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**DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
PALOMA RANCH COMMUNITY ASSOCIATION**

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**DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
PALOMA RANCH COMMUNITY ASSOCIATION**

This Declaration of Covenants, Conditions, and Restrictions for Paloma Ranch Community Association (“**Declaration**”) is executed this ___ day of _____, 2018, by Woodside Homes Sales AZ, LLC, a Delaware limited liability company (“**Declarant**”).

INTRODUCTION

A. Declarant is the owner of certain real property located in unincorporated Pinal County, Arizona, and more particularly described on Exhibit A (the “**Property**”) attached hereto.

B. The Property shall generally be known as “**Paloma Ranch.**” Declarant desires to develop the Property into a planned community which is currently anticipated to include single-family residential homes.

C. For the purpose of protecting the value, desirability, attractiveness and character of the Property, Declarant intends that the Property shall be held, sold, and conveyed subject to the provisions hereof, which shall run with all of the Property. Declarant intends for this Declaration to create equitable servitudes and covenants appurtenant to and running with the Property and which will be binding upon all future Owners of all or any portion of the Property and any other Person acquiring any right, title or interest in or to all of any portion of the Property.

D. Declarant deems it desirable to provide for the creation of a nonprofit corporation under the laws of the State of Arizona to administer and maintain, repair and replace the Areas of Association Responsibility and to provide for the levying and collecting of Assessments and other charges by the Association for the purpose, among other things, of paying all costs and expenses incurred or to be incurred by the Association in connection with the maintenance, repair and replacement and administration of the Areas of Association Responsibility and the enforcement of covenants, conditions and restrictions contained in this Declaration.

NOW, THEREFORE, Declarant hereby declares, covenants and agrees as follows:

ARTICLE 1

DEFINITIONS

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

1.1 “Areas of Association Responsibility” means: (a) all of the Common Area; and (b) all land, and the Improvements situated thereon, which the Association is obligated to

maintain, repair, and replace pursuant to the terms of this Declaration or other Recorded document executed by Declarant or the Association (including, without limitation, the Plat); and (c) all land dedicated to a governmental entity or utility and which the governmental entity or utility requires the Association to maintain.

1.2 “Articles” means the Articles of Incorporation of the Association as the same may from time to time be amended or supplemented.

1.3 “Assessable Lot” means a Lot owned by a Person other than Declarant or any Designated Builder.

1.4 “Assessment” means a Regular Assessment, Special Assessment, Enforcement Assessment, and Benefitted Property Assessment.

1.5 “Assessment Lien” means the lien created and imposed by Article 8.

1.6 “Association” means Paloma Ranch Community Association, an Arizona nonprofit corporation, and its successors and assigns. Declarant intends to incorporate the Association under such name, however, during the Declarant Control Period, Declarant reserves the right to incorporate the Association under such other name as Declarant deems appropriate.

1.7 “Association Expenses” means the actual and estimated expenses incurred or anticipated to be incurred by or on behalf of the Association, including any allocations to reserves determined by the Board to be necessary and appropriate, and all other financial liabilities of the Association.

1.8 “Association Rules” or “Rules” means the rules and regulations adopted by the Board pursuant to Section 6.5.

1.9 “Benefitted Property Assessment” means an assessment levied by the Board pursuant to Section 8.5.

1.10 “Board” means the Board of Directors of the Association.

1.11 “Builder” means a Person in the business of, or Person which has an affiliate in the business of, constructing and selling homes, or a Person in the business of acting as a land banker that sells Lots to Persons who construct and sell homes, which purchases a Lot or Lots without Dwelling Units thereon for the purpose of constructing Dwelling Units thereon and selling such Lots and Dwelling Units.

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

1.13 “Class A Member” shall have the meaning set forth in Section 7.2.1.

1.14 “Class B Member” shall have the meaning set forth in Section 7.2.2.

1.15 “Collection Costs” mean all costs, fees, charges, and expenditures, including, without limitation, attorneys’ fees (whether or not a legal action is filed), court costs, filing fees, and recording fees incurred by the Association in collecting and/or enforcing payment of Assessments, late fees, demand fees, interest or other amounts payable to the Association pursuant to the Project Documents.

1.16 “Common Area” or “Common Areas” means (a) the Tracts shown on the Plat and designated as Common Areas, together with all Improvements situated thereon, and (b) all land, together with all Improvements situated thereon, which the Association at any time owns in fee or in which the Association has a leasehold interest for as long as the Association is the owner of the fee or leasehold interest, except. Common Area shall not include any Lot the Association acquires by the foreclosure of the Assessment Lien or by any deed in lieu of foreclosure.

1.17 “Covenants” means the covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations and easements set forth herein.

1.18 “Declarant” means Woodside Homes Sales AZ, LLC, a Delaware limited liability company, and any Person to whom it may expressly assign any or all its rights under this Declaration by a Recorded instrument.

1.19 “Declarant Control Period” means the period commencing on the date of the Recording of this Declaration and ending on the date that the Class B membership in the Association terminates pursuant to Section 7.2.2.

1.20 “Declaration” means this Declaration of Covenants, Conditions, and Restrictions for Paloma Ranch, as amended from time to time.

1.21 “Declaration of Annexation” means a declaration Recorded pursuant to the provisions of Article 13 for the purpose of annexing additional real property to the Property.

1.22 “Declaration of De-annexation” means a declaration Recorded pursuant to the provisions of Article 13 for the purpose of de-annexing any portion of the Property.

1.23 “Deed” means a Deed or other instrument conveying the fee simple title in any portion of the Property from one Owner to another Owner.

1.24 “Deficiency Assessments” means assessments which are imposed against Lots owned by Declarant and Designated Builders pursuant to Section 8.6.

1.25 “Designated Builder” means any Builder that is designated by Declarant in a Recorded instrument and by such designation receives certain rights as expressly provided in this Declaration.

1.26 “Design Guidelines” means those architectural and design guidelines established by the Design Review Committee pursuant to the provisions of Article 5.

1.27 “Design Review Committee” means the committee to be created pursuant to Article 5, and if no Design Review Committee has been created by the Board, reference in this Declaration to the Design Review Committee shall be deemed to be a reference to the Board.

1.28 “Dwelling Unit” means any building or portion of a building situated upon a Lot designed and intended for use and occupancy as a residence by a Single Family.

1.29 “Enforcement Assessment” means an assessment levied pursuant to Section 8.4.

1.30 “First Mortgage” means any deed of trust or mortgage Recorded against a Lot which has priority over all other deeds of trust or mortgages Recorded against the same Lot.

1.31 “Improvement” means: (a) a Dwelling Unit or other building; (b) a fence or wall; (c) a swimming pool, tennis court, basketball goal, backboard or apparatus or playground equipment; (d) a road, driveway or parking area; (e) a tree, plant, shrub, grass or other landscaping improvement of any type or kind; (f) statuary, fountain, artistic work, craft work, figurine or ornamentation of any type or kind; and (g) any other structure or improvement of any type, kind or nature.

1.32 “In Good Standing” means that the Owner or Member is not delinquent in the payment of any Assessment or any other amounts owed to the Association, and the Owner, as well as any Resident or guest, is not in violation of the Project Documents.

1.33 “Lot” means any part of the Property designated as a residential Lot on any Plat Recorded with respect to any portion of the Property and, where the context indicates or requires, any Improvements constructed from time to time thereon.

1.34 “Member” means any Person holding a Membership in the Association pursuant to this Declaration, as further set forth in Section 7.1.

1.35 “Membership” means a Membership in the Association and the rights granted to the Owners pursuant to Article 7 to participate in the Association.

1.36 “Owner” means (when so capitalized) the record owner, whether one or more Persons, of beneficial or equitable title (and legal title if the same has merged with the beneficial or equitable title) to the fee simple interest of a Lot or any portion of the Property. In the case of Lots subject to an option agreement, the optionor shall be deemed to be the Owner. Owner shall not include Persons having an interest in a Lot or portion of the Property merely as security for the performance of an obligation or a lessee. Owner shall include a purchaser under a Recorded contract for the conveyance of real property subject to the provisions of A.R.S. § 33-741 et. seq. Owner shall not include a purchaser under a purchase contract and receipt, escrow instructions or similar executory contracts which are intended to control the rights and obligations of the parties to the executory contracts pending the closing of a sale or purchase transaction. In the case of a Lot or portion of the Property subject to a deed of trust pursuant to Arizona Revised Statutes, Section 33-801, et seq., the trustor shall be deemed to be the Owner. In the case of a Lot or

portion of the Property the fee simple title to which is vested in a trustee pursuant to a subdivision trust agreement or similar agreement, the beneficiary of any such trust who is entitled to possession of the trust property shall be deemed to be the Owner.

1.37 "Parcel" means any part of the Property subjected to this Declaration but not yet included in a Plat.

1.38 "Person" means a natural person, corporation, partnership, limited liability company, trust or any other legal entity.

1.39 "Plat" means the final plat map of the Property according to Fee No. 2017-089175, Official Records of Pinal County, Arizona, and all amendments thereto, and any other subdivision plat Recorded against all or any portion of the Property.

1.40 "Project Documents" means, collectively, this Declaration, any Declaration of Annexation, the Articles, the Bylaws, the Association Rules, the Design Guidelines, any amendments to any of the foregoing, and any duly adopted resolutions of the Board.

1.41 "Property" means that certain real property more particularly described in Exhibit A attached hereto and incorporated herein by this reference, together with all Improvements constructed thereon from time to time.

1.42 "Purchaser" means any Person, other than Declarant or a Designated Builder, who becomes the Owner of a Lot, except for: (a) a Person who purchases a Lot and then leases it to Declarant or a Designated Builder for use as a model in connection with the sale or lease of other Lots; or (b) a Person who, in addition to purchasing a Lot, is assigned any or all of Declarant's rights under this Declaration.

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

1.44 "Regular Assessments" means assessments which are imposed against Assessable Lots pursuant to Section 8.2.

1.45 "Resident" means each natural person legally occupying or residing in a Dwelling Unit.

1.46 "Single Family" means a group of one or more persons each related to the other by blood, marriage, or legal adoption, or a group of not more than three (3) persons not all so related, who maintain a common household in a Dwelling Unit.

1.47 "Special Assessment" means any assessment levied and assessed pursuant to Section 8.3.

1.48 **“Supplemental Declaration”** means a supplemental Declaration as set forth in Section 4.25.

1.49 **“Visible From Neighboring Property”** means, with respect to any given object, that such object is, or would be, visible to a natural person six feet (6’) tall, standing on the same plane as the object being viewed at a distance of one hundred feet (100’) or less from the nearest boundary of the property being viewed. The Design Review Committee shall have the right to determine the meaning of the term “Visible From Neighboring Property” as applied on a case by case basis, and the determination of the Design Review Committee shall be binding in that regard, subject to any appeal granted by the Board.

ARTICLE 2

PLAN OF DEVELOPMENT

2.1 **Purpose and Binding Effect.** Declarant intends by this Declaration to impose upon the Property covenants, conditions, restrictions and easements to create a general plan of development for the Property and to provide a flexible and reasonable procedure for the administration, maintenance, preservation, use, and enjoyment of the Property. Declarant declares that all of the Property shall be held, sold, used, and conveyed subject to the Covenants which are for the purpose of protecting the value, desirability, and appearance of the Property. Declarant further declares that all of the Covenants shall run with the Property and shall be binding upon and inure to the benefit of Declarant and all Owners and Residents and all other Persons having or acquiring any right, title, or interest in the Property or any part thereof, their heirs, successors, successors in title, and assigns. Each Person who acquires any right, title, or interest in the Property, or any part thereof, agrees to abide by all of the provisions of the Project Documents. This Declaration shall be binding upon and shall be for the benefit of and enforceable by the Association.

2.2 **Disclaimer of Representations and Implied Covenants.** The Declarant makes no representation or warranty that the Property will be developed in accordance with the zoning or the development plan for the Property as it exists as of the Recording of this Declaration. Each Owner, Resident and other Person acquiring any Lot or other real property in the Property acknowledges that the zoning and/or the development plan may be amended from time to time by the applicable governmental authority and/or Declarant. The Declarant makes no warranties or representations, express or implied, as to the binding effect or enforceability of all or any portion of the Project Documents or as to the compliance of any provision of the Project Documents with public laws, ordinances, or regulations applicable to the Property. Nothing contained in this Declaration and nothing which may be represented to a purchaser by real estate brokers or salesmen shall be deemed to create any implied covenants, servitudes or restrictions with respect to the use of any property subject to this Declaration.

2.3 **Further Subdivision, Property Restrictions, Rezoning and Timeshares.** Without the prior written approval of the Association and Declarant (so long as Declarant owns any portion of the Property), no Owner shall do any of the following: (a) further subdivide a Lot or separate a Lot into smaller lots or parcels; (b) convey or transfer less than all of a Lot; (c)

replat a Lot or combine a Lot with other Lots; (d) record covenants, conditions, restrictions or easements against any Lot; (e) file any application for zoning, rezoning, variances or use permits pertaining to any Lot with any governmental entity having jurisdiction; or (f) subject or use a Lot for any timesharing, cooperative, weekly, monthly or any other type of revolving or periodic occupancy by multiple owners, cooperators, licensees, lessees, occupants or timesharing participants.

2.4 Agricultural Operations in the Vicinity. The Property is located in the vicinity of current and former agricultural operations, including agricultural cultivation, burning and use of pesticides, and related odors, dust and noise. As a result, Residents of the Property may be exposed to nuisances associated with agricultural operations in the immediate and surrounding area, including but not limited to, noise, odors, dust, grazing of animals, flies, pollen, chaff from harvesting, insects, pesticide spray applications and farm equipment operators. Declarant makes no representations or warranties whatsoever with regard to such operations, and each Resident hereby forever releases and discharges Declarant from any and all claims related to such operations.

2.5 Assumption of Risk. The Association may, but shall not be obligated to, sponsor certain activities or provide facilities designed to promote the health, safety, and welfare of Owners and Residents. Notwithstanding anything contained herein or in any of the Project Documents, neither the Association, the members of the Board, the officers of the Association, the management company of the Association, nor the Declarant shall be liable or responsible for, or in any manner a guarantor or insurer of, the health, safety or welfare of any Owner or Resident or any tenant, guest or invitee of any Owner or Resident or for any property of any such Person, even if funds of the Association or Declarant are used for any such purpose.

ARTICLE 3

EASEMENTS AND RIGHTS OF ENJOYMENT IN COMMON AREAS

3.1 Easements of Enjoyment. Declarant and every Owner and Resident of the Property shall have a right and easement of enjoyment in and to the Common Areas which shall be appurtenant to, and shall pass with, the title to every Lot subject to the following provisions:

(a) The right of the Association to charge reasonable admission and other special use fees for the use of the Common Areas or any facilities constructed thereon;

(b) The right of the Association to suspend the voting rights, right to use of the facilities and other Common Areas by any Member, and any other rights incidental to Membership (including, but not limited to, the right to Design Review Committee review and approval of proposed Improvements), (i) for any period during which any Assessment against his Lot remains delinquent, (ii) for a period not to exceed sixty (60) days for any infraction of this Declaration or the Association Rules, and (iii) for successive sixty (60) day periods if any such infraction is not corrected during any prior sixty (60) day suspension period, provided, however, that a Member's rights may only be suspended under procedures sufficient to comply with Arizona law;

(c) The right of the Association to regulate the use of the Common Areas through the Association Rules and to prohibit or limit access to certain Common Areas, such as specified landscaped areas. The Association Rules shall be intended, in the absolute discretion of the Board, to enhance the preservation of the Common Areas for the safety and convenience of the users thereof, and otherwise shall serve to promote the best interests of the Owners and Residents;

(d) The right of the Association to dedicate or transfer all or any part of the Common Areas to any entity for such purposes and subject to such conditions as may be agreed to by the Association. Security interests, leases, easements, and licenses shall not be considered dedications or transfers for purposes of this Section. Except for dedications to public entities or utilities, which shall not require approval of the Members, no such dedication or transfer shall be effective unless approved by: (i) at least two-thirds (2/3) of the Members who are voting on the matter at a meeting of the Association where a quorum is present, and (ii) Declarant (so long as Declarant owns any portion of the Property). In addition, if ingress or egress to any Lot is provided through the Common Area, then any dedication or transfer of such Common Area shall be subject to such Lot Owner's continuing right and easement for ingress and egress;

(e) The right of the Association to change the use of the Common Areas in accordance with this Declaration; and

(f) The rights and easements, if any, reserved or granted to Declarant or Designated Builders by this Declaration.

3.2 Easements to Facilitate Development.

3.2.1 Declarant hereby reserves to itself, its duly authorized agents, employees, representatives, successors and assigns, including but not limited to any Designated Builder, a non-exclusive blanket easement over and through the Property for all purposes reasonably related to the development and completion of Improvements on the Property, and as may be reasonably necessary for the purpose of discharging Declarant's obligations or exercising the rights granted to or reserved by Declarant or to Designated Builders by this Declaration, including without limitation: (a) temporary construction easements; (b) easements for the temporary storage of supplies of building materials and equipment necessary to complete Improvements; and (c) easements for the construction, installation and maintenance of Improvements on the Property or Improvements reasonably necessary to serve the Property.

3.2.2 Declarant hereby reserves to itself, its duly authorized agents, employees, representatives, successors and assigns including, but not limited to any Designated Builder, the right to: (a) use any Lots owned or leased by Declarant or a Designated Builder, any other Lot with written consent of the Owner thereof, or any portion of the Common Area as models, management offices, sales offices, a visitors' center, construction offices, customer service offices or sales office parking areas; and (b) install and maintain on the Common Area, any Lot owned or leased by Declarant or a Designated Builder, or any other Lot with the consent of the Owner thereof, such marketing, promotional or other signs which Declarant deems necessary for

the development, sale or lease of the Property. The right reserved to Declarant and Designated Builders under this Section shall be in such number, of such size and in such locations as Declarant deems appropriate.

3.2.3 Neither Declarant nor any Designated Builder shall exercise any of the rights or easements reserved by or granted pursuant to this Section 3.2 in such a manner as to unreasonably interfere with the construction, development, or occupancy of any part of the Property.

3.2.4 In the event of any conflict or inconsistency between the provisions of this Section and any other provision of this Declaration, this Section shall control.

3.3 Utility Easements. A nonexclusive, perpetual blanket easement is hereby created over and through the Common Areas, and a limited, specific easement over and through those portions of the Property shown as public utility easement areas (or shown with a similar designation) on any Plat is hereby created, for the purpose of:

(a) Installing, constructing, operating, maintaining, repairing or replacing equipment used to provide to any portion of the Property any utilities, including, without limitation, water, sewer, drainage, gas, electricity, telephone and television service, whether public or private;

(b) Ingress and egress to install, construct, operate, maintain, repair and replace such equipment; and

(c) Exercising the rights under the easement.

Such easement is hereby granted to any Person providing such utilities or installing, constructing, maintaining, repairing, or replacing equipment related thereto. Any pipes, conduits, lines, wires, transformers, and any other apparatus necessary for the provision or metering of any utility may be installed or relocated only where permitted by Declarant or any Designated Builder, where contemplated on any Plat, or where approved by resolution of the Board. Equipment used to provide or meter such utilities or services may be installed aboveground during periods of construction if approved by Declarant and any Designated Builder owning the Property. The Person providing the service, or installing a utility pursuant to this easement shall install, construct, maintain, repair or replace the equipment used to provide or meter utilities as promptly and expeditiously as possible, and shall restore the surface of the land and the improvements situated thereon to their original condition as soon as possible.

3.4 Easement for Maintenance of Areas of Association Responsibility. The Association shall have an easement upon and over the Lots for the purpose of carrying out its powers and duties related to maintaining the Areas of Association Responsibility pursuant to this Declaration.

3.5 Easements for Encroachments. If any Improvement constructed by or for a Designated Builder or Declarant on any Lot now or hereafter encroaches on any other portion of

the Property by an amount of deviation permitted by customary construction tolerances, a perpetual easement is hereby granted to the extent of any such encroachment, and the owner of the encroaching Improvement shall also have an easement for the limited purpose of the maintenance and repair of the encroaching Improvement.

3.6 Easements for Cross-Drainage. Every Lot and the Common Area shall be burdened with easements for natural drainage of storm water runoff from other portions of the Property; provided that no Person shall alter the drainage as it exists on any Lot at the time of transfer of such Lot from Declarant in a manner that would alter or materially impact the drainage of storm water onto adjacent portions of the Property without the consent of the Owners of the affected property and during the Declarant Control Period, Declarant. Any Owner who materially alters the drainage on its Lot shall be liable for any damage caused to adjoining property as a result of such alterations.

3.7 Sidewalk Easement. A limited, specific easement is hereby created over and through those portions of the Property including, without limitation, those portions of certain of the Lots that are public sidewalks for the purpose of pedestrian ingress and egress.

3.8 Sight Visibility Triangle Easement. A limited, specific easement is hereby created over and through those portions of the Property including, without limitation, those portions of certain of the Lots, shown as sight visibility triangle areas (or shown with a similar designation) on the Plat. Structures and landscaping within such areas that are located on a Lot must be maintained by the Owner of such Lot and may not exceed twenty four inches (24") in height.

3.9 Irrigation Easements. As depicted on the Plat and as recorded in the Official Records of Pinal County, Arizona, there are existing irrigation easements over certain parts of the Property.

3.10 Delegation of Use. Any Member may, in accordance with this Declaration and the Association Rules and the limitations therein contained, delegate his right of enjoyment in the Common Areas and facilities to the members of his family or his Residents.

3.11 Dedications and Easements Required by Governmental Authority. Declarant hereby reserves to itself and its successors and assigns, the right to make any dedications and to grant any easements, rights-of-way and licenses required by any government or governmental agency over and through all or any portion of the Common Area.

3.12 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 Declarant 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 Declarant. Upon written request of Declarant, the Association and each Owner shall from time to time sign, acknowledge and deliver to Declarant such further assurances of these reservations of rights and easements as may be requested.

3.13 Assignment of Development Rights. Declarant may make limited temporary assignments of its easement rights under this Declaration to any Person performing construction, installation or maintenance on any portion of the Property.

ARTICLE 4

PERMITTED USES AND RESTRICTIONS

4.1 Residential Purposes.

4.1.1 All Lots and Dwelling Units within the Property shall be used for Single Family residential purposes. No business, trade, or other nonresidential use shall be conducted on or in any Lot or Dwelling Unit, provided that an Owner or any Resident may conduct limited business activities in a Dwelling Unit so long as (a) the existence or operation of the business activity is not apparent or detectible by sight, sound, or smell from outside the Dwelling Unit, (b) the business activity conforms to all applicable zoning requirements, (c) the business activity does not involve door-to-door solicitation of other Owners or Residents, (d) the business activity does not generate drive-up traffic or customer or client parking, and (e) the business activity is consistent with the residential character of the Property, does not constitute a nuisance or a hazardous or offensive use, and does not threaten the security or safety of other Owners or Residents, as may be determined in the sole discretion of the Board. No Lot may ever be used, allowed, or authorized to be used in any way, directly or indirectly, for any manufacturing, industrial, mercantile, commercial storage, vending, or other similar uses or purposes; provided, however, that Declarant and each Designated Builder, and their respective agents, successors, or assigns, may use the Property, including any Lots, for any of the foregoing uses as may be required, convenient, or incidental to the construction and sale of Dwelling Units thereon, including, without limitation, for the purposes of a business office, management office, storage area, construction yard, signage, model sites and display and sales office during the construction and sales period.

4.1.2 The terms "business" and "trade" as used in this Section shall be construed to have ordinary, generally accepted meanings, and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation or other form of consideration, regardless of whether: (a) such activity is engaged in full or part time; (b) such activity is intended or does generate a profit; or (c) a license is required for such activity. The use of model homes by Declarant or a Designated Builder or the use of the Property by Declarant or Designated Builders for the purpose of developing and marketing the Property are not considered a trade or business within the meaning of this Section. The Board shall have broad authority to enact rules and regulations to implement this Section 4.1.

4.2 Animals. No animal, bird, poultry, or livestock, other than a reasonable number of generally recognized house or yard pets, shall be maintained on any Lot and then only if they are kept, bred, or raised thereon solely as domestic pets and not for commercial purposes. Except where specifically approved in writing by the Board to the contrary, "reasonable number"

shall mean no more than two (2) of any single species of household pet (e.g., two (2) dogs, two (2) cats, etc.); provided, however, that offspring of such household pets will be permitted for a period not to exceed sixteen (16) weeks following the birth of such offspring. No house or yard pets shall be allowed to make an unreasonable amount of noise or to become a nuisance. No structure for the care, housing, or confinement of any house or yard pet shall be maintained so as to be Visible From Neighboring Property without written approval of the Design Review Committee. Upon the written request of any Member or Resident, the Board shall conclusively determine, in its sole and absolute discretion, whether, for the purposes of this Section, a particular animal, bird, poultry, or livestock is a generally recognized house or yard pet, whether such a pet is a nuisance, or whether the number of animals or birds on any such property is reasonable. Any decision rendered by the Board shall be enforceable in the same manner as other restrictions contained herein and in this Declaration. The Board may adopt such reasonable rules and regulations as it deems necessary regarding animals permitted and maintained on the Property.

4.3 Temporary Occupancy and Temporary Building. No trailer, basement, or any incomplete building, tent, shack, garage or barn, and no temporary buildings or structures of any kind, shall be used at any time for a residence, either temporary or permanent. Except for temporary buildings, trailers or other structures used by Declarant or Designated Builders or approved in writing by Declarant, temporary buildings, trailers or other structures used during the construction or modification of Improvements approved by the Design Review Committee shall be removed immediately after the completion of such construction or modification, and in no event shall any such buildings, trailers or other structures be maintained or kept on any property for a period in excess of twelve (12) months without the prior written approval of the Design Review Committee.

4.4 Diseases, Insects, and Pests. No Owner shall permit any thing or condition to exist upon any Lot which shall induce, breed, or harbor infectious plant diseases, insects, or pests.

4.5 Antennas. No antenna, aerial, satellite dish or other device for the transmission or reception of television or radio (including amateur or ham radio) signals of any kind (collectively referred to herein as "**Antennas**") will be allowed outside any Dwelling Unit, except that a device covered by 47 C.F.R. § 1.400 (Over-the-Air Reception Devices Rule), as amended, repealed, or recodified, will be permitted. Any such device shall comply with the applicable antenna installation rules of the Association and shall be mounted, to the extent reasonably possible, so as to not be Visible From Neighboring Property or the street. The devices governed by 47 C.F.R. § 1.400 (Over-the-Air Reception Devices Rule) as of the date of the recording of this Declaration are as follows:

(a) Direct Broadcast Satellite ("**DBS**") antennas one meter in diameter or less, and designed to receive direct broadcast satellite service, including direct-to-home satellite service, or receive or transmit fixed wireless signals via satellite;

(b) Multi-point Distribution Service (“MDS”) antennas one meter or less in diameter or diagonal measurement, designed to receive video programming services (wireless cable) or to receive or transmit fixed wireless signals other than via satellite;

(c) Antennas designed to receive local television broadcast signals (“TVBS”);
and

(d) Antennas designed to receive and/or transmit data services, including Internet access.

If the FCC expands the types of antennas that fall under the FCC Rule, this Section 4.5 shall encompass those antennas as well. The Board is hereby vested with the broadest discretion to enact rules and regulations to implement this Section to conform to the law. The Board may enact rules and regulations that are more restrictive than this Section 4.5, if permissible by federal and state law.

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

4.7 Trash and Recycling Containers and Collection. No garbage or trash shall be placed or kept on any Lot, except in covered containers of a type, size, and style which are approved by the Board and provided by a governmental authority or other authorized provider. The Board may adopt such reasonable rules and regulations as it deems necessary regarding trash containers and collection of trash. In no event shall such containers be maintained so as to be Visible From Neighboring Property except to make the same available for collection and then only until nine (9) a.m. the day following collection. Trash containers shall be placed on the street, not the sidewalks, for collection, unless otherwise required by the garbage collection company. All rubbish, trash or garbage shall be promptly removed from all Lots and shall not be allowed to accumulate thereon. No outdoor incinerators shall be kept or maintained on any Lot.

4.8 Clothes Drying Facilities. Outside clotheslines or other outside facilities for drying or airing clothes shall not be erected, placed, or maintained on any Lot, unless they are erected, placed, and maintained exclusively within a fenced service yard or otherwise concealed and are not Visible From Neighboring Property.

4.9 Party Walls. A party wall and party fence shall be defined as any wall or fence that is located between Lots or between Lots and an Area of Association Responsibility whether the wall is located directly on the dividing line between the Lots or between the Lots and an Area of Association Responsibility or whether it is not located directly on the dividing line but serves as the wall or fence separating the Lots or separating the Lots and an Area of Association Responsibility. The rights and duties of Owners with respect to party walls or party fences between Lots, or between Lots and an Area of Association Responsibility, shall be as follows:

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

(b) In the event that any party wall or party fence is damaged or destroyed through the act of an Owner or any of his Residents, agents, trees, irrigation systems, guests, or members of his family (whether or not such act is negligent or otherwise culpable), it shall be the obligation of such Owner to rebuild and repair the party wall or party fence without cost to the Owner of the adjoining Lot or the Association, if the party wall or party fence is adjacent to an Area of Association Responsibility.

(c) In the event any party wall or party fence located between Lots is destroyed or damaged (including deterioration from ordinary wear and tear and lapse of time), other than by the act of an adjoining Owner, his Residents, agents, trees, irrigation systems, guests or members of his family, it shall be the obligation of all Owners whose Lots adjoin such party wall or party fence to rebuild and repair such wall or fence at their joint expense, such expense to be allocated among the Owners in accordance with the frontage of their Lots on the party wall or party fence.

(d) In the event any party wall or party fence located between Lots and an Area of Association Responsibility is destroyed or damaged (including deterioration from ordinary wear and tear and lapse of time) other than by the act of an adjoining Owner, his Residents, guests, members of his family, agents, trees, landscaping, irrigation systems, or other items on such Owner's Lot, it shall be the obligation of the adjoining Owner and the Association to rebuild and repair such party wall or party fence at their joint expense, such expense to be allocated among the adjoining Owner and the Association in accordance with the frontage of the adjoining Lot or Area of Association Responsibility on the party wall or party fence as the case may be. In the event that the Association elects (in its reasonable discretion) to make structural repairs or replacements to any party wall or party fence located between Lots and an Area of Association Responsibility for any reason other than damage or destruction, the Association shall bear the cost of such repairs or replacement. Notwithstanding anything in this Section 4.9(d) to the contrary, the Association shall, in its sole discretion, have the right to determine when such damage, as referenced above, is sufficient to necessitate repair or replacement and shall have the right to enter on to the adjoining Owner's Lot for purposes of repairing or replacing the party wall or party fence and may charge the adjoining Owner the prorata portion thereof by way of a Benefitted Property Assessment.

(e) Notwithstanding anything to the contrary herein contained, there shall be no impairment of the structural integrity of any party wall or party fence without the prior consent of all Owners of any interest therein whether by way of easement or in fee.

4.10 Overhead Encroachments.

4.10.1 No tree, root, shrub or planting of any kind on any Lot shall be allowed to overhang or otherwise to encroach visibly upon any other Lot without the approval of the Owner of the affected Lot.

4.10.2 No tree, root, shrub or planting of any kind on any Lot shall be allowed to overhang or otherwise to encroach upon any sidewalk, street, pedestrian way, party wall for which the Association has any repair or maintenance responsibility, or Area of Association Responsibility from ground level to a height of eight feet (8') without the prior written approval of the Design Review Committee.

4.11 Window Coverings. In no event shall the interior or exterior of any windows be covered with reflective material, such as foil, or with paper, bed sheets, or other temporary coverings. The Board shall have the broadest authority to enact rules and regulations relating to window coverings.

4.12 Garages and Driveways. No garage shall be converted to living space or altered or used for storage of material or other purposes which would prevent the use of the garage for the parking of the number of vehicles for which it was designed, except that Declarant and Designated Builders may use a garage in one or more model homes for a sales office and/or a construction office. Further, the interior of all garages situated upon any Lot shall be maintained by the respective Owners thereof in a neat and clean condition. It is recommended and preferred that garage doors be kept closed unless vehicles or Persons are entering or exiting, work is being performed on the Lot, or a Resident is nearby. All driveways on Lots shall be of concrete construction or pavers. A carport may not be built in addition to or as a replacement for a garage, unless initially constructed by Declarant or a Designated Builder.

4.13 Heating, Ventilating, and Air Conditioning Units. No heating, air conditioning or evaporative cooling units or equipment shall be placed, constructed or maintained upon the Property, including, but not limited to, upon the roof or exterior walls of any structure on any part of the Property unless (a) where such unit or equipment is installed upon the roof of any structure upon the Property, such unit or equipment is fully screened from view from any adjacent Lots by a parapet wall which conforms architecturally with such structure, or (b) in all other cases, such unit or equipment is attractively screened or concealed and is not Visible From Neighboring Property, which means of screening or concealment shall (in either case (a) or (b)) be subject to the regulations and the prior written approval of the Design Review Committee, provided, however, that where such unit or equipment is Visible From Neighboring Property solely through a "view fence", no screening or concealment shall be required.

4.14 Solar Collection Panels or Devices. Declarant recognizes the benefits to be gained by permitting the use of solar energy as an alternative source of electrical power for residential use. At the same time, Declarant desires to promote and preserve the attractive appearance of the Property and the Improvements thereon, thereby protecting the value generally of the Property and the various portions thereof, and of the various Owners' respective investments therein. Therefore, subject to the restrictions of applicable law and with the prior written approval of the plans therefor by the Design Review Committee, solar collecting panels and devices may be placed, constructed, or maintained upon any Lot within the Property (including upon the roof of any structure upon any Lot). The Design Review Committee may adopt rules and regulations regarding the placement of solar energy devices in order to limit, to the extent possible, the visual impact of such solar collecting panels and devices when viewed by

a Person six feet (6') tall standing at ground level on adjacent properties. The restrictions in this Section 4.14 shall be subject to any limitations imposed by law.

4.15 Basketball Goals. No basketball goal, backboard or similar structure or device and no swing set, trampoline, batting cage or other play structure which would be Visible From Neighboring Property shall be placed or constructed on any Lot without written approval of the Design Review Committee. In no event shall basketball goals or backboards be permitted to be attached to any Dwelling Unit, notwithstanding whether such basketball goal or backboard is Visible From Neighboring Property.

4.16 Vehicles; Parking. Personal vehicles (such as cars, trucks, and sport utility vehicles) may be parked on the Property within a garage or on the private driveway appurtenant to a Dwelling Unit. A vehicle permitted to park on a driveway must park on the paved surface of the Lot. No vehicle may be parked (a) at any time on the landscaped portion of a Lot, or (b) at any time on a sidewalk or on a driveway so as to encroach on a sidewalk, or (c) overnight on the streets within the Property. The Board shall have the right to have any vehicle or other item of equipment parked, maintained, kept, operated, reconstructed or repaired in violation of this Section booted and/or towed away at the sole expense of the owner of the vehicle or equipment. Any expense incurred by the Association in connection with the booting or towing of any vehicle shall be paid to the Association upon demand by the owner of the vehicle or equipment. If the vehicle is owned by an Owner, any amounts payable to the Association shall be secured by the Assessment Lien, and the Association may enforce collection of such amounts in the same manner provided in this Declaration for the collection of Assessments.

Recreational vehicles, mobile homes, motor homes, campers, boats, boat trailers, all-terrain vehicles, semi-trucks, or similar vehicles or equipment may be kept, placed or maintained upon the Property (i) within a garage constructed by Declarant or a Designated Builder or approved in writing by the Design Review Committee, (ii) within the walled, fenced, and/or gated portion of a Lot, but only within the Lot's perimeter wall, fence, or gate and not in the Dwelling Unit's driveway, or (iii) in such areas and subject to such rules and regulations as the Declarant may designate and adopt in its sole discretion.

No motor vehicles of any kind which are not in operating condition shall be parked in any place Visible From Neighboring Property (including, but not limited to, private driveways appurtenant to a Dwelling Unit) for a period of longer than ten (10) days. For purposes of this Section 4.16, a vehicle is not in operating condition, including but not limited to, if it is not running, has a flat or missing tire for ten (10) or more days, or is not properly licensed and registered. The provisions of this Section 4.16 shall not apply to vehicles of Declarant, any Designated Builder or its respective employees, agents, affiliates, contractors or subcontractors. Notwithstanding anything herein to the contrary, the restrictions on parking on streets and driveways shall not apply to governmental or service vehicles permitted by applicable law to park in streets or driveways.

4.17 Landscaping and Maintenance.

4.17.1 Within ninety (90) days of acquiring a Lot with a Dwelling Unit thereon, each Owner (other than Declarant or any Designated Builder) shall landscape (if not already landscaped) the rear yard of such Lot. If any portion of the rear yard landscaping will be Visible From Neighboring Property when planted, the Owner shall submit a landscaping plan to the Design Review Committee for review and approval pursuant to Article 5 for the portion of such landscaping that would be Visible From Neighboring Property.

4.17.2 Each Owner shall maintain the landscaping on such Owner's Lot and any right-of-way areas lying between the front, rear, or side boundaries of such Lot and an adjacent street (including, without limitation, landscaping located within a public right-of-way adjacent to a Lot), shall keep the land free of debris and weeds at all times, and shall promptly repair portions of the landscaping which have been damaged. Landscaping shall be installed under this Section 4.17 as to be consistent, in terms of general appearance and level of care and attention, with other normal completed residential landscaping within the Property and within other residential properties in the vicinity of the Property and in accordance with Design Guidelines established by the Design Review Committee. Each Owner shall maintain the aforementioned landscaping and exterior of the Owner's Dwelling Unit in a neat, clean and attractive condition consistent in appearance with other properly maintained, improved Lots within the Property. In the event any such landscaping is damaged or disturbed as a result of the installation or maintenance of any utility lines, cables or conduits for the use or benefit of the Owner of the Lot, then, in that event, such Owner shall promptly repair and restore any damage or disturbance to such landscaping in accordance with the landscape plans previously approved by the Design Review Committee, if applicable. Each Owner shall promptly (i) replace any dead tree and (ii) restore any uprooted or toppled tree to an upright position if such tree is Visible From Neighboring Property, provided that, if the Owner wishes to replace the tree with a different type of tree, then the Owner shall submit a plan to the Design Review Committee for review and approval pursuant to Article 5.

4.18 Prohibited Uses. No use which is offensive by reason of odor, fumes, dust, smoke, noise, glare, heat, sound, vibration, radiation or pollution, or which constitutes a nuisance or unreasonable source of annoyance, or which is hazardous by reason of risk of fire or explosion, or which is injurious to the reputation of any Owner, shall be permitted on any Lot. The Board shall have the right to determine, in its sole discretion, whether the provisions of this Section 4.18 have been violated. Any decision rendered by the Board shall be enforceable and be binding in the same manner as other restrictions in this Declaration. Nothing contained in the foregoing shall be construed to prevent the construction, installation, sales, or marketing by any Declarant or Designated Builder of any Dwelling Units on any Lot within the Property. No use which is in violation of the laws (after taking into account the application of any validly granted or adopted variance, exception, or special use ordinance or regulation) of the United States, the State of Arizona, Pinal County, or any other governmental entity having jurisdiction over the Property shall be conducted on any Lot.

4.19 Dust Control. The areas on each Lot which are not improved with buildings ("Clear Areas") shall be landscaped as provided in Section 4.17. After a sale of any Lot by Declarant or a Designated Builder, until such landscaping is installed, the Clear Areas shall be maintained in a neat and attractive condition, free of weeds and debris and the Owner thereof

shall take necessary and appropriate measures to prevent and control the emanation of dust and dirt from the Clear Areas, which may include the use of gravel, grass, ground cover, or the sealing of the ground surface. After landscaping has been installed, each Owner shall continue to maintain his Lot in a manner which minimizes the possibility of dust being transmitted into the air and over adjacent properties.

4.20 Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate upon any portion of the Property for any unreasonable time, and no odors shall be permitted to arise therefrom, so as to render the Property or any portion thereof unsanitary, unsightly, offensive or detrimental to any other portion of the Property in the vicinity thereof or to its Owners or Residents. No loud, noxious, or offensive activity shall be carried on or permitted on any Lot, nor shall anything be done thereon which may be, or may become, an annoyance or nuisance to Persons or property in the vicinity of such Lot, or which shall interfere with the quiet enjoyment of each of the Owners and Residents. Owners shall not allow any standing bodies of water to accumulate on their Lot, including, but not limited to, neglected pools, spas, or water features, that could become breeding environments for mosquitoes or other insects. The Board shall have the right to determine, in its sole discretion, whether the provisions of this Section 4.20 have been violated. Any decision rendered by the Board shall be enforceable and be binding in the same manner as other restrictions in this Declaration. Nothing contained in the foregoing shall be construed to prevent the construction, installation, sales, or marketing by any Declarant or Designated Builder of any Dwelling Units on any Lot within the Property.

4.21 Drainage. No Lot shall be graded or contoured and no Dwelling Unit, structure, building, landscaping, fence, wall, paver, border, 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 approved grading and drainage plans for the Property, or any part thereof, or for any Lot as shown on the approved grading and drainage plans on file with the municipality in which the Property 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 grading and drainage plans.

4.22 Health, Safety and Welfare. In the event additional uses, activities, or facilities are deemed by the Board to be a nuisance or to adversely affect the health, safety, or welfare of Owners and Residents, the Board may make rules restricting or regulating their presence on the Lot as part of the Association Rules.

4.23 Leasing; Obligations of Tenants and Other Occupants.

4.23.1 All tenants shall be subject to the terms and conditions of the Project Documents. Each Owner shall cause his, her, or its Residents or other occupants to comply with the Project Documents and, to the extent permitted by applicable law, shall be responsible and liable for all violations and losses caused by such Residents or other occupants, notwithstanding the fact that such Residents or other occupants are also fully liable for any violation of each and all of those documents.

4.23.2 For purposes of this Section 4.23, a lease is defined as any occupancy of all of the Dwelling Unit (whether or not money is exchanged) by anyone other than: (a) the Owner, (b) the Owner's spouse, (c) the Owner's or the Owner's spouse's children or parents, (d) any individuals living with the Owner who are maintaining a common household with the Owner, or (e) guests of an Owner residing with the Owner of the Lot. No Owner may lease less than his, her or its entire Lot. No Lot may be leased for a period of less than twelve (12) consecutive months. The Owner of a leased Lot or Dwelling Unit must furnish the Board with a tenant information form (provided by the Board) containing all information set forth in A.R.S. § 33-1806.1(C) or any successor statute.

4.23.3 The Association is a third-party beneficiary of any such lease solely for the purpose of enforcing this Declaration, and shall have the right to establish and charge fines against any Owner failing to enforce the provisions of the Project Documents.

4.23.4 The provisions of this Section 4.23 shall not apply to the use of Lots or Dwelling Units owned by (or leased to) Declarant or any Designated Builder as a model home or for marketing purposes.

4.24 Environmental Protections. No Lot, nor any facilities on any Lot, shall be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce, or process Hazardous Substances or solid waste. For purposes of this Section, "**Hazardous Substances**" shall be deemed to include pollutants or substances defined as "hazardous waste," "hazardous substances," "hazardous materials" or "toxic substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA") as amended by the Superfund Amendments and Reauthorization Act of 1986 (PL 99-499), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Toxic Substance Control Act, 15 U.S.C. Section 2601, et seq., the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901 et seq., the Arizona Environmental Quality Act, Laws 1986, Chap 368, and in the rules or regulations adopted and guidelines promulgated pursuant to said laws.

4.25 Supplemental Declaration; Property Restrictions. No further covenants, conditions, restrictions or easements ("**Supplemental Declaration**") shall be Recorded by any Owner, Resident, or other Person against any Lot without the provisions thereof having been first approved in writing by Declarant so long as Declarant owns any portion of the Property, and, following such time, by the Board. Any Supplemental Declaration which is Recorded without such approval being evidenced thereon shall be null and void; provided, however, that, without prior approval, Declarant shall have the right to record a Supplemental Declaration against any portion of the Property owned by Declarant either prior to or simultaneously with the conveyance of any such portion of the Property to a Designated Builder or other Owner. Notwithstanding the foregoing or anything else in this Declaration to the contrary, no Supplemental Declaration Recorded by an Owner shall operate to modify or amend this Declaration but, in the event that such covenants, conditions and restrictions impose restrictions on the use or occupancy of the real property subject to the Supplemental Declaration which are more restrictive than the restrictions set forth in this Declaration, the more restrictive provisions shall prevail. No application for rezoning, variances, or use permits pertaining to any Lot shall be

filed with any governmental authority by any Person unless the application has first been approved in writing by the Board and Declarant (so long as Declarant owns any portion of the Property), and the proposed use otherwise complies with this Declaration. Notwithstanding anything contained in this Declaration to the contrary, none of the restrictions contained in this Declaration shall be construed or deemed to limit or prohibit any act of Declarant, its employees, agents and subcontractors, or parties designated by it in connection with the entitlement, construction, completion, sale or leasing of Lots, Common Areas, or any other portion of the Property.

4.26 Model Homes. The provisions of this Declaration that prohibit nonresidential use of Lots and regulate parking of vehicles shall not prohibit the construction and maintenance of model homes by Declarant and/or Designated Builders engaged in the construction and/or sale of Dwelling Units within the Property and parking incidental to the visiting of such model homes so long as the location of such model homes are approved in writing by Declarant, which approval shall not be unreasonably withheld, and the construction, operation, and maintenance of such model homes otherwise comply with all of the provisions of this Declaration. It shall be deemed reasonable for Declarant to withhold its approval of the location of any such model home to the extent that the location of such model home would materially and adversely interfere with the free-flow of pedestrian or vehicular traffic, create an unreasonable amount of dust and debris, or would otherwise constitute a public or private nuisance to other Residents within the Property. Declarant shall also permit other areas to be used for parking in connection with the showing of model homes provided such parking areas are in compliance with the ordinances of any applicable governmental entity. Any Dwelling Units constructed as model homes shall cease to be used as model homes at any time the Designated Builder thereof is not actively engaged in the construction and/or sale of single-family residences within the Property, and no Dwelling Units shall be used as a permanent main model home for the sale of Dwelling Units not located within the Property, unless otherwise approved in writing by Declarant.

4.27 Repair of Building; Reconstruction. No building or structure on any Lot shall be permitted to fall into disrepair and each such building and structure shall at all times be kept in good condition and repair and adequately painted or otherwise finished. In the event any Dwelling Unit or other structure is totally or partially damaged or destroyed by fire, Act of God, or any other cause, the Owner shall commence the repair or reconstruction of the Dwelling Unit or other structure, subject to the approvals required by Article 5, within six (6) months after occurrence of the damage or destruction, and shall complete such repair or reconstruction within twelve (12) months, unless the Owner is prevented from doing so by an Act of God or other event beyond the Owner's control, in which case the applicable time period shall be extended by the amount of time necessitated by such event. The provisions of this Section 4.27 shall not apply to any portion of the Property owned by Declarant or any Designated Builder.

4.28 Signs. No signs whatsoever which are Visible From Neighboring Property shall be erected or maintained on any Lot except:

(a) Signs required by legal proceedings and signs that must be permitted by law;

(b) No more than two (2) identification signs for individual residences, each with a face area of seventy-two square inches (72") or less;

(c) Signs and notices erected or posted in connection with the provision of building security with a face area of seventy-two square inches (72") or less;

(d) Promotional and advertising signs of Designated Builder on any Lot, approved from time to time in advance and in writing by the Design Review Committee as to number, size, color, design, message content, location, and type. In addition, Declarant shall have the right and authority to construct and install on its own behalf, and permit and authorize any Designated Builder to construct and install, temporary signage necessary or convenient for the development and sale of any Lots within the Property, which may be as more particularly provided in Section 4.31; and

(e) Such other signs (including, but not limited to, construction job identification signs, builder identification signs and subdivision identification signs) which are in conformance with the applicable requirements of all applicable governmental agencies and which are permitted by the Design Guidelines or have been approved in advance and in writing by the Design Review Committee as to size, color, design, message content, and location.

4.29 Utility Service. Except as required to be permitted by law, no lines, wires, or other devices for the communication or transmission of electric current or power, including telephone, television, and radio signals, shall be erected, placed or maintained anywhere in or upon any Lot unless the same shall be contained in conduits or cables installed and maintained underground, except to the extent (if any) such underground or concealed placement may be prohibited by law, and except for such above-ground structures and/or media for transmission as may be originally constructed by Declarant or any Designated Builder or as may be otherwise approved in writing by the Design Review Committee. No provision hereof shall be deemed to forbid the erection of temporary power or telephone structures incident to the construction of buildings or structures.

4.30 Right of Entry. During reasonable hours and upon reasonable prior notice to the Owner or other Resident of a Lot, any member of the Design Review Committee or the Board, or any authorized representative thereof, shall have the right to enter upon and inspect any Lot, and the Improvements thereon, except for the interior portions of any completed Dwelling Units, for the purpose of ascertaining whether or not the provisions of this Declaration have been, or are being, complied with, and such Persons shall not be deemed guilty of trespass by reason of such entry, provided that the right to enter upon or inspect the rear yard of any Lot pursuant to this Section 4.30 shall be limited to the purpose of ascertaining whether or not a nuisance exists on the Lot, including, by way of example (but not limitation), the existence of a breeding environment for mosquitoes such as a neglected pool, spa, or water feature.

4.31 Declarant's Exemption. Nothing contained in this Declaration shall be construed to prevent the erection or maintenance by Declarant, or its duly authorized agents, of structures, Improvements, signs, or flagpoles necessary or convenient to the development or sale of Lots within the Property and, in connection therewith, Declarant shall have the right and

authority to permit and authorize Designated Builders to construct and install temporary signage which is necessary or convenient to the development and sale of any Lots within the Property.

4.32 Crime and Drug Free Community. The Association shall have the right and power to enact rules prohibiting criminal and drug activity on the Property, including the right to assess fines and evict tenants who engage in such activity. The Association shall have the right and power to require Residents and Owners to sign reasonable contracts and forms that assure there is no criminal and drug related activity on the Property.

4.33 Sidewalks, Paths, and Walkways. Sidewalks, paths, and walkways within the Property are designed for pedestrian traffic. Motorized vehicles, including, but not limited to ATVs and motorcycles, may not be operated on the sidewalks, paths, or walkways within the Property. Horses may not be ridden on sidewalks, paths, walkways, streets, or any other portion of the Property. Any portion of a sidewalk lying within the boundaries of a Lot shall be maintained, repaired, and replaced by the Owner of the applicable Lot.

4.34 Flags and Flagpoles. No flags or flagpoles that are Visible From Neighboring Property shall be erected or maintained on any Lot except as permitted by the Design Guidelines or as approved in writing by the Design Review Committee, or as required to be permitted to be erected or maintained by applicable law.

4.35 Prohibited Timesharing and other Fractional Interest Plans. No Lot or Dwelling Unit constructed thereon may be used and/or occupied by any Person pursuant to any joint or common ownership, use and/or occupancy by three (3) or more Unrelated Persons (defined below) during any 365-day period for the primary purpose of allocating periodic use or occupancy of such Dwelling Unit among Unrelated Persons, or their lessees, sub-lessees, assignees, or permittees on an ongoing basis over time pursuant to a timesharing plan, fractional ownership-interest plan, fractional private residence-club plan, membership residential-privilege plan, or any other similar type of plan or arrangement (collectively "**Timesharing Plan**"), regardless of whether such arrangement constitutes a timesharing plan or timeshare interests under Arizona law or under the laws of any other particular state. Any type of Timesharing Plan, whether or not the Lot or Dwelling Unit is owned by one Person, and whether or not currency or another form of compensation, trade, or barter is provided in exchange for the use of the Lot and Dwelling Unit, is prohibited. For purposes of this Section, "**Unrelated Persons**" means purchasers or holders of such rights of use or occupancy, whether by owning a fee title interest, or by holding some other right or interest, or some other right of occupancy, whether or not any interest in the Lot or Dwelling Unit is connected to said right, directly or indirectly, individually or through a corporation, partnership, limited liability company, trust or other entity, who are not related by blood, adoption or marriage. In calculating three (3) or more Unrelated Persons, a husband and wife and their children (including the children of either spouse), or a family trust or any other entity comprised exclusively of the same people, shall collectively constitute only one Unrelated Person.

4.36 Drainage Facilities. All drainage facilities shown on the Plat that are within the Common Areas shall be maintained by the Association and are to be repaired by the Association or its management company when the drainage facilities cease to drain the surface water in a 36-

hour period. This provision shall govern the maintenance of all drywells on the Property.

4.37 Lights. Except for lights installed by Declarant, spot lights or other lights shall not be installed, maintained or used in a manner which causes glare to neighboring property or an annoyance to the Owner or occupant of neighboring Lots. All exterior lighting, including any lights operated by a photo cell, shall be kept in good and working order at all times.

4.38 Variances. The Board, in its good-faith discretion, may grant such variances of the restrictions contained in this Article 4 as it shall deem appropriate, so long as the use or condition permitted by such variance does not result, as determined by the Board in its sole discretion, in an unsafe, unsanitary, or aesthetically displeasing condition, or in a substantial departure from the common plan of development contemplated by this Declaration. If any restriction set forth in this Article 4 is adjudged or deemed to be invalid or unenforceable as written by reason of any federal, state or local law, ordinance, rule or regulation, then a court or the Board, as applicable, may interpret, construe, rewrite or revise such restriction to the fullest extent allowed by law, so as to make such restriction valid and enforceable. Such modification shall not serve to extinguish any restriction not adjudged or deemed to be unenforceable.

ARTICLE 5

ARCHITECTURAL CONTROL

5.1 Approval Required. No Improvement which would be Visible From Neighboring Property, or which would cause any Person or thing to be Visible From Neighboring Property, shall be constructed or installed on any Lot without the prior written approval of the Design Review Committee, which shall have the authority to regulate the external design and appearance of the Lots and all Improvements constructed thereon. No addition, alteration, repair, change, or other work which in any way alters the exterior appearance of any part of a Lot, or any Improvements located thereon, which are or would be Visible From Neighboring Property shall be made or done without the prior written approval of the Design Review Committee. Any Owner desiring approval of the Design Review Committee for the construction, installation, addition, alteration, repair, change, or replacement of any Improvement which is or would be Visible From Neighboring Property shall submit to the Design Review Committee their written request for approval specifying in detail the nature and extent of the addition, alteration, repair, change, or other work which the Owner desires to perform. Any Owner requesting the approval of the Design Review Committee shall also submit to the Design Review Committee any additional information, plans, and specifications which the Design Review Committee may reasonably request.

5.2 Design Review Fee. The Design Review Committee shall have the right to charge a fee of Two Hundred Fifty Dollars (\$250.00), or such other amount as the Design Review Committee, in its sole discretion, may assess, for reviewing requests for approval of any construction, installation, alteration, addition, repair, change, or other work pursuant to this Article 5, which fee shall be payable at the time the application for approval is submitted to the Design Review Committee.

5.3 Construction Deposit. The Design Review Committee shall have the right to require a fully-refundable construction deposit of up to ten percent (10%) of the cost to construct the Improvement for which approval is sought to ensure compliance with the Declaration, compliance with the approved plans, and to protect the Association against damage to the Areas of Association Responsibility, which deposit shall be payable at the time the application for approval is submitted to the Design Review Committee. Any such deposit shall be fully refundable to the Owner upon: (i) the completion of the Improvements in accordance with the plans and specifications approved by the Design Review Committee, so long as there is no damage caused to any Areas of Association Responsibility by the Owner, its agents, or contractors; and (ii) the Owner's written request to the Design Review Committee, so long as there is no damage caused to any Areas of Association Responsibility by the Owner, its agents, or contractors. If an Owner or an Owner's agent causes damage to an Area of Association Responsibility, the Association may use the construction deposit to repair the Area of Association Responsibility. The Association's costs of repairing an Area of Association Responsibility beyond the construction deposit shall be paid by the Owner upon demand from the Association and any sum not paid by an Owner may be treated as an assessment, subject to lien, and collected in like manner as Assessments levied pursuant to this Declaration. Additionally, any delinquent Assessments may be collected from the construction deposit. Notwithstanding anything to the contrary in this Section, Declarant shall not be required to provide a construction deposit in connection with any construction of Improvements.

5.4 Owners in Good Standing. In addition to all other requirements of this Article 5, the Owner of a Lot must be In Good Standing to be eligible to submit plans for Improvements, additions, alterations, repairs, changes, or other work to the Design Review Committee for approval.

5.5 Timeline for Review. If the Design Review Committee fails to approve or disapprove an application for approval within forty-five (45) days after an application meeting all of the requirements of this Declaration and of the Design Guidelines, together with any fee required to be paid and any additional information, plans, and specifications requested by the Design Review Committee, and any other requirements, have been submitted to the Design Review Committee, the application will be deemed to have been disapproved. The approval by the Design Review Committee of any construction, installation, addition, alteration, repair, change, or other work shall not be deemed a waiver of the Design Review Committee's right to withhold approval of any similar construction, installation, addition, alteration, repair, change, or other work subsequently submitted for approval.

5.6 Review of Plans. In reviewing plans and specifications for any construction, installation, addition, alteration, repair, change, or other work which must be approved by the Design Review Committee, the Design Review Committee, among other things, may consider the quality of workmanship and design, harmony of external design with existing structures and location in relation to surrounding structures, topography, and finish-grade elevation. The Design Review Committee may disapprove plans and specifications for any construction, installation, addition, alteration, repair, change, or other work which must be approved by the Design Review Committee pursuant to this Article 5 if the Design Review Committee determines, in its sole and absolute discretion, that:

(a) The proposed construction, installation, addition, alteration, repair, change, or other work would violate any provision of this Declaration;

(b) The proposed construction, installation, addition, alteration, repair, change, or other work does not comply with all of the Design Guidelines;

(c) The proposed construction, installation, addition, alteration, repair, change, or other work is not in harmony with existing Improvements in the Property or with Improvements previously approved by the Design Review Committee but not yet constructed;

(d) The proposed construction, installation, addition, alteration, repair, change, or other work is not aesthetically acceptable;

(e) The proposed construction, installation, addition, alteration, repair, change, or other work would be detrimental to or adversely affect the appearance of the Property;
or

(f) The proposed construction, installation, addition, alteration, repair, change, or other work is otherwise not in accord with the general plan of development for the Property.

The approval required by the Design Review Committee pursuant to this Article 5 shall be in addition to, and not in lieu of, any approvals or permits which may be required under any federal, state or local law, statute, ordinance, rule or regulation. The approval by the Design Review Committee of any construction, installation, addition, alteration, repair, change, or other work pursuant to this Article 5 shall not be deemed a warranty or representation by the Design Review Committee as to the quality of such construction, installation, addition, alteration, repair, change, or other work or that such construction, installation, addition, alteration, repair, change, or other work conforms to any applicable building codes or other federal, state or local law, statute, ordinance, rule, or regulation.

5.7 Design Review Committee. So long as Declarant owns any portion of the Property, Declarant shall have the sole right (a) to determine if a Design Review Committee will be established or if the Board will act in such capacity; (b) to determine the number of members on the Design Review Committee; and (c) to appoint and remove the members of the Design Review Committee (if any) at any time, with or without cause. At such time as Declarant no longer owns any portion of the Property, the Board shall have the right to determine the foregoing with regard to the Design Review Committee. All members of the Design Review Committee appointed by the Board shall serve for a term of one (1) year, subject to the right of the Board to remove such Person from the Design Review Committee prior to the expiration of such committee member's term. Declarant may at any time voluntarily surrender its right to appoint and remove the members of the Design Review Committee, and in that event Declarant may require, for so long as Declarant owns any portion of the Property, that specified actions of the Design Review Committee, as described in a Recorded instrument executed by Declarant, be

approved by Declarant before they become effective. Members of the Design Review Committee need not be Owners or Residents.

5.8 Design Guidelines. The Design Review Committee may adopt, amend, and repeal architectural guidelines, standards, and procedures to be used in rendering its decisions. Such guidelines, standards, and procedures ("**Design Guidelines**") may include, without limitation, provisions regarding (i) architectural design, with particular regard to the harmony of the design with the surrounding structures and topography, (ii) placement of Dwelling Units and other buildings, (iii) landscape design, content and conformance with the character of the Property and permitted and prohibited plants, (iv) requirements concerning exterior color schemes, exterior finishes, and materials, (v) signage, (vi) perimeter and screen wall design and appearance, and (vii) such other limitations and restrictions as the Design Review Committee, in its reasonable discretion, may adopt. Notwithstanding anything herein to the contrary, the Design Guidelines may not conflict with this Declaration and this Declaration will prevail in the case of any conflict with the Design Guidelines.

5.9 Decisions and Appeals. Except as provided in this Section 5.9, the decisions of the Design Review Committee shall be final on all matters submitted to it pursuant to this Declaration. An Owner who submitted a request for approval to the Design Review Committee may, in writing, appeal the Design Review Committee's decision to the Board. The Board shall have the right, but not the obligation, to review an appeal of any decision of the Design Review Committee and the decision of the Board in all cases shall be final and binding.

5.10 Exclusions. The provisions of this Article 5 shall not apply to, and approval of the Design Review Committee shall not be required for, the construction, erection, installation, addition, alteration, repair, change, or replacement of any Improvements made by or on behalf of Declarant, nor shall the Design Review Committee's approval be required for the construction of any Dwelling Units by any Designated Builder which are constructed in accordance with plans and specifications therefor which have previously been approved by Declarant in writing.

5.11 Other Associations and Architectural Control. Declarant discloses that the Property is subject to additional covenants, conditions, and restrictions of another property owners association, the Sun Valley Farms Property Owner's Association of Queen Creek, formerly known as the Sun Valley Farms Unit VII Property Owners Association (the "**Sun Valley POA**"). Notwithstanding anything to the contrary in this Declaration, improvements erected, placed, maintained, or altered on the Property shall also be subject to approval by the architectural control committee of the Sun Valley POA, pursuant to the Declaration of Conditions, Covenants and Restrictions recorded February 29, 1984, Docket 1210, Page 523, as amended by that Amended Declaration of Conditions, Covenants and Restrictions recorded May 16, 1984, Docket 1244, Page 785, as amended by that Second Amended Declaration of Conditions, Covenants and Restrictions recorded November 13, 1984, Docket 1254, Page 750, as amended by that Third Amended Declaration of Conditions, Covenants and Restrictions recorded February 21, 1996, Doc. No. 1996-006018, as amended by that Fourth Amended Declaration of Conditions, Covenants and Restrictions recorded September 19, 1996, Doc. No. 1996-031611, as amended by that Amended Declaration of Covenants and Restrictions recorded November 2, 2001, Doc. No. 2001-050487, as amended by that Fifth Amendment to Amended

Declaration of Conditions, Covenants and Restrictions recorded August 18, 2003, Doc. No. 2003-056886, subject to those By-Laws recorded April 2, 2004, Doc. No. 2004-023539, and subject to that Board Resolution recorded October 25, 2006, Doc. No. 2006-148649, Official Records of Pinal County, Arizona Recorder.

ARTICLE 6

ASSOCIATION

6.1 Formation. The Association shall be an Arizona nonprofit corporation. The Association shall have all of the common law and statutory powers conferred upon nonprofit corporations under Arizona law and all powers necessary or desirable: (a) to perform the Association's duties and obligations under the Project Documents or imposed by law; (b) to exercise the rights and powers of the Association set forth in the Project Documents; and (c) to foster and promote the common good and general welfare of the Property, the Owners and Residents, and the surrounding community. The Association may exercise any right or privilege given to the Association expressly by the Project Documents and every other right or privilege reasonably to be implied from the existence of any right or privilege given to the Association by the Project Documents or reasonably necessary to effectuate any such right or privilege.

The Association may create profit or nonprofit subsidiaries which may be tax-exempt organizations and delegate to such subsidiaries portions of the powers and authority of the Association under the Project Documents. The Association may engage in activities to benefit persons other than Owners and Residents and may operate, manage and maintain property not owned by the Association (including, without limitation, property dedicated to public use) if the Association determines in its discretion that such action confers some benefit upon the Property.

6.2 Board of Directors and Officers; Management. The affairs of the Association shall be conducted by the Board elected in accordance with this Declaration and the Articles and Bylaws, and such officers as the Board may elect or appoint in accordance with the Articles and the Bylaws as the same may be amended from time to time. The initial directors and officers of the Association shall be designated in the Articles, and such Persons shall serve until their death, resignation, removal from office, or until their successors are duly elected as provided in the Bylaws. Until the termination of the Declarant Control Period, the Directors of the Association shall be appointed, and may be removed, by Declarant. After the Declarant Control Period, Directors shall be elected by the Members in accordance with the Bylaws. The Board may also appoint various committees and may appoint a manager who shall, subject to the direction of the Board, be responsible for the day-to-day operation of the Association. The Board shall determine the compensation to be paid to the manager or any other employee of the Association. Unless the Project Documents specifically require the vote or consent of the Members and/or Declarant, the Board may do or cause to be done any act on behalf of the Association.

6.3 Role of Association. The role of the Association includes, but is not limited to, the following functions:

- (a) The operation and maintenance of all Areas of Association Responsibility;
- (b) Appointment of individuals to serve on the Design Review Committee pursuant to the provisions of Section 5.7; and
- (c) In the exercise of the Board's sole discretion, the enforcement of the Covenants contained in this Declaration.

6.4 Relationship with Other Entities. The Association may enter into cooperative agreements and expend funds for facilities, services, and activities which benefit the Property and the surrounding area. The Association may provide, or provide for, such services and facilities for all of the Owners and Residents and their Lots, and the Association is authorized to enter into and terminate contracts or agreements with other entities, including Declarant or its affiliate, to provide such services and facilities. The Association may charge use or service fees for any such services and facilities provided, but may also include all or a portion of the cost thereof in the Association's budget as an Association Expense and assess it as part of the Regular Assessment if the services and facilities are provided to all Lots or may also include all or a portion of the cost thereof in a Benefitted Property Assessment if the services and facilities are provided to less than all of the Lots. In any contracts or agreements with third parties for the provision of services within the Property, the Association may assign to the service provider the right to bill Owners directly and to pursue all legal or equitable remedies otherwise available to the Association for the collection of such bills.

6.5 Association Rules. By a vote of the Board, the Association may, from time to time and subject to the provisions of this Declaration, adopt, amend, and repeal rules and regulations, which shall apply to, restrict, and govern, the use of any Common Areas and the Lots by any Member or Resident, provided, however, that the Rules shall not be inconsistent with this Declaration, the Articles, or Bylaws of the Association. Upon adoption, the Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration.

6.6 Personal Liability. No member of the Board or of any committee of the Association, no officer of the Association, no Declarant, no Designated Builder, and no manager or other employee of the Association (the "Indemnified Parties") shall be personally liable to any Member, or to any other Person, including the Association, for any damage, loss, or prejudice suffered or claimed on account of any act, omission, error, or negligence of the Association, the Board, the manager, any representative or employee of the Association or any committee, committee member, or officer of the Association. The Association shall indemnify and hold harmless the Indemnified Parties against all contractual liability to others arising out of contracts made on behalf of the Association unless such contract has been made in bad faith. The Association shall indemnify each Indemnified Party against expenses and liabilities, including reasonable attorneys' fees, incurred or imposed upon him or her in connection with any proceeding in which he or she may be a party, or in which he or she may become involved, by reason of such person being a director, officer, employee, committee member, or other Person acting on behalf of the Association, except in such cases where such Indemnified Party is adjudged guilty by a court of law of gross negligence or malfeasance in the performance of his or

her duties. Indemnification shall be in addition to and not exclusive of all other rights to which such Indemnified Party may be entitled.

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

ARTICLE 7

MEMBERSHIPS AND VOTING

7.1 Membership. Each Owner of a Lot shall automatically be a Member of the Association. Each such Membership shall be appurtenant to and may not be separated from ownership of the Lot to which the Membership is attributable, and joint ownership or ownership of undivided interests in any real property which establishes a Membership shall not cause there to be more Memberships than the number established for purposes of this Section 7.1. Each Member shall have one (1) Membership for each Lot owned by such Owner within the Property as shown on any Plat.

7.2 Right to Vote; Declarant's Retention of Class B Voting Rights. No change in the ownership of a Membership shall be effective for voting purposes unless and until the Board is given actual written notice of such change and is provided with satisfactory proof thereof. The vote for each such Membership must be cast as a unit and fractional votes shall not be allowed. If a Membership is owned by more than one Person or entity and such Owners are unable to agree amongst themselves as to how their vote or votes shall be cast, they shall lose the right to vote on the matter in question. If any Member casts a vote representing a certain Membership, it will thereafter be conclusively presumed for all purposes that such Member was acting with the authority and consent of all other owners of the same Membership unless objection thereto is made at the time the vote is cast. In the event more than one vote is cast for a particular Membership, none of said votes shall be counted and all said votes shall be deemed void. The Association shall have two (2) classes of voting Members, as follows:

7.2.1 Class A. Class A Members shall be all Owners except Declarant. A Class A Member shall have one (1) vote for each Lot owned by such Member; and

7.2.2 Class B. Declarant shall be the sole Class B Member. The Class B Member shall have three (3) votes for each Lot owned, or five (5) votes per acre for all Parcels owned until such Parcels (or portions thereof) are subjected to one or more Plats. The Class B Membership shall automatically cease and be converted to Class A Memberships ninety (90) days following the date upon which Declarant no longer owns any portion of the Property; provided that Declarant may at any time relinquish its Class B membership by giving written notice thereof to the Association.

7.3 Membership Rights. Each Member shall have the rights, duties, and obligations set forth in this Declaration and such other rights, duties, and obligations as are set forth in the Articles and the Bylaws, as the same may be amended from time to time.

7.4 Transfer of Membership. The rights and obligations of the Owner of a Membership in the Association (other than Declarant) shall not be assigned, transferred, pledged, conveyed, or alienated in any way except upon transfer of ownership to an Owner's Lot and then only to the transferee of ownership of the Lot. A transferor of a Lot must notify the Board of the transfer in writing, and remains liable for all obligations hereunder until the transferor so notifies the Board. A transfer of ownership to a Lot may be effectuated by deed, intestate succession, testamentary disposition, foreclosure of a mortgage or deed of trust of record, or such other legal process as is now in effect or as may hereafter be established under or pursuant to the laws of the State of Arizona. Any attempt to make a prohibited transfer shall be void. Any transfer of the ownership of the Lot shall operate to transfer the Membership(s) appurtenant to said Lot to the new Owner thereof.

ARTICLE 8

COVENANT FOR ASSESSMENTS AND CREATION OF LIEN

8.1 Creation of Lien and Personal Obligation of Assessments. Each Owner, by becoming the Owner of an Assessable Lot, is deemed to covenant and agree to pay to the Association all Assessments, Collection Costs, and all other fees and costs which may become payable by the Owner to the Association under the Project Documents or other documents encumbering the Property. All Assessments shall be established and collected as provided in this Declaration. Each Assessment, together with all interest thereon, shall also be the personal obligation of the Person who was the Owner of the Lot at the time when the Assessment became due. No Owner shall be relieved of the obligation to pay any of the Assessments by abandoning or not using his, her or its Lot or the Common Areas, or by leasing or otherwise transferring occupancy rights with respect to his, her or its Lot. However, upon transfer by an Owner of fee title to such Owner's Lot and Recording of a Deed effecting transfer, such transferring Owner shall not be liable for any Assessments thereafter levied against such Lot. The obligation to pay Assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of Assessments or set-off shall be claimed or allowed by reason of the alleged failure of the Association, the Board, or the Design Review Committee to take some action or perform some function required to be taken or performed under the Project Documents. During the Declarant Control Period, no Assessment shall be levied against any Lot owned by Declarant or any Designated Builder. Parcels shall not be subject to Assessment until subdivided and a Plat for such Parcel, or a portion thereof, is Recorded, and then only and to the extent of the Lots shown on the Plat.

8.2 Regular Assessments. The Board shall adopt a budget of the estimated Association Expenses for each fiscal year, including any contribution to be made to a reserve fund and any contribution to be made to other property owners associations and paid by the Association on the Owners' behalf, including but not limited to contributions to the Sun Valley POA, which budget shall serve as the basis for determining the Regular Assessments for the

applicable fiscal year. The Regular Assessment shall be levied at a uniform amount for each Assessable Lot. Within a reasonable period following the meeting of the Board at which it adopts the budget for the year in question, the Board shall deliver or mail to each Owner a copy of the budget and a statement of the amount of Regular Assessments to be levied against such Owner's Lot(s) for that year. In the event the Board fails to adopt a budget for any fiscal year prior to commencement of such fiscal year, then until and unless such budget is adopted, the budget (and the amount of the Assessments provided for therein) for the year immediately preceding shall remain in effect. Except as provided in Section 8.8, neither the budget nor any Regular Assessment levied pursuant thereto shall be required to be approved by the Owners.

Subject to the limitations of Section 8.8, if the Board determines that the funds budgeted for the fiscal year are, or will, become inadequate to meet all Association expenses for any reason, including, without limitation, nonpayment of the Regular Assessment, the Board may amend the budget and increase the Regular Assessment for that fiscal year and the revised Regular Assessment shall commence on the date designated by the Board.

8.3 Special Assessments. The Association may levy against each Assessable Lot a Special Assessment for any proper Association purpose, provided, however, that such Special Assessment must be approved by at least two-thirds (2/3) of the votes of a quorum of the Members who are voting in Person or by absentee ballot (or by proxy during the Declarant Control Period) at a meeting of the Association duly called for such purpose where a quorum is present.

8.4 Enforcement Assessment. The Association may impose against an Owner as an Enforcement Assessment any of the following: (a) Collection Costs incurred by the Association in attempting to collect Assessments or other amounts payable to the Association by the Owner; (b) costs (including attorneys' fees) incurred in bringing the Lot into compliance with terms of the Project Documents; and (c) costs (including attorneys' fees) incurred as a consequence of the conduct of the Owner or Resident of the Lot, including their families, invitees and guests. The Enforcement Assessment shall be automatically imposed against an Owner at such time as the Collection Cost or other amounts are incurred by the Association.

8.5 Benefitted Property Assessments. The Board may levy Benefitted Property Assessments against a particular Assessable Lot or Lots for expenses incurred or to be incurred by the Association, as follows:

(a) To cover the costs of maintenance of easements and property, including Common Area, that benefit certain Lots but not all of the Property; and

(b) To cover the costs, including overhead and administrative costs, of providing benefits, items or services to the Lots, group of Lots, or Residents thereof, upon request of the Owner pursuant to a menu of special services which the Board may from time to time authorize to be offered to Owners (which might include, without limitation, landscape maintenance, caretaker service, or similar activities), which Assessments may be levied in advance of the provision of the requested benefit, item, or service as a deposit against charges to be incurred by the Owner or Resident.

8.6 Deficiency Assessments. During the Declarant Control Period, Declarant and each Designated Builder, as applicable, shall pay or contribute to the Association cash as may be necessary to make up any budget shortfalls, which contribution shall be based upon the number of Lots owned by Declarant and each Designated Builder, if any, as of the end of the period for which the deficiency has been calculated, which period shall be determined by the Board in its sole discretion (hereinafter referred to as "**Deficiency Assessments**"). The Deficiency Assessments shall not exceed the Regular Assessments or pro rata portion thereof that would be payable by an Owner other than Declarant or a Designated Builder. Declarant and each Designated Builder may at any time at their sole discretion elect to cease paying the Deficiency Assessment, if any, and to pay instead the full Regular Assessment. Amounts paid directly by Declarant or Designated Builders to the Association's creditors, or assets purchased by Declarant or Designated Builders for the Association, or amounts paid for services rendered by Declarant, Designated Builders, or their affiliates for the benefit of the Association that otherwise would have been an expense of the Association, shall apply against the obligations of Declarant and any Designated Builder to pay all or a portion of such Association deficiency. Any deficiency to be paid by Declarant under this Section may be in the form of "in-kind" contributions of goods or services, or in any combination of the foregoing, and any "in-kind" contributions of goods or services shall be valued at the fair market value of the goods or services contributed.

8.7 Due Dates. Assessments for each fiscal year shall be due and payable as determined by the Board. Assessments shall be deemed "paid" when actually received by the Association or by its designated manager or agent (but if any Assessments are paid by check and the bank or other institution upon which such check is drawn thereafter dishonors and refuses to pay such check, those Assessments shall not be deemed "paid" and shall remain due and payable with interest accruing from the date such Assessments were originally due).

8.8 Maximum Annual Assessment. The Regular Assessments provided for under Section 8.2 shall not at any time exceed the "**Maximum Annual Assessment**," as determined in accordance with this Section 8.8. Unless a greater Maximum Annual Assessment is approved by a majority of all Members of the Association, the Maximum Annual Assessment for any fiscal year shall be equal to the Regular Assessment levied in the immediately preceding fiscal year increased by twenty percent (20%). Increases in Regular Assessments shall be subject to any limitations imposed by applicable Arizona law.

8.9 Effect of Nonpayment of Assessments; Remedies of Association.

8.9.1 The Association shall have a lien on each Lot for: (a) all Assessments levied against the Lot or the Owners, and (b) any other amounts payable to the Association pursuant to the Project Documents, subject to A.R.S. § 33-1807, as amended from time to time. Such lien shall be prior and superior to all other liens affecting the Lot in question, except (a) taxes, bonds, assessments and other levies which, by law, are superior thereto, and (b) the lien or charge of any First Mortgage made in good faith and for value. Such liens may be foreclosed in the manner provided by law for the foreclosure of mortgages. The sale or transfer of any Lot pursuant to a mortgage foreclosure or any proceeding in lieu thereof shall extinguish the lien of the Assessments as to payments which became due prior to such sale or transfer, but shall not

relieve such Lot from liability for any Assessments becoming due after such sale or transfer, or from the lien thereof. The Association shall have the power to bid for any Lot at any sale to foreclose the Association's lien on the Lot, and to acquire and hold, lease, mortgage and convey the same. During the period the Lot is owned by the Association, no right to vote shall be exercised with respect to that Lot and no Assessment shall be assessed or levied on or with respect to that Lot; provided, however, that the Association's acquisition and ownership of a Lot shall not be deemed to convert the same into Common Areas. Recording of this Declaration constitutes record notice and perfection of the liens established hereby, and further Recordation of any claim of a lien for Assessments or other amounts hereunder shall not be required, whether to establish or perfect such lien or to fix the priority thereof, or otherwise (although the Board shall have the option to Record written notices of claims of lien in such circumstances as the Board may deem appropriate).

8.9.2 The Board may invoke any or all of the sanctions provided for herein or in this Declaration, or any other reasonable sanction, to compel payment of any Assessment (or installment thereof), or any other amount payable to the Association under the Project Documents, which are not paid when due (each a "**Delinquent Amount**"). Such sanctions include, but are not limited to, the following:

(a) **Interest and Late Fees.** The Board may impose late fees for payment of any Delinquent Amount that is not made within fifteen (15) days of the due date, and interest in such amounts as it determines are appropriate from time to time, subject to any limitations stated herein or imposed by law which such amounts shall be secured by the aforementioned liens;

(b) **Suspension of Rights.** The Board may suspend for the entire period during which a Delinquent Amount remains unpaid the obligated Owner's voting rights, rights to use and enjoy the Common Areas (except that, if ingress and egress to any Owner's Lot is over or through any Common Areas, such rights shall not be suspended), and other Membership rights as provided herein, in accordance with the procedures that conform to Arizona law;

(c) **Collection of Delinquent Amount.** The Board may institute an action at law for a money judgment or any other proceeding to recover the Delinquent Amount to the fullest extent permitted by law;

(d) **Recording of Notice.** Subject to applicable law, the Board may record a notice of lien covering the Delinquent Amount plus interest and accrued collection costs as provided in this Declaration. The Board may establish a fixed fee to reimburse the Association or its representative for the cost of recording the notice, processing the delinquency, and recording a notice of satisfaction of the lien; and

(e) **Foreclosure of Lien.** The Board may foreclose the Recorded lien against the Lot in accordance with the prevailing Arizona law relating to the foreclosure of realty mortgages (including the right to recover any deficiency).

8.9.3 It shall be the duty of every Owner to pay all Assessments and any other amount payable with respect to the Owner's Lot in the manner provided herein. Such Assessments and other amounts, together with interest and costs of collection as provided for herein and in this Declaration, shall, until paid, be a charge and continuing servitude and lien upon the Lot against which such Assessments and other amounts are made, provided, however, that such lien shall be subordinate to only those matters identified in this Declaration. The Association and the Board shall have the authority to exercise and enforce any and all rights and remedies provided for in this Declaration or the Bylaws, or otherwise available at law or in equity for the collection of all unpaid Assessments or other amounts payable to the Association, interest thereon, costs of collection thereof and reasonable collection agency fees and attorneys' fees.

8.9.4 The Association shall be entitled to maintain suit to recover a money judgment for unpaid Assessments and other amounts payable to the Association without a foreclosure of the lien for such Assessments, and the same shall not constitute a waiver of the lien for such Assessments or such other amounts payable to the Association.

8.10 Reserves. The Board shall establish reserves for the future periodic maintenance, repair, or replacement of the major components of the Areas of the Association Responsibility. The reserves may be funded from Regular Assessments, the Reserve Contribution Fee paid pursuant to Section 8.13 or any other revenue of the Association. All amounts designated as reserves shall be deposited by the Board in a separate bank account (the "**Reserve Account**") to be held for the purposes for which they are collected and are to be segregated from and not commingled with any other funds of the Association. To assist the Board in determining the appropriate amount of reserves, the Board shall obtain a reserve study, or an update of a prior study, periodically, which study shall at a minimum include (a) identification of the major components of the Property which the Association is obligated to repair, replace, restore, or maintain which, as of the date of the study, have a remaining useful life of less than thirty (30) years; (b) identification of the probable remaining useful life of the identified major components as of the date of the study; (c) an estimate of the cost of repair, replacement, restoration, or maintenance of the identified major components during and at the end of their useful life; (d) an estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the identified major components during and at the end of their useful life, after subtracting total reserve funds as of the date of the study.

8.11 Administrative Fee. Each Purchaser of a Lot shall pay to the Association, or the Association's managing agent, a transfer fee in such amount as is established from time to time by a written resolution of the Board. The transfer fee shall become due at the close of escrow or immediately upon the transfer of the Lot, whichever occurs first, and shall be required upon each transfer of title to each Lot. The transfer fee shall be used exclusively to cover administrative costs related to the transfer.

8.12 Working Capital Fee. To ensure that the Association shall have adequate funds to meet its expenses or to purchase necessary equipment or services, each Purchaser shall pay to the Association, or the Association's managing agent, a working capital fee in such amount as is established from time to time by a written resolution of the Board (the "**Working Capital Fee**").

Such payment shall become due at the close of escrow or immediately upon the transfer of title to the Lot, whichever occurs first, and shall be required upon each transfer of title to each Lot. Funds paid to the Association pursuant to this Section may be used by the Association for payment of operating expenses related to the operation, maintenance, repair, and replacement of the Areas of Association Responsibility, or any other purpose permitted under the Project Documents. Payments made pursuant to this Section shall be nonrefundable and shall not be offset or credited against or considered as advance payment of the Regular Assessment or any other Assessments levied by the Association pursuant to this Declaration.

8.13 Reserve Contribution Fee. To assist the Association in establishing adequate reserve funds to meet its capital expenses, each Purchaser shall pay to the Association a reserve contribution fee in such amount as is established from time to time by a written resolution of the Board (the "**Reserve Contribution Fee**"). Such payment shall become due at the close of escrow or immediately upon the transfer of title to the Lot, whichever occurs first, and shall be required upon each transfer of title to each Lot. Payments made pursuant to this Section shall be nonrefundable and shall not be considered as an advance payment of any other Assessments levied by the Association pursuant to this Declaration. The Board shall have the right, by an affirmative vote of the majority of the members of the Board, and based upon the Board's analysis of replacement and repair reserves to permanently or temporarily cease to assess the Reserve Contribution Fee, and having ceased to assess the Reserve Contribution Fee, the Board shall have the right to reinstate the assessment of such fee at any time thereafter, it being the intent that the Board shall have the right to begin or stop assessment of the Reserve Contribution Fee as the Board deems appropriate from time to time.

ARTICLE 9

USE OF FUNDS; BORROWING POWER

9.1 Purposes for Which Association's Funds May Be Used. The Association shall apply all funds and property collected and received by it (including, without limitation, the Regular Assessments, Special Assessments and Deficiency Assessments, fees, loan proceeds, surplus funds and all funds and property received by it from any other source) for the common good and benefit of the Property and the Members and Residents by devoting said funds and property, among other things, to the acquisition, construction, alteration, maintenance, provision, and operation, by any manner or method whatsoever, of any and all land, properties, improvements, facilities, services, projects, programs, studies and systems, within or without the Property, which may be necessary, desirable or beneficial to the general common interests of the Property, the Members and the Residents. The following are some, but not all, of the areas in which the Association may seek to aid, promote and provide for such common benefit: maintenance of landscaping on Common Areas and public rights-of-way and drainage areas within or serving the Property, maintaining the Areas of Association Responsibility as provided in this Declaration, obtaining property and liability insurance, supplying utilities and other public services, providing for communication and transportation within and dissemination of information concerning the Property, obtaining legal and accounting services for the Association, indemnification of officers and directors of the Association, making assessment contributions to other property owners associations on the Owners' behalf, including but not limited to

contributions to the Sun Valley POA, and generally protecting the health and safety of the Members and the Residents. The Association may also expend its funds for any purposes which any municipality may expend its funds under the laws of the State of Arizona or such municipality's charter.

9.2 Borrowing Power. The Association may borrow money in such amounts, at such rates, upon such terms and security, and for such periods of time as are necessary or appropriate, provided, however, that no portion of the Common Areas shall be mortgaged or otherwise encumbered, nor shall the Association pledge future Assessments as collateral for a loan, without the approval of: (a) at least two-thirds (2/3) of the Members who are voting on the matter at a duly called meeting and (b) Declarant (so long as Declarant owns any portion of the Property). Notwithstanding anything contained in the foregoing to the contrary, if ingress and egress to any Owner's Lot is over or through any Common Areas which will be mortgaged or otherwise encumbered as provided in the foregoing, any such mortgage or encumbrance shall be subject to such Lot Owner's right and easement for ingress and egress.

9.3 Association's Rights in Spending Funds From Year to Year. The Association shall not be obligated to spend in any year all the sums received by it in such year (whether by way of Assessments, fees, or otherwise), and may carry forward as surplus any balances remaining. The Association shall not be obligated to reduce the amount of the Regular Assessments in the succeeding year if a surplus exists from a prior year and the Association may carry forward from year to year such surplus as the Board in its discretion may determine to be desirable for the greater financial security of the Association and the accomplishment of its purposes.

ARTICLE 10

DISPUTE RESOLUTION

10.1 Defined Terms. As used in this Article 10, the following terms shall have the meaning set forth below:

(a) **"Alleged Defect"** means any alleged defect or deficiency in the planning, design, engineering, grading, construction or development of the Common Area or any Lot.

(b) **"Bound Parties"** means: (i) Declarant; (ii) any Designated Builder; (iii) all Owners; (iv) the Association, including, without limitation, its officers and directors; (v) any contractors or subcontractor, architect, engineer, consultant or other Person who performs or furnishes the design, specifications, surveying, planning, supervision, testing, construction or observation of construction of the Common Area or Lots and who agrees in writing to be bound by the provisions of this Article 10; and (vi) any employee or other representative of Declarant who serves as a director or officer of the Association.

(c) **"Claim"** means: (i) any claim or cause of action arising out of or related in any way to an Alleged Defect, including, without limitation, any claim or cause of action for breach of express or implied warranties or for negligence in the planning, design, engineering,

grading, construction or development of the Property; or (ii) any claim or cause of action arising out of or in any way related to the development of the Property or the management or operation of the Association, including, without limitation, any claim for negligence, fraud, intentional misconduct or breach of fiduciary duty.

10.2 Agreement to Resolve Certain Disputes Without Litigation. The Bound Parties agree that all Claims shall be resolved exclusively in accordance with the dispute resolution procedures set forth in this Article 10.

10.3 Notice of Claim. Any Bound Party who contends or alleges to have a Claim (a “**Claimant**”) against another Bound Party (a “**Respondent**”) shall notify each Respondent in writing of the Claim (the “**Claim Notice**”), stating plainly and concisely: (a) the nature of Claim, including, date, time, location, Persons involved, and Respondent’s role in the Claim; (b) the factual and legal basis of the Claim; and (c) what Claimant wants Respondent to do or not do to resolve the Claim. If the Claim involves an Alleged Defect, the Claim Notice shall state plainly and concisely: (a) the nature and location of the Alleged Defect; (b) the date on which the Association or Owner giving the Notice of Alleged Defect first became aware of the Alleged Defect; and (c) whether the Alleged Defect has caused any damage to any persons or property. If the Alleged Defect is alleged to be the result of an act or omission of a person licensed by the State of Arizona under Title 20 or Title 32 of the Arizona Revised Statutes (a “**Licensed Professional**”), then the Claim Notice from the Association must be accompanied by an affidavit from a Licensed Professional in the same discipline as the Licensed Professional alleged to be responsible for the Alleged Defect. The affidavit must contain the information required to be contained in a preliminary expert opinion affidavit submitted pursuant to Section 12-2602B of the Arizona Revised Statutes, as amended from time to time. The Claimant and the Respondent shall negotiate in good faith in an attempt to resolve the Claim. If the Claim is not resolved to the satisfaction of the Claimant within ninety (90) days after the Claim Notice is given to the Respondent, then the Claimant may proceed with submitting the Claim to mediation pursuant to Section 10.5.

10.4 Right to Enter, Inspect, Repair and/or Replace. Within a reasonable time after the receipt by Declarant or a Designated Builder of a Claim Notice, Declarant or Designated Builder shall have the right, upon reasonable notice to the Association or an Owner and during normal business hours, to enter onto or into, as applicable, the Common Areas and any Lot, including any Dwelling Unit constructed thereon, for the purposes of inspecting and/or conducting testing with respect to any Alleged Defect, and, if deemed necessary by Declarant or Designated Builder, to correct, repair and/or replace any Alleged Defect. In conducting such inspection, testing, repairs and/or replacement, Declarant or Designated Builder shall be entitled to take any actions as it shall deem reasonable and necessary under the circumstances.

Nothing set forth in this Section 10.4 shall be construed to impose any obligation on Declarant or a Designated Builder to inspect, test, repair, or replace any item or Alleged Defect for which Declarant or Designated Builder is not otherwise obligated under applicable law or any limited warranty provided by Declarant or a Designated Builder in connection with the sale of the Lots and/or Improvements constructed thereon. The right of Declarant or a Designated Builder to enter, inspect, test, repair and/or replace reserved hereby shall be irrevocable and may

not be waived or otherwise terminated except by a written document, in recordable form, executed and Recorded by Declarant or Designated Builder.

10.5 Mediation. If the parties do not resolve the Claim through negotiation within ninety (90) days after the Claim Notice is given to the Respondent, Claimant shall have thirty (30) additional days within which to submit the Claim to mediation by the American Arbitration Association ("AAA") or such other independent mediation service selected by mutual agreement of the Claimant and the Respondent, each party paying its own costs and dividing equally the cost of the mediation. If Claimant does not submit the Claim to mediation within the time period specified in this Section, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant on account of such Claim. If the Parties do not settle the Claim within sixty (60) days after submission of the matter to the mediation process, or within such time as determined reasonable or appropriate by the mediator, the mediator shall issue a notice of termination of the mediation proceedings ("**Termination of Mediation Notice**"). The Termination of Mediation Notice shall set forth when and where the parties met, that the parties are at an impasse, and the date that mediation was terminated.

10.6 Binding Arbitration. In the event a Claim is not resolved by mediation, the Claimant shall have sixty (60) days after the date of the Termination of Mediation Notice to submit the Claim to binding arbitration in accordance with this Section. If the Claimant fails to timely submit the Claim to arbitration, then the Claim shall be deemed waived and abandoned and the Respondent shall be relieved of any and all liability to Claimant arising out of the Claim.

The Bound Parties agree that all Claims that are not resolved by negotiation or mediation shall be resolved exclusively by arbitration conducted in accordance with this Section 10.6. The Bound Parties waive their right to have a Claim resolved by a court, including, without limitation, the right to file a legal action as the representative or member of a class or in any other representative capacity. The Claimant and Respondent shall cooperate in good faith to assure that all Bound Parties who may be liable to the Claimant or Respondent with respect to the Claim are made parties to the arbitration. If the Claimant submits the Claim to binding arbitration in accordance with this Section, the arbitration shall be conducted in accordance with the following:

(a) **Initiation of Arbitration.** The arbitration shall be initiated by either party delivering to the other a "Notice of Intention to Arbitrate" as provided for in the AAA Commercial Arbitration Rules or such other AAA rules as may be applicable to the arbitration (the "AAA Rules").

(b) **Governing Procedures.** The arbitration shall be conducted in accordance with the AAA Rules and the Federal Arbitration Act. In the event of a conflict between the AAA Rules and this Section 10.6, the provisions of this Section 10.6 shall govern.

(c) **Appointment of Arbitrator.** The parties shall appoint a single arbitrator by mutual agreement. If the parties have not agreed within ten (10) days of the date of the Notice of Intention to Arbitrate on the selection of an arbitrator willing to serve, the AAA shall

appoint a qualified arbitrator to serve. Any arbitrator chosen in accordance with this Subsection (c) is referred to as the “**Arbitrator**”.

(d) **Qualifications of Arbitrator.** The Arbitrator shall be neutral and impartial. The Arbitrator shall be fully active in such Arbitrator’s occupation or profession, knowledgeable as to the subject matter involved in the dispute, and experienced in arbitration proceedings. The foregoing shall not preclude otherwise qualified retired lawyers or judges from acting as the Arbitrator.

(e) **Disclosure.** Any candidate for the role of Arbitrator shall promptly disclose to the parties all actual or perceived conflicts of interest involving the dispute or the parties. No Arbitrator may serve if such person has a conflict of interest involving the subject matter of the dispute or the parties. If an Arbitrator resigns or becomes unwilling to continue to serve as an Arbitrator, a replacement shall be selected in accordance with the procedure set forth in Subsection (c) above.

(f) **Compensation.** The Arbitrator shall be fully compensated for all time spent in connection with the arbitration proceedings in accordance with the Arbitrator’s usual hourly rate unless otherwise agreed to by the parties. Pending the final award, the Arbitrator’s compensation and expenses shall be advanced equally by the parties.

(g) **Preliminary Hearing.** Within thirty (30) days after the Arbitrator has been appointed, a preliminary hearing among the Arbitrator and counsel for the parties shall be held for the purpose of developing a plan for the management of the arbitration, which shall then be memorialized in an appropriate order. The matters which may be addressed include, in addition to those set forth in the AAA Rules, the following: (i) definition of issues; (ii) scope, timing and types of discovery, if any; (iii) schedule and place(s) of hearings; (iv) setting of other timetables; (v) submission of motions and briefs; (vi) whether and to what extent expert testimony will be required, whether the Arbitrator should engage one or more neutral experts, and whether, if this is done, engagement of experts by the parties can be obviated or minimized; (vii) whether and to what extent the direct testimony of witnesses will be received by affidavit or written witness statement; and (viii) any other matters which may promote the efficient, expeditious, and cost effective conduct of the proceeding.

(h) **Management of the Arbitration.** The Arbitrator shall actively manage the proceedings as the Arbitrator deems best so as to make the proceedings expeditious, economical and less burdensome than litigation.

(i) **Confidentiality.** All papers, documents, briefs, written communication, testimony and transcripts as well as any and all arbitration decisions shall be confidential and not disclosed to anyone other than the Arbitrator, the parties or the parties’ attorneys and expert witnesses (where applicable to their testimony), and as required by law, except that upon prior written consent of all parties, such information may be divulged to additional third parties. All third parties shall agree in writing to keep such information confidential.

(j) **Hearings.** Hearings may be held at any place within Pinal County, Arizona designated by the Arbitrator and, in the case of particular witnesses not subject to subpoena at the usual hearing site, at a place where such witnesses can be compelled to attend.

(k) **Final Award.** The Arbitrator shall promptly (but, in any event, no later than thirty (30) days following the conclusion of the proceedings or such longer period as the parties mutually agree) determine the claims of the parties and render a final award in writing. Each party shall be responsible for their own attorneys' fees and expenses (including the cost and fees of any expert witnesses) in the arbitration and the Arbitrator shall have no authority to award recovery of attorneys' fees or expert expenses. The Arbitrator shall not award any punitive damages. The Arbitrator shall not award indirect, consequential or special damages regardless of whether the possibility of such damage or loss was disclosed to, or reasonably foreseen by, the party against whom the claim is made. The Arbitrator shall assess the costs of the proceedings (including the fees of the Arbitrator) against the non-prevailing party.

10.7 Use of Funds. Any judgment, award or settlement received by a Claimant in connection with a Claim involving an Alleged Defect 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 Claimant receiving the judgment, award or settlement is the Association, any excess funds remaining after repair of such Alleged Defect and payment of all fees and costs incurred in bringing such action shall be paid into the Association's Reserve Account.

10.8 Approval of Arbitration or Litigation. The Association shall not deliver a Claim Notice or commence any legal action or arbitration proceeding or incur legal expenses (including without limitation, attorneys' fees) in connection with any Claim without the written approval of Members entitled to cast more than eighty percent (80%) of the total votes in the Association, excluding the votes of any Owner who would be a defendant in such proceedings. The Association must pay for any such legal action or mediation or arbitration proceeding with monies that are specifically collected for such purposes and may not borrow money or use reserve funds or other monies collected for specific Association obligations other than legal fees. If the Association commences any legal action or arbitration proceeding involving a Claim, all Owners must notify prospective purchasers of their Lot of such legal action or arbitration proceeding.

10.9 Statute of Limitations. All statutes of limitations applicable to Claims shall apply to the commencement of arbitration proceedings under Section 10.6. If the arbitration proceedings are not initiated within the time period provided by Arizona law for the filing of a legal action with respect to the Claim, the Claim shall forever be barred.

10.10 Dispute Resolution For Other Matters. For the following matters not governed by Section 10.1 through Section 10.9 of this Declaration the following will apply:

10.10.1 Proceedings. The Association, acting through the Board, shall have the power and the duty to reasonably defend the Association (and, in connection therewith, to raise counterclaims) in any pending or potential Operational Proceeding or Non-Operational

Controversy (each as defined below and each generally referred to herein as a "Proceeding"). The Association, acting through the Board, shall have the power, but not the duty, to reasonably institute, prosecute, maintain and/or intervene in a Proceeding, in its own name, but only on matters affecting or pertaining to this Declaration or the Common Areas and as to which the Association is a proper party in interest, and any exercise of such power shall be subject to full compliance with the following provisions:

10.10.2 Operational Proceedings. Any Proceeding commenced by the Association to: (i) enforce the payment of an Assessment or an Assessment Lien or other lien against an Owner as provided for in this Declaration, (ii) otherwise enforce compliance with this Declaration or other governing documents of the Association by, or to obtain other relief from, any Owner who has violated any provision thereof, (iii) protect against any matter which imminently and substantially threatens the health, safety and welfare of the Owners, (iv) pursue a supplier, vendor, contractor or provider of services, pursuant to a contract or purchase order with the Association and in the ordinary course of business, or (v) recover money damages wherein the total amount in controversy for all matters arising in connection with the action is not likely to exceed Ten Thousand Dollars (\$10,000.00) in the aggregate, shall be referred to herein as an "Operational Proceeding." The Board from time to time may cause an Operational Proceeding to be reasonably commenced and prosecuted, without the need for further authorization.

10.10.3 Non-Operational Controversy. Any and all pending or potential Proceedings other than items governed by Section 10.1 through Section 10.9 of this Declaration and Operational Proceedings shall be referred to herein as a "Non-Operational Controversy" or "Non-Operational Controversies." To protect the Association and the Owners from being subjected to potentially costly or prolonged Non-Operational Controversies without full disclosure, analysis and consent; to protect the Board and individual members of the Board or its appointed officers and agents from any charges of negligence, breach of fiduciary duty, conflict of interest or acting in excess of their authority or in a manner not in the best interests of the Association and the Owners; and to ensure voluntary and well-informed consent and clear and express authorization by the Owners, strict compliance with all of the following provisions of this Section 10.10 shall be mandatory with regard to any and all Non-Operational Controversies commenced, instituted or maintained by the Board:

10.10.4 Dispute Resolution. The Board shall first endeavor to resolve any Non-Operational Controversy by good faith negotiations with the adverse party or parties. In the event that such good faith negotiations fail to reasonably resolve the Non-Operational Controversy, the Board shall then endeavor in good faith to resolve such Non-Operational Controversy by mediation, provided that the Board shall not incur liability for or spend more than Five Thousand and No/100 Dollars (\$5,000.00) or an amount the Board determines after consultation with the Association's attorney in connection therewith; provided that, if more than said amount is reasonably required in connection with such mediation, then the Board shall be required first to reasonably seek approval of a majority of the voting power of the Owners for such additional amount for mediation before proceeding to either arbitration or litigation. In the event that the adverse party or parties refuse mediation, or if mediation fails to reasonably resolve the Non-Operational Controversy, the Board shall not be authorized to commence, institute or maintain any arbitration or litigation of such Non-Operational Controversy until the Board has fully complied with the following procedures:

(a) The Board shall first investigate the legal merit, feasibility and expense of prosecuting the Non-Operational Controversy, by obtaining the written opinion of a licensed Arizona attorney regularly residing in Pinal County, Arizona, with a Martindale-Hubbell rating of "AV" or such alternative rating or qualification as the Board determines after consultation with the Association's attorney, expressly stating that such attorney has reviewed the underlying facts and data in sufficient, verifiable detail to render the opinion, and expressly opining that the Association has a substantial likelihood of prevailing on the merits with regard to the Non-Operational Controversy, without substantial likelihood of incurring any material liability with respect to any counterclaim which may be asserted against the Association. The Board shall be authorized to spend up to an aggregate of Five Thousand and No/100 Dollars (\$5,000.00) or an amount the Board determines after consultation with the Association's attorney to obtain such legal opinion, including all amounts paid to said attorney therefor, and all amounts paid to any consultants, contractors, and/or experts preparing or processing reports and/or information in connection therewith. The Board may increase said limit of Five Thousand and No/100 Dollars (\$5,000.00) or other amount the Board determines after consultation with the Association's attorney, with the express consent of more than fifty percent (50%) of all of the Owners at a special meeting called for such purpose;

(b) Said attorney opinion letter shall also contain the attorney's best good faith estimate of the aggregate maximum "not-to-exceed" amount of legal fees and costs, including, without limitation, court costs, costs of investigation and all further reports or studies, costs of court reporters and transcripts, and costs of expert witnesses and forensic specialists (all collectively, "Quoted Litigation Costs") which are reasonably expected to be incurred for prosecution to completion (including appeal) of the Non-Operational Controversy. Said opinion letter shall also include a draft of any proposed fee agreement with such attorney. If the attorney's proposed fee arrangement is contingent, the Board shall nevertheless obtain the Quoted Litigation Costs with respect to all costs other than legal fees, and shall also obtain a written draft of the attorney's proposed contingent fee agreement. (Such written legal opinion, including the Quoted Litigation Costs, and also including any proposed fee agreement, contingent or non-contingent, are collectively referred to herein as the "Attorney Letter");

(c) Upon receipt and review of the Attorney Letter, if two-thirds (2/3) or more of the Board affirmatively vote to proceed with the institution or prosecution of, and/or intervention in, the Non-Operational Controversy, the Board thereupon shall duly give notice of, and call, a special meeting of the Owners. The written notice to each Owner shall include a copy of the Attorney Letter, including the Quoted Litigation Costs and any proposed fee agreement, contingent or non-contingent, together with a written report ("Special Assessment Report") prepared by the Board: (A) itemizing the amount necessary to be assessed to each Owner ("Special Litigation Assessment"), on a monthly basis, to fund the Quoted Litigation Costs, and (B) specifying the probable duration and aggregate amount of such Special Litigation Assessment. At said special meeting, following review of the Attorney Letter, Quoted Litigation Costs, and the Special Assessment Report, and full and frank discussion thereof, including balancing the desirability of instituting, prosecuting and/or intervening in the Non-Operational Controversy against the desirability of accepting any settlement proposals from the adversary party or parties, the Board shall call for a vote of the Owners. Only if more than fifty percent (50%) of the total Members of the Association (i.e., more than fifty percent (50%) of all the

votes of the Association) affirmatively vote in favor of pursuing such Non-Operational Controversy, and in favor of levying a Special Litigation Assessment on the Owners in the amounts and for the duration set forth in the Special Assessment Report, shall the Board be authorized to proceed to institute, prosecute, and/or intervene in the Non-Operational Controversy. In such event, the Board shall engage the attorney who gave the opinion and quote set forth in the Attorney Letter, which engagement shall be expressly subject to the Attorney Letter. The terms of such engagement shall require (i) that said attorney shall be responsible for all attorneys' fees, costs and expenses whatsoever in excess of one hundred twenty percent (120%) of the Quoted Litigation Costs, and (ii) that said attorney shall provide, and the Board shall distribute to the Owners, not less frequently than quarterly, a written update of the progress and current status of, and the attorney's considered expectations for, the Non-Operational Controversy, including any offers of settlement and/or settlement prospects, together with an itemized summary of the attorney's fees and costs incurred to date in connection therewith; and

(d) In the event of any bona fide settlement offer from the adverse party or parties in the Non-Operational Controversy, if the Association's attorney advises the Board that acceptance of the settlement offer would be reasonable under the circumstances, or would be in the best interests of the Association, or that said attorney no longer believes that the Association is assured of a substantial likelihood of prevailing on the merits without prospect of material liability on any counterclaim, then the Board shall have the authority to accept such settlement offer. In all other cases, the Board shall submit any settlement offer to the Owners, who shall have the right to accept any such settlement offer upon a vote of a majority of the total number of votes held by the Owners voting.

(e) In no event shall any Association working capital fund or reserve fund be used as the source of funds to institute, prosecute, maintain and/or intervene in any Proceeding (including, but not limited to, any Non-Operational Controversy).

(f) Any provision in this Declaration notwithstanding: (i) other than as set forth in this Section 10.10, the Association shall have no power whatsoever to institute, prosecute, maintain, or intervene in any Proceeding, (ii) any institution, prosecution, or maintenance of, or intervention in, a Proceeding by the Board without first strictly complying with, and thereafter continuing to comply with, each of the provisions of this Section, shall be unauthorized and ultra vires (i.e., an unauthorized and unlawful act, beyond the scope of authority of the Association or of the person(s) undertaking such act) as to the Association, and shall subject any member of the Board who voted or acted in any manner to violate or avoid the provisions and/or requirements of this Section 10.10 to personal liability to the Association for all costs and liabilities incurred by reason of the unauthorized institution, prosecution, or maintenance of, or intervention in, the Proceeding; and (iii) this Section 10.10 may not be amended or deleted at any time without both (1) the vote of not less than seventy-five percent (75%) of the total Members of the Association, and (2) not less than seventy-five percent (75%) of the votes of the Board; and any purported amendment or deletion of this Section, or any portion hereof, without both of such votes shall be void.

10.10.5 Continuing Rights of Declarant. Declarant reserves the right, without obligation, to enforce the Project Documents (including, without limitation, the Association's

duties of maintenance and repair and the Association's reserves and Reserve Account obligations). After the end of the Declarant Control Period, and throughout the term of this Declaration, the Board shall deliver to Declarant notices and minutes of all Board meetings and meetings of the Owners, and Declarant shall have the right, without obligation, to attend such meetings, on a non-voting basis. Declarant shall also receive notice of, and have the right, without obligation, to attend all inspections of the Property or any portion(s) thereof. The Board shall also, throughout the term of this Declaration, deliver to Declarant (without any express or implied obligation or duty on Declarant's part to review or to do anything) all notices and correspondences to Owners, all inspection reports, any reserve analyses, maintenance reports, and audited or reviewed annual reports. Such notices and information shall be delivered to Declarant at its most recently designated address.

10.11 Amendment of Article 10. Without the prior written consent of Declarant, Article 10 may not be amended for a period of twenty (20) years following the Recording of the Declaration.

10.12 Conflicts. In the event of any conflict between this Article 10 and any other provision of the Project Documents, this Article 10 shall control. In the event of any conflict between the provisions of this Article 10 and the terms of any express warranty provided to an Owner by Declarant, Designated Builder, or any third party home warranty company in connection with the purchase of a Lot from Declarant or Designated Builder, the provisions of the express warranty shall control; provided, however, that if the Claim is being asserted by the Association, the approval of the members of the Association required by Section 10.8 must be obtained prior to the Association demanding arbitration of the Claim or filing any legal action with respect to the Claim; provided, however, in the event of a conflict between the dispute resolution procedures in this Article 10 and the "Arbitration of Disputes" provisions contained in the purchase agreement between Declarant and the original Purchaser of a Lot from Declarant (the "Purchase Agreement"), the provision of the Purchase Agreement shall govern.

BY ACCEPTANCE OF A DEED OR BY ACQUIRING A LOT, EACH PERSON, FOR ITSELF, ITS HEIRS, PERSONAL REPRESENTATIVES, SUCCESSORS, TRANSFEREES AND ASSIGNS, AGREES TO HAVE ANY CLAIM RESOLVED ACCORDING TO THE FEDERAL ARBITRATION ACT, AND THE PROVISIONS OF THIS ARTICLE 10 AND WAIVES THE RIGHT TO PURSUE ANY BOUND PARTY IN ANY MANNER OTHER THAN AS PROVIDED IN THIS ARTICLE 10. THE BOUND PARTIES ACKNOWLEDGE THAT BY AGREEING TO RESOLVE ALL CLAIMS AS PROVIDED IN THIS ARTICLE 10, THEY ARE GIVING UP THEIR RESPECTIVE RIGHTS TO HAVE SUCH CLAIM TRIED BEFORE A JURY. THE BOUND PARTIES FURTHER WAIVE THEIR RESPECTIVE RIGHTS TO AN AWARD OF PUNITIVE AND CONSEQUENTIAL DAMAGES RELATING TO A CLAIM. BY ACCEPTANCE OF A DEED OR BY ACQUIRING A LOT, EACH OWNER VOLUNTARILY ACKNOWLEDGES THAT IT IS GIVING UP ANY RIGHTS IT MAY POSSESS TO PUNITIVE AND CONSEQUENTIAL DAMAGES OR THE RIGHT TO A TRIAL BEFORE A JURY RELATING TO A CLAIM.

IF AN OWNER OR THE ASSOCIATION FILES A CIVIL ACTION ASSERTING ANY

CLAIM AGAINST ANY BOUND PARTY INSTEAD OF COMPLYING WITH THE DISPUTE RESOLUTION PROVISIONS OF THIS ARTICLE 10 (OR THE OTHER DISPUTE RESOLUTION PROVISIONS, AS APPLICABLE), THE PARTY AGGRIEVED BY THE FILING MAY APPLY TO THE APPLICABLE COURT FOR AN ORDER DISMISSING THE CIVIL ACTION AND COMPELLING THE FILING PARTY TO SUBMIT THE CLAIM TO THE DISPUTE RESOLUTION PROVISIONS APPLICABLE THERETO. THE APPLYING PARTY SHALL BE ENTITLED TO IMMEDIATE ENTRY OF AN ORDER OF DISMISSAL AND A MANDATORY AWARD OF ATTORNEYS' FEES AND TAXABLE COSTS INCURRED IN COMPELLING COMPLIANCE WITH THE APPLICABLE DISPUTE RESOLUTION PROVISION.

IN THE EVENT THE ARBITRATION PROVISIONS OF THIS ARTICLE 10 ARE HELD NOT TO APPLY OR ARE HELD INVALID OR UNENFORCEABLE FOR ANY REASON, ALL DISPUTES SHALL BE TRIED BEFORE A JUDGE IN A COURT OF COMPETENT JURISDICTION WITHOUT A JURY. EACH OWNER IN THE ASSOCIATION, BY ACCEPTING A DEED TO ANY PORTION OF THE PROPERTY, HEREBY WAIVES AND COVENANTS NOT TO ASSERT THEIR CONSTITUTIONAL RIGHT TO TRIAL BY JURY OF ANY DISPUTES, INCLUDING, BUT NOT LIMITED TO, DISPUTES RELATING TO CONSTRUCTION DEFECTS, MISREPRESENTATION OR DECLARANT'S AND ANY DESIGNATED BUILDER'S FAILURE TO DISCLOSE MATERIAL FACTS. THIS MUTUAL WAIVER OF JURY TRIAL SHALL BE BINDING UPON THE RESPECTIVE SUCCESSORS AND ASSIGNS OF SUCH PARTIES AND UPON ALL PERSONS AND ENTITIES ASSERTING RIGHTS OR CLAIMS OR OTHERWISE ACTING ON BEHALF OF DECLARANT, ANY DESIGNATED BUILDER, ANY OWNER, THE ASSOCIATION OR THEIR RESPECTIVE SUCCESSORS AND ASSIGNS.

ARTICLE 11

INSURANCE

11.1 Scope of Coverage. The Association shall maintain, to the extent reasonably available, the following insurance coverage:

11.1.1 Comprehensive general liability insurance, including medical payments insurance, in an amount determined by the Board. Such insurance shall cover all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the Areas of Association Responsibility and all other portions of the Property which the Association is obligated to maintain under this Declaration;

11.1.2 Property insurance on all Areas of Association Responsibility insuring against all risk of direct physical loss, insured against in an amount equal to the maximum insurable replacement value of the Areas of Association Responsibility, as determined by the Board; provided, however, that the total amount of insurance after application of any deductibles shall not be less than one hundred percent (100%) of the current replacement cost of the insured

property, exclusive of land, excavations, foundations and other items normally excluded from a property policy;

11.1.3 Directors and officers liability insurance; and

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

11.1.5 The insurance policies purchased by the Association shall, to the extent reasonably available, contain the following provisions:

(a) 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;

(b) 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;

(c) 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;

(d) 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 the Owners; and

(e) Statement of the name of the insured as the Association.

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

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

11.4 Payment of Premiums and Deductible. The premiums for any insurance obtained by the Association pursuant to Section 11.1 of this Declaration shall be included in the budget of the Association and shall be paid by the Association. The Board shall have the authority to adopt reasonable rules and procedures for the payment of the insurance deductible.

11.5 Payment of Insurance Proceeds. With respect to any loss to any Area of Association Responsibility covered by property insurance obtained by the Association in accordance with this Section, 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 11.6, the proceeds shall be disbursed for the repair or restoration of the damage to the Area of Association Responsibility.

11.6 Repair and Replacement of Damaged or Destroyed Property. Any portions of the Area of Association Responsibility required by any governmental entity to be maintained by the Association which is damaged or destroyed shall be repaired or replaced promptly by the Association in accordance with the restrictions and requirements of such governmental entity. Any Area of Association Responsibility which is damaged or destroyed shall be repaired or replaced promptly by the Association unless (i) repair or replacement would be illegal under any state or local health or safety statute or ordinance, (ii) Members representing at least eighty percent (80%) of the total authorized votes in the Association vote not to rebuild, or (iii) the cost of repair or replacement is in excess of insurance proceeds and reserves and the Members do not approve a Special Assessment to fund the additional cost of repair or replacement. If all of the Areas of Association Responsibility are not repaired or replaced, insurance proceeds attributable to the damaged 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 either (i) be retained by the Association as an additional capital reserve, or (ii) be used for payment of operating expenses of the Association.

ARTICLE 12

MAINTENANCE

12.1 Areas of Association Responsibility. The Association, or its duly delegated representative, shall, in the exercise of its discretion, maintain and otherwise manage, all Areas of Association Responsibility, including, but not limited to, landscaping, walkways, parks, paths, greenbelts, medians, parking areas, drives, and other facilities. The Association shall not maintain areas which (a) a governmental entity is maintaining, or (b) are required to be maintained by the Owners of a Lot. The Association shall, in the discretion of the Board:

(a) Reconstruct, repair, replace or refinish any Improvement or portion thereof upon Areas of Association Responsibility;

(b) Replace injured and diseased trees and other vegetation in any Areas of Association Responsibility and plant trees, shrubs and ground cover to the extent that the Board deems necessary for the conservation of water and soil and for aesthetic purposes;

(c) Place and maintain upon any Areas of Association Responsibility such signs as the Board may deem appropriate for the proper identification, use, and regulation thereof;

(d) Do all such other and further acts which the Board deems necessary to preserve and protect the Areas of Association Responsibility and the beauty thereof, in accordance with the general purposes specified in this Declaration.

The Board shall be the sole judge as to the appropriate maintenance of all Areas of Association Responsibility. Any cooperative action necessary or appropriate to the proper maintenance and upkeep of said properties shall be taken by the Board or by its duly delegated representative.

In the event any Plat, Supplemental Declaration, deed restriction, or this Declaration permits the Board to determine whether Owners of certain Lots will be responsible for maintenance of certain Common Areas or public right-of-way areas, the Board shall have the sole discretion to determine whether or not it would be in the best interest of the Owners and Residents of the Property for the Association or an individual Owner to be responsible for such maintenance, considering cost, uniformity of appearance, location and other factors deemed relevant by the Board. The Board may cause the Association to contract with others for the performance of the maintenance and other obligations of the Association under this Article 12 and, in order to promote uniformity and harmony of appearance, the Board may also cause the Association to contract to provide maintenance services to Owners of Lots having such responsibilities in exchange for the payment of such fees as the Association and Owner may agree upon. Any charges or fees to be paid by the Owner of a Lot in connection with a contract entered into by the Association with an Owner for the performance of an Owner's maintenance responsibilities shall become a Benefitted Property Assessment and shall be secured by the Assessment Lien.

12.2 Assessment of Certain Costs of Maintenance and Repair of Areas of Association Responsibility. In the event that the need for maintenance or repair of Common Areas and other areas maintained by the Association is caused through the act of any Owner or Resident, or any family, guest, tenant, or invitee of any Owner or Resident, the Association shall perform the needed maintenance or repairs and the cost of such maintenance or repairs shall be due within thirty (30) days of notice and shall be added to, and become a part of, the Assessment to which such Owner and the Owner's Lot is subject, and shall be secured by the Assessment Lien. Notwithstanding the foregoing, prior to submitting a bill for such costs, the Board shall cause a notice to be sent to Owner specifying the maintenance or repairs and the Owner shall have the right to object to his responsibility; provided that if the Owner does not object, the Owner shall be deemed to have acknowledged such responsibility. Following the Board's consideration of such objection, the Board may absolve such Owner or demand that such Owner pay the bill within the thirty (30) day period provided above. The decision of the Board shall be final and binding.

12.3 Improper Maintenance and Use of Lots. In the event any portion of any Lot is so maintained as to present a public or private nuisance, or as to substantially detract from the appearance or quality of the surrounding Lots or other areas of the Property which are substantially affected thereby or related thereto, or in the event any portion of a Lot is being used in a manner which violates this Declaration, or in the event the Owner of any Lot is failing to perform any of its obligations under this Declaration or the Association Rules, the Association

may give notice to the offending Owner of the particular condition or conditions that exist and inform the Owner that, unless corrective action is taken within fourteen (14) days, the Association may cause such action to be taken at said Owner's cost. If at the expiration of said fourteen (14) day period of time the requisite corrective action has not been taken, the Association shall be authorized and empowered to cause such action to be taken (either by undertaking such corrective actions or bringing suit to compel the offending Owner to undertake such corrective action) and the cost thereof, together with any attorney's fees expended by the Association in connection therewith, shall be added to, and become a part of, the Assessment to which the offending Owner and the Owner's Lot is subject, if any, and shall be secured by the Assessment Lien. The Association is hereby granted an easement to enter the Lot to perform such corrective action and, to the extent the Association or its agents or contractors enters the Owner's Lot to perform such corrective action, they shall not be deemed guilty of trespass. The Board may delegate any of its rights and responsibilities under this Section to a committee appointed by the Board, or to its managing agent.

ARTICLE 13

ANNEXATION AND DE-ANNEXATION

13.1 Annexation of Additional Property. Until the later of (a) twenty (20) years following Recordation of this Declaration or (b) termination of the Declarant Control Period, Declarant hereby reserves the right from time to time to subject all or any portion of any additional phases or other additional real property, no matter where located, to the terms and provisions of this Declaration. Annexation of additional property shall become effective upon Recording by Declarant of a signed and acknowledged "**Declaration of Annexation**" with the County Recorder of Pinal County, Arizona, stating that such additional property has been annexed to this Declaration. The Declaration of Annexation may contain such complementary additions and modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary as determined by the Declarant in its sole and absolute discretion. No consent or approval by the Board, the Owners, or any Person shall be necessary for an annexation by the Declarant. Upon Recordation of a Declaration of Annexation, the annexed real property shall have the same rights, privileges and obligations as property originally subject to the terms of this Declaration, only as modified by the terms of the applicable Declarant of Annexation.

13.2 De-Annexation. So long as Declarant owns any portion of the Property, Declarant shall have the exclusive right to de-annex property from the Property and this Declaration without the consent of any other Owner or Person. The de-annexation of all or any portion of the Property shall be effected by Declarant Recording a Declaration of De-Annexation setting forth the legal description of the property being de-annexed. If Declarant does not own the property to be de-annexed, then the Declaration of De-annexation must be signed by the Owners of fee title to the property to be de-annexed. Upon the de-annexation of any property from the Property pursuant to this Section, such property shall no longer be subject to any of the covenants, conditions and restrictions set forth in the Project Documents. Except with regard to Declarant, as provided above, no Owner shall have the unilateral right to de-annex any property from the Property.

ARTICLE 14

TERM; AMENDMENTS; TERMINATION

14.1 Term; Method of Termination. This Declaration shall be effective upon the date of its Recordation and shall continue in full force and effect, as amended from time to time, unless and until: (i) Members owning ninety percent (90%) of the total Lots in the Association vote to terminate this Declaration, and (ii) so long as Declarant owns any portion of the Property, Declarant consents in writing to terminate this Declaration. If the necessary votes are obtained, the Board shall cause to be Recorded with the County Recorder of Pinal County, Arizona, a Certificate of Termination, duly signed by the President or Vice President and attested to by the Secretary or Assistant Secretary of the Association, with their signatures acknowledged. Thereupon, these Covenants shall have no further force and effect, and the Association shall be dissolved pursuant to the terms set forth in its Articles.

14.2 Amendments.

14.2.1 By Declarant. In addition to specific amendment rights granted elsewhere in this Declaration, until termination of the Declarant Control Period, Declarant may amend this Declaration for any purpose, and without the consent or approval of any Owners or Members, or any other Person.

In addition to the foregoing, after termination of the Declarant Control Period, and for so long as Declarant owns any portion of the Property, Declarant may of its own volition, and without the consent or approval of any Owners or Members, or any other Person, amend this Declaration for the following purposes: (a) to bring any provision hereof into compliance with applicable law; (b) to satisfy the requirements of any governmental agency pertaining to lending criteria, or established as conditions for acceptability or approval of mortgages, mortgage insurance, loan guarantees or other factors; (c) to correct any error or ambiguity, or to further the intent or purposes hereof by expanding upon the existing provisions hereof; or (d) to clarify the application of the provisions hereof to any land which may be annexed, or for any other reasonable purpose in connection with any land which may be annexed.

14.2.2 By the Association. Except as otherwise specifically provided above or elsewhere in this Declaration, this Declaration may be amended at a meeting where a quorum is present, by the approval of at least two-thirds (2/3) of the votes entitled to be cast by the Members of the Association; provided, however, that in order to be effective, any amendment during such time as Declarant owns any portion of the Property shall require the written approval of Declarant. Notwithstanding the foregoing, the Board may, with the prior written consent of Declarant so long as Declarant owns any portion of the Property, amend this Declaration, without obtaining the approval or consent of any Owner, solely to conform this Declaration to the law. A certificate of amendment, setting forth the full amendment adopted, duly signed and acknowledged by the President or Vice-President of the Association shall be Recorded.

14.2.3 Challenge to Amendment. Any challenge to an amendment to this Declaration for reason that the amendment was not adopted by the required number of Members or was not adopted in accordance with the procedures set forth in this Section must be made within one (1) year after the Recording of the amendment or it shall be forever waived.

14.2.4 Amendment of Supplemental Declarations. A Supplemental Declaration may be amended as provided in such Supplemental Declaration, but only with the consent of Declarant so long as Declarant owns any portion of the Property. Thereafter, a Supplemental Declaration may be amended as provided therein, and with the approval of the Board.

ARTICLE 15

MISCELLANEOUS

15.1 Enforcement.

15.1.1 The Association, Declarant, a Designated Builder, or any Owner shall have the right to enforce the Project Documents and/or any and all covenants, restrictions, reservations, charges, servitudes, assessments, conditions, liens or easements provided for in any contract, deed, declaration or other instrument which (i) shall have been executed pursuant to, or subject to, the provisions of this Declaration, or (ii) otherwise shall indicate that the provisions of such instrument were intended to be enforced by the Association, Declarant, Designated Builders, or Owners.

15.1.2 This right of enforcement shall be in any manner provided for in the Project Documents or by law or in equity, including, but not limited to, an action to obtain an injunction to compel removal of any Improvements constructed in violation of this Declaration or to otherwise compel compliance with the Project Documents.

15.1.3 In the event the Association acts to enforce the Project Documents, regardless of whether suit is filed, the Association shall be entitled to recover, in addition to any other remedy, reimbursement for attorneys' fees, court costs, costs of investigation and other related expenses incurred in connection therewith including but not limited to the Association's administrative costs and fees. Said attorneys' fees, costs and expenses shall be the personal liability of the breaching Owner and shall also be secured by the Assessment Lien against said Owner's Lot. If, however, a lawsuit is filed, and the Owner is the prevailing party in such lawsuit, the Owner shall not be required to pay the Association's attorneys' fees, court costs, costs of investigation and other related expenses incurred therewith. If any lawsuit is filed by Declarant, a Designated Builder, or any Owner to enforce the provisions of the Project Documents or in any other manner arising out of the Project Documents or the operations of the Association, the prevailing party in such action shall be entitled to recover from the other party all attorneys' fees incurred by the prevailing party in the action.

15.1.4 If the Board, in its business judgment, determines to not take enforcement action in a specific situation, such enforcement shall not be required. No Member may bring

legal or equitable action or an administrative claim against the Board or the Association for failure to enforce the Project Documents without joining as claimants at least twenty-five percent (25%) of the Members.

15.2 Laws, Ordinances and Regulations.

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

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

15.3 Notice of Violation. The Association shall have the right to record a written notice of a violation by any Owner or Resident of any restriction or other provision of the Project Documents. The notice shall be executed by an officer of the Association and shall contain substantially the following information: (i) the name of the Owner or Resident violating, or responsible for the violation of, the Project Documents; (ii) the legal description of the Lot against which the notice is being Recorded; (iii) a brief description of the nature of the violation; (iv) a statement that the notice is being Recorded by the Association pursuant to this Declaration; and (v) a statement of the specific steps which must be taken by the Owner or occupant to cure the violation. Recordation of a notice of violation shall serve as notice to the Owner and Resident, and any subsequent purchaser of the Lot, that there is such a violation. If, after the Recordation of such notice, it is determined by the Association that the violation referred to in the notice does not exist or that the violation referred to in the notice has been cured, the Association shall Record a notice of compliance which shall state the legal description of the Lot against which the notice of violation was Recorded, and the recording data of the notice of violation, and shall state that the violation referred to in the notice of violation has been cured or that the violation did not exist.

15.4 Waiver. The waiver of or failure to enforce any breach or violation of this Declaration will not be deemed a waiver or abandonment of any provision of the Declaration or a waiver of the right to enforce any subsequent breach or violation of the Declaration. The foregoing shall apply regardless of whether any Person affected by the Declaration (or having the right to enforce the Declaration) has or had knowledge of the breach or violation.

15.5 Interpretation of the Covenants. Except for judicial construction, the Association, by its Board, shall have the exclusive right to construe and interpret the provisions of the Project Documents. In the absence of any adjudication to the contrary by a court of competent jurisdiction, the Association's construction or interpretation of the provisions of the

Project Documents shall be final, conclusive, and binding as to all Persons and property benefited or bound by the Project Documents.

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

15.7 Rules and Regulations. In addition to the right to adopt rules and regulations on the matters expressly mentioned elsewhere in this Declaration, the Association shall have the right to adopt rules and regulations with respect to all other aspects of the Association's rights, activities and duties, provided said rules and regulations are not expressly inconsistent with the provisions of this Declaration.

15.8 References to the Covenants in Deeds. Deeds to, and instruments affecting, any Lot or any part of the Property may contain the Covenants herein set forth by reference to this Declaration, but regardless of whether any such reference is made in any Deed or instrument, each and all of the Covenants shall be binding upon the grantee/Owner or other Person claiming an interest in the Lot through any Deed or instrument and his heirs, executors, administrators, successors and assigns.

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

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

15.11 Notices. Any written notice or other documents relating to or required by this Declaration may be delivered personally, by first class mail, certified mail, facsimile, e-mail, overnight delivery service or by any other reasonably reliable method. If by mail, it shall be deemed to have been delivered twenty-four (24) hours after a copy of same has been deposited in the United States mail, postage prepaid, addressed as follows: if to the Association or the Design Review Committee, at the address of record for the Association on file with the Pinal County Recorder's office; if to an Owner, to the address of any Lot within the Property owned, in whole or in part, by the Owner or to any other address last furnished by the Owner to the Association. Each Owner of a Lot shall file the correct mailing address of such Owner with the Association, and shall promptly notify the Association in writing of any subsequent change of address.

15.12 Association's Rights and Powers as Set Forth in Articles and Bylaws. In addition to the rights and powers of the Association set forth in this Declaration, the Association shall have such rights and powers as are set forth in its Articles and Bylaws. Such rights and powers, subject to the approval thereof by any agencies or institutions deemed necessary by the Board, may encompass any and all things which a Person could do or which now or hereafter

may be authorized by law, provided such Articles and Bylaws are not inconsistent with the provisions of this Declaration and are necessary, desirable or convenient for effectuating the purposes set forth in this Declaration.

15.13 Attorneys' Fees. In the event the Association incurs legal expenses and costs, including but not limited to, attorneys' fees, in defending claims and counterclaims brought by Owners, including, but not limited to claims brought in an action at law or in equity, or in an administrative action or proceeding (including proceedings before an Administrative Law Judge) the Association shall be entitled to recover its attorneys' fees and costs from the Owner involved in the action or proceeding if the Association is the prevailing party.

15.14 Responsibility for Others. Owners hereby acknowledge and agree that they are fully responsible for the actions and inactions of the Owner's family, Residents, guests, licensees, invitees, tenants, and pets. If an Owner's family, Resident, guest, licensee, invitee, tenant, or pet commits a violation of this Declaration, the Owner will be responsible in the same manner as if the Owner had committed such violation.

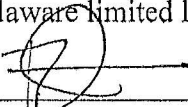
15.15 Priority of Project Documents. If a conflict exists between the provisions of this Declaration and the other Project Documents, this Declaration shall govern. If a conflict exists between the provisions of the Articles and Bylaws or Rules, the Articles shall govern. If a conflict exists between the provisions of the Bylaws and the Rules, the Bylaws shall govern.

SIGNATURE AND NOTARY CONTINUES ON FOLLOWING PAGE

IN WITNESS WHEREOF, the undersigned has executed this Declaration as of the day and year first above written.

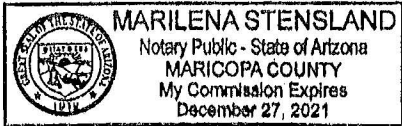
DECLARANT:

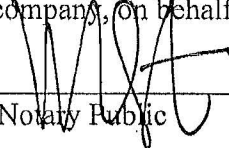
WOODSIDE HOMES SALES AZ, LLC,
a Delaware limited liability company

By: 
Name: ROGER O. GANNON
Title: DIVISION PRESIDENT

STATE OF ARIZONA)
) §§
County of Maricopa)

The foregoing was executed before me on July 18 2018 2018, by Roger O. Gannon, the Division President of Woodside Homes Sales AZ, LLC, a Delaware limited liability company, on behalf of such entity.





Notary Public

EXHIBIT "A"

Legal Description of the Property

Lots 1 through 80 inclusive, and Tracts A through H, inclusive, per the Final Plat of PALOMA RANCH, according to Fee No. 2017-089175 records of Pinal County, Arizona.