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When recorded return to:

Shea Homes
8800 North Gainey Drive, Suite 350
Scottsdale, Arizona 85258
Attn: Ruth Truman

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR ARROYO MOUNTAIN ESTATES HOMEOWNERS ASSOCIATION

This Declaration of Covenants, Conditions and Restrictions for Arroyo Mountain Estates Homeowners Association, which was recorded at Maricopa County Recorder's Office Docket Number 20070265265 on 3/5/2007 is being RE-RECORDED for the sole purpose of including the attached Page 18 which was inadvertently left out of the document.

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Shea Homes
8800 North Gainey Drive, Suite 350
Scottsdale, Arizona 85258
Attn: Ruth Truman

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR ARROYO MOUNTAIN ESTATES HOMEOWNERS ASSOCIATION

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**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
ARROYO MOUNTAIN ESTATES HOMEOWNERS ASSOCIATION**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR ARROYO MOUNTAIN ESTATES HOMEOWNERS ASSOCIATION (the "Declaration") is made on the date hereinafter set forth by SHEA HOMES LIMITED PARTNERSHIP, a California limited partnership ("Declarant"), and WOODSIDE HOMES OF ARIZONA, INC., an Arizona corporation ("Woodside").

WITNESSETH:

WHEREAS, Declarant and Woodside are collectively the owners of certain real property ("Property") located in the County of Maricopa, State of Arizona, described as follows:

Lots 1 through 364, inclusive, and Tracts A through S, inclusive, of JACKRABBIT ESTATES, a subdivision per plat (the "Plat") recorded in Book 794 of Maps, Page 3, Recorder's No. 2005-1761469, Records of Maricopa County, Arizona.

WHEREAS, Declarant and Woodside desire to provide for the development on the Property of detached single family residences:

NOW, THEREFORE, Declarant and Woodside hereby declare that the Property described above shall be subject to the following reservations, easements, limitations, restrictions, servitudes, covenants, conditions, charges and liens (hereinafter sometimes collectively termed "Covenants and Restrictions") which are for the purpose of protecting the value and desirability of, and which shall run with, the Property and be binding on all parties having any right, title or interest in the Property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner of any portion of the Property.

ARTICLE I: DEFINITIONS

Section 1.1. "Architectural Committee" means the committee established by the Board pursuant to Section 3.4 of this Declaration.

Section 1.2. "Architectural Committee Rules" means the rules adopted by the Architectural Committee.

Section 1.3. "Articles" means the Articles of Incorporation of the Association which have been or will be filed in the Office of the Corporation Commission of the State of Arizona, as said Articles may be amended from time to time.

Section 1.4. "Assessment Lien" means the lien granted to the Association by this Declaration to secure the payment of Assessments and all other amounts payable to the Association under the Project Documents.

Section 1.5. "Assessments" means the annual, special, and neighborhood assessments levied and assessed against each Lot pursuant to Article IV of the Declaration, and the Bulk Services Assessment levied and assessed against each Lot pursuant to Section 3.14, and the Sewer Usage Assessment levied and assessed against each Lot pursuant to Article XVII of the Declaration.

Section 1.6. "Association" means the Arizona nonprofit corporation organized or to be organized by the Declarant to administer and enforce the Project Documents and to exercise the rights, powers and duties set forth therein, and its successors and assigns. Declarant intends to organize the Association under the name of "Arroyo Mountain Estates Homeowners Association", but if such name is not available, Declarant may organize the Association under such other name as the Declarant deems appropriate.

Section 1.7. "Association Rules" means the rules and regulations adopted by the Association, as the same may be amended from time to time.

Section 1.8. "Board" means the Board of Directors of the Association.

Section 1.9. "Builder" means any Owner of two or more Lots which is in the business of constructing homes and which intends to construct homes for resale on the Lots it owns.

Section 1.10. "Bylaws" means the bylaws of the Association, as such bylaws may be amended from time to time.

Section 1.11. "Common Area" means all real property owned by the Association, but such definition shall not preclude the Association from operating, maintaining or repairing any other real property for the benefit of the members of the Association (e.g. landscaping in public

rights-of-way) or any other real property maintained by the Association pursuant to a written agreement entered into by the Association for the benefit of the members.

Section 1.12. "Common Expenses" means expenditures made by, or financial liabilities of, the Association, together with any allocations to reserves.

Section 1.13. "Declarant" means Shea Homes Limited Partnership, a California limited partnership, and its successors and assigns if such successors or assigns should acquire two or more undeveloped lots from the Declarant for the purpose of development and resale and such acquisition includes a transfer of the Declarant's rights herein. No successor Declarant shall have any liability resulting from any actions or inactions of any preceding Declarant unless expressly assumed by the successive Declarant, in which event the preceding Declarant shall be released from liability.

Section 1.14. "Declaration" means the provisions of this document and any amendments hereto.

Section 1.15. "Designated Builder" means (a) a Builder who is designated by Declarant as a Designated Builder in a recorded instrument and/or (b) a Builder who, in connection with such Builder's acquisition of Lots from a Designated Builder, is designated as a Designated Builder as to such Lots in a recorded instrument; no designation of a Builder as a Designated Builder shall take effect until written notice thereof is provided to the Association. Notwithstanding the foregoing to the contrary, Woodside shall be a Designated Builder in connection with the Lots owned by it.

Section 1.16. "First Mortgage" means any mortgage, deed of trust, or contract for deed on a Lot which has priority over all other mortgages, deeds of trust and contracts for deed on the same Lot. A contract for deed is a recorded agreement whereby the purchaser of a Lot acquires possession of the Lot but does not acquire legal title to the Lot until a deferred portion of the purchase price for the Lot has been paid to the seller.

Section 1.17. "First Mortgagee" means the holder of any First Mortgage.

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

Section 1.19. "Lot" or "lot" means any Lot shown on a Plat. For purposes of voting on any issue required to receive the approval of Lot Owners, the Owner of a parcel zoned for residential use shall be deemed to be the Owner of the maximum number of Lots into which such parcel may be subdivided under then applicable zoning and other legal requirements.

Section 1.20. "Member" means any person, corporation, partnership, joint venture or other legal entity who is a member of the Association.

Section 1.21. "Owner" or "owner" shall mean the record owner, except as provided below, whether one or more persons or entities, of fee simple title to any lot, including without limitation, one who is buying a lot under a recorded contract, but excluding others having an interest merely as security for the performance of an obligation. In the case of a lot where fee simple title is vested of record in a trustee under a deed of trust, legal title shall be deemed to be in the trustor. In the case of a lot where fee simple title is vested in a trustee pursuant to a trust agreement, the beneficiary entitled to possession shall be deemed to be the Owner.

Section 1.22. "Plat" means the Plat of JACKRABBIT ESTATES recorded in Book 794 of Maps, Page 3, Recorder's No. 2005-1761469, Records of Maricopa County, Arizona and all amendments thereto and any other recorded subdivision plat of any portion of the Property.

Section 1.23. "Project" means the Property together with all buildings and other Improvements located thereon and all easements, rights and privileges appurtenant thereto.

Section 1.24. "Project Documents" means this Declaration and the Articles, Bylaws, Association Rules and Architectural Committee Rules.

Section 1.25. "Purchaser" means any person other than the Declarant or any Builder, who by means of a voluntary transfer becomes the Owner of a Lot except for (i) an Owner who purchases a Lot and then leases it to the Declarant or a Builder for use as a model in connection with the sale of other Lots or (ii) an Owner who, in addition to purchasing a Lot, is assigned any or all of the Declarant's rights under this Declaration.

Section 1.26. "Residential Unit" means any building situated upon a Lot and designed and intended for independent ownership and for use and occupancy as a residence by a Single Family.

Section 1.27. "Single Family" shall mean an individual living alone, a group of two or more persons each related to the other by blood, marriage or legal adoption, or a group of not more than three persons not all so related, together with their domestic servants, who maintain a common household in a dwelling.

Section 1.28. "Single Family Residence" shall mean a building, house or dwelling unit used as a residence for a Single Family, including any appurtenant garage or storage area.

Section 1.29. "Single Family Residential Use" shall mean the occupation or use of a Single Family Residence in conformity with this Declaration and the requirements imposed by applicable zoning laws or other state, county or municipal rules and regulations.

Section 1.30. "Visible from Neighboring Property" or "visible from neighboring property" shall mean that an object is or would be visible to a person six feet (6') tall standing on a neighboring lot, neighboring Common Area, or street at an elevation not greater than the elevation at the base of the object being viewed.

ARTICLE II: PLAN OF DEVELOPMENT

Section 2.1. Property Initially Subject to the Declaration. This Declaration is being recorded to establish a general plan for the development and use of the Project in order to protect and enhance the value and desirability of the Project. All of the Property within the Project shall be held, sold and conveyed subject to this Declaration. By acceptance of a deed or by acquiring any interest in any of the Property subject to this Declaration, each person or entity, for himself or itself, his heirs, personal representatives, successors, transferees and assigns, binds himself, his heirs, personal representatives, successors, transferees and assigns, to all of the provisions, restrictions, covenants, conditions, rules, and regulations now or hereafter imposed by this Declaration and any amendments thereof. In addition, each such person by so doing thereby acknowledges that this Declaration sets forth a general plan for the development and use of the Property and hereby evidences his intent that all the restrictions, conditions, covenants, rules and regulations contained in this Declaration shall run with the land and be binding on all subsequent and future Owners, grantees, purchasers, assignees, lessees and transferees thereof. Furthermore, each such person fully understands and acknowledges that this Declaration shall be mutually beneficial, prohibitive and enforceable by the Association and all Owners. Declarant, its successors, assigns and grantees, covenants and agrees that the Lots and the membership in the Association and the other rights created by this Declaration shall not be separated or separately conveyed, and such shall be deemed to be conveyed or encumbered with its respective Lot even though the description in the instrument of conveyance or encumbrance may refer only to the Lot.

ARTICLE III: THE ASSOCIATION; RIGHTS AND DUTIES, MEMBERSHIP AND VOTING RIGHTS

Section 3.1. Rights, Powers and Duties. The Association shall be a non-profit Arizona corporation charged with the duties and invested with the powers prescribed by law and set forth in the Project Documents together with such rights, powers and duties as may be reasonably necessary to effectuate the objectives and purposes of the Association as set forth in the Project Documents. Unless the Project Documents specifically require a vote of the Members, approvals or actions to be given or taken by the Association shall be valid if given or taken by the Board.

Section 3.2. Board of Directors and Officers. The affairs of the Association shall be conducted by a Board of Directors and such officers and committees as the Board may elect or appoint in accordance with the Articles and the Bylaws. Until termination of the Class B membership, the Declarant and Designated Builders then owning Lots shall have the right to appoint and remove Members of the Board by majority vote of the Declarant and Designated Builders based on the number of Lots then owned by each such party. After termination of the Class B Membership, the Members shall elect the Board as provided in the Bylaws.

Section 3.3. Association Rules. The Board may, from time to time and subject to the provisions of this Declaration, adopt, amend and repeal rules and regulations, provided, however, that such Association Rules shall not be effective at any time that Declarant or any Designated Builder owns any Lot unless (a) such Association Rules have been approved in writing by

majority vote of the Declarant and Designated Builders based on the number of Lots then owned by each such party or (b) the Class B Membership still exists. The Association Rules may restrict and govern the use of any area by any Owner, by the family of such Owner, or by any invitee, licensee or lessee of such Owner except that the Association Rules may not discriminate among Owners and shall not be inconsistent with this Declaration, the Articles or Bylaws. Upon adoption, the Association Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration.

Section 3.4. Architectural Committee. The Board shall establish an Architectural Committee consisting of not less than three (3) members to regulate the external design, appearance and use of the Property and to perform such other functions and duties as may be imposed upon it by this Declaration, the Bylaws or the Board. So long as the Declarant or any Designated Builder owns any Lot, the Declarant and Designated Builders then owning Lots shall have the right to appoint and remove members of the Architectural Committee by majority vote of the Declarant and Designated Builders based on the number of Lots then owned by each such party. At such time as neither the Declarant nor any Designated Builder owns any lot, the Board shall have the right to appoint and remove members of the Architectural Committee.

Section 3.5. Identity of Members. Membership in the Association shall be limited to Owners of Lots. An Owner of a Lot shall automatically, upon becoming the Owner thereof, be a member of the Association and shall remain a member of the Association until such time as his ownership ceases for any reason, at which time his membership in the Association shall automatically cease.

Section 3.6. Transfer of Membership. Membership in the Association shall be appurtenant to each Lot and a membership in the Association shall not be transferred, pledged or alienated in any way, except upon the sale of a Lot and then only to such Purchaser, or by intestate succession, testamentary disposition, foreclosure of mortgage of record or other legal process. Any attempt to make a prohibited transfer shall be void and shall not be reflected upon the books and records of the Association. The Association shall have the right to charge a reasonable transfer fee to the Purchaser in connection with any transfer of a Lot.

Section 3.7. Classes of Members. The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners, with the exception of the Declarant and the Designated Builders until the termination of the Class B membership. Each Class A member shall be entitled to one (1) vote for each Lot owned.

Class B. The Class B members shall be the Declarant and the Designated Builders. The Class B member shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(i) When seventy-five percent (75%) of the Lots have been conveyed to Purchasers; or

(ii) Seven (7) years after the conveyance of the first Lot to a Purchaser; or

(iii) When a majority of the Declarant and the Designated Builders (based on the number of lots owned by each such party) notify the Association in writing that Class B membership has terminated.

Section 3.8. Joint Ownership. When more than one person is the Owner of any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one ballot be cast with respect to any Lot. The vote or votes for each such Lot must be cast as a unit, and fractional votes shall not be allowed. In the event that joint Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Owner casts a ballot representing a certain Lot, it will thereafter be conclusively presumed for all purposes that he was acting with the authority and consent of all other Owners of the same Lot. In the event more than one ballot is cast for a particular Lot, none of said votes shall be counted and said votes shall be deemed void.

Section 3.9. Corporate Ownership. In the event any Lot is owned by a corporation, partnership, limited liability company, or other association, the corporation, partnership, limited liability company or association shall be a Member and shall designate in writing at the time of acquisition of the Lot an individual who shall have the power to vote said membership, and in the absence of such designation and until such designation is made, the president, general partner, manager, or chief executive officer of such corporation, partnership or association shall have the power to vote the membership.

Section 3.10. Suspension of Voting Rights. In the event any Owner is in arrears in the payment of any Assessments or other amounts due under any of the provisions of the Project Documents for a period of fifteen (15) days, said Owner's right to vote as a Member of the Association shall be suspended for a period not to exceed sixty (60) days for each infraction of the Project Documents, and shall remain suspended until all payments, including accrued interest and attorneys' fees, are brought current.

Section 3.11. Fines. The Association, acting through its Board of Directors, shall have the right to adopt a schedule of fines for violation of any provision of the Project Documents by any Owner or such Owner's licensees and invitees. No fine shall be imposed without first providing a written warning to the Owner describing the violation and stating that failure to stop the violation within no less than ten (10) days or another recurrence of the same violation within six (6) months of the original violation shall make the Owner subject to imposition of a fine. All fines shall constitute a lien on all lots owned by the Owner and shall be paid within thirty (30) days following imposition. Failure to pay any fine shall subject the Owner to the same potential penalties and enforcement as failure to pay any assessments under Article IV.

Section 3.12. Limitation on Claims. No claim arising against Declarant, any Designated Builder, or any officer, director, employee or other representative of Declarant or any Designated Builder, including without limitation any claims arising from Declarant's or a Designated Builder's exercise of any right arising from Class B membership or arising from any action or inaction by any person in such person's capacity as an officer or director of the Association, shall be asserted by the Association more than six months following the later of termination of the Class B membership or the termination of such person's service as an officer or director of the Association. All claims that are not filed in a proper court within the foregoing time period shall be deemed forever waived and released. This Section shall not be subject to amendment without the written approval of Declarant and all of the Designated Builders.

Section 3.13. Conveyance or Encumbrance of Common Area. So long as the Declarant or any Designated Builder owns any lot, the Common Area shall not be mortgaged or conveyed without the prior written consent or affirmative vote of the Declarant and all Designated Builders. The preceding sentence shall not apply to minor boundary adjustments requested by Declarant or any Designated Builder. The Association may grant permits, licenses and easements on, over, under and through the Common Area for utilities, roads and other purposes reasonably necessary or useful for the proper maintenance and operation of the Property.

Section 3.14. Bulk Service Agreements. The Board, acting on behalf of the Association, shall have the right, power and authority to enter into one or more Bulk Service Agreements with one or more Bulk Providers (each of which terms is defined below), for such term(s), at such rate(s) and on such other terms and conditions as the Board deems appropriate, all with the primary goals of providing to Owners of Lots within the Property, or within one or more portions thereof, services, including, without limitation, electronic services (cable television, community satellite television, high speed Internet, security monitoring, data, communication or security services), wastewater and water services, fire protection, pest control, trash collection services, and recyclable materials collection services (individually or collectively "Bulk Service(s)"): (a) which might not otherwise be generally available to such Owners; (b) at rates or charges lower than might otherwise generally be charged to Owners for the same or similar services; (c) otherwise on terms and conditions which the Board believes to be in the interests of Owners generally; or (d) any combination of the foregoing.

If all Lots within the Property are to be served by a particular Bulk Service Agreement, the Board shall have the option either to: (a) include the Association's costs under such Bulk Service Agreement in the budget for each applicable fiscal year and thereby include such costs in the annual assessments for each such applicable year; or (b) separately bill to each Owner his, her or its proportionate share of the Association's costs under such Bulk Service Agreement (as reasonably determined by the Board, and with such frequency as may be determined by the Board, but no more often than monthly). If not all Lots within the Property will be served by a particular Bulk Service Agreement the Board shall have only the billing option described in clause (b) above.

The Declarant, for each Lot, hereby covenants and agrees, and each Owner other than the Declarant, by becoming the Owner of a Lot, is deemed to covenant and agree, to pay all amounts levied or charged against or to him, her or it (or his, her or its Lot) by the Board pursuant to this Section 3.14, and all such amounts: (a) shall be deemed to be a part of the Assessments against the Lots against or to which they are levied or charged (or against or to whose Owners they are levied or charged) ("Bulk Services Assessment"); (b) with interest, late charges and all costs, including but not limited to reasonable attorneys fees, incurred by the Association in collecting or attempting to collect delinquent amounts, shall be secured by the Assessment Lien established by this Declaration; (c) as with other Assessments, the Bulk Services Assessment shall also be the personal obligation of each Person who was an Owner of the Lot at the time such amount became due. There shall be NO LIMITATIONS on the amount of, or rate of increases in, the Bulk Services Assessment. Each Owner understands that the Bulk Services Assessment is secured by the Assessment Lien for such Owner's Lot, regardless of whether the Bulk Services Assessment is billed separately from the annual assessment.

No Owner of a Lot covered by a Bulk Service Agreement shall be entitled to avoid or withhold payment of amounts charged by the Board to such Owner or such Owner's Lot under this Section 3.14, whether on the basis that such Owner does not use, accept or otherwise benefit from the services provided under such Bulk Service Agreement, or otherwise. However, the Board shall have the right, at its option, to exempt from payment of such amounts any Lot upon which no Residential Unit or other building has been completed.

"Bulk Provider" means a private, public or quasi-public utility or other company which provides, or proposes to provide any Bulk Service(s) (as defined above) to Lots within the Property, or within one or more portions thereof, pursuant to a "Bulk Service Agreement" (as defined below).

"Bulk Service Agreement" means an agreement between the Association and a Bulk Provider pursuant to which the Bulk Provider would provide any Bulk Service(s) to Lots with the Property, or within one or more portions thereof.

ARTICLE IV: COVENANT FOR MAINTENANCE ASSESSMENTS

Section 4.1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned by it, hereby covenants, and each Owner of a Lot, by becoming the Owner thereof, whether or not it is expressed in the deed or other instrument by which the Owner acquired ownership of the Lot, is deemed to covenant and agree to pay to the Association annual assessments, special assessments, and any applicable neighborhood assessments. The annual, special, and neighborhood assessments, together, with interest, costs and reasonable attorneys fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such Assessment is made. Each such Assessment, together with interest, costs, and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such Lot at the time when the Assessment became due. The personal obligation for delinquent Assessments shall not pass to the Owner's successors in title unless expressly assumed by them.

Section 4.2. Purpose of the Assessments. The Assessments levied by the Association shall be used exclusively for (i) the upkeep, maintenance and improvement of the Common Area, (ii) maintenance, repair, replacement, and operation of rights-of-way and easements within or immediately adjacent to the Project (e.g. landscaping and sidewalks within the right-of-way of adjoining streets) to the extent that such actions are required by government entities or deemed appropriate by the Association's Board of Directors, (iii) promoting the recreation, health, safety and welfare of the Owners and residents of Lots within the Property, and (iv) the performance and exercise by the Association of its rights, duties and obligations under the Project Documents. Notwithstanding the foregoing, neighborhood assessments shall be used only for the benefit of the neighborhood paying such assessments, shall not be used for any purpose that is covered by annual assessments or special assessments in other areas of the Property, and shall be accounted for separately from annual and special assessments.

Section 4.3. Annual Assessment.

(A) For each fiscal year of the Association commencing upon the first to occur of (i) transfer to and acceptance for maintenance by the Association of any Common Area or (ii) conveyance of a Lot to a Purchaser, the Board shall adopt a budget for the Association containing an estimate of the total amount of funds which the Board believes to be required during the ensuing fiscal year to pay all Common Expenses including, but not limited to (i) the amount required to pay the cost of maintenance, management, operation, repair and replacement of the Common Area and those parts of the Lots, if any, which the Association has the responsibility of maintaining, repairing or replacing under the Project Documents, (ii) the cost of wages, materials, insurance premiums, services, supplies and maintenance or repair of the Common Area and for the general operation and administration of the Association, (iii) the amount required to render to Owners all services required to be rendered by the Association under the Project Documents, and (iv) such amounts as may be necessary to provide general operating reserves and reserves for contingencies and replacement.

(B) For each fiscal year of the Association commencing upon the first to occur of (i) transfer to and acceptance for maintenance by the Association of any Common Area or (ii) conveyance of a Lot to a Purchaser, the total amount of the estimated Common Expenses shall be assessed by the Board. Except to the extent that this Declaration expressly provides for (a) neighborhood assessments only on Lots benefiting from such neighborhood assessments, (b) reduced assessments, or (c) exemptions from assessments, all assessments shall be equal on all Lots.

(C) An Owner other than the Declarant and Designated Builders shall be obligated to pay only twenty-five percent (25%) of the annual assessment attributable to this Lot until the earliest of (i) the date on which a certificate of occupancy or similar permit is issued by the appropriate governmental authority, (ii) six (6) months from the date on which a building permit is issued by the appropriate governmental authority for construction of a residential unit on the Lot, or (iii) two (2) years after the Lot was conveyed to the Owner by the Declarant. If a Lot ceases to qualify for the reduced twenty-five percent (25%) rate of assessment during the period to which an annual assessment is attributable, the annual assessment shall be prorated between the

applicable rates on the basis of the number of days in the assessment period that the Lot qualified for each rate.

(D) The Declarant and all Designated Builders shall be exempt from payment of annual assessments on Lots owned by the Declarant and Designated Builders. If a Lot ceases to be owned by Declarant or a Designated Builder and therefore becomes subject to assessment during the period to which an annual assessment is attributable, the assessment shall be prorated based on the basis of the number of days in the assessment period that the Lot is not owned by Declarant or a Designated Builder.

(E) The Declarant, the Designated Builders, and each Owner paying reduced assessments pursuant to Section 4.3(C) shall pay to the Association any amounts (hereinafter "Subsidy Amounts") which, in addition to the annual assessments levied by the Association, may be required by the Association in order for the Association to fully perform its duties and obligations under the Project Documents, including the obligation to maintain adequate reserve accounts. Notwithstanding the foregoing, none of Declarant, any Designated Builder or any other Owner shall have any obligation to pay any combination of Subsidy Amounts and assessments during any calendar year in excess of the total amount that such person would have paid during such calendar year if such person were paying full assessments. Any estimated payment by the Declarant, a Designated Builder or another Owner to fund Subsidy Amounts under this Section in excess of such person's actual obligation for Subsidy Amounts under this Section shall, at such person's option, be credited toward payment of such person's next due assessment payment(s) or refunded to the payors thereof; for example, if a person pays $25,000 to the Association in the middle of a calendar year to fund such person's share of estimated Subsidy Amounts and the actual Subsidy Amounts required from such person as of the end of the year would have been only $20,000 in the absence of such payment, such person shall be entitled to a $5,000 credit toward its next due assessment payment or a refund of $5,000. Any Subsidy Amounts payable under this Section shall be paid solely by Declarant and Designated Builders (pro rata in proportion to the number of lots owned by each) until such time as Declarant and such Designated Builders have paid assessments on lots owned by Declarant and the Designated Builders at a rate of 25% of the annual assessment and thereafter allocated among Declarant, the Designated Builders and Owners paying reduced assessments on the basis of the respective number of lots owned by such persons as of such date as the Board determines that payment is necessary under this Section 4.3(E). Payments under this Section shall be made by Declarant, Designated Builders, and Owners paying reduced assessments on such basis as the Association may determine from time to time, but in no event more often than monthly or less often than annually.

(F) The Board shall give notice of the annual assessment to each Owner at least thirty (30) days prior to the beginning of each fiscal year of the Association, but the failure to give such notice shall not affect the validity of the annual assessment established by the Board nor relieve any Owner from its obligation to pay the annual assessment.

(G) The maximum annual assessment for each fiscal year of the Association shall be as follows:

(i) Until January 1 of the year immediately following the conveyance of the first Lot to a Purchaser, the maximum annual assessment for each Lot shall be **$ 801.00** (which may or may not be assessed on a monthly basis at **$ 66.75** per month or on a quarterly basis at **$200.25** per quarter). The annual assessment may be billed separately from the Sewer Usage Assessment described in Section 17.1 or may be included in a combined billing statement that includes but separates out the annual assessment and the Sewer Usage Assessment.

(ii) From and after January 1 of the year immediately following the conveyance of the first Lot to a Purchaser, the maximum annual assessment will automatically increase during each fiscal year of the Association by the greater of (a) 10% of the maximum annual assessment for the immediately preceding fiscal year or (b) an amount based upon the percentage increase in the Consumer Price Index for All Urban Consumers (All Items) U.S. Town Average, published by the United States Department of Labor, Bureau of Labor Statistics (1982 - 84 = 100) (the "Consumer Price Index"), which amount shall be computed in the last month of each fiscal year in accordance with following formula:

X = Consumer Price Index for September of the calendar year two years preceding the calendar year for which the maximum annual assessment is to be determined.

Y = Consumer Price Index for September of the calendar year one year preceding the calendar year for which the maximum annual assessment is to be determined.

$\frac{Y-X}{X}$ multiplied by the maximum annual assessment for the calendar year immediately preceding the year for which the maximum annual assessment is to be determined equals the amount by which the maximum annual assessment may be increased.

In the event the Consumer Price Index ceases to be published, then the index which shall be used for computing the increase in the maximum annual assessment permitted under this Subsection shall be the substitute recommended by the United States government for the Consumer Price Index or, in the event no such successor index is recommended by the United States government, the index selected by the Board.

(iii) The increase in the maximum annual assessment pursuant to this Subsection (G) shall be calculated without considering the portion of the immediately preceding annual assessment attributable to the payment of utility charges or insurance premiums by the Association. In addition to the increase in the maximum annual assessment pursuant to Subsection (G)(ii) above, the maximum annual assessment shall include an increase for each fiscal year from and after January 1 of the year immediately following the conveyance of the first Lot to a purchaser in an amount equal to the amount in the Association budget for the prior fiscal year applicable to utility charges and insurance premiums, multiplied by the percentage increase in

utility charges or the percentage increase in insurance premiums during the prior fiscal year, whichever is greater.

(iv) Notwithstanding the foregoing, the annual assessments shall not be increased more than twenty percent (20%) for one fiscal year to the next fiscal year without the approval of Owners owning a majority of the Lots.

(H) If the Board determines during any fiscal year that its funds budgeted or available for that fiscal year are, or will, become inadequate to meet all expenses of the Association for any reason, including, without limitation, nonpayment of Assessments by Members, it may increase the annual assessment for that fiscal year and the revised annual assessment shall commence on the date designated by the Board except that no increase in the annual assessment for any fiscal year which would result in the annual assessment exceeding the maximum annual assessment for such fiscal year shall become effective until approved by Members casting at least two-thirds (2/3) of the votes cast by Members who are voting in person or by proxy at a meeting duly called for such purpose.

Section 4.4. Special Assessments. In addition to the annual assessments authorized above, the Association may levy, in any fiscal year, a special assessment applicable to that fiscal year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement of the Common Area, including fixtures and personal Property related thereto, or for any other lawful Association purpose, provided that any such special assessment shall have the assent of Members having at least two-thirds (2/3) of the votes entitled to be cast by Members who are voting in person or by proxy at a meeting duly called for such purpose. Special assessments shall be levied at a uniform rate for all Lots.

Section 4.5. Notice and Quorum for Any Action Authorized Under Sections 4.3 or 4.4. Written notice of any meeting called for the purpose of obtaining the consent of the Members for any action for which the consent of the Members is required under Sections 4.3 and 4.4 shall be sent to all Members no less than thirty (30) days nor more than fifty (50) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of Members shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 4.6. Date of Commencement of Annual Assessments; Due Dates. The annual assessments shall commence as to all Lots on the first day of the month following the conveyance of the first Lot to a Purchaser. The first annual assessment shall be adjusted according to the number of months remaining in the fiscal year of the Association. The Board may require that the annual assessment be paid in installments and in such event the Board shall establish the due dates for each installment. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association or the Association's designated agent setting forth whether the Assessments on a specified Lot have been paid.

Section 4.7. Effect of Non-payment of Assessments; Remedies of the Association.

(A) Any Assessment, or any installment of an Assessment, not paid within thirty (30) days after the Assessment, or the installment of the Assessment, first became due shall have added to such Assessment or installment, the greater of (i) interest from the due date at the rate of ten percent (10%) per annum, or (ii) a late charge of fifteen dollars ($15.00). Any amounts paid by a Member shall be applied first to unpaid principal and then to late charges or interest. Any Assessment, or any installment of an Assessment, which is delinquent shall become a continuing lien on the Lot against which such Assessment was made. The Assessment Lien may be placed of record by the recordation of a "Notice of Claim of Lien" which shall set forth (i) the name of the delinquent Owner as shown on the records of the Association, (ii) the legal description and/or street address of the Lot against which the claim of lien is made, (iii) the amount claimed as of the date of the recording of the notice including late charges, interest, lien recording fees, reasonable collection costs and reasonable attorneys' fees, and (iv) the name and address of the Association.

(B) The Assessment Lien shall have priority over all liens or claims created subsequent to the recordation of this Declaration except for (i) tax liens for real Property taxes on the Lot, (ii) assessments on any Lot in favor of any municipal or other governmental body and (iii) the lien of any First Mortgage.

(C) Before recording a Notice of Claim of Lien against any Lot, the Association shall make a written demand to the defaulting Owner for payment of the delinquent Assessments together with late charges, interest, reasonable collection costs and reasonable attorneys' fees, if any. The demand shall state the date and amount of the delinquency. Each default shall constitute a separate basis for a demand or claim of lien but any number of defaults may be included within a single demand or claim of lien. If the delinquency is not paid within ten (10) days after delivery of the demand, the Association may proceed with recording a Notice of Claim of Lien against the Lot of the defaulting Owner. The Association shall not be obligated to release the Assessment Lien until all delinquent Assessments, late charges, interest, lien recording fees, reasonable collection costs and reasonable attorneys' fees have been paid in full whether or not all of such amounts are set forth in the Notice of Claim of Lien.

(D) The Association shall have the right, at its option, to enforce collection of any delinquent Assessments together with late charges, interest, lien recording fees, reasonable collection costs, reasonable attorneys' fees and any other sums due to the Association in any manner allowed by law including, but not limited to, (i) bringing an action at law against the Owner personally obligated to pay the delinquent Assessment Lien securing the delinquent Assessments or (ii) bringing an action to foreclose the Assessment Lien against the Lot in the manner provided by law for the foreclosure of a realty mortgage. The Association shall have the power to bid in at any foreclosure sale and to purchase, acquire, hold, lease, mortgage and convey any and all Lots purchased at such sale.

Section 4.8. Subordination of the Lien to Mortgages. The Assessment Lien shall be subordinate to the lien of any First Mortgage. The sale or transfer of any Lot shall not affect the Assessment Lien except that the sale or transfer of a Lot pursuant to judicial or nonjudicial foreclosure of a first mortgage or any bona fide, good faith proceeding in lieu thereof shall extinguish the Assessment Lien as to payments which became due prior to the sale or transfer. No sale or transfer shall relieve the Lot from liability for any Assessments thereafter becoming due or from the lien thereof.

Section 4.9. Exemption of Owner. No Owner of a Lot may exempt himself from liability for Assessments levied against his Lot or for other amounts which he may owe to the Association under the Project Documents by waiver and non-use of any of the Common Area and facilities or by the abandonment of his Lot.

Section 4.10. Maintenance of Reserve Fund. Out of the annual assessments and other income, the Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements to the Common Area.

Section 4.11. No Offsets. All Assessments and other amounts payable to the Association shall be payable in accordance with the provisions of the Project Documents, and no offsets against such Assessments or other amounts shall be permitted for any reason, including, without limitation, a claim that the Association is not properly exercising its duties and powers as provided in the Project Documents.

Section 4.12. Transfer Fee. Each Purchaser of a Lot shall pay to the Association immediately upon becoming the Owner of the Lot a transfer fee in such amount as is established from time to time by the Board.

Section 4.13. Reserve Account Funding. In addition to the transfer fee described in section 4.12, the first purchaser of a Lot following construction of a residence on such Lot shall pay to the Association at the time of the purchase an amount equal to two (2) months worth of annual assessments. All amounts paid pursuant to this Section shall be paid by the Association into a reserve account to fund future major repairs and replacements. Declarant and the Association may take such payments into account when determining the amounts to be funded to reserves from other Association funds. Nothing in this Section shall be construed as prohibiting or mandating the Association making additional payments into reserve accounts from other Association funds. Payments made pursuant to this Section do not apply toward payment of annual assessments and constitute a separate obligation.

Section 4.14 Neighborhood Assessments. The Board of Directors shall have the right to impose neighborhood assessments against Lots in any specific area of the Property in order to provide for the repair, replacement, operation and maintenance of Common Areas within such area that are different from or in addition to the types of Common Areas in the balance of the Property and that are designed to benefit less than all of the Property (e.g. private streets, separate entryways or gates, enhanced landscaping, community centers, swimming pools). Any such determination by the Board shall be made in a writing specifying the purposes of the

neighborhood assessment and the Lots subject thereto. Any such determination by the Board may also include an additional imposition on such Lots pursuant to section 4.13 in order to fund a reserve account for the specific improvements intended to be maintained by the neighborhood assessment.

Section 4.15 Declarant Audit Right. Following the termination of the Class B membership and so long as Declarant or any Designated Builder owns any lot, the Declarant and the Designated Builders shall have the right to audit the books and records of the Association.

ARTICLE V: USE RESTRICTIONS

Section 5.1. Residential Use: Except as otherwise provided herein, all lots shall be improved and used only for Single Family Residential Use. No gainful occupation, profession, trade or other commercial activity shall be conducted on any lot; provided, however, the Declarant and Designated Builders may use the lots owned by each of them for such facilities as in their respective sole opinions may be reasonably required, convenient or incidental to the construction and sale of residential units, including, without limitation, a business office, storage areas, construction yards, signs, a model site or sites, and a display and sales office. Notwithstanding the foregoing, home businesses are permitted on the lots provided they are in accordance with applicable municipal ordinances for home business in residential districts.

Section 5.2. Building Type and Size: No building shall be constructed or permitted to remain on any lot other than one detached Single Family Residence not to exceed two stories in height and a private one to five car garage. Unless otherwise approved in writing by the Architectural Committee, all buildings shall be of new construction and no prefabricated structure shall be placed upon any lot if Visible from Neighboring Property; storage structures and/or a sales office may be maintained upon any lot or lots by the Declarant or a Designated Builder or a building contractor for the purpose of erecting and selling dwellings on the Property or for the purpose of constructing improvements on the Common Area, but such temporary structures shall be removed upon completion of construction or selling of a dwelling or the Common Area, whichever is later. No structure of a temporary character, trailer, basement, tent, shack, garage, barn or other out buildings shall be used on any lot at any time as a residence, either temporarily or permanently. Declarant and contractors for Declarant shall have the right to place temporary construction trailers and store materials on the Common Areas for the purpose of constructing improvements on the Common Areas.

Section 5.3. Signs: No sign of any kind which is Visible From Neighboring Property shall be installed or displayed on any Lot or Common Area without the prior written approval of the Association as to size, color, design, message content, number and location except: (i) such signs as may be used by Declarant or the Designated Builders in connection with the development and sale of Lots and/or Residential Units or Common Area in the Project; (ii) such signs as may be required by legal proceedings, or which by law, may not be prohibited; (iii) one temporary sign per Lot no larger than 30" x 24" used exclusively to advertise the Lot for sale, lease or rent; or (iv) such signs as may be desired by Declarant or a Designated Builder or required for traffic control, construction job identification, builder identification, and subdivision identification as are in

conformance with the requirements of the City. All other signs must be approved in advance in writing by the Architectural Committee as provided above. All signs must conform to applicable municipal ordinances and other governmental requirements. In no event shall any signs advertising residential property for lease or rent be displayed.

Section 5.4. Noxious and Offensive Activity: No noxious or offensive activity shall be allowed on the lots nor shall anything be done thereon which may be, or may become, an annoyance or nuisance to the neighborhood, or which shall in any way interfere with the quiet enjoyment of each of the Owners and tenants of their respective lots and residences. Without limiting the generality of the foregoing, no speakers, horns, sirens or other sound devices, except security devices used exclusively for security purposes, shall be located or used on a lot.

Section 5.5. Parking: Parking of Vehicles (as defined in Section 5.6) is prohibited in the front yard of lots except on a driveway. Parking of Vehicles on any street within the Property is prohibited except that Vehicles that are too large to fit on a driveway may park on the portion of the street directly adjacent to the Owner's lot during daylight hours only and must either be put into the garage or removed from the Property during nighttime hours. Parking of any inoperable Vehicle anywhere on a lot or anywhere on a street within the Property is prohibited. No part of any Vehicle may be parked over any part of a sidewalk because such parking may impede use of the sidewalks, particularly for persons with disabilities using the sidewalks. The provisions of this section shall not apply to vehicles that are exempt from this subsection under applicable law.

Section 5.6. Motor Vehicles:

(A) No truck, mobile home, travel trailer, tent trailer, trailer, camper shell, detached camper, recreational vehicle, boat trailer or other similar equipment or motor vehicle of any kind (collectively, "Vehicles" and individually a "Vehicle") shall be parked, kept or maintained on the Common Area. Vehicles that exceed 18.5 feet in length, 75 inches in height or 84 inches in width are prohibited on the Property unless (i) parked in the rear or side yard of a lot in a manner that such Vehicles are not Visible from Neighboring Property or (ii) owned by any guest or invitee of any Owner or tenant and parked on a Lot only during such time as the guest or invitee is visiting the Owner or tenant, but in no event shall such a motor vehicle be parked on a Lot for more than seven (7) days during any six (6) month period of time. Any Vehicle, regardless of size, that is parked in the rear or side yard of any Lot must be parked so as not to be Visible from Neighboring Property.

(B) Except for emergency Vehicle repairs on a Lot, no Vehicle of any kind shall be constructed, reconstructed or repaired on any Lot or the Common Area. No inoperable Vehicle or Vehicle that because of missing fenders, bumpers, hoods or other parts or because of lack of proper maintenance is, in the sole opinion of the Architectural Committee, unsightly or detracts from the appearance of the Project shall be stored, parked or kept on any Lot.

(C) No Vehicle classed by manufacturer rating as exceeding one ton and no commercial Vehicle may be parked or stored on any area in the Project so as to be Visible From Neighboring Property; provided, however, this provision shall not apply to Vehicles that are

pickup trucks of less than one ton capacity with camper shells not exceeding seven (7) feet in height and 18.5 feet in length which are parked as provided in Section 5.5 and are used on a regular and recurring basis for transportation. For purposes of this section, commercial Vehicles shall mean any Vehicle that (i) displays the name, tradename, telephone number or other identifying information of any business or governmental entity or (ii) otherwise bears the appearance of a commercial Vehicle by reason of its normal contents (e.g. trade goods, extensive tools, ladders), as reasonably determined by the Architectural Committee.

(D) The provisions of this Section 5.6 shall not apply to vehicles that are exempt from this Section under applicable law.

Section 5.7. Towing of Vehicles: The Association shall have the right to have any truck, mobile home, travel trailer, tent trailer, trailer, camper shell, detached camper, recreational vehicle, boat, boat trailer or similar equipment or vehicle or any automobile, motorcycle, motorbike, or other motor vehicle parked, kept, maintained, constructed, reconstructed or repaired in violation of the Project Documents towed away at the sole cost and expense of the owner of the vehicle or equipment. Any expense incurred by the Association in connection with the towing of any vehicle or equipment shall be paid to the Association upon demand by the owner of the vehicle or equipment. If the vehicle or equipment towed is owned by an Owner, then the cost incurred by the Association in towing the vehicle or equipment shall be assessed against the Owner and his Lot and be payable on demand, and such cost shall be secured by the Assessment Lien.

Section 5.8. Machinery and Equipment: No machinery or equipment of any kind shall be placed, operated or maintained upon or adjaeent to any lot except such machinery or equipment as is usual and customary in connection with the use or maintenance of improvements constructed by the Declarant or a Designated Builder or approved by the Architectural Committee.

Section 5.9. Restrictions and Further Subdivision: No lot shall be further subdivided or separated into smaller lots or parcels by any Owner other than the Declarant or a Designated Builder, and no portion less than all or an undivided interest in all of any lot shall be conveyed or transferred by any Owner other than the Declarant or a Designated Builder. Notwithstanding the foregoing and subject to compliance with any applicable city ordinances, a vacant lot may be split between the Owners of the lots adjacent to such lot so that each portion of such lot would be held in common ownership with another lot adjacent to that portion.

Section 5.10. Windows: Within thirty (30) days of occupancy each Owner shall install permanent suitable window treatments on all windows facing the street. No reflective materials, including, but without limitation, aluminum foil, reflective screens or glass, mirrors or similar type items, shall be installed or placed upon the outside or inside of any windows.

Section 5.11. HVAC and Solar Panels: Except as initially installed by the Declarant or a Designated Builder, no heating, air conditioning, evaporative cooling or solar energy collecting unit or panels shall be placed, constructed or maintained upon any lot without the prior written approval of the Architectural Committee.

Section 5.12. Garages and Driveways: The interior of all garages situated on any lot shall be maintained in a neat and clean condition. Garages shall be used only for the parking of vehicles and the storage of normal household supplies and materials and shall not be used for or converted to living quarters or recreational activities after the initial construction thereof without the prior written approval of the Architectural Committee. Garage doors shall be left open only as needed for ingress and egress.

Section 5.13. Installation of Landscaping:

(A) Within one hundred twenty (120) days after becoming the Owner of a Lot, the Owner shall install landscaping and irrigation improvements in compliance with the xeriscape principles and other applicable requirements set forth in the applicable municipal zoning ordinances in that portion of his Lot which is between the street(s) adjacent to his Lot and the exterior wall of his Residential Unit or any wall separating the side or back yard of the Lot from the front yard of the Lot. Any Lot that has non-solid fencing (e.g. wrought iron rather than a solid wall) on any boundary of its rear yard shall be completely landscaped and irrigated (front, rear, and side yards) by the Owner of such Lot in compliance with xeriscape principles and other applicable requirements set forth in the applicable municipal zoning ordinances within one hundred twenty (120) days of becoming the Owner of the Lot. The landscaping and irrigation improvements shall be installed in accordance with plans approved in writing by the Architectural Committee. Prior to installation of such landscaping, the Owner shall maintain the portions of such Lot required to be landscaped in a weed-free condition.

(B) If any Owner fails to landscape any portion of his Lot within the time provided for in this Section, the Association shall have the right, but not the obligation, to enter upon such Owner's Lot to install such landseaping improvements as the Association deems appropriate, and the cost of any such installation shall be paid to the Association by the Owner of the Lot, upon demand from the Association. Any amounts payable by an Owner to the Association pursuant to this Section shall be secured by the Assessment Lien, and the Association may enforce collection of such amounts in the same manner and to the same extent as provided elsewhere in this Declaration for the collection and enforcement of assessments.

(C) This Section 5.13 shall not apply to Declarant or any Builder or any Purchaser with respect to any Lot or any other property that has not been conveyed to an Owner with a residence already constructed thereon, except that this section 5.13 shall apply upon commencement of residential occupancy of any Lot containing a residence.

Section 5.14. Declarant's Exemption: Declarant's and Designated Builders' Exemption. Nothing contained in this Declaration shall apply to or prohibit Declarant, any Designated Builder, or their duly authorized agents or be construed to prevent the erection or maintenanee by Declarant, any Designated Builder or their duly authorized agents of model homes, structures, improvements or signs necessary or convenient to the construction, development, identification, or sale or lease of Lots or other Property within the Project. The Association shall take no action that would interfere with access to or use of model homes; without limitation of the foregoing, the

Association shall have no right to close private streets to access by members of the public desiring access to model homes.

Section 5.15. Leasing Restrictions: Any lease or rental agreement must be in writing and shall be subject to the Declaration. All leases must be for an entire residence and lot and must have a minimum term of thirty (30) days. A copy of the lease or rental agreement and the Owner's address shall be provided to the Association within ten (10) days following execution of the lease or rental agreement. The Owner shall remain responsible for payment of all Assessments and for compliance with all obligations under this Declaration during any lease period. This Section shall not apply to model homes, offices, sales offices, or construction trailers.

Section 5.16. Animals: No animals, insects, livestock, or poultry of any kind shall be raised, bred, or kept on or within any lot or structure thereon except that dogs, cats or other common household pets (types and breeds limited to those determined to be acceptable by the Board) may be kept on or within the lots, provided they are not kept, bred or maintained for any commercial purpose, or in unreasonable numbers as determined by the Architectural Committee. Notwithstanding the foregoing, no animals or fowl may be kept on any lot which results in a nuisance to, which is an annoyance to, or which are obnoxious to other Owners or tenants in the vicinity. All pets, required by any law, must be kept within a fenced yard or on a leash under the control of the Owner at all times. No structure for the care, housing or confinement of any animal or fowl shall be maintained so as to be Visible from Neighboring Property.

Section 5.17. Drilling and Mining: No oil drilling, oil development operations, oil refining, quarrying, or mining operations of any kind, shall be permitted upon or in any lot nor shall oil wells, tanks, tunnels or mineral excavations or shafts be permitted on any lot. No derrick or other structure designed for use in boring for or removing water, oil, natural gas or other minerals shall be erected, maintained or permitted upon any lot.

Section 5.18. Refuse: All refuse, including without limitation all animal wastes, shall be regularly removed from the lots and shall not be allowed to accumulate thereon. Until removal from the lots, refuse shall be placed in closed refuse containers with operable lids so that such containers are not open to the air. Refuse containers shall be kept clean, sanitary and free of noxious odors. Refuse containers shall be maintained so as to not be Visible from Neighboring Property, except to make the same available for collection and then only for the shortest time reasonably necessary to effect such collection.

Section 5.19. Antennas and Satellite Dishes:

a. This section applies to antennas, satellite television dishes, and other devices ("Receivers"), including any poles or masts ("Masts") for such Receivers, for the transmission or reception of television or radio signals or any other form of electromagnetic radiation.

b. As of the date of recordation of this instrument, Receivers one meter or less in diameter are subject to the provisions of Title 47, Section 1.4000 of the Code of Federal Regulations ("Federal Regulations"). "Regulated Receivers" shall mean Receivers subject to

Federal Regulations as such regulations may be amended or modified in the future or subject to any other applicable federal, state or local law, ordinance or regulation ("Other Laws") that would render the restrictions in this section on Unregulated Receivers (hereinafter defined) invalid or unenforceable as to a particular Receiver. "Unregulated Receivers" shall mean all Receivers that are not Regulated Receivers. Notwithstanding the foregoing, a Regulated Receiver having a Mast in excess of the size permitted under Federal Regulations or Other Laws for Regulated Receivers shall be treated as an Unregulated Receiver under this section.

c. Unless approved in writing by the Architectural Committee, no Unregulated Receivers shall be permitted outdoors on any Lot, whether attached to a building or structure or on any Lot, unless approved in writing by the Architectural Committee, with such screening and fencing as such Committee may require. Unregulated Receivers must be ground mounted and not Visible from Neighboring Property.

d. Regulated Receivers shall be subject to the following requirements:

i. If permitted by applicable Federal Regulations or Other Laws, no Regulated Receiver shall be permitted outdoors on any Lot, whether attached to a building or structure or on any Lot, unless approved in writing by the Architectural Committee, with such screening and fencing as such Committee may require. If such restriction is not so permitted, the provisions of subsections (ii) and (iii) below shall apply.

ii. A Regulated Receiver and any required Mast shall be placed so as not to be Visible from Neighboring Property if such placement will not (A) unreasonably delay or prevent installation, maintenance or use of the Regulated Receiver, (B) unreasonably increase the cost of installation, maintenance or use of the Regulated Receiver, or (C) preclude the reception of an acceptable quality signal.

iii. Regulated Receivers and any required Masts shall be placed on Lots only in accordance with the following descending order of locations, with Owners required to use the first available location that does not violate the requirements of parts (A) through (C) in subsection (ii) above:

1. A location in the back yard of the Lot where the Receiver will be screened from view by landscaping or other improvements;
2. An unscreened location in the backyard of the Lot;
3. On the roof, but completely below the highest point on the roof line;
4. A location in the side yard of the Lot where the Receiver and any pole or mast will be screened from view by landscaping or other improvements;
5. On the roof above the roofline;
6. An unscreened location in the side yard;
7. A location in the front yard of the Lot where the Receiver will be screened from view by landscaping or other improvements.

Notwithstanding the foregoing order of locations, if a location stated in the above list allows a Receiver to be placed so as not to be Visible from Neighboring Property, such location shall be used for the Receiver rather than any higher-listed location at which a Receiver will be Visible from Neighboring Property, provided that placement in such non-visible location will not violate the requirements of parts (A) through (C) in subsection (ii) above.

iii. Owners shall install and maintain landscaping or other improvements ("Screening") around Receivers and Masts to screen items that would otherwise be Visible from Neighboring Property unless such requirement would violate the requirements of parts (A) through (C) in subsection (ii) above. If an Owner is not required to install and maintain Screening due to an unreasonable delay in installation of the Receiver that such Screening would cause, the Owner shall install such screening within 30 (thirty) days following installation of the Receiver and shall thereafter maintain such Screening, unless such Screening installation or maintenance will violate the provisions of parts (A) through (C) in subsection (ii) above. If an Owner is not required to install Screening due to an unreasonable increase in the cost of installing the Receiver caused by the cost of such Screening, the Association shall have the right, at the option of the Association, to enter onto the Lot and install such Screening and, in such event, the Owner shall maintain the Screening following installation, unless such Screening installation or maintenance will violate the provisions of parts (A) through (C) in subsection (ii) above.

The provision of this section are severable from each other; the invalidity or unenforceability of any provision or portion of this section shall not invalidate or render unenforceable any other provisions or portion of this section, and all such other provision or portions shall remain valid and enforceable. The invalidity or unenforceability of any provisions or portion of this section to a particular type of Receiver or Mast or to a particular Receiver or Mast on a particular Lot shall not invalidate or render unenforceable such provisions or portion regarding other Receivers or Masts on other Lots.

Section 5.20. Utility Services: All lines, wires, or other devices for the communication or transmission of electric current or power, including telephone, television, and radio signals, shall be contained in conduits or cables installed and maintained underground or concealed in, under, or on buildings or other structures approved by the Architectural Committee. Temporary power or telephone structures incident to construction activities approved by the Architectural Committee are permitted.

Section 5.21. Diseases and Insects: No Owner or resident shall permit any thing or condition to exist upon a lot which shall induce, breed or harbor infectious plant diseases or noxious insects.

Section 5.22. Architectural Control:

(A) No excavation or grading work shall be performed on any Lot by any person other than Declarant or a Designated Builder without the prior written approval of the Architectural Committee. Each Owner altering any grading or drainage on a Lot shall ensure that such alterations comply with all requirements of any grading or drainage plan approved by any

governmental entity having jurisdiction over the Property and that such alterations do not alter or impede the flow of storm water from the manner existing prior to such alterations; approval of plans or proposed improvements by the Architectural Committee shall not constitute a waiver of this requirement or a warranty that such plans or improvements are consistent with this requirement or any other requirement of this Declaration, the Association Rules or architectural guidelines, any governmental requirement or construction industry standard.

(B) No Improvements shall be constructed or installed on any Lot without the prior written approval of the Architectural Committee.

(C) No addition, alteration, repair, change or other work which in any way alters the exterior appearance, including but without limitation, the exterior color scheme, of any Lot, or the Improvements located thereon, shall be made or done without the prior written approval of the Architectural Committee.

(D) Any Owner desiring approval of the Architectural Committee for the construction, installation, addition, alteration, repair, change or replacement of any Improvement which would alter the exterior appearance of the Improvement, shall submit to the Architectural Committee a written request for approval specifying in detail the nature and extent of the construction, installation, addition, alteration, repair, change or replacement of any Improvement which the Owner desires to perform. Any Owner requesting the approval of the Architectural Committee shall also submit to the Architectural Committee any additional information, plans and specifications which the Architectural Committee may request. In the event that the Architectural Committee fails to approve or disapprove an application for approval within sixty (60) days after the application, together with all supporting information, plans and specifications requested by the Architectural Committee have been submitted to it, approval will not be required and this Section will be deemed to have been complied with by the Owner who had requested approval of such plans.

(E) The approval by the Architectural Committee of any construction, installation, addition, alteration, repair, change or other work pursuant to this Section shall not be deemed a waiver of the Architectural Committee's right to withhold approval of any similar construction, installation, addition, alteration, repair, change or other work subsequently submitted for approval.

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

(G) The approval of the Architectural Committee required by this Section shall be in addition to, and not in lieu of, any approvals, consents or permits required under the

ordinances or rules and regulations of any county or municipality having jurisdiction over the Project.

(H) The provisions of this Section shall not apply to, and approval of the Architectural Committee shall not be required for, the construction, erection, installation, addition, alteration, repair, change or replacement of any Improvements made by, or on behalf of, the Declarant or any Designated Builder.

(I) In no event shall the Association, the Architectural Committee or any member of the Architectural Committee have any liability for any action or inaction by the Architectural Committee or its members, including without limitation any approval or disapproval of plans by the Architectural Committee. The sole remedy for an Owner asserting that the Architectural Committee has improperly withheld approval or has improperly granted approval shall be an action to compel the Architectural Committee to take appropriate action. In no event shall any damages of any nature be awarded against the Association, the Architectural Committee or any member of the Architectural Committee of any nature arising from any action or inaction described in this Section 5.22.

(J) Each Owner is strongly advised to consult with independent architects and engineers to ensure that all improvements or alterations made by such Owner are safe and in compliance with applicable governmental requirements. No approval by the Architectural Committee shall constitute a guaranty or warranty by the Association, the Architectural Committee or any member of the Architectural Committee that the matters approved will comply with this Declaration, any Association Rules or architectural guidelines, or any applicable governmental requirements or that any plans or improvements are safe or properly designed. The Owner constructing or altering any improvements shall indemnify, defend and hold the Association harmless from (i) any claims or damages of any nature arising from such improvements or alterations or any approval thereof by the Architectural Committee and (ii) any claim that the Association, the Architectural Committee or any member of the Architectural Committee breached any duty to other Owners in issuing approval of such Owner's improvements or alterations.

Section 5.23. Clothes Drying Facilities: No outside clotheslines or other outside facilities for drying or airing clothes shall be erected, placed or maintained on any Lot so as to be Visible From Neighboring Property.

Section 5.24. Overhead Encroachments: No tree, shrub, or planting of any kind on any Lot shall be allowed to overhang or otherwise to encroach upon any sidewalk, street, pedestrian way or other area from ground level to a height of eight (8) feet without the prior written approval of the Architectural Committee.

Section 5.25. Drainage: No Residence, structure, building, landscaping, fence, wall or other Improvement shall be constructed, installed, placed or maintained in any manner that would obstruct, interfere with or change the direction or flow of water in accordance with the drainage plans for the Project, or any part thereof, or for any Lot as shown on the approved drainage plans

on file with the municipality in which the Project is located. In addition, no Owner or other Person shall change the grade or elevation of a Lot in any manner that would obstruct, interfere with or change the direction or flow of water in accordance with the approved drainage plans.

Section 5.26. Basketball Goals and Backboards: No basketball backboard, hoop or similar structure or device shall be permitted except in accordance with the Architectural Committee Rules.

Section 5.27. Playground Equipment: No jungle gyms, swing sets or similar playground equipment which would be Visible From Neighboring Property shall be erected or installed on any Lot without the prior written approval of the Architectural Committee.

Section 5.28. Lights: Except as initially installed by the Declarant or a Designated Builder, no spotlights, floodlights or other high intensity lighting shall be placed or utilized upon any Lot or any structure erected thereon which in any manner will allow light to be directed or reflected on any other property except as approved by the Architectural Committee.

Section 5.29 Flags: The official flag of the United States and/or the State of Arizona may be displayed on any Lot provided (a) such flag is displayed in the position required under the United States government's Model Flag Policy from a pole attached to a residence on the Lot, (b) the pole is no higher than the top of the residence, (c) the pole is no longer than ten feet in length and does not extend more than ten feet from the edge of the residence, (d) the flag is no more than twenty four square feet in size, (e) any flag lighting does not violate Section 5.28 of this Declaration, and (f) the flag is maintained in good condition. The flag of another nation may be displayed in lieu of the United States Flag on national holidays of such nation provided such display complies with the requirements for displaying the United States Flag.

Section 5.30 Yard Sales: Owners may hold "yard sales" to sell personal property of such Owners only in compliance with the following requirements: (a) yard sales shall be limited to two days per year on any Lot, (b) no yard sale shall commence prior to 6 AM MST or continue after 5 PM MST, (c) no Owner shall post any signs advertising any yard sale anywhere on the Property except that a temporary sign may be posted on such Owner's Lot on the day that a yard sale is being held, and (d) if the Association ever adopts standard yard sale dates for the Property, yard sales shall be held only on such dates. The Association shall give reasonable notice to all Owners if it adopts standard yard sale dates for yard sales on the Property.

Section 5.31 Holiday Displays: Owners may display holiday decorations which are Visible from Neighboring Property only if the decorations are of the kinds normally displayed in single family residential neighborhoods, are of reasonable size and scope, and do not disturb other Owners and residents by excessive light or sound emission or by causing an unreasonable amount of spectator traffic. Holiday decorations may be displayed between November 1 and January 31 of each year and, during other times of year, from one week before to one week after any nationally recognized holiday.

ARTICLE VI: RESERVATION OF RIGHT TO RESUBDIVIDE AND REPLAT

Subject to the approval of any and all appropriate governmental agencies having jurisdiction and notwithstanding any other provision of this Declaration, Declarant and each Designated Builder shall have the right at any time, without the consent of other Owners, to re-subdivide and re-plat any lot or lots which the Declarant or Designated Builder then owns and has not sold.

ARTICLE VII: PARTY WALLS

Section 7.1. General Rules of Law to Apply: Each wall or fence, any part of which is placed on a dividing line between separate lots shall constitute a "Party Wall". Each adjoining Owner's obligation with respect to party walls shall be determined by these covenants and restrictions and, if not inconsistent, by Arizona law.

Section 7.2. Sharing Repair and Maintenance: Each Owner shall maintain the exterior surface of a party wall facing his lot. Except as provided in this Article, the cost of reasonable repair shall be shared equally by adjoining lot Owners.

Section 7.3. Damage by One Owner: If a party wall is damaged or destroyed by the act of one adjoining Owner, or his guests, tenants, licensees, agents or family members (whether or not such act is negligent or otherwise culpable), then that Owner shall immediately rebuild or repair the party wall to its prior condition without cost to the adjoining Owner and shall indemnify the adjoining Owner from any consequential damages, loss or liabilities. No Owner shall violate any of the following restrictions and any damage (whether cosmetic or structural) resulting from violation of any of the following restrictions shall be considered caused by the Owner causing such action or allowing such action to occur on such Owner's Lot:

(i) No Owner shall allow sprinklers to spray or other water sources to deliver water within five feet (5') of any wall, excluding rainfall that falls directly on such area (i.e. an Owner shall not collect rainfall from other portions of the Lot and deliver it within five feet (5') of any wall);

(ii) No Owner shall allow any plant to attach themselves to any wall (e.g. ivy);

(iii) No Owner shall allow any tree to grow within six feet (6') of any wall (with such distance measured from the above-ground part of the tree that is nearest to the wall within five feet (5') of the ground level of the tree, including any portion of the root system that is not completely covered by dirt);

(iv) No Owner shall allow attachment of anything to any wall; and

(v) No Owner shall allow water to be provided (by sprinkler, drip line, hose, hand delivery or otherwise) to any plant located within five feet (5') of any wall, excluding rainfall that falls directly on such plant (i.e. an Owner shall not collect rainfall from other portions of the Lot and deliver it to any plant within five feet (5') of any wall).

Section 7.4. Other Damage: If a party wall is damaged or destroyed by any cause other than the act of one of the adjoining Owners, his agents, tenants, licensees, guests or family members (including ordinary wear and tear and deterioration from lapse of time), then the adjoining Owners shall rebuild or repair the party wall to its prior condition, equally sharing the expense; provided, however, that if a party wall is damaged or destroyed as a result of an accident or circumstances that originate or occur on a particular lot, (whether or not such accident or circumstance is caused by the action or inaction of the Owner of that lot, or his agents, tenants, licensees, guests or family members) then in such event, the Owner of that particular lot shall be solely responsible for the cost of rebuilding or repairing the party wall and shall immediately repair to the same condition as such party wall formerly was.

Section 7.5. Right of Entry: Each Owner shall permit the Owners of adjoining lots, or their representatives, to enter his lot for the purpose of installations, alteration, or repairs to a party wall on the Property of such adjoining Owners, provided that other than for emergencies, requests for entry are made in advance and that such entry is at a time reasonably convenient to the Owner of the adjoining lot. An adjoining Owner making entry pursuant to this Section shall not be deemed guilty of trespassing by reason of such entry. Such entering Owner shall indemnify the adjoining Owner from any consequential damages sustained by reason of such entry.

Section 7.6. Right of Contribution: The right of any Owner to contribution from any other Owner under this Artiele shall be appurtenant to the land and shall pass to such Owner's successors in title.

Section 7.7. Consent of Adjoining Owner: In addition to meeting the requirements of this Declaration and of any applicable building code and similar regulations or ordinances, any Owner proposing to modify, alter, make additions to or rebuild (other than rebuilding in a manner materially consistent with the previously existing wall) the party wall, shall first obtain the written consent of the adjoining Owner, which shall not be unreasonably withheld or conditioned.

Section 7.8. Walls Adjacent to Streets or Common Area: A wall that is adjacent to streets or Common Area shall be treated as though the wall is a party wall with the street or common area constituting a Lot owned by the Association, except that any portion of such wall consisting of decorative metal-work that was originally on such wall (or any replacement thereof) shall be the sole responsibility of the Association (subject to an Owner's liability for repairs that would be such Owner's sole responsibility under sections 7.3 or 7.4). Notwithstanding the foregoing, (a) the provisions in sections 7.3 and 7.4 regarding an Owner's sole liability for repair of damage caused by such Owner's guests or licensees shall not apply to damage resulting from guests or licensees of the Association and such damage shall be considered caused by unrelated third parties and (b) the rule in section 7.4 regarding damage arising from events occurring on a particular

Owner's Lot shall not apply to damage arising from events occurring on streets or Common Areas. Notwithstanding the foregoing, any damage to a wall that is covered by the Association's casualty insurance shall, to the extent of proceeds actually received from such insurance, be paid for by the Association.

Section 7.9. Walls Forming Part of Residence: If a Lot contains a wall that is (i) an exterior wall of a residence (including any garage associated with a residence) and (ii) located on or immediately adjacent to the Lot boundary line, the provisions of this Article shall apply subject to the following:

(A) The wall shall have a perpetual easement for encroachments onto any adjoining Lot or Common Area of up to one foot, provided, however, that such easement shall only apply to initial construction of the wall and any replacements of the wall that do not encroach further than the original wall.

(B) Any roof improvements (including gutters and similar related improvements) above such wall shall have a perpetual easement for encroachments onto any adjoining Lot or Common Area of up to four feet, provided, however, that such easement shall only apply to initial construction of the roof improvements and any replacements of the roof improvements that do not encroach further than the original roof improvements.

(C) The Owner of the Lot adjacent to such wall shall not, without the written approval of the Owner of the Lot on which the residence is located, do any of the following:

(i) use the wall for recreational purposes (e.g. bouncing balls);

(ii) use the wall as part of an enclosure for pets; or

(iii) otherwise take any action regarding the wall that a reasonable person would conclude has a substantial likelihood of disturbing the peaceful and undisturbed use of the interior of the residence of which the wall forms a part.

(D) Notwithstanding section 7.7, the Owner of the residence shall not be required to obtain permission from the adjoining Lot Owner to rebuild the wall in the same manner as originally constructed.

ARTICLE VIII: MAINTENANCE BY OWNER

Each Owner shall maintain his residence and lot in good repair. The yards and landscaping on all improved lots shall be neatly and attractively maintained, and shall be cultivated and planted to the extent required to maintain an appearance in harmony with other improved lots in the Property. If any sidewalk is partially or completely located on an Owner's lot that third parties have an easement to use, the Owner shall maintain such sidewalk in good condition and repair. During prolonged absence, an Owner shall arrange for the continued care and upkeep of his lot. Except for areas owned by the Association or that the Association has elected in writing to

maintain, which election may be terminated by the Association at any time, each Owner shall also maintain in good condition and repair any landscaping and sidewalk improvements that are within the portion of any adjacent right of way that is located between such Owner's lot and the curb of the adjacent street. In the event a lot Owner fails to fulfill his maintenance and repair obligations under this Article or in the event an Owner fails to landscape his lot as required by Section 5.13 of Article V, the Architectural Committee may have said lot and residence landscaped, cleaned and repaired and may charge the lot Owner for said work in accordance with the provisions of said Section. An Owner shall not allow a condition to exist on his lot which will adversely affect any other lots and residences or other Owners. Any repainting or redecorating of the exterior surfaces of a residence which alters the original appearance of the residence will require the prior approval of the Architectural Committee.

ARTICLE IX: EASEMENTS

Section 9.1. Owner's Easements of Enjoyment:

(A) Every Member, and any person residing with such Member, shall have a right and easement of enjoyment in and to the Common Area which shall by appurtenant to and shall pass with the title to every Lot and Parcel, subject to the following provisions:

(i) The right of the Association to charge reasonable admission and other fees for the use of any recreational or other facility situated upon the Common Area, including, but not limited to, any recreational vehicle storage area located upon the Common Area, the Association shall also have the right to restrict the use of such recreational vehicle storage area to only those Owners, Lessees or Residents who do not have such a recreational vehicle storage area available to them through a Neighborhood Association. The Association may permit the use of any recreational vehicle storage area situated upon the Common Area by persons who are not Members of the Association provided the Association charges such persons a reasonable admission fee or user fee for the use of such recreational vehicle storage area.

(ii) The right of the Association to suspend the voting rights and right to the use of the recreational facilities, if any, located upon Common Area by any Member (a) for any period during which any Assessment against his Lot or Parcel remains delinquent; (b) for a period not to exceed sixty (60) days for any other infraction of the Project Documents, and (c) for successive sixty-day (60) periods if any such infraction is not corrected during any prior sixty-day (60) suspension period.

(iii) The right of the Association to dedicate, transfer or encumber all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Board, provided, however, that any such action taken at any time that Declarant or any Designated Builder owns any Lot shall be subject to the approval of a majority of the Declarant and the Designated Builders based on the number of lots owned by Declarant and Designated Builders. If ingress or egress to any Lot is through the Common Area, any dedication, transfer, or encumbrance of the Common Area shall be subject to the Lot Owner's easement of ingress and egress.

(iv) The right of the Association to regulate the use of the Common Area through the Association Rules and to prohibit or limit access to such portions of the Common Area, such as landscaped right-of-ways, not intended for use by the Owners, Lessees or Residents.

(B) If a Lot or Parcel is leased or rented by the Owner thereof, the Lessee and the members of his family residing with such Lessee pursuant to the lease shall have the right to use the Common Area during the term of the lease, and the Owner of such Lot or Parcel shall have no right to use the Common Area until the termination or expiration of such lease.

(C) The guest and invitees of any Member or other person entitled to use the Common Area pursuant to this Declaration may use any recreational facility located on the Common Area provided they are accompanied by a Member or other person entitled to use the recreational facilities pursuant to this Declaration. The Board shall have the right to limit the number of guests and invitees who may use the recreational facilities located on the Common Area at any one time and may restrict the use of the recreational facilities by guests and invitees to certain specified times.

Section 9.2. Drainage Easements: There is hereby created a blanket easement for drainage of ground water on, over and across each lot in such locations as drainage channels or structures are located. An Owner shall not at any time hereafter fill, block or obstruct any drainage easements, channels or structures on his lot and each Owner shall repair and maintain all drainage channels and drainage structures located on his lot. No structure of any kind shall be constructed and no vegetation shall be planted or allowed to grow within the drainage easements which may impede the flow of water under, over or through the easements. All drainage areas shall be maintained by the Owner of the lots on which the easement area is located.

Section 9.3. Utility Easements: Except as installed by the Declarant or a Designated Builder or approved by the Architectural Committee, no lines, wires, or other devices for the communication or transmission of electric current or power, including telephone, television, cable and radio signals, shall be erected, placed or maintained anywhere in or upon any lot unless the same shall be contained in conduits or cables installed and maintained underground or concealed in, under or on buildings or other structures. No structure, landscaping or other improvements shall be placed, erected or maintained upon any area designated on the Plat as a public utility easement which may damage or interfere with the installation and maintenance of utilities. Such public utility easement areas, and all improvements thereon, shall be maintained by the Owner of the lot on which the easement area is located unless the utility company or a county, municipality or other public authority maintains said easement area. There is hereby created a blanket easement upon, across, over and under the Property for ingress to, egress from and the installation, replacing, repairing and maintaining of all utility and service lines and systems including, but not limited to, water, sewer, gas, telephone, electricity, cable or communication lines and systems, such as utilities are installed in connection with the initial development of each Lot. Pursuant to this easement, a providing utility or service company may install and maintain facilities and equipment on the Lots and Common Areas and affix and maintain wires, circuits and conduits on, in and under the roofs and exterior walls of buildings thereon. Notwithstanding anything to the

contrary contained in this section, no sewers, electrical lines, water lines, or other utility or sewer lines may be installed or relocated within the Property except as initially created or approved by Declarant or a Designated Builder without the prior written approval of, in the case of a Common Area, the Association and the Architectural Committee or, in the case of a Lot, the Owner of such Lot and the Architectural Committee. Nothing contained herein shall entitle Deelarant, any Designated Builder, or any utility in exercising the rights granted herein to disturb any Rcsidential Unit constructed in accordance with thc requirements hcreof. Declarant further reserves temporary construction easements for utility lines, maintenance of storage tanks and facilities and access to and from such facilities for the benefit of Declarant and the Designated Builders.

Section 9.4. Declarant's Easement: Easements over the lots for the installation and maintenance of electric, telephone cable, communications, water, gas, drainage and sanitary sewer or similar or other lines, pipes or facilities

(A) as shown on the recorded Plat;

(B) as may be hereafter required or needed to service any lot (provided, however, no utility other than a connection line to a dwelling unit served by the utility shall be installed in any area upon which a dwelling unit has been or may legally be constructed on the lot)

are hereby reserved by the Declarant for the benefit of the Dcclarant and all Designated Builders, together with the right to grant and transfer the same.

Section 9.5. Encroachments: The lots shall be subject to an easement for overhangs and encroachments by walls, fences or other structures upon adjacent lots as constructed by the original builder or as reconstructed or repaired in accordance with the original plans and specifications or as a result of the reasonable repair, shifting, settlement or movement of any such structure.

Section 9.6. Easements to Facilitate Development. The Declarant hereby reserves to itself, all Designated Builders, and their successors and assigns the right to: (a) use any Lots owned or leased by such party, on any other Lot with written consent of the Owner thereof or, with the approval of a majority of Declarant and the Designated Builders (based on the number of lots owned by each such party), on any portion of the Common Area as models, management offices, sales offices, a visitors' center, construction, construction offices, customer service offices or sales office parking areas; and (b) with the approval of a majority of Declarant and the Designated Builders (based on the number of lots owned by each such party), install and maintain on the Common Area, any Lot owned or leased by such party, or any other Lot with the consent of the Owner thereof, such marketing, promotional or other signs which the Declarant or a Designated Builder deem necessary for the development, sale or lease of thc Property.

Section 9.7. Further Assurances. Any and all conveyances made to the Association or any Owner shall be conclusively deemed to incorporate these reservations of rights and easements, whether or not set forth in such grants. The easements granted and reservations made to the

Declarant and Designated Builders in this Declaration shall not terminate or merge and shall continue to run with the land, notwithstanding the common law doctrine of merger and the common ownership of all the Property by the Declarant or any Designated Builder. Upon written request of the Declarant or any Designated Builder, the Association and each Owner shall from time to time sign, acknowledge and deliver to the requesting party such further assurances of these reservations of rights and easements as may be requested.

Section 9.8. Easement for Maintenance and Enforcement. The Association and its directors, officers, agents, contractors and employees, the Architectural Committee and any other persons authorized by the Board are hereby granted the right of access over and through any Lots (excluding the interior of any residence), for: (a) the exercise and discharge of their respective powers and responsibilities under the Project Documents; (b) making inspections in order to verify that all Improvements on the Lot have been constructed in accordance with the plans and specifications for such Improvements approved by the Architectural Committee and that all Improvements are being properly maintained as required by the Project Documents; (c) correcting any condition originating in a Lot or in the Common Area threatening another Lot or the Common Area; (d) performing installations or maintenance of utilities, landscaping or other improvements located on the Lots for which the Association is responsible for maintenance; or (e) correcting any condition which violates the Project Documents.

Section 9.9. Rights of Declarant and Designated Builders. Notwithstanding any other provision of this Declaration to the contrary, the Declarant and each Designated Builder has the right to maintain construction trailers, model homes and sales offices on Lots owned or leased by such party and to construct and maintain parking areas for the purpose of accommodating persons visiting such construction trailers, model homes and sales offices and employees and contractors of such party. Any home constructed as a model home shall cease to be used as a model home and any sales office shall cease to be used as a sales office at any time the Declarant or such Designated Builder is not actually engaged in the sale of Lots.

ARTICLE X: MAINTENANCE

Section 10.1. Maintenance by the Association: The Association shall be responsible for the maintenance, repair and replacement of the Common Area and may, without any approval of the Owners being required, do any of the following:

(A) Reconstruct, repair, replace or refinish any Improvement or portion thereof upon any such area (to the extent that such work is not done by a governmental entity, if any, responsible for the maintenance and upkeep of such area);

(B) Construct, reconstruct, repair, replace or refinish any portion of the Common Area used as a road, street, walk, driveway and parking area;

(C) Replace injured and diseased trees or other vegetation in any such area, and plant trees, shrubs and ground cover to the extend that the Board deems necessary for the conservation of water and soil and for aesthetic purposes;

(D) Place and maintain upon any such area such signs as the Board may deem appropriate for the proper identification, use and regulation thereof;

(E) Construct, maintain, repair and replace landscaped areas on any portion of the Common Area;

(F) Maintain any portion of the Common Area used for drainage and retention;

(G) Maintain all multiple residence mailboxes used for delivery of personal mail within the Property, provided, however, that each Owner shall be responsible for repair or replacement of locks and/or keys for each Owner's mailbox;

(H) Construct, maintain, repair and replace any wastewater pipeline or facilities, whether within the Common Area or off-site, as contemplated under, and otherwise carry out the obligations of the Association under, Section 17.1 and the agreements referenced in said Section 17.1; and

(I) Do all such other and further acts which the Board deems necessary to preserve and protect the Common Area and the appearance thereof, in accordance with the general purposes specified in this Declaration.

None of Declarant, any Builder, or any homebuilder within the Property shall be responsible for maintenance, repair or replacement of Common Areas or improvements thereon previously transferred to the Association, except that (a) the installer of any landscaping on the Common Areas shall provide a 90 day warranty period for such landscaping and (b) any express or implied warranties provided by any provider of labor or materials in connection with improvements shall be deemed assigned to the Association concurrently with such transfer. This paragraph shall not be subject to amendment without the written approval of the Declarant and all Designated Builders.

Section 10.2. Damage or Destruction of Common Area by Owners. No Owner shall in any way damage or destroy any Common Area or interfere with the activities of the Association in connection therewith. Any expenses incurred by the Association by reason of any such act of an Owner shall be paid by said Owner, upon demand, to the Association to the extent that the Owner is liable therefore under Arizona law, and such amounts shall be a lien on any Lots owned by said Owner and the Association may enforce collection of any such amounts in the same manner as provided elsewhere in this Declaration for the collection and enforcement of Assessments.

Section 10.3. Payment of Utility Charges. Each Lot shall be separately metered for water, sewer and electrical service and all charges for such services shall be the sole obligation and responsibility of the Owner of each Lot. The cost of water, sewer and electrical service to the Common Area shall be a Common Expense of the Association and shall be included in the budget of the Association.

Section 10.4 Maintenance by Governmental Entities. No municipality or other governmental entity is responsible for or will accept maintenance for any private facilities, landscaped areas, or Common Areas within the Project.

Section 10.5 Landscaping Replacement. Landscaping originally planted on the Common Areas may exceed the landscaping that is ultimately planned for Common Areas due to over-planting in anticipation of normal plant losses. The Board is hereby granted the authority to remove and not replace dead or damaged landscaping if, in the reasonable discretion of the Board, (a) the remaining landscaping is acceptable to the Board and (b) the remaining landscaping is generally consistent in quality and quantity with the landscaping shown on approved landscaping plans filed with governmental entities in connection with Property, even if the location of specific plants is different than the locations shown on such approved landscaping plans. Declarant reserves the right to substitute plants and trees planted on the Property or shown on approved landscaping plans with equivalent or better landscaping materials. None of Declarant, any Builder, or any other installer of landscaping in Common Areas shall be responsible for replacement of landscaping that dies more than ninety days following installation or that requires replacement due to vandalism, lack of proper watering or maintenance by Association, or damage due to negligence; the Association shall be solely responsible for such replacement (subject to potential recovery by the Association from any vandal or negligent person).

Section 10.6 Alteration of Maintenance Procedures. Following the termination of the Class B membership and so long as Declarant or any Designated Builder owns any lot, the Association shall not, without the written approval of a majority of Declarant and the Designated Builders based on the number of lots owned by such parties, alter or fail to follow the maintenance and repair procedures recommended by the Association's management company as of the termination of the Class B membership unless such alteration will provide for a higher level of maintenance and repair. Declarant or any Designated Builder shall have the right, but not the obligation, to perform any required maintenance or repair not performed by the Association within ten business days following notice from Declarant or such Designated Builder that such maintenance or repair is required under this Section; if Declarant or a Designated Builder performs such maintenance or repair, the costs incurred by Declarant or such Designated Builder shall be reimbursed by the Association within thirty days following written demand for reimbursement accompanied by copies of invoices for such costs. This Section shall not be subject to amendment without the written approval of the Declarant and all Designated Builders.

ARTICLE XI: INSURANCE

Section 11.1 Scope of Coverage. Commencing not later than the time of the first conveyance of a Lot to a person other than the Declarant and the Designated Builders, the Association shall maintain, to the extent reasonably available, the following insurance coverage:

(A) Property insurance on the Common Area insuring against all risk of direct physical loss, insured against in an amount equal to the maximum insurable replacement value of

the Common Area, as determined by the Board; provided, however, that the total amount of insurance after application of any deductibles shall not be less than one hundred percent (100%) of the current replacement cost of the insured Property, exclusive of land, excavations, foundations and other items normally excluded from a Property policy;

(B) Comprehensive general liability insurance, including medical payments insurance, in an amount determined by the Board, but not less than $1,000,000.00. Such insurance shall cover all occurrences commonly insured against for death, bodily injury and Property damage arising out of or in connection with the use, ownership or maintenance of the Common Area, and shall also include hired automobile and non-owned automobile coverages with cost liability endorsements to cover liabilities of the Owners as a group to an Owner and provide coverage for any legal liability that results from lawsuits related to employment contracts in which the Association is a party;

(C) Workmen's compensation insurance to the extent necessary to meet the requirements of the laws of Arizona;

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

(E) The insurance policies purchased by the Association shall, to the extend reasonably available, contain the following provisions:

(i) That there shall be no subrogation with respect to the Association, its agents, servants, and employees, with respect to Owners and members of their household;

(ii) No act or omission by any Owner, unless acting within the scope of his authority on behalf of the Association, will void the policy or be a condition to recovery on the policy;

(iii) That the coverage afforded by such policy shall not be brought into contribution or proration with any insurance which may be purchased by Owners or their mortgagees or beneficiaries under deeds of trust;

(iv) A "severability of interest" endorsement which shall preclude the insurer from denying the claim of an Owner because of the negligent acts of the Association or other Owners;

(v) The Association shall be named as the Insured;

(vi) For policies of hazard insurance, a standard mortgagee clause providing that the insurance carrier shall notify the first mortgagee named in the policy at least thirty (30) days in advance of the effective date of any substantial modification, reduction or cancellation of the policy;

(F) If the Property is located in an area identified by the Secretary of Housing & Urban Development as an area having special flood hazards, a policy of flood insurance on the Common Area must be maintained in the lesser of one hundred percent (100%) of the current replacement cost of the buildings and any other Property covered by the required form of policy or the maximum limit of coverage available under the National Insurance Act of 1968, as amended;

(G) "Agreed Amount" and "Inflation Guard" endorsements.

Section 11.2 Certificates of Insurance. An insurer that has issued an insurance policy under this Article shall issue certificates or a memorandum of insurance to the Association and, upon request, to any Owner, mortgagee or beneficiary under a deed of trust. Any insurance obtained pursuant to this Article may not be cancelled until thirty (30) days after notice of the proposed cancellation has been mailed to the Association, each Owner and each mortgagee or beneficiary under deed of trust to whom certificates of insurance have been issued.

Section 11.3 Fidelity Bonds.

(A) The Association shall maintain blanket fidelity bonds for all officers, directors, trustees and employees of the Association and all other persons handling or responsible for funds of or administered by the Association, including, but without limitation, officers, directors and employees of any management agent of the Association, whether or not they receive compensation for their services. The total amount of fidelity bond maintained by the Association shall be based upon the best business judgment of the Board, and shall not be less than the greater of (i) the amount equal to one hundred percent (100%) of the estimated annual operating expenses of the Association, (ii) the estimated maximum amount of funds, including reserve funds, in the custody of the Association or the management agent, as the case may be, at any given time during the term of each bond, (iii) the sum equal to three (3) months assessments on all Lots plus adequate reserve funds. Fidelity bonds obtained by the Association must also meet the following requirements:

(i) The fidelity bonds shall name the Association as an obligee;

(ii) The bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expressions;

(iii) The bonds shall provide that they may not be canceled or substantially modified (including cancellation from non-payment of premium) without at least ten (10) days prior written notice to the Association.

(B) The Association shall require any management agent of the Association to maintain its own fidelity bond in an amount equal to or greater than the amount of the fidelity bond to be maintained by the Association pursuant to Subsection (A) of this Section. The fidelity bond maintained by the management agent shall cover funds maintained in bank accounts of the management agent and need not name the Association as an obligee.

Section 11.4 Payment of Premiums. The premiums for any insurance obtained by the Association pursuant to this Article shall be included in the budget of the Association and shall be paid by the Association.

Section 11.5 Insurance Obtained by Owners. Each Owner shall be responsible for obtaining Property insurance for his own benefit and at his own expense covering his Lot, and all Improvements and personal Property located thereon. Each Owner shall also be responsible for obtaining at his expense personal liability coverage for death, bodily injury or Property damage arising out of the use, ownership or maintenance of his Lot.

Section 11.6 Payment of Insurance Proceeds. With respect to any loss to the Common Area covered by Property insurance obtained by the Association in accordance with this Article, the loss shall be adjusted with the Association and the insurance proceeds shall be payable to the Association and not to any mortgagee or beneficiary under a deed of trust. Subject to the provisions of Section 11.7 of this Article, the proceeds shall be disbursed for the repair or restoration of the damage to Common Area.

Section 11.7 Repair and Replacement of Damaged or Destroyed Property. Any portion of the Common Area damaged or destroyed shall be repaired or replaced promptly by the Association unless (i) repair or replacement would be illegal under any state or local health or safety statue or ordinance, or (ii) Owners owning at least eighty percent (80%) of the Lots vote not to rebuild. The cost of repair or replacement in excess of insurance proceeds and reserves shall be paid by the Association. If the entire Common Area is not repaired or replaced, insurance proceeds attributable to the damaged Common Area shall be used to restore the damaged area to a condition which is not in violation of any state or local health or safety statute or ordinance and the remainder of the proceeds shall be added to the Association's reserve fund.

ARTICLE XII: TERM AND ENFORCEMENT

Section 12.1. Enforcement. Subject to the provisions of Section 12.4 and of Article XIII, the Association, the Architectural Committee or any Owner shall have the right (but not the obligation) to enforce these Covenants and Restrictions and any amendment thereto. Failure by the Association, the Committee or any Owner to enforce these Covenants and Restrictions shall in no event be deemed a waiver of the right to do so thereafter. Deeds of conveyance of the Property may contain these Covenants and Restrictions by reference to this Declaration, but whether or not such reference is made in such deeds, each and all such Covenants and Restrictions shall be valid and binding upon the respective grantees. Violators of any one or more of the Covenants and Restrictions may be restrained by any court of competent jurisdiction and damages awarded against such violators, provided, however, that a violation of these Covenants and Restrictions or any one or more of them shall not affect the lien of any first mortgage or first deed of trust. If the Architectural Committee enforces any provision of the Project documents, the cost of the enforcement shall be paid by the Association. In addition to any enforcement rights otherwise available to the Association, the Association shall have the right to enforce any provision of this Declaration by directly taking action necessary to cure or remove a breach of this Declaration,

including without limitation, removal, repair or replacement of any improvement, sign or landscaping on any portion of the Property; in such event, the Association shall be entitled to recover the costs incurred by the Association in connection with such cure. Pursuant to such cure/removal right of the Association, the Association or its authorized agents may, upon reasonable written notice (or immediately, for willful and recurrent violations, when written notice has previously been given), 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; the Association and its agents are hereby granted an easement for such purpose. Such expenses, and such fines as may be imposed pursuant to this Declaration, the Bylaws, or Association Rules, shall be a Special Assessment secured by a lien upon such Lot enforceable in accordance with the provisions of this Declaration. All remedies available at law or equity shall be available in the event of any breach of any provision of this Section by any Owner, tenant or other person.

Section 12.2. Term: The Covenants and Restrictions in this Declaration shall run with and bind the land for a term of thirty (30) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years for so long as the lots shall continue to be used for residential purposes.

Section 12.3. Amendment: The Declaration may be amended at any time by (a) an instrument signed by the Owner(s) of at least a majority of the Lots or (b) a certification by the President of the Association that the Owners of at least a majority of the Lots have voted in favor of the amendment at a duly called election, provided, however, that any section of this Declaration requiring the consent of Declarant or Designated Builders (or a majority of Declarant and Designated Builders) for amendment may not be amended without such consent. Any such amendment shall be recorded with the Maricopa County Recorder and shall take effect immediately upon recordation regardless of the status of the then current term of the Declaration under Section 12.2 above. A properly executed and recorded amendment may alter the restrictions in whole or in part applicable to all or any portion of the Property and need not be uniform in application to the Property. Any amendment made at a time when Declarant or any Designated Builder owns any Lots shall require the approval of a majority of Declarant and the Designated Builders based on the number of lots owned by such parties.

Section 12.4. Approval of Litigation: Except for any legal proceedings initiated by the Association to (i) enforce the use restrictions contained in this Declaration; (ii) enforce the Association Rules; (iii) enforce the Architectural Committee Rules; (iv) collect any unpaid Assessments levied pursuant to this Declaration, or (v) enforce a contract entered into by the Association with vendors providing services to the Association, the Association shall not incur litigation expenses, including without limitation, attorneys' fees and costs, where the Association initiates legal proceedings or is joined as a plaintiff in legal proceedings, without the prior approval of a majority of the Members of the Association entitled to vote, excluding the vote of any Owner who would be a defendant in such proceedings. The costs of any legal proceedings initiated by the Association which are not included in the above exceptions shall be financed by the Association only with monies that are collected for that purpose by special assessment and the Association shall not borrow money, use reserve funds, or use monies collected for other Association obligations. Each Owner shall notify prospective Purchasers of such legal

proceedings initiated by the Board and not included in the above exceptions and must provide such prospective Purchasers with a copy of the notice received from the Association in accordance with Section 13.3 of this Declaration. Nothing in this Section shall preclude the Board from incurring expenses for legal advice in the normal course of operating the Association to (i) enforce the Project Documents; (ii) comply with the statutes or regulations related to the operation of the Association or the Areas of Association Responsibility; (iii) amend the Project Documents as provided in this Declaration; (iv) grant easements or convey Common Area as provided in this Declaration; or (v) perform the obligations of the Association as provided in this Declaration. Subject to the exceptions in the first sentence of this section, with respect to matters involving property or improvements to property, the Association (or Board of Directors) additionally shall not initiate legal proceedings or join as a plaintiff in legal proceedings unless (1) such property or improvement is owned either by the Association or jointly by all members of the Association, (2) the Association has the maintenance responsibility for such property or improvements pursuant to this Declaration, or (3) the Owner who owns such property or improvements consents in writing to the Association initiating or joining such legal proceeding.

Section 12.5. Annexation of Additional Property: Until the later of (a) seven years following recordation of this Declaration or (b) termination of the Class B Membership and thereafter with the approval of the Board of Directors of the Association, Declarant shall have the right, with the consent of a majority of the Designated Builders (based on the number of lots owned by Designated Builders), to annex any real property that is adjacent to any real property that is then subject to this Declaration; property shall be deemed adjacent if contiguous at any point or if separated only by a street, alley, right-of-way or easement. Annexation shall be effective upon recordation by Declarant of a signed and acknowledged declaration of annexation with the County Recorder of Maricopa County, Arizona stating that such adjacent real property has been annexed to this Declaration; no consent or approval of such annexation by the Board of Directors or Members of the Association shall be necessary for an annexation by Declarant. Upon annexation, the annexed real property shall have the same rights, privileges and obligations as property originally subject to the terms of this Declaration, including membership in the Association, except that such rights, privileges and obligations shall not include matters arising or accruing prior to annexation; annual assessments shall be prorated for annexed property through the date of annexation.

Section 12.6 De-Annexation of Property. Declarant shall have the right from time to time, in its sole discretion and without the consent of any person (other than consent of a majority of the Designated Builders (based on the number of lots owned by the Designated Builders) and the owner of the property being de-annexed)), to delete from the Property and remove from the effect of this Declaration one or more portions of the Property, provided, however, that a portion of the Property may not be deleted from this Declaration unless at the time of such deletion and removal no dwelling units or material Common Area improvements have been constructed thereon (unless the de-annexation is for the purpose of accomplishing minor adjustments to the boundaries of Lots or the Property). No deletion of Property shall occur if such deletion would act to terminate access to any right-of-way or utility line unless reasonable alternative provisions are made for such access. No deletion of Property shall affect the Assessment Lien on the deleted

Property for Assessments accruing prior to deletion. Any deletion of Property hereunder shall be made by Declarant recording a notice thereof.

ARTICLE XIII: CLAIM AND DISPUTE RESOLUTION/LEGAL ACTIONS

It is intended that the Common Area, each Lot, and all Improvements constructed on the Property by persons ("Developers") in the business of constructing improvements will be constructed in compliance with all applicable building codes and ordinances and that all Improvements will be of a quality that is consistent with the good construction and development practices in the area where the Project is located for production housing similar to that constructed within the Project. Nevertheless, due to the complex nature of construction and the subjectivity involved in evaluation such quality, disputes may arise as to whether a defect exists and the responsibility therefor. It is intended that all disputes and claims regarding alleged defects ("Alleged Defects") in any Improvements on any Lot or Common Area will be resolved amicably, without the necessity of time-consuming and costly litigation. Accordingly, all Developers (including Declarant and all Designated Builders), the Association, the Board, and all Owners shall be bound by the following claim resolution procedures.

Section 13.1. Right to Cure Alleged Defect: If a person or entity ("Claimant") claims, contends, or alleges an Alleged Defect, each Developer shall have the right to inspect, repair and/or replace such Alleged Defect as set forth herein.

Section 13.1.1.Notice of Alleged Defect: If a Claimant discovers an Alleged Defect, within fifteen (15) days after discovery thereof, Claimant shall give written notice of the Alleged Defect ("Notice of Alleged Defect") to the Developer constructing the Improvement with respect to which the Alleged Defect relates.

Section 13.1.2. Right to Enter, Inspect, Repair and/or Replace: Within a reasonable time after the receipt by a Developer of a Notice of Alleged Defect, or the independent discovery of any Alleged Defect by a Developer, Developer shall have the right, upon reasonable notice to Claimant and during normal business hours, to enter onto or into the Common Area, Areas of Association Responsibility, any Lot or Residence, and/or any Improvements for the purposes of inspecting and/or conducting testing and, if deemed necessary by Developer at its sole discretion, repairing and/or replacing such Alleged Defect. In conducting such inspection, testing, repairs and/or replacement, Developer shall be entitled to take any actions as it shall deem reasonable and necessary under the circumstances.

Section 13.2. No Additional Obligations; Irrevocability and Waiver of Right: Nothing set forth in this Article shall be construed to impose any obligation on a Developer to inspect, test, repair, or replace any item or Alleged Defect for which such Developer is not otherwise obligated under applicable law or any warranty provided by such Developer in connection with the sale of the Lots and Residences and/or the Improvements constructed thereon. The right reserved to Developer to enter, inspect, test, repair and/or replace an Alleged Defect shall be irrevocable and may not be waived or otherwise terminated with regard to a Developer except by a written document executed by such Developer and Recorded.

Section 13.3. Legal Actions: All legal actions initiated by a Claimant shall be brought in accordance with and subject to Section 13.4 and Section 12.4 of this Declaration. If a Claimant initiates any legal action, cause of action, regulatory action, proceeding, reference, mediation, or arbitration against a Developer alleging (1) damages for costs of repairing Alleged Defect ("Alleged Defect Costs"), (2) for the diminution in value of any real or personal property resulting from such Alleged Defect, or (3) for any consequential damages resulting from such Alleged Defect, any judgment or award in connection therewith shall first be used to correct and or repair such Alleged Defect or to reimburse the Claimant for any costs actually incurred by such Claimant in correcting and/or repairing the Alleged Defect. If the Association as a Claimant recovers any funds from a Developer (or any other Person) to repair an Alleged Defect, any excess funds remaining after repair of such Alleged Defect shall be paid in to the Association's reserve fund. If the Association is a Claimant, the Association must provide a written notice to all Members prior to initiation of any legal action, regulatory action, cause of action, proceeding, reference, mediation or arbitration against a Developer(s) which notice shall include at a minimum (1) a description of the Alleged Defect; (2) a description of the attempts of the Developer(s) to correct such Alleged Defect and the opportunities provided to the Developer(s) to correct such Alleged Defect; (3) a certification from an architect or engineer licensed in the State of Arizona that such Alleged Defect exists along with a description of the scope of work necessary to cure such Alleged Defect and a resume of such architect or engineer; (4) thc estimated Alleged Defect Costs; (5) the name and professional background of the attorney retained by the Association to pursue the claim against the Developer(s) and a description of the relationship between such attorney and member(s) of the Board or the Association's management company (if any); (6) a description of the fee arrangement between such attorney and the Association; (7) the estimated attorneys' fees and expert fees and costs necessary to pursue the claim against the Developer(s) and the source of the funds which will be used to pay such fees and expenses; (8) the estimated time necessary to conclude the action against the Developer(s); and (9) an affirmative statement from a majority of the members of the Board that the action is in the best interests of the Association and its Members.

Section 13.4. Alternative Dispute Resolution: Any dispute or claim between or among (a) a Developer (or its brokers, agents, consultants, contractors, subcontractors, or employees) on the one hand, and any Owner(s) or the Association on the other hand; or (b) any Owner and another Owner; or (c) the Association and any Owner regarding any controversy or claim between the parties, including any claim based on contract, tort, or statute, arising out of or relating to (i) the rights or duties of the parties under this Declaration; (ii) the design or construction of any portion of the Project, (iii) or an Alleged Defect, but excluding disputes relating to the payment of any type of Assessment (collectively a "Dispute"), shall be subject first to negotiation, then mediation, and then arbitration as set forth in this Section 13.4 prior to any party to the Dispute instituting litigation with regard to the Dispute.

Section 13.4.1.Negotiation: Each party to a Dispute shall make every reasonable effort to meet in person and confer for thc purpose of resolving a Dispute by good faith negotiation. Upon receipt of a written request from any party to the Dispute, the Board may appoint a representative to assist the parties in resolving the dispute by negotiation, if in its discretion the Board believes its efforts will be beneficial to the parties and to the welfare of the

community. Each party to the Dispute shall bear their own attorneys' fees and costs in connection with such negotiation.

Section 13.4.2.Mediation: If the parties cannot resolve their Dispute pursuant to the procedures described in Subsection 13.4.1 above within such time period as may be agreed upon by such parties (the "Termination of Negotiations"), the party instituting the Dispute (the "Disputing Party") shall have thirty (30) days after the termination of negotiations within which to submit the Dispute to mediation pursuant to the mediation procedures adopted by the American Arbitration Association or any successor thereto or to any other independent entity providing similar services upon which the parties to the Dispute may mutually agree. No person shall serve as a mediator in any Dispute in which such person has a financial or personal interest in the result of the mediation, except by the written consent of all parties to the Dispute. Prior to accepting any appointment, the prospective mediator shall disclose any circumstances likely to create a presumption of bias or to prevent a prompt commencement of the mediation process. If the Disputing Party does not submit the Dispute to mediation within thirty days after Termination of Negotiations, the Disputing Party shall be deemed to have waived any claims related to the Dispute and all other parties to the Dispute shall be released and discharged from any and all liability to the Disputing Party on account of such Dispute; provided, nothing herein shall release or discharge such party or parties from any liability to Persons not a party to the foregoing proceedings.

Section 13.4.2.1. Position Memoranda; Pre-Mediation Conference: Within ten (10) days of the selection of the mediator, each party to the Dispute shall submit a brief memorandum setting forth its position with regard to the issues to be resolved. The mediator shall have the right to schedule a pre-mediation conference and all parties to the Dispute shall attend unless otherwise agreed. The mediation shall commence within ten (10) days following submittal of the memoranda to the mediator and shall conclude within fifteen (15) days from the commencement of the mediation unless the parties to the Dispute mutually agree to extend the mediation period. The mediation shall be held in Maricopa County or such other place as is mutually acceptable by the parties to the Dispute.

Section 13.4.2.2. Conduct of Mediation: The mediator has discretion to conduct the mediation in the manner in which the mediator believes is most appropriate for reaching a settlement of the Dispute. The mediator is authorized to conduct joint and separate meetings with the parties to the Dispute and to make oral and written recommendations for settlement. Whenever necessary, the mediator may also obtain expert advice concerning technical aspects of the dispute, provided the parties to the Dispute agree to obtain and assume the expenses of obtaining such advice as provided in Subsection 13.4.2.5 below. The mediator does not have the authority to impose a settlement on any party to the Dispute.

Section 13.4.2.3. Exclusion Agreement: Any admissions, offers of compromise or settlement negotiations or communications at the mediation shall be excluded in any subsequent dispute resolution forum.

Section 13.4.2.4. Parties Permitted at Sessions: Persons other than the parties to the Dispute may attend mediation sessions only with the permission of all parties to the Dispute and the consent of the mediator. Confidential information disclosed to a mediator by the parties to the Dispute or by witnesses in the course of the mediation shall be kept confidential. There shall be no stenographic record of the mediation process.

Section 13.4.2.5. Expenses of Mediation: The expenses of witnesses for either side shall be paid by the party producing such witnesses. All other expenses of the mediation, including, but not limited to, the fees and costs charged by the mediator and the expenses of any witnesses or the cost of any proof of expert advice produced at the direct request of the mediator, shall be borne equally by the parties to the Dispute unless agreed to otherwise. Each party to the Dispute shall bear their own attorneys' fees and costs in connection with such mediation.

Section 13.4.3. Final and Binding Arbitration: If the parties cannot resolve their Dispute pursuant to the procedures described in Subsection 13.4.2 above, the Disputing Party shall have thirty (30) days following termination of mediation proceedings (as determined by the mediator) to submit the Dispute to final and binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, as modified or as otherwise provided in this Section 13.4. If the Disputing Party does not submit the Dispute to arbitration within thirty days after termination of mediation proceedings, the Disputing Party shall be deemed to have waived any claims related to the Dispute and all other parties to the Dispute shall be released and discharged from any and all liability to the Disputing Party on account of such Dispute; provided, nothing herein shall release or discharge such party or parties from any liability to Persons not a party to the foregoing proceedings.

The existing parties to the Dispute shall cooperate in good faith to ensure that all necessary and appropriate parties are included in the arbitration proceeding. No Developer shall be required to participate in the arbitration proceeding if all parties against whom a Developer would have necessary or permissive cross-claims or counterclaims are not or cannot be joined in the arbitration proceedings. Subject to the limitations imposed in this Section 13.4, the arbitrator shall have the authority to try all issues, whether of fact or law.

Section 13.4.3.1. Place: The arbitration proceedings shall be heard in Maricopa County.

Section 13.4.3.2. Arbitration: A single arbitrator shall be selected in accordance with the rules of the American Arbitration Association from panels maintained by the American Arbitration Association with experience in relevant matters which are the subject of the Dispute. The arbitrator shall not have any relationship to the parties or interest in the Project. The parties to the Dispute shall meet to select the arbitrator within ten (10) days after service of the initial complaint on all defendants named therein.

Section 13.4.3.3. Commencement and Timing of Proceeding: The arbitrator shall promptly commence the arbitration proceeding at the earliest convenient date in light of all of the facts and circumstances and shall conduct the proceeding without undue delay.

Section 13.4.3.4. Pre-hearing Conferences: The arbitrator may require one or more pre-hearing conferences.

Section 13.4.3.5. Discovery: The parties to the Dispute shall be entitled to limited discovery only, consisting of the exchange between the parties of the following matters: (i) witness lists; (ii) expert witness designations; (iii) expert witness reports; (iv) exhibits; (v) reports of testing or inspections of the property subject to the Dispute, including but not limited to, destructive or invasive testing; and (vi) trial briefs. The Developer shall also be entitled to conduct further tests and inspections as provided in Section 13.1 above. Any other discovery shall be permitted by the arbitrator upon a showing of good cause or based on the mutual agreement of the parties to the Dispute. The arbitrator shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

Section 13.4.3.6. Limitation on Remedies/Prohibition on the Award of Punitive Damages: Notwithstanding contrary provisions of the Commercial Arbitration Rules, the arbitrator in any proceeding shall not have the power to award punitive or consequential damages; however, the arbitrator shall have the power to grant all other legal and equitable remedies and award compensatory damages. The arbitrator's award may be enforced as provided for in the Uniform Arbitration Act, A.R.S. § 12-1501, et seq., or such similar law governing enforcement of awards in a trial court as is applicable in the jurisdiction in which the arbitration is held.

Section 13.4.3.7. Motions: The arbitrator shall have the power to hear and dispose of motions, including motions to dismiss, motions for judgment on the pleadings, and summary judgment motions, in the same manner as a trial court judge, except the arbitrator shall also have the power to adjudicate summary issues of fact or law including the availability of remedies, whether or not the issue adjudicated could dispose of an entire cause of action or defense.

Section 13.4.3.8. Expenses of Arbitration: Each party to the Dispute shall bear all of its own costs incurred prior to and during the arbitration proceedings, including the fees and costs of its attorneys or other representatives, discovery costs, and expenses of witnesses produced by such party. Each party to the Dispute shall share equally all charged rendered by the arbitrator unless otherwise agreed to by the parties.

Section 13.5. Statutes of Limitations: Nothing in this Article shall be considered to toll, stay, or extend any applicable statute of limitations.

Section 13.6. Enforcement of Resolution: If the parties to a Dispute resolve such Dispute through negotiation or mediation in accordance with Subsection 13.4.1 or Subsection 13.4.2 above, and any party thereafter fails to abide by the terms of such negotiation or mediation, or if an arbitration award is made in accordance with Subsection 13.4.3 and any party to the Dispute thereafter fails to comply with such resolution or award, then the other party to the Dispute may file suit or initiate administrative proceedings to enforce the terms of such negotiation, mediation, or award without the need to again comply with the procedures set forth in this Article. In such event, the party taking action to enforce the terms of the negotiation, mediation, or the award shall

be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties pro rata), all costs incurred to enforce the terms of the negotiation, mediation or award including, without limitation, attorneys fees and court costs.

ARTICLE XIV: SPECIAL BUILDER PROVISIONS

Section 14.1. Construction and Installation of a Common Wall.

(A) Right to Construct. Each Builder hereby agrees and acknowledges that certain portions of each Builder's Lots may share a common wall with the Lots of another Builder (a "Common Wall"). Any Builder (the "Constructing Builder") that first commences construction on a portion of the Builder's Lots requiring the construction and installation of a Common Wall (commencement of construction being the commencement of grading) shall be responsible for causing the construction and installation of the Common Wall. The Constructing Builder shall cooperate and coordinate with any adjacent property owner(s) (the "Non-Constructing Builder") in order to avoid any interference with any of the Non-Constructing Builder's construction and installation of improvements upon its Lots. The Constructing Builder shall complete the construction and installation of any Common Wall in a timely manner. If the Constructing Builder fails to timely construct and install the Common Wall in accordance with the terms of this Subsection (A), including, but not limited to, receipt of the lien waivers required by Subsection (C) below, then the Non-Constructing Builder shall have the right to complete such construction and pay any outstanding costs to release any liens. The Non-Constructing Builder hereby grants to the Constructing Builder a temporary nonexclusive easement over, across, in, under and through those portions of the Non-Constructing Builder's Lots that are not planned or utilized for the construction of buildings, structures, or other improvements for the purpose of constructing the Common Wall. The easement may not be exercised or used in any fashion that would unreasonably interfere with or impact the Non-Constructing Builder's development of its Lots. The easement with respect to any Lot shall automatically expire upon the sale of such Lot, together with a residence thereon, to a third party buyer.

(B) Payments. The cost of any Common Wall shall be divided equally between the Builder(s) sharing the Common Wall. Subject to receipt of the lien releases described in Subsection (C) below, within ten (10) days after the Constructing Builder submits an invoice to the Non-Constructing Builder in connection with the cost of the construction and installation of a Common Wall (the "Wall Payment Due Date"), the Non-Constructing Builder shall pay to the Constructing Builder, in cash, by cashier's check or by wire transfer of immediately available funds, the Non-Constructing Builder's share of the cost.

(C) Lien Waivers. The Constructing Builder shall not permit any contractors, subcontractors or material suppliers to file any liens or claims including, but not limited to, stop notices, bonded stop notices, mechanics', materialmen's, professional service, contractors' or subcontractors' liens or claim for damage arising from the services performed by the Constructing Builder and its agents, employees, contractors and subcontractors, against any other Builder's Lots. It shall be a condition precedent to the Constructing Builder receiving payment that all

mechanics and materialmen deliver statutory unconditional lien releases for the work constructed to date.

(D) Non-Payment. If a Non-Constructing Builder fails to pay the amounts incurred by the Constructing Builder for the construction and installation of the Common Wall on the Non-Constructing Builder's Lots on or before the Wall Payment Due Date, the amounts unpaid shall bear interest at the rate of eighteen percent (18%) per annum until paid in full, and shall be secured by a lien against the Lots of the Non-Constructing Builder, which lien may be foreclosed in the manner provided for in Arizona law for the foreclosure of realty mortgages.

ARTICLE XV: GENERAL PROVISIONS

Section 15.1. Severability: Judicial invalidation of any part of this Declaration shall not affect the validity of any other provisions.

Section 15.2. Construction: The Article and Section headings have been inserted for convenience only and shall not be considered in resolving questions of interpretation or construction. All terms and words used in this Declaration regardless of the number and gender in which they are used shall be deemed and construed to include any other number, and any other gender, as the context or sense requires. In the event of any conflict or inconsistency between this Declaration, the Articles, and/or the Bylaws, the provisions of this Declaration shall control over the provision of the Articles and the Bylaws and the provisions of the Articles shall prevail over the provisions of the Bylaws.

Section 15.3. Notices: Any notice permitted or required to be delivered as provided herein may be delivered either personally or by mail, postage prepaid; if to an Owner, addressed to that Owner at the address of the Owner's lot or if to the Architectural Committee, addressed to that Committee at the normal business address. If notice is sent by mail, it shall be deemed to have been delivered twenty-four (24) hours after a copy of the same has been deposited in the United States mail, postage pre-paid. If personally delivered, notice shall be effective on receipt. Notwithstanding the foregoing, if application for approval, plans, specifications and any other communication or documents shall not be deemed to have been submitted to the Architectural Committee, unless actually received by said Committee. Any vote, election, consent or approval of any nature by the Owners or the Board of Directors, whether hereunder or for any other purpose, may, in the discretion of the Board of Directors and in lieu of a meeting of members, be held by a mail-in ballot process pursuant to such reasonable rules as the Board may specify.

Section 15.4. Tract Declaration. Any Owner or Designated Builder of more than one Lot shall have the right to impose on any portion of the Property owned by such Owner or Designated Builder a Tract Declaration ("Tract Declaration") in such form as may be approved in writing by Declarant. A Tract Declaration may modify the provisions of Section 12.4 or Article XIII of this Declaration and, to the extent that any Tract Declaration is inconsistent with such provisions of this Declaration, the provisions of such Tract Declaration shall take priority over and control over such provisions of this Declaration. A Tract Declaration may also impose other covenants,

conditions, restrictions, easements or other matters to the extent not inconsistent with the provisions of this Declaration.

Section 15.5. Air Base Proximity. The Project is located near Luke Air Force Base. Due to the proximity of the Property to Luke Air Force Base, the Property is likely to experience aircraft over-flights, which could generate noise, vibration, fumes, dust, fuel and lubricant particles, and other normal effects of operation of aircraft landing at, or taking off from, or operating at or on Luke Air Force Base that may affect the Property and that may be of concern to some individuals.

ARTICLE XVI: FHA/VA PROVISIONS

Section 16.1. Approvals During Period of Declarant Control. Notwithstanding any other provision of this Declaration or of any of the other Project Documents to the contrary, if and only to the extent required under then applicable rules or regulations of FHA or VA during the period: (a) commencing with the earlier of: (i) the date FHA or VA first approves any subdivision in the Project for single family residential loan insurance or guarantee programs offered by FHA or VA; or (ii) the date FHA or VA first insures or guarantees a loan on any Lot within the Project; and (b) ending with the conversion of the Class B membership to Class A membership:

(A) Property shall not be annexed to the Project without the prior approval of either FHA or VA (except to the extent such annexation involves only minor adjustments to boundaries of the Project);

(B) Neither the Common Area nor any part thereof shall be dedicated without the prior approval of either FHA or VA (except in connection with minor adjustments to the boundaries of any Common Area or any other portion of the Project);

(C) No amendment to this Declaration or to the Articles or Bylaws shall be effective without the prior approval of either FHA or VA (except to make clerical or technical corrections); and

(D) The Association shall not be dissolved or merged or consolidated with any other entity without the prior approval of FHA or VA.

Section 16.2. Obtaining Approvals. As to any action required by this Article 16 to be approved by FHA or VA before becoming effective or before being taken, such action shall be submitted to FHA or VA for approval, and if the agency whose approval is requested fails to disapprove the same, by written notice to the Association, Declarant or Designated Builder requesting such approval, within thirty (30) days after delivery to such agency of the request for approval, the action in question shall be deemed approved by such agency.

Section 16.3. Definitions. For purposes of this Declaration, the term "FHA" means the Federal Housing Administration (or its successor federal agency), and the term "VA" means the Veterans Administration (or its successor federal agency).

ARTICLE XVII: SEWER SERVICE

Section 17.1. Sewer Service.

(A) As of the date of this Declaration, wastewater services to the Project are being provided pursuant to a series of agreements as further described herein. The Association shall initially be the provider of retail wastewater utility services to its Members and will own and maintain an on-site wastewater collection system. In order to arrange for the treatment and disposal of wastewater, the Association is a party to that certain Bulk Wastewater Treatment Agreement (the "Bulk Wastewater Services Agreement") with Litchfield Park Service Company ("LPSCO"), which is a public service corporation authorized to provide wastewater utility services to individual end-users in Maricopa County, Arizona. LPSCO's rights and obligations under the Bulk Services Agreement have, in turn, been assigned to Algonquin Environmental Services, LLC ("AES"), an Arizona limited liability company, a wholly-owned subsidiary of Algonquin Water Services, LLC ("AWS"), an affiliate of LPSCO. Pursuant to the assigned Bulk Wastewater Services Agreement, AES will provide wastewater treatment and disposal services by accepting wastewater flows from the Point of Delivery (as defined in the Bulk Wastewater Services Agreement). In addition, AES agrees in the Bulk Wastewater Services Agreement to provide the Association with adequate sewage disposal capacity up to the treatment capacity purchased.

(B) The Association is a party to that certain Agreement to Provide Operations and Maintenance Services for Wastewater On-Site Facilities (the "On-Site Agreement") with AWS, pursuant to which AWS agrees to operate and maintain the Utility Facilities (as defined in the On-Site Agreement").

(C) In addition, the Association is or will be a party to that certain Agreement to Provide Common Operations and Maintenance Services for Transmission Main ("Off-Site Agreement") with AWS, pursuant to which AWS agrees to operate and maintain the pipeline that connects, in part, the Utility Facilities to the wastewater treatment plant (the "Transmission Main") for the benefit of the Project as well as other property located near the Project.

(D) The responsibility for providing retail wastewater utility services initially provided by the Association, as well as the on-site wastewater collection system, may eventually be transferred to and assumed by Northwest Sewer, Inc., an Arizona corporation, or another public service corporation or another entity regulated by the Arizona Corporation Commission, or a sanitary district or other governmental subdivision or agency.

(E) The Association will pay security deposits for anticipated capacity, a charge for the operation, maintenance and administration costs incurred in the treatment and disposal of wastewater, and a charge for the return on and return of any capital invested by LPSCO, AES

and/or AWS in the Utility Facilities, all in accordance with the Bulk Wastewater Services Agreement, the On-Site Agreement and the Off-Site Agreement. These fees collectively constitute, in part, the sewer usage assessment which will be part of the Common Expenses assessed by the Association. The sewer usage assessment assessed against each Owner's Lot (the "Sewer Usage Assessment") shall be kept in an account separate from the other Common Expenses, and the amount of the Sewer Usage Assessment shall be billed separately or broken out in the statement sent by the Association on the same installment basis as is applicable to each Owner for such Owner's annual assessment. The initial annual Sewer Usage Assessment for each Lot shall be $420.00 (which may or may not be assessed on a monthly basis at per $35.00 month or on a quarterly basis at per $105.00 quarter). Commencement and reduction/exemption of the Sewer Usage Assessment shall be in accordance with the same provisions as apply in this Declaration to the annual assessment (i.e., the provisions of Section 4.3(B) and Section 4.3(C), (D) and (E)), but there shall be NO LIMITATIONS on the amount of, or rate of increases in, the Sewer Usage Assessment. Each Owner understands that the Sewer Usage Assessment is secured by the Assessment Lien for such Owner's Lot, regardless of whether the Sewer Usage Assessment is billed separately from the annual assessment.

(F) In addition to the Sewer Usage Assessment, to ensure that the Association shall have adequate reserves for the payment of the general sewer usage assessment that is part of the Common Expenses, each first Purchaser and all subsequent Purchasers of a Lot shall pay to the Association at the time of the purchase a non-refundable sum of two (2) times the monthly Sewer Usage Assessment (the "Initial Usage Set-Up Fee"), which amount may be increased from time-to-time as determined by the Board. The Initial Usage Set-Up Fee shall be used to defray administrative and account set-up costs and to act as a reserve account for delinquencies, shortfalls and unanticipated expenses with regard to Sewer Usage Assessments.

(G) In the event a municipality, district, or public service company obtains the right to provide wastewater services to the Project, and actually does provide such services, the Association shall be required to relinquish such responsibilities, and the provisions of this Section 17.1 that are otherwise inconsistent with such alternative providing of services shall be deemed to terminate. In the event the Association relinquishes such responsibilities, the Members shall be directly responsible for the cost of wastewater services to the subsequent wastewater services provider.

(H) The Association may from time to time amend, supplement or consent to assignments of the Bulk Wastewater Services Agreement, the On-Site Agreement, or Off-Site Agreement, may transfer and convey the on-site wastewater collection system, and may enter into, amend, supplement or consent to assignments of such additional agreements and do such other things as may be necessary or appropriate to assure that appropriate wastewater utility services and sewage disposal services will be available to the Project.

Date: 2-22 __________, 2007.

SHEA HOMES LIMITED PARTNERSHIP,
a California limited partnership

By: ______________________
Its: Authorized Agent

By: ______________________
Its: Authorized Agent

WOODSIDE HOMES OF ARIZONA, INC.,
an Arizona corporation

By: ______________________
Its: Pres.

STATE OF ARIZONA)
) ss
County of Maricopa)

Acknowledged before me this 22d day of February, 2007, by SHEA HOMES LIMITED PARTNERSHIP, a California limited partnership, by David Garcia, its authorized agent, and by Ruth C Truman, its authorized agent.

Cynthia R. Holly
Notary Public

My commission expires:
4-30-09

CYNTHIA R. HOLLY
Notary Public - Arizona
Maricopa County
Expires 04/30/09

STATE OF ARIZONA)
) ss
County of Maricopa)

Acknowledged before me this 26 day of February, 2007, by WOODSIDE HOMES OF ARIZONA, INC., an Arizona corporation, by Gene Morrison, its President.

Rose Mary Kirch
Notary Public

My commission expires:
5-15-2007