoyment of the Common Areas.

ARTICLE 3
EASEMENTS

3.1 Easements of Enjoyment. Every Owner and Member of the Association shall have a right and easements of enjoyment in and to the Common Areas, including the Common Roads which shall be appurtenant to and shall pass with the title to every Lot and Parcel, subject to the following provisions:

(a) The right of the Association to charge reasonable admission and other Special Use Fees for the use of any recreational or other facility situated upon the Common Areas. Fees shall be uniform among Members.

(b) The right of the Association to suspend the voting rights and right to use of the recreational facilities and other Common Areas by any Member (i) for any period during which any Assessment against his Lot or Parcel remains delinquent; (ii) for a period not to exceed sixty (60) days for any infraction of this Declaration, a Tract Declaration or the rules or Development Standards of the Association; and (iii) for successive suspension periods in any such infraction if not corrected during any prior suspension period.

(c) The right of the Association to dedicate or transfer all or any part of the Common Areas to any public agency, authority or utility company for such purposes and subject to such conditions as may be agreed to by the Association. Unless otherwise required by zoning stipulations or agreements with Coconino County effective prior to the date hereof or any specified on a recorded Plat, no such dedication or transfer shall be effective unless approved by the Owners representing seventy-five percent (75%) of the votes entitled to be cast by each class of Membership, except that the Board shall have authority to transfer to such public agencies, authorities or utility companies easements and rights-of-way which are intended to benefit Pine Canyon and which do not have any substantial adverse affect on the enjoyment of the Common Areas by the Members.

(d) The right of the Association to regulate the use of the Common Areas through adopted rules and to prohibit access to those Common Areas not intended for use by the Members. Such rules shall be intended, in the absolute discretion of the Board of the Association, to enhance the preservation of the Common Areas for the safety and convenience of the users thereof, or shall otherwise serve to promote the best interests of the Owners.

3.2 Delegation of Use. Any Member may, in accordance with this Declaration and the limitations herein contained, (a) delegate his right of enjoyment in the Common Areas and facilities to members of his family, his lessees, or his guests or invitees; or

(b) designate another person to exercise all of his rights (but not liabilities or voting rights), which other person shall, during periods of such designation, have the sole right to delegate rights of enjoyment pursuant to Section 3.1.

3.3 Blanket Utility Easements: Emergency Vehicles and Refuse Collection Access. There is hereby reserved in favor of Declarant and irrevocably assigned by Declarant to the Association a blanket easement upon, across, over, under and through the Common Area, Lots, and other portions of the Property for reasonable ingress and egress, installation, construction, replacement, repair, maintenance and operation of all utilities, including but not limited to water, sewer, gas, telephone, electricity, television cable, security systems, and communication lines and systems, and in addition thereto for the use of emergency and refuse collection vehicles of all types. By virtue of this easement, it shall be expressly permissible for the providing utility company to erect (including without limitation underground installation) and maintain the necessary facilities, wires, circuits, conduits, pipes, cables and related appurtenances, facilities and equipment on the Property; provided, however, that the providing utility company, at its sole cost and expense, shall replace all vegetation and repair all damage to the Property. Notwithstanding anything to the contrary contained in this Section, no easements shall be created nor shall any electrical lines, water lines or other facilities for utilities be installed or relocated except as initially created and approved by Declarant or thereafter created or approved by the Board. This provision shall in no way affect any other Recorded easements on the Property.

3.4 Common Road Easement. Every Owner shall have an unrestricted right of ingress and egress to his Lot(s), (which right shall be perpetual and shall be appurtenant to and shall pass with title to said Lot(s) over the following areas:

(a) for pedestrian traffic over, through and across sidewalks, paths, walks, and lanes that from time to time may exist upon the Common Areas and Common Roads; and

(b) for pedestrian and vehicular traffic over, through and across the Common Area Roads and streets, if any, which are designated for that purpose, including ingress and egress for emergency vehicles, refuse collection, utility maintenance and repair.

Any Owner may, in accordance with this Declaration, may delegate his right of ingress and egress to the members of his family, his guests and his tenants (including his tenants' family and guests). There is hereby reserved in favor of Declarant, and irrevocably assigned by Declarant to the Association an easement for the Common

Roads over, under, upon, across and through portions of all of the Lots.

3.5 Drainage Easement. There is hereby reserved in favor of Declarant and irrevocably assigned by Declarant to the Association an easement for the existing natural drainage across all portions of the Property. Any Owner or other Person subsequent to Declarant who changes the natural grade or condition of any portion of the Property or who constructs any structures or improvements thereon shall be solely responsible for any damage caused by the plugging, blocking, diversion or impeding of the natural drainage across any portion of the Property.

3.6 Special Access Easement. There is hereby reserved in favor of Declarant and irrevocably assigned by Declarant to the Association, the Architectural Review Committee, and their respective agents and employees, such easements over, under, upon, across and under the Property as necessary to perform the duties and obligations of the Association and the Architectural Review Committee as are set forth in this Declaration, the Development Standards or the Rules promulgated by the Association or the Architectural Review Committee, including, but not limited to, performing inspections, maintenance, repairs or other work as provided in Section 7.2 and the right of access at all reasonable hours to any Lot or portion of the Property (excluding the interior of any residence) and to any Improvements being built thereon for the purpose of inspect and verifying or causing compliance with this Declaration and the Development Standards.

3.7 Easement for Gate or Other Controlled Access. There is hereby reserved by Declarant and irrevocably assigned by Declarant to the Association an easement over, upon, across, through and under a portion of Lots of sufficient dimensions to allow the Association to construct, install, operate, maintain, repair and replace gates or other controlled access devices for access, ingress and egress to and from US Highway 87 and the Common Roads, together with such pillars, anchors, and mechanical equipment as are reasonably necessary to secure and operate the gates or other controlled access devices, and to connect the same to public utilities for power and illumination.

3.8 Trail Easement. There is hereby created an easement for a multi-use trail upon, over, across and through portions of the Property as shown on the Plat for the purpose of preserving a drainage area, and multi-use trail. The maintenance, repair or replacement of the easement area and any trail, landscaping or Improvements located within the easement area shall be the responsibility of the Association.

3.9 Covenants Running with the Land. Each of the easements provided for in this Declaration shall be deemed to be

reserved, created and established upon the recordation of this Declaration, and shall thenceforth be deemed to be covenants running with the land for the use and benefit of the Lots and Property, as the case may be, and superior to all other encumbrances applied against or in favor of any portion of the Property which are the subject of this Declaration. In furtherance of the easements provided for in this Declaration, the individual warranty deeds to the Lots may, but shall not be required to, set forth said easements.

ARTICLE 4
ASSOCIATION MEMBERSHIP AND VOTING RIGHTS

4.1 Votes of Owners of Lots.

4.1.1 Every Owner of a Lot, and the Declarant automatically shall be a voting Member of the Association. Each Owner other than Declarant shall be entitled to one (1) vote per lot owned by the Owner and shall remain a voting Member for so long as such ownership continues, subject to the authority of the Board to suspend an Owner's voting rights in accordance with the provisions of this Declaration. Each Owner's membership in the Association shall be appurtenant to and may not be separated from ownership of the Lot to which the membership is attributable. In the event any Lot is owned by two or more Persons, whether by joint tenancy, tenancy in common, community property or otherwise, each such Person shall be considered a Member, but the membership as to such Lot shall be joint, and such Persons shall jointly designate to the Association in writing one of their number who shall have the power to vote said membership. In the absence of such designation and until such designation is made, the Board shall make such designation and such designation shall be binding for all purposes.

4.1.2 Until the Transition Date, as the Class B Member Declarant shall be entitled to three votes for every Lot owned by the Declarant.

4.1.3 Until the Transition Date, (i) the Association shall be deemed to have two classes of Members, Class A and Class B; (ii) Declarant shall be the Class B Member, and until the Transition Date all votes held by Declarant shall be Class B votes; and (iii) all Owners other than Declarant shall be Class A Members, and all votes held by such Owners shall be Class A votes. Following the Transition Date, the Association shall be deemed to have a single class of Members and votes and Declarant shall be a Class A Member. Notwithstanding the foregoing, except as otherwise expressly provided in this Declaration or in the Articles or Bylaws, any issue put to a vote at a duly called meeting of Members at which a quorum is present shall be decided by

a simple majority of all votes represented in person or by valid proxy at such meeting, regardless of whether such votes are otherwise deemed to be Class A votes or Class B votes.

4.1.4 In the event annexation of additional land is made in accordance with Article 17 hereunder, Declarant shall be entitled to additional votes as set forth in the declaration of annexation or tract declaration.

4.2 Right To Vote. No change in the ownership of a Lot shall be effective for voting purposes until the Board receives written notice of the change together with satisfactory evidence thereof. The vote for each Member must be cast as a single unit. If any Owner casts a vote representing a certain Lot, that Owner will thereafter be conclusively presumed to be acting with the authority and consent of all other Owners of the Lot unless and until objection thereto is made to the Board in writing. Any Owner of a Lot that is leased or that is subject to a valid, outstanding and Recorded executory agreement of sale may, in the lease, agreement of sale or other written instrument, assign the voting right appurtenant to the Lot, to the lessee thereof or to the purchaser thereof under such agreement of sale, as applicable, provided that a copy of the written assignment of the voting rights is furnished to the Secretary of the Association before any meeting at which the lessee or purchaser seeks to exercise the voting right.

4.3 Members' Rights. Each Member shall have the rights, duties and obligations set forth in this Declaration, the Articles, the Bylaws, and the Rules.

4.4 Transfer of Membership. Except as otherwise provided in this Declaration, the rights, duties and obligations of a Member cannot and shall not be assigned, transferred, pledged, conveyed or alienated in any way except with a transfer of ownership of the Member's Lot, and then only to the transferee thereof. An authorized transfer may be effected by deed, intestate succession, testamentary disposition, foreclosure or other legal process authorized under Arizona law, shall operate to transfer the membership appurtenant to a Lot to the new Owner and any attempt to make any other form of transfer shall be void.

ARTICLE 5 ASSOCIATION RIGHTS AND OBLIGATIONS

5.1 Common Areas. The Association, subject to the rights of the Owners set forth in this Declaration, shall be responsible for the management and control of the Common Areas and shall keep the Common Areas in good condition, order and repair, pursuant to the terms and conditions hereof. Initially, the Common

Areas are intended to be the easement areas defined as the Common Roads (as indicated on the Plat); the easement area required for the gates or other controlled entryway devices limiting access between U.S. Highway 87 and the Common Roads (as provided in Section 3.7). The Association shall maintain such Common Areas year-round in good condition and repair, including but not limited to providing for snow removal for the Common Roads as necessary. The Association shall also construct, install, maintain in good operating condition, and repair and replace the gates or controlled access (and pay all utility costs in connection therewith); and maintain and repair any drainage easements upon or across any Common Area or Common Roads. The cost and expense of keeping the Common Areas in good condition, order and repair as herein contemplated, subject to any insurance proceeds, shall be part of the Common Expenses provided for herein.

5.2 Personal Property and Real Property for Common Use. The Association, through action of the Board, may acquire, hold and dispose of tangible and intangible personal property and real property, except that, no dedication, sale or transfer of all or any part of the Common Area shall be made or effective unless approved by no less than two-thirds of the votes of the Members represented in person or by valid proxy at a meeting of Members duly called for such purpose. The Board, acting on behalf of the Association, shall accept any real or personal property, leasehold or other property interests within, adjacent to or related to all or any part of the Property as may be conveyed or assigned to the Association by Declarant (including, but not limited to, such parts of the Common Area as may now or hereafter be held by Declarant).

5.3 Rules, Regulations and Sanctions. The Association, through the Board, may make and enforce reasonable rules and regulations (the "Rules") governing the use of the Common Areas (including but not limited to speed, traffic, and directional controls and parking restrictions) and sanctions for violations thereof, provided, however that the Rules shall be consistent with the rights and duties established by this Declaration. Sanctions for violation of the Rules or of this Declaration Board and may include suspension of the right to vote at meetings of the Members of the Association, suspension of the right to use the Common Area, and, may also include reasonable monetary fines. No suspension of an Owner's right to vote or of the right of the Owner (or any Occupant of the owner's Lot) to use the Common Areas due to a violation of the rules of the Association may be for a period longer than sixty (60) days (except where the Owner or Occupant fails or refuses to cease or correct the violation and to reimburse the Association for any costs incurred as a result of the violation or commits the same or another violation, in which event such suspension may be extended for additional periods not to exceed sixty (60) days each until such violation ceases or is corrected

and the Association is reimbursed for any costs incurred as a result of the violation).

5.4 Availability of Books, Records and Other Documents.

The Association shall maintain complete and current copies of this Declaration, the Articles, the Bylaws, the Development Standards, and the Rules of the Association (as well as any amendments to the foregoing) and of the books, records and financial statements of the Association, and, upon the written request to the Association by any Owner or by any holder, insurer or guarantor of a First Mortgage, shall make the same available for inspection (at no cost to the Association), at reasonable times and under reasonable circumstances, to the Owner or such holder, insurer or guarantor.

5.5 Unaudited Financial Statement.

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

5.6 Implied Rights.

The Association may exercise any other right or privilege given to it expressly by this Declaration, the Articles or the Bylaws, and every other right or privilege reasonably to be implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege.

ARTICLE 6

INSURANCE AND CASUALTIES

6.1 Association's Responsibility. The Association shall maintain insurance against liability incurred as a result of death or injury to persons or damage to property on the Common Areas or upon other areas maintained by the Association.

6.1.1 Hazard Insurance.

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

customarily covered for similar types of projects (including those covered by the standard "all risk" endorsement available from time to time in the State of Arizona), and against loss or damage due to vandalism and malicious mischief. The insurance shall be in an amount equal to one hundred percent of the current replacement cost, from time to time, without deduction for depreciation, of all such insurable improvements (excluding land, foundations, excavations and other items usually excluded from such insurance coverage, but including fixtures and building service equipment and personal property and supplies owned by the Association), with such amount to be redetermined annually by the Board with the assistance of the insurer providing such coverage.

b. The policy or policies providing the insurance required by this Subsection shall provide that: (i) any insurance trust agreement will be recognized; (ii) the insurer shall waive any right of subrogation against Declarant, the Owners, the Board and the Association, and their respective agents, tenants, servants, employees, guests and household members; (iii) the insurance shall not be canceled, invalidated or suspended by reason of any act or omissions of any Owner (or of the Owner's invitees, agents, tenants, servants, employees, guests or household members), or of any member, officer or employee of the Board without a prior written demand to the Board that any the act or omission be cured and without providing a sixty (60) day period within which the Board may cure the act or omission (or cause the same to be cured); (iv) the insurance coverage shall be primary, and shall in no event be brought into contribution with any insurance maintained by individual Owners, their Mortgagees or other lien holders; (v) the coverage afforded by the policy or policies shall not be prejudiced by any act or omission of any Owner or Occupant (or their agents) when the act or omission is not within the control of the Association; and (vi) to the extent reasonably available that the insurer waives its rights to repair and reconstruct instead of paying cash.

c. The policy or policies providing the insurance required by this Subsection shall also contain (if available at no additional cost or at such additional cost as is not demonstrably unreasonable) the following endorsements (or their equivalents): (i) "agreed amount" and "inflation protection" endorsements; (ii) "increased cost of construction" endorsement; (iii) "contingent

liability from operation of building laws or codes" endorsement; and (iv) "demolition cost" endorsement.

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

6.1.2 Liability Insurance. The Board, acting on behalf of the Association, shall obtain and maintain at all times a comprehensive general liability policy insuring the Association, each member of the Board and each Owner (and, so long as Declarant, or any Person with whom Declarant contracts directly for the performance of all or a substantial portion of Declarant's rights and obligations hereunder or for the construction of substantial improvements on the Property, retains an interest in the Property or any Lot, insuring Declarant and such Person, if identified by Declarant to the Association) against any liability to the public or to any Owner or Occupant (and such Owner's or Occupant's invitee, agents, employees, tenants, guests, servants and household members) for death, bodily injury and property damage arising out of or incident to the ownership or use of the Common Area or arising out of or incident to the performance by the Association of its maintenance and other obligations hereunder. The Board, with the assistance of the insurer(s) providing such coverage, shall review annually the amounts of coverage afforded by the comprehensive general liability policy or policies and adjust the amounts of coverage as the Board deems appropriate, but in no event shall the policy or policies provide coverage less than \$1,000,000.00 for death, bodily injury and property damage for any single occurrence. The policy or policies providing the insurance shall provide for a waiver of subrogation by the insurer as to any claims against Declarant, the Association, the Board or the Owners and their respective tenants, servants, agents, employees, guests and household members, and by specific endorsement or otherwise, shall preclude denial by the insurer(s) providing the insurance of a claim under the policy or policies because of negligent acts or omissions of the Association or any Owner(s) (or of Declarant or any other Person named as an insured or additional insured thereunder).

6.1.3 General Provisions Governing Insurance. The insurance required to be obtained under Subsections 6.1.1 and 6.1.2 shall be written in the name of the Association as trustee for each of the Owners and for each First Mortgagee (as their respective interests may appear) and shall be governed by the following provisions:

a. All policies shall be written with one or more companies authorized to provide the insurance in the State of Arizona;

b. Exclusive authority to adjust losses under policies in force on property owned or insured by the Association shall be vested in the Board;

c. In no event shall the insurance coverage obtained and maintained by the Board hereunder be brought into contribution with insurance purchased by individual Owners, Occupants or their Mortgagees or other lienholders and the insurance carried by the Association shall be primary;

d. Each policy shall require the applicable insurer to give not less than ten days prior written notice to the Association and to each First Mortgagee that has given such insurer written notice of such First Mortgagee's interest in a Lot (which notice must include the name and address of the First Mortgagee) of any cancellation, refusal to renew or material modification of such policy.

6.1.4 Fidelity Bonds. The Board, acting on behalf of the Association, shall obtain and maintain at all times adequate fidelity bond coverage to protect against dishonest acts on the part of officers, directors and employees of the Association and all others who handle, or are responsible for handling, funds held or administered by the Association, whether or not such officers, directors, employees or others receive compensation for services they render to or on behalf of the Association. Any independent management agent that handles funds for the Association shall also obtain (and pay for) fidelity bond coverage with respect to its own activities (and those of its directors, officers and employees, whether or not such directors, officers or employees receive compensation for services rendered). The fidelity bonds shall: (a) name the Association as obligee; (b) be issued by one or more companies authorized to issue the bonds in the State of Arizona; and (c) be in an amount sufficient to cover the maximum total of funds reasonably expected by the Board to be in the custody of the Association or the agent at any time while the bond is in force, but in no event shall the amount of such fidelity bond coverage be less than the sum of three months Annual Assessments on all Lots, plus the total of funds held in the Association's reserves. Each such fidelity bond shall provide that the issuer thereof shall provide not less than ten (10) days prior written notice to the Association and to each First Mortgagee before the bond may be canceled or substantially modified for any reason.

6.1.5 Workers' Compensation Insurance. The Board, acting on behalf of the Association, shall obtain and maintain worker's compensation insurance if, and to the extent, necessary to meet the requirements of applicable laws.

6.1.6 Cost of Insurance. All premiums for the insurance or bonds required to be obtained by the Board by this Section shall be Common Expenses (except that, as provided in Subsection 6.1.4 above, the cost of the fidelity bond required to be furnished by any independent management agent shall be paid by such agent). The Board shall not be liable for failure to obtain or maintain any of the insurance coverage required by this Section, or for any loss or damage resulting from the failure, if the failure is due to the unavailability of the insurance coverage from reputable companies authorized to provide the insurance in the State of Arizona or if such insurance coverage is available only at an unreasonable cost.

6.1.7 Subsequent Changes in Insurance Requirements. It is the intention of this Article (and, in particular, of this Section, to impose upon the Association the obligation to obtain and maintain in full force and effect at least those types and amounts of insurance as are required, at the time this Declaration is Recorded, by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. However, notwithstanding any provision of this Declaration to the contrary, should any or all of said agencies subsequently amend or modify their respective requirements regarding the insurance coverage required to be maintained by the Association, the Board, acting on behalf of the Association, shall promptly upon receiving notice of such amendment or modification from any such agency, from any Owner or First Mortgagee or from Declarants, obtain the additional, modified or amended policy or policies of insurance as may be necessary to at least conform to the amended or modified requirements (provided, however, that the Board shall not be required to alter the types or amounts of coverage if the amendments or modifications adopted by any such agency reduce or eliminate required types or amounts of insurance). Should the requirements of any such agency conflict with the requirements of any other such agency or with applicable provisions of law, the Board, acting on behalf of the Association, shall diligently work with the agency or agencies to resolve the conflict and shall thereafter obtain and maintain the additional, modified or amended policy or policies of insurance as may be necessary to conform with the requirements of the agencies, taking into account the resolution of the conflict. In the event the Board, after exercise of such diligence, is unable to resolve the conflict, the Board, acting on behalf of the Association, shall exercise its good faith business judgment and obtain and maintain in full force and effect the insurance to conform as closely as possible with the applicable

requirements of all such agencies, and of law, taking into account the conflict.

6.2 Owner's Responsibility. It shall be each Owner's responsibility to provide for himself insurance on his own Lot, his additions and improvements thereto, furnishings and personal property therein, his personal property stored elsewhere within the Project, if any, personal liability and such other insurance as the Owner desires.

6.3 Casualty Losses.

6.3.1 Damage and Destruction.

a. Immediately after any damage or destruction by fire or other casualty to all or any part of any property of the Association that is covered by insurance, the Board or its duly authorized agent shall: (i) proceed with the filing and adjustment of all claims arising under such insurance; (ii) obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed property; and (iii) upon receipt of the proceeds of the insurance, and except as is otherwise provided in this Subsection, use such proceeds to repair or reconstruct the damaged or destroyed property. The terms "repair" and "reconstruction" (or variants thereof), as used in this Article, shall mean repairing or restoring the property in question to substantially the same condition as that in which it existed before the fire or other casualty, or, where applicable, replacing the damaged or destroyed property with property substantially similar to the damaged or destroyed property as it existed before the damage or destruction.

b. The Board, in its sole discretion, shall determine whether any minor damage or destruction to the Common Area should be repaired or reconstructed. Any major damage or destruction to the property required to be insured by the Association under Section 6.1 shall be repaired or reconstructed unless: (i) at a special meeting of the Members of the Association duly noticed and convened within sixty (60) days after the occurrence of damage or destruction, the Members determine, by a vote of Owners holding not less than seventy-five percent (75%) of the votes of the Members, not to so repair or reconstruct; and (ii) First Mortgagee representing more than fifty percent (50%) of all Lots subject to the Mortgages held by Mortgagees concur in the determination not to repair or reconstruct. If for any reason either

the amount of the insurance proceeds to be paid as a result of damage or destruction, or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not made available to the Association within said period, then the period shall be extended until the information shall be made or become available; provided, however, that the extension shall not exceed an additional sixty (60) days.

c. In the event that it is determined in the manner described above that the damage or destruction of any part of the Common Area shall not be repaired or reconstructed and no alternative improvements are authorized, then the pertinent portion of the Property shall be maintained by the Association in a neat and attractive condition as an undeveloped portion of the Common Area.

6.3.2 Excess or Deficiency of Proceeds. If the damage or destruction for which the insurance proceeds are paid is to be repaired or reconstructed and the proceeds are not sufficient to pay the cost thereof, the Board shall, without the necessity of a vote of the Members, levy assessments against the Owners of all Lots, which assessments shall be allocated among such Owners in the same ratios as Annual Assessments are allocated pursuant to Section 8.5 of this Declaration. Additional assessments may be made in like manner at any time during or following the completion of any repair or reconstruction. Any assessments levied pursuant to this Subsection shall be deemed to be a part of the Assessments and shall be secured by the lien created by Section 8.3 below. If the funds available from insurance exceed the cost of repair, the excess shall be used to meet Common Expenses or, in the discretion of the Board, placed in a reserve account for contingencies or capital improvements.

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

maintain hazard or casualty insurance upon the Owner's Lot or any structures thereon and notwithstanding any unavailability or delay in receipt of proceeds of any insurance policy or policies, although the Board may take such matters into account in establishing or extending the time period within which the repair or reconstruction must be completed. Any such repair or reconstruction work shall be performed in compliance with all applicable provisions hereof, and the Owner of the Lot shall take such steps as are reasonably necessary to prevent damage to surrounding property and injury to persons as may result from or arise in connection with the destroyed or damaged Dwelling Unit or other structure or the repair or reconstruction activities with respect thereto. In the event such repair or reconstruction work is undertaken by the Board, the Board may levy an assessment against any Lot to reimburse the Association for costs incurred in bringing such Lot and its owners into compliance with the provisions of this Declaration or the Association Rules. Such Remedial Assessments shall be due ten (10) days after the Board gives written notice thereof to the Owner subject thereto.

ARTICLE 7 MAINTENANCE, REPAIRS AND REPLACEMENTS

7.1 Association's General Responsibilities. The Association shall maintain and keep in good repair the Common Area and the Entry Gates as more expressly provided in Article 5 and the costs of such maintenance, subject to insurance proceeds, shall be Common Expenses of the Association.

7.2 Maintenance of Owner's Structures. Each Owner shall be responsible for the maintenance, cleaning, painting, repair and general care of all structures existing or constructed upon the Owner's Lot and, in particular each Owner shall cause the exterior of said structures to be maintained in good condition and repair and in an attractive state consistent with the Development Standards and general community standards within the Property. In the event that the Association shall determine, by the affirmative vote of a majority of the votes of Members represented in person or by valid proxy at a meeting called for such purpose, that any Owner is in breach of the Owner's obligations under the preceding sentence, the Association shall promptly give the Owner written notice of the determination, including a reasonably detailed list or description of the repairs, maintenance or other work required to cure the Owner's breach. In the event the Owner does not cure the breach within thirty (30) days after the date of the written notice, the Association shall cause the repairs, maintenance or other work to be performed so as to cure the Owner's breach, and the Association's cost in doing so, together with interest from the date of expenditure at a rate equal to eighteen percent (18%) per annum, shall constitute a lien on the Owner's Lot, which lien shall

have the priority and may be enforced in the manner described in Section 8.3 of this Declaration; and the Association shall also have standing and authority to request that a court of competent jurisdiction compel the Owner to correct the breach, and to the extent not inconsistent with an order of such court, the Association may pursue either or both of the courses of action described in this sentence. The Association shall be entitled to rely on the easement described in Section 3.4 to carry out its duties and obligations under this Article.

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

ARTICLE 8 ASSESSMENTS

8.1 Creation of Assessment Right. To provide funds to enable the Association to meet its financial and other obligations and to create and maintain appropriate reserves, there is hereby created a right of assessment exercisable on behalf of the Association by the Board. Except as otherwise provided herein, Annual Assessments and Special Assessments shall be for Common Expenses and shall be allocated among all Lots as provided in this Article.

8.2 Covenants with Respect to Assessments. Each Owner, by acceptance of his, her or its deed with respect to a Lot is deemed to covenant and agree to pay the Assessments levied pursuant to this Declaration with respect to the Owner's Lot plus interest thereon from the date due at a rate equal to eighteen percent (18%) per annum, plus costs and reasonable attorneys' fees as may be incurred by the Association in seeking to collect Assessments. Each of the Assessments with respect to a Lot together with interest, costs and reasonable attorneys' fees as provided in this Section, shall be the personal obligation of the Person who or which was the Owner of the Lot at the time the Assessment arose with respect to the Lot, provided, however, that the personal obligation for delinquent Assessments shall not pass to a successor in title of the Owner unless expressly assumed by the successor. No Owner shall be relieved of his, her or its obligation to pay any of the Assessments by abandoning or not using his, her or its Lot. However, upon transfer by an Owner of fee title to the Owner's Lot, as evidenced by a Recorded document, the transferring Owner shall not be liable for any new Assessments thereafter levied against the Lot. The obligation to pay Assessments is a separate and independent covenant on the part of each Owner. No diminution is allowed by reason of the alleged failure of the Association or Board to take some action or perform some function required to be taken or performed by the Association or Board under this

Declaration, the Articles or the Bylaws, or for inconvenience or discomfort arising from the making of repairs or improvements that are the responsibility of the Association, or from any action taken to comply with any law or ordinance or with any order or directive of any municipal or other governmental authority.

8.3 Lien for Assessments; Foreclosure. As security for the personal obligation created above, and not in lieu thereof, there is hereby created and established a lien against each Lot that shall secure payment of all present and future Assessments assessed or levied against the Lot or the Owner or Occupant thereof (together with any present or future charges, fines, penalties or other amounts levied against the Lot or the Owner or Occupant this Declaration or the Articles, the Bylaws, any applicable Tract Declaration or the Rules of the Association). The lien is and shall be prior and superior to all other liens affecting the Lot in question, except: (a) all taxes, bonds, assessments and other levies that, by law, would be superior thereto; and (b) the lien or charge of any Mortgage made in good faith and for value. Such liens may be foreclosed in the manner provided by law for the foreclosure of mortgages. The sale and transfer of any Lot pursuant to a mortgage foreclosure or any proceeding in lieu thereof shall extinguish the lien of the Assessments as to payments that became due before the sale or transfer, but no such sale or transfer shall relieve the Lot from liability for any Assessments becoming due after the sale or transfer, or from the lien thereof. The Association shall have the power to bid for any Lot at any sale to foreclose the Association's lien on the Lot, and to acquire and hold, lease, mortgage and convey the same. During the period any Lot is owned by the Association, no right to vote shall be exercised with respect to the Lot and no Assessment (whether Annual or Special) shall be assessed or levied on or with respect to the Lot; provided, however, that the Association's acquisition and ownership of the Lot under the circumstances shall not be deemed to convert the same into Common Area. The Association may maintain a suit to recover a money judgement for unpaid Assessments, rent, interest and attorneys' fees without foreclosing or waiving the lien securing the same. Recording this Declaration constitutes record notice and perfection of the liens established hereby, and further Recordation of any claim of a lien for Assessments or other amounts payable hereunder shall not be required, whether to establish or perfect the lien or to fix the priority thereof, or otherwise. The Board shall have the option to Record written notices of claims of lien in the circumstances the Board may deem appropriate.

8.4 Dates Assessments Commence. Assessments shall be payable in respect of a Lot (including any Lot owned by Declarant) from and after the date established by the Board in its sole and absolute discretion, regardless of whether a Dwelling Unit or other structure, shall be situated on the Lot on that date. As to any

Lot conveyed by Declarant to a retail purchaser, Assessments as to the Lot shall be prorated as of the close of escrow with respect to the Lot (or if no escrow is utilized, as of the date of Recordation of the deed conveying the Lot to an Owner).

8.5 Computation of Assessments; Annual Budget. The Board shall prepare and adopt an estimated annual budget for each fiscal year of the Association, which annual budget shall serve as the basis for determining the Annual Assessments for the applicable fiscal year (subject to the limitations of Section 8.7). Except as otherwise provided in Section 8.7, the Annual Assessment for each Lot shall equal the total budget divided by the total number of Lots. The budget shall take into account the estimated Common Expenses and cash requirements of the Association for the year. The annual budget shall also take into account the estimated net available cash income for the year, if any, from the operation or use of any of the Common Area. The annual budget shall also provide for a reserve for contingencies for the year (and for subsequent fiscal years) and a reserve for replacements, all in such reasonably adequate amounts as shall be determined by the Board, taking into account the number and nature of replaceable assets, the expected life of each asset, and each asset's expected repair or replacement cost. Not later than sixty (60) days following the meeting of the Board at which the Board adopts the annual budget for the year in question, the Board shall cause to be delivered or mailed to each Owner a copy of the budget and a statement of the amount of the Annual Assessments to be levied against the Owner's Lot for the fiscal year in question. In the event the Board fails to adopt a budget for any fiscal year before the beginning of the fiscal year, then until and unless a budget is adopted, the budget (and the amount of the Annual Assessments provided for therein) for the year immediately preceding shall remain in effect. Neither the annual budget (nor any amended budget) adopted by the Board, nor any Assessment levied pursuant thereto, shall be required to be ratified or approved by the Owners. If, at any time during a fiscal year of the Association, the Board adopts a budget for the fiscal year, it may levy an additional Annual Assessment for such year (subject to the limitations imposed by Section 8.7) or may call a meeting of the Members to request that the Members approve a Special Assessment pursuant to Section 8.9. Within sixty (60) days after adoption of an amended budget (if the Board elects to levy an additional Annual Assessment), the Board shall cause a copy of the amended budget and a statement of the additional Annual Assessments to be levied against the Lots to be delivered or mailed to each Owner. If, instead of adopting a budget the Board elects to call a meeting of Members to seek approval of a Special Assessment, the Board shall cause a copy of the amended budget proposed by the Board to be delivered or mailed to each Owner with the notice of the meeting. If a Special Assessment is duly approved by the Members, the Board

shall cause a statement of the Special Assessment to be levied against each Lot to be promptly mailed or delivered to each Owner.

8.6 Due Dates. Annual Assessments for each fiscal year shall be due and payable in equal periodic installments, payable not more frequently than semi-annually nor less frequently than annually, as determined for such fiscal year by the Board, with each such installment to be due and payable on or before the first day of the applicable period during that fiscal year. Special Assessments, if any, shall be paid in the manner and on the dates fixed by the Board. In addition to any other powers of collection or enforcement granted hereunder, in the event any Assessments with respect to a Lot are delinquent, the Board shall have the right, in its sole discretion, to suspend the voting rights of the Owner of the Lot for which the Assessments are delinquent and to accelerate the date on which all Assessments with respect to the Lot are due and payable. For purposes of this Declaration, Assessments shall be deemed "paid" when actually received by the Association or by its manager or agent designated by the Association to collect the same (provided, however, that if any Assessments are paid by check and the bank or other institution upon which the check is drawn thereafter dishonors and refuses to pay the check, those Assessments shall not be deemed "paid" and shall remain due and payable with interest accruing from the date the Assessments were originally due at a rate equal to eighteen percent (18%) per annum).

8.7 Maximum Annual Assessment. The regular Annual Assessments provided for herein shall not at any time exceed the Maximum Annual Assessment, as determined in accordance with this Section. For the fiscal year ending December 31, 1998, the Maximum Annual Assessment shall be \$500.00 for each Lot; and thereafter, unless a greater increase is approved by the affirmative vote of a majority interest of the Members represented in person or by valid proxy at a meeting of Members duly called for such purpose, the Maximum Annual Assessment for any fiscal year shall be equal to the Maximum Annual Assessment for the immediately preceding fiscal year increased at a rate equal to the greater of (a) the percentage increase for the applicable fiscal year over the immediately preceding fiscal year in the Consumer Price Index -- All Urban Consumers -- All Items published by the Bureau of Labor Statistics of the U.S. Department of Labor (or its successor governmental agency), or, if the index is no longer published by said Bureau or successor agency, in the index most similar in composition to such index or (b) fifteen percent (15%). Notwithstanding the foregoing, the Board May, without the approval of the Members, (1) increase the Maximum Annual Assessment for any fiscal year by an amount sufficient to permit the Board to meet any increases over the preceding fiscal year in (i) premiums for any insurance coverage required by this Declaration to be maintained by the Association; or (ii) charges for utility services necessary to the Association's

performance of its obligations under this Declaration; or (2) reduce the Maximum Annual Assessment for any fiscal year to a reasonable amount in the event that the Maximum Annual Assessment for that fiscal year calculated in accordance with this Section 8.7 exceeds by more than fifty percent (50%) the sum of the expenditures and the reasonable reserves established by the Association during the prior fiscal year. Nothing herein shall obligate the Board to levy, in any fiscal year, Annual Assessments in the full amount of the Maximum Annual Assessment for the fiscal year, and the election by the Board not to levy Annual Assessments in the full amount of the Maximum Annual Assessments for any fiscal year shall not prevent the Board from levying Annual Assessments in the full amount of the Maximum Annual Assessments for a subsequent fiscal year (as determined in accordance with this Section). In the event that, for any fiscal year, the Board elects to levy an Annual Assessment at less than the full amount of the Maximum Annual Assessment for the fiscal year, the Board may, if in its reasonable discretion circumstances so warrant, subsequently levy a supplemental Annual Assessment during the fiscal year so long as the total of all the Annual Assessments levied during the fiscal year does not exceed the Maximum Annual Assessment for such fiscal year.

8.8 Notice and Quorum for Meeting to Consider Special Assessments and Certain Increases in Annual Assessments. Notwithstanding any other provision hereof or of the Articles, Bylaws or Rules of the Association, written notice of any meeting called for the purpose of (a) approving the establishment or any Special Assessment as required by Section 8.9 hereof; or (b) approving any increase in the Maximum Annual Assessment greater than that permitted by application of the formula as set forth in Section 8.7 hereof, shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days before the date of the meeting. At the first meeting called to consider the particular Special Assessment or increase in the Maximum Annual Assessment, a quorum shall consist of a majority in interest of the Members (whether represented in person or by valid proxy), provided, however, that if a quorum, as so determined, is not present at the first meeting, a second meeting may be called (subject to the same notice requirements as set forth above) to consider the same issue, and a quorum at the second meeting shall be one-half of the required quorum at the first meeting as described above. The second meeting may not be held more than sixty (60) days after the first meeting.

8.9 Special Assessments. In addition to the Annual Assessments authorized by this Article, the Association may levy Special Assessments from time to time, provided, however, that any Special Assessment shall be effective only with the approval of a majority in interest of the Members represented in person or by valid proxy at a meeting of Members duly called and convened to

consider such Special Assessment. Except as otherwise provided in Section 8.7 hereof, Special Assessments shall be allocated equally among all Lots.

8.10 Rate of Assessment. Subject to Section 8.8 hereof and this Section 8.10, the amount of the Annual Assessments and special Assessments shall be fixed by the Board, in its sole discretion.

(a) Except as set forth hereinbelow, both annual and special assessments must be fixed at a uniform rate for all lots and may be collected on a monthly basis.

(b) Notwithstanding anything contained herein to the contrary, Declarant shall pay only twenty-five percent (25%) of the Annual Assessments for each Lot owned by Declarant which has been annexed to the Project until the earlier of:

(i) the initial conveyance of a Lot thereon to a different Owner; or

(ii) completion of a Dwelling Unit as evidenced by the issuance of a certificate of occupancy therefor.

(c) Notwithstanding anything contained herein to the contrary, during any period when Declarant is paying reduced Assessments pursuant to this Section, Declarant shall contribute to the Association such funds as may be required from time to time to meet any budget deficit which results from Declarant having paid such reduced Assessments pursuant to this Section and Section 8.15. Declarant may assign the right to pay reduced assessments to a Person to whom Developer status has been assigned in a written document under the same terms and conditions as herein stated.

8.11 Certificates. The Association shall, upon the written request of any Owner or the holder, insurer or guarantor of any First Mortgage, or of a mortgage or deed of trust affecting any Lot, and upon payment of such reasonable charge as may be determined by the Board, furnish to the requesting party a certificate, signed by an officer of the Association, stating the date to which Assessments with respect to such Owner's Lot (or the Lot against which the First Mortgage or the mortgage or deed of trust, as applicable, is Recorded) have been paid and the amount, if any, of any Assessments that have been levied with respect to the Lot and that remain unpaid as of the date of the certificate.

8.12 Surplus Monies. Unless otherwise expressly determined by the Board, any surplus monies of the Association shall be held by the Association and placed in one or more reserve accounts as determined by the Board, and shall not be paid to the

Owners or credited against the Owners' respective liabilities for Assessments.

8.13 Remedial Assessments. Pursuant to this Declaration, the Board may levy an Assessment against any Lot to reimburse the Association for costs incurred in bringing such Lot and its Owners into compliance with the provisions of this Declaration or the Association Rules. Remedial Assessments shall be due ten (10) days after the Board gives written notice thereof to the Owner subject thereto. The provisions of the Section titled "Notice and Quorum for any Action Authorized Under Paragraphs 8.8 and 8.9" of this Article with respect to approval of Special Assessments shall not apply in the case of Remedial Assessments.

8.14 Working Capital Fund. To ensure that the Association shall have adequate funds to meet its expenses or to purchase necessary equipment or services, each purchaser of a Lot from the Declarant shall pay to the Association, immediately upon becoming the Owner of the Lot, a sum equal to one-sixth (1/6) of the then current Annual Assessment multiplied by the number of Memberships attributable to the Lot or Parcel. Funds paid to the Association pursuant to this Section may be used by the Association for the payment of operating expenses or any other purpose permitted under this Declaration. 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.

8.15 Declarant's Obligation for Assessments. During Class "B" control period, Declarant may annually elect to either pay regular Assessments on its unsold Lots, or to pay the difference between the amount of the Assessments collected on all other Lots subject to Assessment and the amount of actual expenditures by the Association during the fiscal year. However, under no circumstances shall the Declarant be responsible for the portion of the Assessment or actual expenses which are attributable to the cost of providing adequate replacement reserves for future replacement of Common Areas, amenities or long term replacement costs. Unless the Declarant otherwise notifies the Board in writing at least sixty (60) days before the beginning of the fiscal year, the Declarant shall be deemed to have elected to continue paying on the same basis as during the immediately preceding fiscal year. In the event the Declarant elects to fund the difference between the amount of Assessments collected and the actual expenditures, then, in that event, Declarant shall make such payment or provide such in-kind contributions in not less than six-month intervals. Regardless of such election, the Association shall have a lien against all Lots owned by the Declarant which have been annexed into the Project to secure Declarant's obligations under this paragraph, which lien shall have the same attributes and shall be enforceable in the same manner as the

Association's lien against other Lots under this Article. The Declarant's obligations hereunder may be satisfied in the form of cash or by "in-kind" contributions of services or materials, or by a combination of these. The obligation for payment of any assessments shall begin with the transfer of any platted parcel or unplatted parcel, to any Developer or to any Owner of a Lot.

ARTICLE 9 ARCHITECTURAL AND LANDSCAPE CONTROL

9.1 Appointment of Architectural Review Committee. The Project shall have an Architectural Review Committee consisting of not less than three (3) nor more than five (5) persons, as specified from time to time in the Development Standards. Declarant shall initially appoint the members of the Architectural Review Committee. Architectural Review Committee members need not be Members of the Association. Declarant shall retain the right to appoint, augment or replace all members of the Architectural Review Committee until the Transition Date. Thereafter, members of the Architectural Review Committee shall be appointed for two (2) year terms by the Members at an annual election held for such purpose. At least thirty (30) days prior to the Transition Date, Declarant shall send to all Members a notice indicating the time and place of the election. At such election, the Members shall elect the appropriate number of Members to serve as members of the Architectural Review Committee. If at any time, one or more members of the Architectural Review Committee is no longer capable of or refuses to serve the remainder of his term on the Committee, the Board shall send out a notice to all Members indicating the time and place of an election to replace the member of the Architectural Review Committee no longer willing or able to serve in that capacity.

9.2 Development Standards. The Architectural Review Committee shall establish reasonable procedural rules, regulations, restrictions, architectural standard, design guidelines and development standards (collectively the "Development Standards"), which the Architectural Review Committee may, from time to time in its sole discretion, amend, repeal or augment. The Development Standards are hereby incorporated herein and shall be deemed to be a part of this Declaration and shall be binding on all Owners or other Occupants as if expressly set forth herein. A copy of the current Development Standards shall at all times be a part of the Architectural Review Committee and the provisions of this Article shall be vested in the Board. The Development Standards may include, but shall not be limited to, those restrictions and limitations set forth below:

9.2.1 Time limitations for the completion, within specified periods-after approval, of the improvements-for-which approval is required pursuant to the Development Standards.

9.2.2 Designation of a "building envelope" within a Lot, thereby establishing the maximum developable area of the Lot.

9.2.3 Conformity of completed improvements to plans and specifications approved by the Architectural Review Committee; provided, however, as to purchasers and encumbrances of a Lot in good faith and for value, unless notice of noncompletion or nonconformance identifying the violating Lot and specifying the reason for the notice, executed by the Architectural Review Committee, shall be recorded with the County Recorder of the County, and given to the Owner of such Lot within one-year of the expiration of the time limitation determined pursuant to Subsection 9.2.1 above, or, if later, within one-year following completion of the improvement, or unless legal proceedings shall have been instituted to enforce compliance or completion within said one-year period, the completed improvements shall be deemed to have been initially constructed in compliance with plans and specifications approved by the Architectural Review Committee and in compliance with the architectural standards of the Association and this Declaration.

9.2.4 Such other limitations and restrictions as the Architectural Review Committee in its reasonable discretion shall adopt, including, without limitation, standards regarding landscaping and regulation of all construction, reconstruction, exterior additions, change or alteration to or maintenance of any building, structure, wall or fence, including, without limitation, the nature, kind, shape, height, materials, exterior color, surface texture, and location of any such improvement.

9.3 General Provisions.

9.3.1 The Association may establish a reasonable processing Fee to defer the costs of the Architectural Review Committee in considering any requests for approvals submitted to the Architectural Control Committee. The fee for initial submission and processing of plans and specifications shall be \$350.00, provided that such fee may be increased from time to time by the Association as it deems appropriate without the need to further amend this Declaration. The Association also may establish a fee schedule and amend such schedule from time to time, with respect to all or any portion or stage of the processing of plans and specifications.

9.3.2 The Architectural Review Committee may delegate its plan review responsibilities, except final review and

approval as may be required by the Development Standards, to one or more of its members or independent architectural or engineering consultants retained by the Architectural Review Committee. Upon such delegation, the approval or disapproval of plans and specifications by such member or consultants shall be equivalent to approval or disapproval by the entire Architectural Review Committee.

9.3.3 The address of the Architectural Review Committee shall be the address established for giving notice to the Association, unless otherwise specified in the Development Standards. Such address shall be the place for the submittal of plans and specifications and the place where the current Development Standards shall be kept.

9.3.4 The establishment of the Architectural Review Committee and the procedures herein for architectural approval shall not be construed as changing any rights or restrictions upon Owners to maintain or repair their Lots as may otherwise be specified in this Declaration.

9.3.5 The Architectural Review Committee shall approve or disapprove any plans and specifications submitted to it in accordance with the Development Standards within such period as may be specified in the Development Standards.

9.4 Approval and Conformity of Plans. No building, fence, wall or other structure or improvement of whatever type shall be commenced, erected or maintained upon the Property, nor shall there be any clearing or tree cutting prior to complete approval, nor shall there be any addition to or change to the exterior of any residence or other structure or improvement upon a Lot or the grading or drainage thereof, except in compliance with plans and specifications therefor which have been submitted to and approved by the Architectural Review Committee in accordance with the Development Standards as to harmony of external design and location in relation to surrounding structures, landscape and topography.

9.5 Non-Liability for Approval of Plans. Plans and specifications shall be approved by the Architectural Review Committee as to style, exterior design, appearance and location, and are not approved for engineering design or for compliance with zoning and building ordinances, and by approving such plans and specifications the Architectural Review Committee, the members thereof, and Declarant do not assume any liability or responsibility therefor or for any defect in any structure constructed from such plans and specifications. The Architectural Review Committee, any member thereof, and Declarant shall not be liable to any Owner or other Person for any damage, loss or prejudice suffered or claimed on account of (a) the approval or

disapproval of any plans, drawings and specifications, whether or not defective, (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications, (c) the development or manner of development of any property within the Project, or (d) the execution or filing of a site plan or an estoppel certificate pursuant to the Development Standards, whether or not the facts therein are correct; provided, however, that such action, with the actual knowledge possessed by him, was taken in good faith. Approval of plans and specifications by the Architectural Review Committee is not and shall not be deemed to be a representation or warranty that said plans or specifications comply with applicable governmental ordinances or regulations including, but not limited to, zoning ordinances and building codes.

9.6 Inspection and Recording of Approval. Any member or authorized consultant of the Architectural Review Committee may at any reasonable time enter, without being deemed guilty of trespass, upon any Lot after reasonable notice to the Owner in order to inspect improvements constructed or being constructed on such Lot to ascertain that such improvements have been or are being built in compliance with the Development Standards and this Declaration. The Architectural Review Committee shall cause such an inspection to be undertaken within thirty (30) days of a request therefor from any Owner as to his Lot, and if such inspection reveals that the improvements located on such Lot have been completed in compliance with this Article and the Development Standards, the Architectural Review Committee shall provide to such Owner a notice of such approval in recordable form which, when recorded, shall be conclusive evidence of compliance with the provisions of this Article and the Development Standards as to the improvements described in such recorded notice, but as to such improvements only.

9.7 Landscaping. It is the express intention of Declarant to maximize the natural forest environment of the Property, and therefore, Owners are expected to minimize the removal of existing trees and shrubs in connection with the development and construction of improvements on each Lot. In connection with the development of and construction of improvements on a Lot, no trees or shrubbery shall be removed except as shown on plans and specifications submitted to and approved by the Architectural Review Committee.

9.8 Additional Powers of the Committee. The Board may promulgate as a part of the Development Standards such additional architectural and landscape standards, rules and regulations as it deems to be appropriate and as are not in conflict with this Declaration. WITHOUT LIMITING THE GENERALITY OF THE PRECEDING SENTENCE OR LIMITING ANY OTHER REMEDIES, THE COMMITTEE MAY FIX A

FINE OF UP TO \$10,000 FOR FAILURE TO OBTAIN REQUIRED APPROVAL FROM THE ARCHITECTURAL REVIEW COMMITTEE.

9.9 Homestead Waiver. Each Owner, to the extent permitted by law, hereby waives, to the extent of any liens created pursuant to this Declaration, whether such liens are now in existence or are created at any time in the future, the benefit of any homestead or exemption laws of the State of Arizona now in effect, or in effect from time to time hereafter.

ARTICLE 10 LAND USE AND OCCUPANCY RESTRICTIONS

10.1 Residential Use. All Lots and Dwelling Units shall be used, improved and devoted exclusively to residential use by a single family. No trade or business may be conducted on any Lot or Parcel or in or from any Dwelling Unit, except that an Owner or Occupant may conduct a business activity in a Dwelling Unit so long as: (a) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell from outside the Dwelling Unit; (b) the business activity conforms to all applicable zoning ordinances or requirements; (c) the business activity does not involve the door-to-door solicitation of Owners or other Occupants in the Project; (d) the use of the Dwelling Unit for trade or business shall in no way destroy or be incompatible with the residential character of the Dwelling Unit or the surrounding neighborhood; (e) the trade or business shall be conducted only inside the Dwelling Unit or inside an accessory building or garage, and shall not involve the viewing, purchase or taking delivery of goods or merchandise at, to, from or in any Dwelling Unit; (f) the trade or business shall be conducted by Occupant of the Dwelling Unit with no more than one (1) employee working in or from such Dwelling Unit who is not an Occupant thereof; (g) no more than twenty percent (20%) of the total floor area of the Dwelling Unit shall be used for trade or business; (h) the Dwelling Unit used for trade or business shall not be used as a storage facility for a business conducted elsewhere; (i) the volume of vehicular or pedestrian traffic or parking generated by such trade or business shall not result in congestion or be in excess of what is customary in a residential neighborhood; (j) the trade or business shall not utilize flammable liquids or hazardous materials in quantities not customary to a residential use; and (k) the trade or business shall not utilize large vehicles not customary to a residential use. 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 provider's family 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 to or does generate a profit; (iii) a license is required for such activity. The leasing of a Dwelling Unit by the Owner thereof shall not be considered a trade or business within the meaning of this Section.

Sales offices, sales models and construction offices utilized by the Declarant or Developer on the Project need not be owned by either Declarant or Developer. Further, sales models and sales offices may be utilized on the Project as sales models and sales offices for the benefit of either Declarant or Developer and may be moved from lot to lot at the sole discretion of the Declarant or Developer.

10.2 Violation of Law or Insurance. No Owner shall permit anything to be done or kept in his Lot which will result in the cancellation of insurance thereon or which would be in violation of any law.

10.3 Fencing. No Owner shall erect or construct any perimeter or other fencing on any portion of a Lot except as set forth in the Development Standards and submitted to and approved by the Architectural Review Committee.

10.4 Signs. No sign of any kind shall be displayed to the public view or from any Lot without the approval of the Architectural Review Committee, except: (a) such signs as may be used by Declarant in connection with the development and sale of Lots in the Project; or (b) such signs as may be required by legal proceedings, or the prohibition of which is precluded by law. Further, nothing herein shall be deemed to prohibit installation and maintenance of directional signs, subdivision identification signs, street signs or similar signs as may be approved by the Architectural Review Committee for installation or maintenance by the Association. Owner's "For Sale" signs must be approved by the Architectural Review Committee.

10.5 Tanks. No tanks of any kind (including tanks for the storage of fuel) shall be erected, placed or maintained on any Lot unless such tanks are appropriately screened in accordance with the Development Standards and such screening has been submitted to and approved by the Architectural Review Committee. Notwithstanding the foregoing, an aboveground propane or similar fuel tank with a capacity of ten (10) gallons or less which is used in connection with a normal residential gas barbecue, grill or fireplace or a spa or "hot tub" shall not require screening.

10.6 Animals. No animals may be kept, bred or maintained on any Lot, except a reasonable number of commonly accepted household pets in accordance with the Development Standards may be kept, so long as such pets are not and do not become a nuisance,

threat or otherwise reasonably objectionable to other Owners. No animals shall be kept, bred or raised within the Project for commercial purposes. In no event shall any domestic pet be allowed to run free away from its Owner's Lot or so as to create a nuisance.

10.7 Nuisances. No Owner shall permit or suffer anything to be done or kept about or within his Lot, which will obstruct or interfere with the rights of other Owners, or annoy them by unreasonable noises or otherwise, nor commit or permit any nuisance or commit or suffer any illegal act to be committed therein. Each Owner shall comply with the requirements of all health authorities and other governmental authorities having jurisdiction over the Property.

10.8 Boats, Trailers and Motor Vehicles. (a) No boats, trailers, horse trailers, buses, motor homes, campers, all terrain vehicles or other vehicles of whatever type (herein collectively called a "vehicle") shall be parked or stored in or upon a Lot unless they are appropriately screened in accordance with the Development Standards and such screening has been submitted to and approved by the Architectural Review Committee; and (b) no vehicle shall be repaired or rebuilt on any Lot. The Association may remove, or cause to be removed, any unauthorized vehicle at the expense of the Owner thereof in any manner consistent with law.

10.9 Temporary Occupancy. No boat, truck, mobile home, trailer, camper, recreational vehicle, tent, shack, barn or similar thing and no temporary building or structure of any kind may be erected, placed or maintained on any Lot or used at any time for a residence, whether temporarily or permanently, on any portion of the Property, except as expressly permitted by, and in compliance with the Association's Rules or Development Standards.

10.10 Reflective Materials; Solar Devices. No fixtures or other goods may be installed on any Lot which are visible from the exterior of any Lot, including but not limited to solar hot water heaters and electric generating devices, except in compliance with the Development Standards; and no reflective materials which would be visible from the exterior of any Lot shall be used on any roof or for any window, door or for other purpose, except in compliance with the Development Standards.

10.11 Fires. Other than barbecues in properly constructed barbecue pits or grills, and firepits in compliance with the Development Standards, or as otherwise expressly permitted in the Association's Rules, no open fire shall be permitted on the Lots nor shall any other similar activity or condition be permitted which would tend to increase the insurance rates for the Common Areas or for other Owners.

10.12 Power Tools and Other Equipment. No power tool, communication equipment--or--other--device--shall--be--used--on--the Property which causes interference with cable TV reception or other electronic devices unless the prior written consent of the Architectural Review Committee has been obtained.

10.13 Lights. No spotlights, flood lights or other high intensity lighting shall be placed or utilized upon any Lot which, in any manner, will allow light to be directed or reflected on any other Lot, except as may be expressly permitted by the Development Standards.

10.14 Exterior Accessories: Antennas. No radio, television or other antennas, satellite receiving stations or other device of any kind or nature, or device for the reception or transmission of radio, microwave, cellular phone, or other similar signals or electromagnetic radiation, including without limitation satellite dishes, shall be placed or maintained upon any Lot except as may be permitted in accordance with the Development Standards. Notwithstanding anything contained herein to the contrary, the Board of the Association may permit one or more aerial satellite dishes or satellite communication systems, and/or other apparatus and equipment for an antenna or cable system for the benefit of all or portions of Pine Canyon.

10.15 Garbage. No garbage or trash shall be kept, maintained or contained in any Lot so as to be visible from another Lot. No incinerators shall be kept or maintained in any Lot. No refuse pile, garbage or unsightly objects shall be allowed to be placed, accumulated or suffered to remain anywhere on a Lot. All rubbish, trash and garbage shall be kept only in containers meeting applicable local governmental sanitation requirements (and any applicable Rules of the Association), shall be regularly removed from the Property and shall not be allowed to accumulate thereon.

10.16 Mining. No portion of the Property shall be used in any manner to explore or remove any oil or other hydrocarbons, mineral of any kind, or earth substance of any kind.

10.17 Safe Condition. Without limiting any other provision in this Article, each Owner shall maintain and keep his, her or its Lot at all times in a safe, sound and sanitary condition and repair and shall correct any condition or refrain from any activity which might interfere with the reasonable enjoyment by other Owners or other Persons of their respective Lots.

10.18 Sewage Systems. Each Owner shall design, construct and install upon his, her or its Lot a septic or other sewage disposal system which complies in all respects with all applicable laws and the Rules of the Association and shall at all times operate, maintain, repair and replace said system in compliance

with said laws and Rules. The entire cost thereof shall be borne by the Owner of the Lot. The size, location and type of systems shall be subject to the control of the Association or its Architectural Review Committee.

10.19 Clothes Drying Area. No unenclosed portion of any Lot shall be used as a drying or hanging area for laundry of any kind, it being the intention hereof that all such facilities shall be provided within the buildings to be constructed on each Lot.

10.20 No Further Subdivision; Compounds. No Lot shall be divided, subdivided or timeshared. An Owner may own more than one Lot which, if contiguous, may be combined into a single homesite with the prior written consent of the County and the Architectural Review Committee. Notwithstanding anything herein to the contrary, the Owners of two or more contiguous Lots may, with the consent of the County and the Architectural Review Committee, combine such Lots as a Compound which may include and provide for the construction of common recreation facilities on such Lots, including, for example, a tennis court or swimming pool, in accordance with the Development Standards.

10.21 No Obstructions to Drainage. No Owner shall erect, construct, maintain, permit or allow any fence or other improvement or other obstruction which would interrupt the normal drainage of the land or within any area designated on the Plat or other duly recorded instrument as a flood plain or "drainage easement", except that, with the prior written consent of the County and the Architectural Review Committee, certain structures may, in accordance with the Development Standards, be erected or constructed so long as such structures do not interfere with the intended purpose or function of such areas.

10.22 Rental of Lots. An Owner who leases his Lot to any Person shall be responsible for assuring compliance by his lessee with all of the provisions of this Declaration and the Development Standards, all as amended and supplemented from time to time, and shall be jointly, severally and personally responsible for any violations by his lessee thereof. Notwithstanding anything contained herein to the contrary, all leases of Lots shall be in writing and shall be for a period not less than thirty (30) days. Owners shall be required to provide a copy of the written lease agreement to the Association.

10.23 Camping. Prior to the completion of construction of a single family residence upon the pertinent Lot, no portion of such Lot shall at any time be used for camping (whether in tents, trailers or otherwise).

10.24 Perimeter Walls or Fences. Perimeter walls and other fencing shall be constructed in accordance with the

Development Standards. All fences adjoining the Common Areas forest or trails shall be constructed and maintained in accordance with specifications established by the Architectural Review Committee for the purpose of preserving and protecting the views from adjoining property, except that each Owner shall be responsible for maintaining that portion of the perimeter wall or fence facing his Lot and except that the Owner shall reimburse the Association for one-half (1/2) the costs of any structural repair of that portion of the perimeter wall or fence located on that Owner's Lot or near that Owner's property boundary.

10.25 Enforcement. The Architectural Review Committee or its authorized agents may enter any Lot in which a violation of these restrictions exists and may correct such violation at the expense of the Owner of such Lot. All remedies described in Article 13 hereof and all other rights and remedies available at law or equity shall be available in the event of any breach by any Owner, Occupant or other Person of any provision of this Article.

10.26 Modification. In those instances expressly provided herein, the Architectural Review Committee may modify or waive the foregoing restrictions, or otherwise restrict and regulate the use and occupancy of the Property and the Lots, by reasonable rules and regulations of general application adopted by the Architectural Review Committee from time to time, which shall be incorporated into the Development Standards.

10.27 Declarant's Exemption. Nothing contained in this Declaration shall be construed to prevent the erection or maintenance by Declarant or by other Developers or their duly authorized agents of structures, improvements, or signs or to take such other actions as Declarant deems necessary or convenient to the development or sale of property within Pine Canyon.

ARTICLE 11 RIGHTS OF FIRST MORTGAGEES

11.1 General Provisions. Notwithstanding and prevailing over any other provisions of this Declaration or Development Standards, the following provisions shall apply to and benefit each holder of a First Mortgage upon a Lot.

11.2 Liability for Charges. A First Mortgagee who comes into possession or becomes record Owner of a mortgaged Lot by virtue of foreclosure of the Mortgage, or through any equivalent proceedings, such as but not limited to the taking of a deed or assignment in lieu of foreclosure or acquiring title at a trustee's sale under a first deed of trust, or any third-party purchaser at a foreclosure sale or trustee's sale, will not be liable for such Lot's fees or charges which may accrue prior to the time such First

Mortgagee or third-party purchaser comes into possession of such Lot or becomes record Owner of the Lot, whichever occurs first, and shall acquire title free and clear of any lien authorized by or arising out of the provisions of this Declaration which secures the payment of any dues, charges or assessments accrued prior to the time such First Mortgagee or third-party purchaser either comes into possession of such Lot or becomes record Owner of the Lot. Any such unpaid dues, charges or assessments against the Lot foreclosed shall be deemed to be a personal expense charged against the Owner. Nevertheless, in the event the Owner against whom the original assessment was made is the purchaser or redemptioner, the lien shall continue in effect and may be enforced by the Committee for the respective Lot's assessment that was due prior to the final conclusion of any such foreclosure or equivalent proceedings. Further, any such unpaid charges shall continue to exist as the personal obligation of the defaulting Owner of the respective Lot to the Committee, and the Committee may use reasonable efforts to collect the same from said Owner even after he is no longer the Owner of the Lot.

11.3 No Personal Liability. A Mortgagee shall not in any case or manner be personally liable for the payment of any charge, except for those matters which are enforceable by injunctive or other equitable actions, not requiring the payment of money, except as specifically provided in this Article.

11.4 Enforcement After Foreclosure Sale. An action to abate the breach of any provision of this Declaration or Development Standards may be brought against the purchasers who have acquired title through foreclosure or trustee's sale of a Mortgage (or through any equivalent proceedings), and the successors interest to said purchasers, even though the breach existed prior to the time said purchaser acquired an interest in such Lot.

11.5 Subject to Declaration. At such time as a Mortgagee, or any third-party purchaser at a foreclosure sale or trustee's sale, shall come into possession of or become record Owner of a Lot, such Person shall be subject to all of the terms and conditions of this Declaration in the same manner as any other Owner.

ARTICLE 12 EXEMPTION OF DECLARANT FROM RESTRICTIONS

12.1 Notwithstanding anything contained in this Declaration to the contrary, none of the restrictions contained in this Declaration shall be construed or deemed to limit or prohibit any act of Declarant, its employees, agents and contractors, or parties designated by it in connection with the construction,

completion, sale or leasing of the Lots or the Property. The Declarant reserves the right, for as long as it owns any Lots in the Project, to control the hours of operation of the privacy gate and/or controlled entryway which limits access from/to Highway 87.

ARTICLE 13 REMEDIES

13.1 General Remedies. In the event of any default by any Owner, Occupant or other Person under the provisions of this Declaration or Development Standards, Declarant, Association, the Board or the Architectural Review Committee, shall have each and all of the rights and remedies which may be provided for in this Declaration or the Development Standards, or which may be available at law or equity, and may suspend rights and privileges to vote or to the extent allowed by law to use the Common Areas and may prosecute any action or other proceedings against such defaulting Owner, Occupant or other Persons for an injunction, whether affirmative or negative, or for enforcement or foreclosure of the lien herein provided or for damages, or specific performance, or for judgment for payment of money and collection thereof, or for any combination of remedies or for any other relief.

13.2 Expenses of Enforcement. All expenses of Declarant, the Association, the Architectural Review Committee or other Person granted rights of enforcement hereunder in connection with any action or proceeding described or permitted by this Article including but not limited to court costs and reasonable attorneys' fees and other fees and expenses, and all damages, liquidated or otherwise, together with interest thereon until paid at a rate equal to eighteen percent (18%) per annum, shall be charged to and assessed against such defaulting Owner, Occupant or other defaulting Person and shall be a special assessment against such Owner, Occupant or other defaulting Person and the Association shall have a lien therefor. In the event of any such default by any Owner, Occupant or other defaulting Person, Declarant and the Association shall have the authority to correct such default and to do whatever may be necessary for such purpose, and all expenses in connection therewith shall be charged to and assessed against such defaulting Owner, Occupant or other defaulting Person as a special charge, which shall constitute a lien against the defaulting Owner's Lot. This lien may be foreclosed in any manner provided for permitted for the foreclosure of realty mortgages or deeds of trust in the State of Arizona. Any and all such rights and remedies may be exercised at any time and from time to time, cumulatively, in the alternative or otherwise, by Declarant, the Association or the Board.

13.3 Legal Action. In addition to any other remedies available under this Article, if any Owner or Occupant (either by

his conduct or by the conduct of any Occupant of his Lot or family member, ~~guest, invitee or agent~~) shall ~~violate any of the~~ provisions of this Declaration or Development Standards, as then in effect, then Declarant, the Architectural Review Committee, the Board, the Association or any affected or aggrieved Owner shall have the power to file an action against the defaulting Owner or Occupant for a judgment or injunction against the Owner, Occupant or such other Person requiring the defaulting Owner, Occupant or other defaulting Person to comply with the provisions of this Declaration or the Development Standards, and granting other appropriate relief, including money damages.

13.4 Effect on Mortgage. Anything to the contrary herein notwithstanding, any breach of any of the covenants, conditions, restrictions, reservations and servitudes provided for in this Declaration, or any right of re-entry by reason thereof, shall not defeat or adversely affect the lien of any Mortgage upon any Lot but, except as herein specifically provided, each and all of said covenants, conditions, restrictions, reservations and servitudes shall be binding upon and effective against any lessee or Owner of a Lot whose title thereto is acquired by foreclosure, trustee's sale, sale, deed in lieu of foreclosure or otherwise.

13.5 Limitation on Declarant's Liability. Notwithstanding anything to the contrary herein, it is expressly understood and agreed that neither Declarant (including without limitation any assignee of the interest of Declarant hereunder) nor any officer or employee of Declarant shall have any personal liability to the Association, Architectural Review Committee, or to any Owner or 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 Development Standards, except, in the case of Declarant (or its assignee) to the extent of its interest in the Property, and, in the event of a judgment against Declarant (or any partner or assignee thereof), no execution or other action shall be sought or brought against any other assets, nor be a lien upon such other assets, of the judgment debtor.

13.6 Indemnification. The Association shall indemnify each and every officer and director of the Association (including, for purposes of this Section, former officers and directors of the Association) against any and all expenses, including attorneys' fees, reasonably incurred by or imposed upon any officer or director of the Association in connection with any action, suit or proceeding, (if approved by the Board serving at the time of the settlement) to which he or she may be a party by reason of being or having been an officer or director of the Association, except for their own individual willful misfeasance, malfeasance, misconduct or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made by

them, in good faith, on behalf of the Association (except indirectly to the extent that such officers or directors may also be Members of the Association and therefore subject to Assessments hereunder to fund a liability of the Association), and the Association shall indemnify and forever hold each of its officers and directors free and harmless from and against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer or director, or former officer or director of the Association, may be entitled. If the Board deems it appropriate, in its sole discretion, the Association may advance funds to or for the benefit of any director or officer (or former director or officer) of the Association who may be entitled to indemnification hereunder to enable the Person to meet on-going costs and expenses of defending himself or herself in any action or proceeding brought against such Person by reason of his or her being, or having been, an officer or director of the Association. In the event it is ultimately determined that a current or former officer or director to whom, or for whose benefit, funds were advanced pursuant to the preceding sentence does not qualify for indemnification pursuant to this Section or otherwise under the Articles, Bylaws or applicable law, the current or former officer or Director shall promptly upon demand repay to the Association the total of such funds advanced by the Association to him or her, or for his or her benefit, with interest (should the Board so elect) at a rate equal to eighteen percent (18%) per annum from the date(s) funds were advanced until the debt is repaid.

13.7 Restriction on Liability of the Association and Declarant. Gates and/or controlled entryways may be constructed within or adjacent to the Project in order to limit access and to provide more privacy for the Owners and Occupants. Each Owner and Occupant, and their families, guests and invitees, acknowledge that any such gate or controlled entryway may restrict or delay entry into, access within, or exit from the Project by police, ambulances and other emergency vehicles or personnel. Each Owner and Occupant and their families, guests and invitees agree to assume the risk that any such gate or controlled entryway will restrict or delay entry into, access within, or exit from the Project by police, fire department, ambulances or other emergency vehicles or personnel. Neither Declarant, the Association nor any director, officer, agent or employee of Declarant or the Association shall be liable to any Owner or Occupant or their families, guests or invitees for any claims or damages resulting, directly or indirectly, from the construction, existence or maintenance of any such gate or controlled entryways.

ARTICLE 14

AMENDMENT

14.1 Amendment to Declaration. Amendments to this Declaration shall be made by an instrument in writing entitled "Amendment to Declaration" which sets forth the entire amendment. Except as otherwise specifically provided for in Section 14.5 in this Declaration, any proposed amendment must be approved in writing by seventy-five percent (75%) of all of the Members, excluding, however, those Members whose voting rights have been duly suspended pursuant to this Declaration. A Tract Declaration may be amended in the same manner as this Declaration, with the approval of sixty-seven percent (67%) of the votes attributable to the Owners of all Lots subject to the Tract Declaration. In all events, the amendment when adopted shall state that the amendment was properly adopted, shall be acknowledged before a notary public, and shall be promptly recorded with the County Recorder. Amendments once properly adopted shall be effective upon recording of the Amendment to Declaration. So long as there is a Class B Membership, any amendment or termination of this Declaration shall require approval of FHA, VA, FHLMC or FNMA, as applicable, if such agency has guaranteed or insured any loan on a Lot subject to this Declaration.

14.2 Effect of Amendment. It is specifically covenanted and agreed that any amendment to this Declaration properly adopted will be completely effective to amend any and all of the covenants, conditions and restrictions, liens, assessments, easements, privileges and rights contained herein which may be affected and any or all clauses of this Declaration or the Plat, unless otherwise specifically provided in the Section being amended or the amendment itself.

14.3 Amendment of Plat. Except as otherwise provided herein, the Plat may be amended by revised versions or revised portions thereof referred to and described as to effect an amendment to this Declaration adopted as provided for herein. Copies of any such proposed amendment to the Plat shall be made available for the examination of every Owner at a designated place on the Property during reasonable times. Such amendment to the Plat shall be effective, once properly adopted, upon recording with the County Recorder in conjunction with this Declaration amendment.

14.4 Required Approvals. Notwithstanding the provisions of the foregoing Sections of this Article:

(a) If this Declaration or any applicable provision of law requires the consent or agreement of all Owners and/or all lienholders and all trustees and/or beneficiaries under trust deeds, or a specified percentage thereof, for any action specified in this Declaration, then any instrument changing,

modifying or rescinding any provision of this Declaration with respect to such action shall be signed by all of the Owners and/or all lienholders and trustees and/or beneficiaries under trust deeds, or the specified percentage thereof, as required by this Declaration or by said law.

(b) Until the Transition Date, this Declaration may not be amended by the Owners pursuant to this Article without the written consent of Declarant, which may be withheld for any reason in Declarant's sole and absolute discretion.

14.5 Declarant's Right to Amend. Notwithstanding any other provision of this Article, subsequent to the recording of this Declaration, but prior to the sale of any Lot, Declarant reserves the right to amend this Declaration without the approval of the Owners.

14.6 Right of Amendment if Requested by Governmental Agency or Federally Chartered lending Institution. Anything in this Article to the contrary notwithstanding, Declarant reserves the right to amend all or any part of this Declaration to such extent and with such language as may be requested by the Federal Housing Administration ("FHA"), the Veterans Administration ("VA"), the Federal Home Loan Mortgage Corporation ("FHLMC") or the Federal National Mortgage Corporation ("FNMA") and to further amend to the extent requested by any other federal, state or local government agency which requests such amendment as a condition precedent to such agency's approval of the Declaration, or by any federally chartered lending institution as a condition precedent to lending funds upon the security of any Lot(s) or any portions thereof. Any such amendment shall be effected by the recordation by Declarant of the Amendment duly signed by or on behalf of the authorized agents of Declarant with their signatures acknowledged, specifying the federal, state, or local agency or federally chartered lending institution requesting the amendment and setting forth the amendatory language requested by such agency or institution. Recordation of such amendment shall be deemed conclusive proof of the agency's or institution's request for such amendment, and such Amendment, when recorded, shall be binding upon all of Pine Canyon and all persons having an interest therein.

ARTICLE 15 GENERAL PROVISIONS

15.1 Enforcement. Subject to Section 9.2, the Association shall have the standing and power to enforce the provisions of this Declaration, the Articles, the Bylaws and the Rules of the Association, and the provisions of any other Recorded document pertaining to any Lot or Lots, and its costs in doing so,

including, but not limited to, reasonable attorneys' fees, together with interest ~~thereon from the date the costs are expended at a~~ rate equal to eighteen percent (18%) per annum, shall constitute a lien on all Lots owned by the Owner or Owners against whom the action is taken, which lien shall have the priority and may be enforced in the manner described in Section 8.3. Further, any Owner shall have the standing and the right to bring an action against the Association for any violation or breach by the Association of any provision hereof or of the Articles or the Bylaws. In addition, any Owner or Owners shall have the standing and power to enforce the provisions of this Declaration, the Articles and the Bylaws, and the prevailing party or parties in any action by an Owner or Owners to enforce any such provisions shall be entitled to recover from the other party or parties its or their costs in the action (including reasonable attorneys' fees), together with interest thereon at a rate equal to eighteen percent (18%) per annum, and shall further be entitled to have all such costs (including the interest) included in any judgement awarded to the Association or the Owner. The failure of any Owner to take any such enforcement action shall in no event be deemed a waiver of the rights to do so thereafter.

15.2 Notices. Notices provided for in this Declaration shall be in writing and shall be addressed to the Owners at their respective Lots. Any Owner may designate a different address or addresses for notices by giving written notice of change of address to the Association. Notices addressed as above shall be deemed delivered when mailed by United States registered or certified mail, or when delivered in person with written acknowledgement of the receipt thereof.

15.3 Captions and Exhibits; Construction. Captions given to various Sections herein, and the Table of Contents for this Declaration, are for convenience only and are not intended to modify or affect the meaning of any of the substantive provisions hereof. The various exhibits referred to herein are incorporated as though fully set forth where such reference is made. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of the Project as hereinabove set forth.

15.4 Severability. If any provision of this Declaration or the Development Standards, or any Section, clause, sentence, phrase or word, or the application thereof in any circumstance, is held invalid, the validity of the remainder of this Declaration or the Development Standards, and of the application of any such provision, Section, sentence, clause, phrase or word in any other circumstances, shall not be affected thereby, and the remainder of this Declaration or the Development Standards shall be construed as if such invalid part were never included therein.

15.5 Rule Against Perpetuities. If any of the privileges or covenants ~~created by this Declaration~~ shall be unlawful, void or voidable for violation of the rule against perpetuities, then such provision shall continue until 21 years after the death of the last survivor of the now living descendants of the Queen of England, Queen Elizabeth II.

15.6 Mortgage of Lots. Each Owner shall have the right, subject to the provisions hereof, to make separate Mortgages for his respective Lot. No Owner shall have the right or authority to make or create, or cause to be made or created any Mortgage, or other lien or security interest, on or affecting the Property or any part thereof, except only to the extent of his Lot.

ARTICLE 16 RIGHTS AND OBLIGATIONS

16.1 Each grantee of Declarant by the acceptance of a deed of conveyance, and each purchaser under any contract for such deed of conveyance, and each purchaser under any agreement of sale, and each Person acquiring any other interest in the Property, and the heirs, successors and assigns of the foregoing Persons, accepts the same subject to all covenants, conditions, restrictions, liens, easements, privileges and rights herein contained, and the jurisdiction, rights and powers created or reserved by this Declaration, and all rights, benefits and privileges of every character hereby granted, created, reserved or declared, and all impositions and obligations hereby imposed shall be deemed and taken to be covenants running with the land and equitable servitudes, and shall bind any Person having at any time any interest or estate in said land, and shall inure to the benefit of any such Person in like manner as though the provisions of this Declaration were recited and stipulated at length in each and every deed of conveyance, purchase contract or instrument evidencing or creating such interest.

ARTICLE 17 ANNEXATION

17.1 Requirements and Procedures for Annexation. Declarant hereby expressly reserves the right, so long as it owns a single Lot, Planned Lot or portion of the Annexable Property, or until fifteen (15) years from the date of recordation of this Declaration, whichever first occurs, to annex from time to time without the consent of any Owner all or any portion or portions of the Annexable Property into the Property, subject to this Declaration. Any such annexation of the Annexable Property shall be accomplished by the Declarant recording or causing to be recorded with the County Recorder of Coconino County, Arizona, a Declaration of Annexation, executed by the Declarant and by all

owners of the portion of the Annexable Property being annexed, stating the following: -----

17.1.1 The legal description of the portion or portions of the Annexable Property being annexed and to be included as part of the Property; and

17.1.2 That such portion or portions of the Annexable Property being annexed are and shall be expressly subject to all of the Restrictions set forth in this Declaration, except as may be modified by the express terms of the Declaration of Annexation; and

17.1.3 That such portion or portions of the Annexable Property being annexed are and shall be expressly subject to any additional covenants, conditions, restrictions, uses, limitations, obligations, easements, equitable servitudes, charges and liens ("Additional Restrictions") as may be set forth on the Plat thereof and in the Declaration of Annexations.

17.2 Maximum Area of the Property. The maximum perimeters within which the Property may be increased shall be all of the land in the general area that is currently owned by the Declarant or Developer. A more specific description of the Annexable Property is set forth in Exhibit "C" attached hereto and incorporated herein by reference.

17.3 Commencement of Assessments for Annexed Annexable Property; Voting Rights. Each portion of Annexable Property annexed (a "Phase") pursuant to Section 17.1 shall be subjected to the Restrictions and/or Additional Restrictions from and after the date of recordation of the Declaration of Annexation. The Annual Assessments provided for in Article 8 shall commence as to all Lots in such Phase (at the rate then in effect for the other Lots in the Property) on the first day of the month following the conveyance of the first Lot in such Phase to an Owner. The first annual assessment shall be adjusted as provided for in Section 8.4. The Lots in such Phase and the Owners thereof shall be subject to all of the Restrictions regarding Assessments. The Owners' and Declarant's respective classes of membership and voting rights shall be as set forth in Article 4, with the annexed Lots being added to and made a part of the total Lots within the Property, subject to all of the Restrictions in this Declaration.

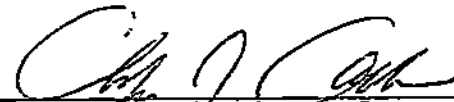
Annexation is at the sole discretion of Declarant though the easements reserved in favor of the Annexable Property shall exist, regardless whether said land is annexed. Annexation may occur whether or not the Annexable Property is then platted, developed, or undeveloped.

IN WITNESS WHEREOF, Declarant has caused this Declaration to be duly executed as of the date first above written.

CHEVELON DEVELOPMENT, L.L.C.

By: HARVARD STAR, L.L.C.,
Its Manager

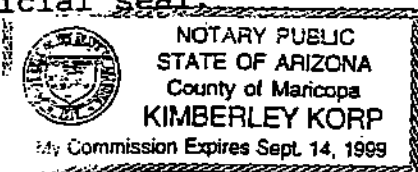
By: HARVARD INVESTMENTS, INC.
Its Manager

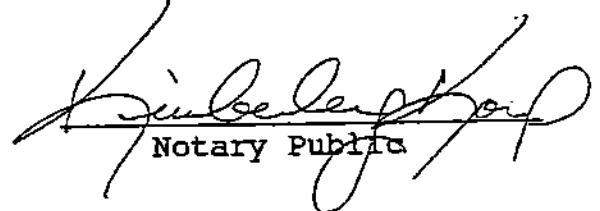

By: Christopher J. Cacharis
Its: Vice President

STATE OF ARIZONA)
) §
County of Maricopa)

The foregoing instrument was acknowledged before me this 3rd day of September, 1998 by Christopher J. Cacharis, on behalf of the corporation.

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




Notary Public

My Commission Expires:
9, 14, 99

EXHIBIT A

LEGAL DESCRIPTION

Parcel No. 1, Lots 1-75, inclusive and Tract A, of PINE CANYON UNIT 1, according to the plat of record in the office of the County Recorder of Coconino County, Arizona, recorded in Case 7, Maps 72 and 72A.

EXHIBIT B

(COPY OF RECORDED PLAT)

EXHIBIT C
(ANNEXABLE PROPERTY)

EXHIBIT C
ANNEXABLE PROPERTY
LEGAL DESCRIPTION

Being a portion of Section 6, Township 14 North, Range 12 East, of the Gila and Salt River Meridian, Coconino County, Arizona, described as follows:

Lots 15 through 23 inclusive, and Lots 25, 28, 29, 31, 33, 34 and 36 of said Section 6, as depicted on the United States Department of the Interior, Bureau of Land Management's Plat No. 584-A, officially filed February 18, 1993, and being more particularly described as follows:

BEGINNING at the North Quarter Corner of said Section 6, said corner being monumented with a brass capped steel post;
THENCE North 89°27'00" West (of record North 89°27' West and basis of bearings for this description), along the north line of said Section 6, a distance of 4130.62 feet to the Northwest Corner of said Section 6, said corner being monumented with a brass capped steel post;
THENCE South 00°03'44" West, along the west line of said Section 6, a distance of 627.55 feet to a brass capped steel post monumenting the Southeast Corner of Section 36 (Township 15 North, Range 11 East), and monumenting the Northeast Corner of Section 1 (Township 14 North, Range 11 East);
THENCE South 00°29'29" West, continuing along said west line, a distance of 1801.34 feet to the West Quarter Corner of said Section 6, said corner being monumented with a brass capped steel post;
THENCE South 00°30'25" West, continuing along said west line, a distance of 864.13 feet to the East Quarter Corner of said Section 1, said corner being monumented with a brass capped steel post;
THENCE South 00°30'21" West, continuing along said west line, a distance of 452.25 feet to the South 1/16 Corner of said Section 6, said corner being monumented with a brass capped steel post;
THENCE South 00°30'03" West, continuing along said west line, a distance of 346.85 feet to AP 1, being a point in the center line of Arizona State Highway No. 87, as depicted on said plat, said point being monumented with an aluminum tablet;
THENCE along a 1°23'54" (of record) circular curve to the left, having a radius of 4097.14 feet (of record), and along said center line, a distance of 65.47 feet (calculated from record data) to AP 2, being monumented with an aluminum tablet, from which said AP 1 bears South 82°06'01" West, a distance of 65.49 feet;
THENCE North 81°37'45" East, continuing along said center line, a distance of 1738.43 feet to AP 3, being monumented with an aluminum tablet;
THENCE along a 1°44'02" (of record) circular curve to the left, having a radius of 3304.49 feet (of record), and continuing along said center line, a distance of 811.80 feet (calculated from record data) to AP 4, being monumented with an aluminum tablet, from which said AP 3 bears South 74°35'23" West, a distance of 809.78 feet;

Page 2 of 3

EXHIBIT C
ANNEXABLE PROPERTY

Legal Description continued -

- THENCE North 67°33'40" East, continuing along said center line, a distance of 1982.94 feet to AP 5, being monumented with an aluminum tablet;
- THENCE along a 1°35'04" (of record) circular curve to the left, having a radius of 3616.09 feet (of record), and continuing along said center line, a distance of 932.05 feet (calculated from record data) to AP 6, being monumented with an aluminum tablet, from which said AP 5 bears South 60°10'36" West, a distance of 929.51 feet;
- THENCE North 52°45'34" East, continuing along said center line, a distance of 317.54 feet to AP 7, being monumented with an aluminum tablet;
- THENCE along the arc of a spiral curve to the left, having a spiral angle of 5°10'03" (of record), and continuing along said center line, a distance of 190.54 feet (calculated from record data) to AP 8, being monumented with an aluminum tablet, from which said AP 7 bears South 51°01'15" West, a distance of 190.38 feet;
- THENCE along a 4°58'04" (of record) circular curve to the left, having a radius of 1153.36 feet (of record), and continuing along said center line, a distance of 593.01 feet (calculated from record data) to AP 9, being a point on the south right of way line of Enchanted Lane, as depicted on said plat, said point being monumented with an aluminum tablet, from which said AP 8 bears South 32°51'33" West, a distance of 586.50 feet;
- THENCE South 77°32'59" East, along said south right of way line, a distance of 273.07 feet to AP 10, being monumented with a brass capped steel post;
- THENCE along a 5°58'00" (of record) circular curve to the left, having a radius of 960.28 feet (of record) and continuing along said south right of way line, a distance of 205.59 feet (calculated from record data) to AP 11, being monumented with a brass capped steel post, from which said AP 10 bears North 83°39'52" West, a distance of 205.16 feet;
- THENCE South 89°47'11" East, continuing along said south right of way line, a distance of 399.94 feet to AP 12, being a point on the east line of said Section 6, said point being monumented with a brass capped steel post;
- THENCE North 00°13'58" East, along said east line, a distance of 406.53 feet to the North 1/16 Corner of said Section 6 and Section 5 (Township 14 North, Range 12 East), said corner being monumented with a brass capped steel post;
- THENCE North 00°12'35" East, continuing along said east line, a distance of 1202.12 feet to the Northeast Corner of said Section 6, said corner being monumented with a brass capped steel post;

EXHIBIT C
ANNEXABLE PROPERTY

Legal Description continued -

THENCE North 89°26'13" West, along said north line of said Section 6, a distance of 1319.53 feet to the East 1/16 Corner of said Section 6 and Section 31 (Township 15 North, Range 12 East), said corner being monumented with a brass capped steel post;
THENCE North 89°26'48" West, continuing along said north line, a distance of 1319.57 feet to the POINT OF BEGINNING;

EXCEPT FOR Parcel No. 1, Lots 1-75, inclusive and Tract A, of PINE CANYON UNIT 1, according to the plat of record in the office of the County Recorder of Coconino County, Arizona, recorded in Case 7, Maps 72 and 72A.