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ARTICLES OF INCORPORATION
OF

ARIZONA STATE COMMISSION
CORPORATIONS DIVISION

LA PRIVADA AT VERDE SANTA FE HOMEOWNERS ASSOCIATION

In compliance with the requirements of § 10-3201, *et seq.*, Arizona Revised Statutes, as amended, the undersigned, who is a person capable of contracting, states as follows:

1. Name. The name of the corporation is La Privada at Verde Santa Fe Homeowners Association (the "Neighborhood Association"), a nonprofit corporation.
2. Defined Terms. Capitalized terms used in these Articles without definition shall have the meanings specified for such terms in the Neighborhood Declaration of Covenants, Conditions, Restrictions and Easements for La Privada at Verde Santa Fe, recorded at Book 4114, Page 450 of the records of Yavapai County, Arizona, as amended from time to time.
3. Known Place of Business. The street address of the known place of business for the Neighborhood Association is 3101 North Central Avenue, Suite 1150, Phoenix, Arizona 85012.
4. Statutory Agent. Daniel C. Green, whose address is 3101 North Central Avenue, Suite 1150, Phoenix, Arizona 85012 is hereby appointed and designated as the initial statutory agent for the corporation.
5. Character of Affairs of the Corporation. The character of affairs that the Neighborhood Association initially intends to conduct is to provide for the ownership, management, maintenance and care of the Neighborhood Common Area and other property owned by the Neighborhood Association or property placed under its jurisdiction and to exercise and perform such other powers and duties as are imposed on or granted to the Neighborhood Association by the Project Documents. In furtherance of, and in order to accomplish the foregoing objects and purposes, the Neighborhood Association may transact any or all lawful business for which corporations may be incorporated under the laws of the State of Arizona, as they may be amended from time to time.
6. Membership and Voting Rights. The Neighborhood Association will have members. Membership in the Neighborhood Association shall be limited to Owners of Lots. Each Owner shall have such rights, privileges and votes in the Neighborhood Association as are set forth in the Project Documents.
7. Board of Directors. The number of directors constituting the initial board of directors of the Neighborhood Association shall be three (3). The names and addresses of the initial directors of the Neighborhood Association who shall serve until the first annual meeting of the members or until their successors are elected and qualified are as follows: Philip V. Petersen, Daniel C. Green, and Matt Morell, 3101 North Central Avenue, Suite 1150, Phoenix, Arizona 85012.
8. Limitation on Liability of Directors. The personal liability of a director of the Neighborhood Association to the Neighborhood Association or its Members for monetary

damages for any action taken, or failure to take any action, as a director is hereby eliminated to the extent permitted by the Arizona Revised Statutes, as they may be amended from time to time.

9. Indemnification. To the extent it has the power to do so under the Arizona Revised Statutes, as they may be amended from time to time, the Neighborhood Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the Neighborhood Association, by reason of the fact that he or she is or was a Member, director, officer, employee or agent of the Neighborhood Association or is or was serving at the request of the Neighborhood Association as a member, director, officer, employee or agent of another corporation, partnership, joint venture, limited liability company, trust or other enterprise, against expenses, including attorneys' fees, and against judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith or failed to act and such failure to act was in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interest of the Neighborhood Association and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. Indemnification of any such person shall be made in accordance with the procedures set forth in the Arizona Revised Statutes.

10. Amendment of Articles and Bylaws.

(a) These Articles may be amended by Members representing not less than sixty-seven percent (67%) of the total authorized votes entitled to be cast by Members of the Neighborhood Association; provided, however, that either the Board or the Declarant may amend these Articles, without obtaining the approval or consent of any Member or Mortgagee, in order to conform these Articles to the requirements or guidelines of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Veterans Administration or any federal, state or local governmental agency whose approval is required by law or requested by the Declarant or the Neighborhood Association. So long as the Declarant owns any Lot, any amendment to these Articles must be approved in writing by the Declarant.

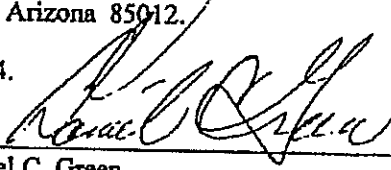
(b) The Board shall adopt the initial Bylaws of the Neighborhood Association. The Bylaws may be amended by Members representing not less than sixty-seven percent (67%) of the total authorized votes entitled to be cast by Members of the Neighborhood Association; provided, however, that either the Board or the Declarant may amend the Bylaws, without obtaining the approval or consent of any Member or Mortgagee, in order to conform the Bylaws to the requirements or guidelines of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Veterans Administration or any federal, state or local governmental agency whose approval is required by law or requested by the Declarant or the Neighborhood Association. So long as the Declarant owns any Lot, any amendment to the Bylaws must be approved in writing by the Declarant.

11. Dissolution. The Neighborhood Association may be dissolved if such dissolution is approved by the affirmative vote or written consent, or any combination thereof, of Members

holding ninety percent (90%) or more of the votes in the Neighborhood Association. Upon dissolution of the Neighborhood Association, other than incident to a merger or consolidation, the assets of the Neighborhood Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Neighborhood Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed or assigned to any nonprofit corporation, association, trust or other organization to be devoted to such similar purpose.

12. Incorporator. The name and address of the incorporator are: Daniel C. Green, 3101 North Central Avenue, Suite 1150, Phoenix, Arizona 85012.

Dated this 31st day of August, 2004.



Daniel C. Green

CONSENT OF STATUTORY AGENT

OF

LA PRIVADA AT VERDE SANTA FE HOMEOWNERS ASSOCIATION

The undersigned, having been named in the Articles of Incorporation of La Privada at Verde Santa Fe Homeowners Association, an Arizona nonprofit corporation, as its statutory agent for the State of Arizona, hereby confirms that he has been notified of the appointment and that he accepts the appointment.

DATED: August 31, 2004.



Daniel C. Green,
3101 North Central Avenue, Suite 1150,
Phoenix, Arizona 85012

ARIZONA CORPORATION COMMISSION
CORPORATIONS DIVISION

Phoenix Address: 1300 West Washington
Phoenix, Arizona 85007-2929

Tucson Address: 400 West Congress
Tucson, Arizona 85701-1347

NONPROFIT
CERTIFICATE OF DISCLOSURE
A.R.S. Section 10-3202.D.

La Privada at Verde Santa Fe Homeowners Association

EXACT CORPORATE NAME

- A. Has any person serving either by election or appointment as officer, director, trustee, or incorporator in the corporation:
1. Been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate?
 2. Been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraint of trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate?
 3. Been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the execution of this Certificate wherein such injunction, judgment, decree or permanent order:
 - (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction?; or
 - (b) Involved the violation of the consumer fraud laws of that jurisdiction?; or
 - (c) Involved the violation of the antitrust or restraint of trade laws of that jurisdiction?

Yes ___ No X

B. IF YES, the following information MUST be attached:

1. Full name and prior name(s) used.
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7-year period).
5. Date and location of birth.
6. Social Security number.
7. The nature and description of each conviction or judicial action, date and location, the court and public agency involved and file or cause number of case.

- C. Has any person serving either by election or appointment as an officer, director, trustee or incorporator of the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked, or administratively dissolved by any jurisdiction?

Yes ___ No X

IF YOUR ANSWER TO THE ABOVE QUESTION IS "YES", YOU MUST ATTACH THE FOLLOWING INFORMATION FOR EACH CORPORATION:

1. Name and address of the corporation.
2. Full name, including alias and address of each person involved.
3. State(s) in which the corporation:
 - (a) Was incorporated.
 - (b) Has transacted business.
4. Dates of corporate operation.
5. A description of the bankruptcy, receivership or charter revocation, including the date, court or agency and the file or cause number of the case.

- D. The fiscal year end adopted by the corporation is March 31

Under penalties of law, the undersigned incorporators/officers declare that we have examined this Certificate, including any attachments, and to the best of our knowledge and belief it is true, correct and complete, and hereby declare as indicated above. THE SIGNATURE(S) MUST BE DATED WITHIN THIRTY (30) DAYS OF THE DELIVERY DATE.

BY [Signature] DATE 8/31/04
TITLE Daniel C. Green, Incorporator & Director

BY [Signature] DATE 8-31-04
TITLE Philip V. Petersen, Director

BY _____ DATE _____
TITLE _____

BY [Signature] DATE 8-31-04
TITLE Matt Morell, Director

DOMESTIC CORPORATIONS: ALL INCORPORATORS MUST SIGN THE INITIAL CERTIFICATE OF DISCLOSURE. (If more than four incorporators, please attach remaining signatures on a separate sheet of paper.)

If within sixty days, any person becomes an officer, director, or trustee and the person was not included in this disclosure, the corporation must file an AMENDED certificate signed by all incorporators, or if officers have been elected, by a duly authorized officer.

FOREIGN CORPORATIONS: MUST BE SIGNED BY AT LEAST ONE DULY AUTHORIZED OFFICER OF THE CORPORATION.

CF: 0001 - Non-Profit
Rev: 9/00

BYLAWS
OF
LA PRIVADA AT VERDE SANTA FE HOMEOWNERS ASSOCIATION

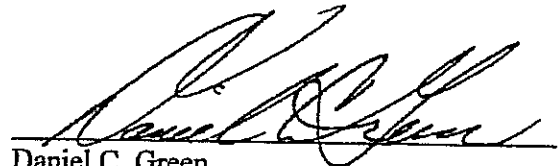
CONSENT OF STATUTORY AGENT

OF

LA PRIVADA AT VERDE SANTA FE HOMEOWNERS ASSOCIATION

The undersigned, having been named in the Articles of Incorporation of La Privada at Verde Santa Fe Homeowners Association, an Arizona nonprofit corporation, as its statutory agent for the State of Arizona, hereby confirms that he has been notified of the appointment and that he accepts the appointment.

DATED: January 14, 2004.


Daniel C. Green,
3101 North Central Avenue, Suite 1150,
Phoenix, Arizona 85012

**CONSENT IN LIEU OF ORGANIZATIONAL MEETING
OF THE BOARD OF DIRECTORS OF
LA PRIVADA AT VERDE SANTA FE HOMEOWNERS ASSOCIATION**

Pursuant to A.R.S. Section 10-3821, the undersigned, being all of the directors of La Privada at Verde Santa Fe Homeowners Association, an Arizona nonprofit corporation (the "Corporation"), hereby consent to the adoption of the following resolutions in lieu of holding an organizational meeting:

ELECTION OF OFFICERS

RESOLVED, that the following persons be, and they hereby are, elected to serve as officers of the Corporation, at the pleasure of the Board of Directors, until the first annual meeting of the Board of Directors or until their successors are duly appointed:

Daniel C. Green	- Chairman of the Board
Daniel C. Green	- President
Phillip V. Petersen	- Vice President
Matt Morrell	- Secretary
Audrey Sangerman	- Treasurer

BYLAWS

RESOLVED, that the Bylaws attached hereto as Exhibit A be, and they hereby are, adopted as the Bylaws of the Corporation; and

FURTHER RESOLVED, that the Secretary of the Corporation be, and hereby is, authorized to execute the Certificate of Adoption set forth at the end of the Bylaws and is hereby directed to file a copy thereof in the minute book of the Corporation.

BANK ACCOUNTS

RESOLVED, that the officers of the Corporation be, and they hereby are, authorized and directed to open a general checking account for and in the name of the Corporation with a bank to be determined in their discretion and to deposit therein funds of the Corporation to be withdrawn only by checks signed in the name of the Corporation by the signature of any one of the officers of the Corporation, until further notice in writing to said bank; and

FURTHER RESOLVED, that the officers of the Corporation be, and they hereby are, authorized and directed to execute for and on

BYLAWS
OF
LA PRIVADA AT VERDE SANTA FE HOMEOWNERS ASSOCIATION

ARTICLE 1

GENERAL PROVISIONS

1.1 **Known Place of Business.** The known place of business of this corporation shall be located at the place as is designated in the Articles of Incorporation or such other place as the Neighborhood Association may designate from time to time in accordance with the Arizona statutes governing nonprofit corporations, but meetings of members and directors may be held at such other place within the State of Arizona as may be designated by the Board.

1.2 **Defined Terms.** Capitalized terms used in these Bylaws without definition shall have the meanings specified for such terms in the Neighborhood Declaration of Covenants, Conditions, Restrictions and Easements for La Privada at Verde Santa Fe, recorded at Book 49, Pages 18, 19 and 20 of the records of Yavapai County, Arizona, as amended from time to time (the "Neighborhood Declaration").

1.3 **Conflicting Provisions.** In the case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Neighborhood Declaration and these Bylaws, the Neighborhood Declaration shall control.

1.4 **Corporate Seal.** The Neighborhood Association may have a seal in a form approved by the Board.

1.5 **Designation of Fiscal Year.** The fiscal year of the Neighborhood Association shall begin on the 1st day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation of the Neighborhood Association.

1.6 **Books and Records.** Except for materials that the Board desires not to disclose and can fail to disclose in accordance with applicable law, the books, records and papers of the Neighborhood Association shall be available for inspection by any Member and the Member's authorized agents and attorneys during reasonable business hours at the known place of business of the Neighborhood Association.

1.7 **Amendment.**

1.7.1 Subject to the provisions of Section 1.7.2, these Bylaws, and every part thereof, may, from time to time and at any time, be amended, altered, repealed, and new or additional bylaws may be adopted, by Members representing not less than sixty-seven percent (67%) of the total authorized votes entitled to be cast by Members of the Neighborhood Association; provided, however, that either the Board or the Declarant may amend the Bylaws, without obtaining the approval or consent of any Member or Mortgagee, in order to conform the

Bylaws to the requirements or guidelines of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Veterans Administration or any federal, state or local governmental agency whose approval is required by law or requested by the Declarant or the Neighborhood Association.

1.7.2 So long as the Declarant owns any Lot, any amendment to these Bylaws must be approved in writing by the Declarant.

1.8 **Indemnification.** To the extent it has the power to do so under the Arizona Revised Statutes, as they may be amended from time to time, the Neighborhood Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the Neighborhood Association, by reason of the fact that he or she is or was a Member, director, officer, employee or agent of the Neighborhood Association or is or was serving at the request of the Neighborhood Association as a member, director, officer, employee or agent of another corporation, partnership, joint venture, limited liability company, trust or other enterprise, against expenses, including attorneys' fees, and against judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith or failed to act and such failure to act was in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interest of the Neighborhood Association and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. Indemnification of any such person shall be made in accordance with the procedures set forth in the Arizona Revised Statutes.

ARTICLE 2

MEETINGS OF MEMBERS

2.1 **Annual Meeting.** An annual meeting of the Members of the Neighborhood Association shall be held at least once every twelve (12) months. The annual meeting shall be held within Yavapai County at such time and place as is determined by the Board.

2.2 **Special Meetings.** Special meetings of the Members may be called at any time by the president or by the Board or upon written request signed by Members having at least one-tenth (1/10) of the total authorized votes in the Neighborhood Association.

2.3 **Notice of Meetings.** Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting by mailing a copy of each notice, postage prepaid, not less than ten (10) nor more than sixty (60) days before such meeting to each Member entitled to vote thereat addressed to the Member's address last appearing on the books of the Neighborhood Association or supplied by such Member to the Neighborhood Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place of the meeting are announced at the meeting at which the

adjournment is taken. At the adjourned meeting, the Neighborhood Association may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, a notice of the adjourned meeting shall be given to each Member entitled to vote at the meeting. By attending a meeting, a Member waives any right that the Member may have had to object to the meeting on the basis that the proper notice of the meeting was not given in accordance with these Bylaws or the statutes of the State of Arizona, except when the person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

2.4 **Quorum.** Except as otherwise provided in the Articles, the Neighborhood Declaration or these Bylaws or as may be provided by applicable law, the presence in person or by proxy of Members entitled to cast one-tenth (1/10th) of the total authorized votes in the Neighborhood Association shall constitute a quorum at all meetings of the Members. If a quorum shall not be present at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

2.5 **Proxies.** At all meetings of the Members a vote may be cast in person or by proxy. A proxy shall be duly executed in writing by the Member or his or her duly authorized attorney-in-fact. All proxies must be filed with the secretary prior to the commencement of the meeting for which the proxy is given. The proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of a notice of revocation signed by the Member who granted the proxy. No proxy shall be valid after eleven (11) months from the date of its execution.

2.6 **Order of Business.** Unless otherwise determined by the Board, the order of business at each annual meeting of the Members, and as far as practical at all other meetings of the Members, shall be:

- a. Election of the chairman of the meeting;
- b. Calling of the roll and certifying of proxies;
- c. Proof of notice of meetings or waiver of notice;
- d. Reading and disposal of any unapproved minutes;
- e. Reports of officers;
- f. Reports of committees;
- g. Election of inspectors of election;
- h. Determination of the number of members of the Board;
- i. Election of directors;

- j. Unfinished business;
- k. New business;
- l. Adjournment.

ARTICLE 3

BOARD OF DIRECTORS

3.1 **Number.** The affairs of this Neighborhood Association shall be managed by a board of three (3) directors. So long as there is a Class B membership in the Neighborhood Association, the directors need not be Members of the Neighborhood Association. After the termination of the Class B membership, all directors must be Members of the Neighborhood Association or an officer in, partner of, member of, director of, agent of, or owner of a Member if the Member is not one or more natural persons. The Members may increase the number of directors on the Board but the number of directors must always be an odd number and shall not exceed nine (9) directors.

3.2 **Term of Office.** The initial members of the Board shall hold office until the first annual meeting of the Members and until their successors are elected and qualified. Commencing with the first annual meeting of the Members, the Members shall elect directors to serve a one (1) year term.

3.3 **Removal.** At any annual or special meeting of the Members duly called, any one or more of the members of the board of directors may be removed from the Board with or without cause by Members having more than fifty percent (50%) of the votes entitled to be cast by the Members present in person or by proxy at the meeting, and a successor may then and there be elected to fill the vacancy thereby created.

3.4 **Compensation.** No director shall receive compensation for any service the director may render to the Neighborhood Association. However, any director may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

3.5 **Action Taken Without a Meeting.** The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written consent of all the directors. Any such written consent shall be filed with the minutes of the proceedings of the Board.

3.6 **Vacancies.** Except for vacancies on the Board caused by the removal of a director in accordance with the provisions of Section 3.3 of these Bylaws, any vacancy occurring in the Board may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum or by a sole remaining director, and any director so chosen shall hold office for the remainder of the unexpired term of the director who is being replaced. When one or more directors resigns from the Board, effective at a future time, a majority of the directors then in office, including those who have so resigned, may fill such vacancy, the vote on the vacancy to

take effect when such resignation becomes effective. If by reason of death, resignation or otherwise, the Neighborhood Association has no directors in office, any officer or Member may call a special meeting of the Members for the purpose of electing the Board.

3.7 Meetings.

3.7.1 Regular or special meetings of the Board may be held by means of conference telephone or other similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation at such meeting shall constitute presence in person at the meeting.

3.7.2 Regular meetings of the Board may be held with or without notice (other than the notice originally given as to when regular meetings are held) at such time and place as is determined from time to time by the Board.

3.7.3 Special meetings of the Board may be called by the president on three (3) business days notice to each director, given in writing, by hand delivery, mail or facsimile, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by the president or secretary in like manner and on like notice on the written request of at least two (2) directors.

3.7.4 A director's attendance at or participation in a meeting shall constitute a waiver of notice of such meeting unless the director at the beginning of the meeting or promptly on the director's arrival at the meeting objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

3.8 Quorum. A majority of the directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly-held meeting at which a quorum is present shall be regarded as the act of the Board.

3.9 Attendance at Meetings. If any director fails to attend three (3) or more successive meetings of the Board, including special meetings of which he/she has been given notice as provided in Section 3.7, or misses four (4) or more meetings out of six (6) successive meetings of the Board, including special meetings of which he/she has notice as provided in Section 3.7, such Director, unless otherwise determined by two-thirds (2/3) of the directors present at a meeting at which a quorum is present, shall be automatically removed as a director.

3.10 Powers and Duties. The Board shall have all of the powers and duties necessary for the administration of the affairs of the Neighborhood Association and may do all such acts and things as are not by the Project Documents required to be exercised or done by the Members. In addition to the duties imposed by these Bylaws or by any resolution of the Members that may hereafter be adopted, the Board shall have the following powers and duties:

3.10.1 Open bank accounts on behalf of the Neighborhood Association and designate the signatories thereon;

3.10.2 Make, or contract for the making of, repairs, additions to, improvements to or alterations of the Neighborhood Common Areas in accordance with the Project Documents, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings or for any other reason deemed reasonable by the Board;

3.10.3 In the exercise of its discretion, enforce by legal means the provisions of the Project Documents;

3.10.4 Designate, hire and dismiss the personnel necessary for the maintenance, operation, repair, replacement of the Neighborhood Common Areas and provide services for the Members, and, where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies and materials to be used by such personnel in the performance of their duties;

3.10.5 Provide for the operation, care, upkeep and maintenance of all of the Neighborhood Common Areas and borrow money on behalf of the Neighborhood Association when required in connection with the operation, upkeep and maintenance for the Neighborhood Common Areas; provided, however, the consent of Members having at least two-thirds (2/3) of the total votes in the Neighborhood Association shall be obtained either in writing or at a meeting called and held for such purpose in accordance with the provisions of these Bylaws in order for the Neighborhood Association to borrow in excess of \$5,000;

3.10.6 Prepare and adopt an annual budget for the Neighborhood Association prior to the commencement of each fiscal year;

3.10.7 Adopt and publish rules and regulations governing the use of the Neighborhood Common Area and facilities and the personal conduct of the Members and their family members, guests, lessees and invitees thereon;

3.10.8 Suspend the voting rights of a Member and the right to use the Neighborhood Common Area in accordance with the Neighborhood Declaration;

3.10.9 Exercise for the Neighborhood Association all powers, duties and authority vested in or delegated to the Neighborhood Association and not reserved to the membership by other provisions of the Project Documents.

3.10.10 Declare the office of a member of the Board to be vacant in accordance with Section 3.9;

3.10.11 Employ, hire and dismiss such employees and independent contractors as the Board deems necessary and to prescribe their duties and their compensation;

3.10.12 Cause to be kept a complete record of all its acts and corporate affairs;

3.10.13 Supervise all officers, agents and employees of the Neighborhood Association and see that their duties are properly performed;

3.10.14 Levy, collect and enforce the payment of Assessments in accordance with the provisions of the Neighborhood Declaration;

3.10.15 Issue, or cause an appropriate officer to issue upon demand to any person, a certificate setting forth whether or not any Assessment has been paid; a reasonable charge may be made by the Board for the issuance of these certificates; if a certificate states an Assessment has been paid, such certificate shall be conclusive evidence of such payment;

3.10.16 Procure and maintain adequate property, liability and other insurance as required by the Neighborhood Declaration;

3.10.17 Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

3.10.18 Cause the Neighborhood Common Areas to be maintained, as more fully set forth in the Neighborhood Declaration;

3.10.19 After notice and an opportunity to be heard, impose fines on Owners and residents for violations of the Neighborhood Declaration, the Neighborhood Association Rules or the Neighborhood Architectural Committee Rules, as interpreted and implemented by the Neighborhood Architectural Committee; and

3.10.20 Adopt, amend or repeal bylaws.

3.11 **Managing Agent.** The Board may employ for the Neighborhood Association a managing agent at a compensation established by the Board. The managing agent shall perform such duties and services as the Board shall authorize, including, but not limited to, all of the duties listed in the Project Documents except for such duties and services that under the Project Documents may not be delegated to the managing agent. The Board may delegate to the managing agent all of the powers granted to the Board or the officers of the Neighborhood Association by the Project Documents other than the power to: (i) adopt the annual budget or any amendment thereto or to levy Assessments; (ii) adopt, repeal or amend Neighborhood Association Rules; (iii) designate signatories on Neighborhood Association bank accounts; (iv) borrow money on behalf of the Neighborhood Association; or (v) acquire real property.

ARTICLE 4

OFFICERS AND THEIR DUTIES

4.1 **Enumeration of Officers.** The principal officers of the Neighborhood Association shall be the president, the vice president, the secretary, and the treasurer all of whom shall be elected by the Board. The president must be a member of the Board. Any other officers may, but need not, be members of the Board.

4.2 **Election of Officers.** The election of officers shall take place at the first meeting of the Board, following each annual meeting of the Members.

4.3 **Term.** The officers of the Neighborhood Association shall be elected annually by the Board and each shall hold office for one (1) year unless he or she shall sooner resign, or shall be removed, or otherwise disqualified to serve.

4.4 **Special Appointments.** The Board may elect such other officers as the affairs of the Neighborhood Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

4.5 **Resignation and Removal.** Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4.6 **Vacancies.** A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

4.7 **Multiple Offices.** Any two or more offices may be held simultaneously by the same person except as prohibited by the Arizona Revised Statutes, as they may be amended from time to time.

4.8 **Powers and Duties.** To the extent such powers and duties are not assigned or delegated to a managing agent pursuant to Section 3.11 of these Bylaws, the powers and duties of the officers shall be as follows:

4.8.1 **President.** The president shall be the chief executive officer of the Neighborhood Association, shall preside at all meetings of the Board or the Members, shall see that orders and resolutions of the Board are carried into effect, and have general and active management of the business of the Neighborhood Association.

4.8.2 **Vice President.** The vice president shall act in the place and stead of the president in the event of his or her absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him or her by the Board.

4.8.3 **Secretary.** The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members, keep the corporate seal if any of the Neighborhood Association and affix it on all papers requiring said seal, serve notice of meetings of the Board and of the Members, keep appropriate current records showing the Members together with their addresses, and shall perform such other duties as required by the Board.

4.8.4 **Treasurer.** The treasurer shall receive and deposit in appropriate bank accounts all monies of the Neighborhood Association and shall disburse such funds for appropriate Neighborhood Association purposes as set forth in the Project Documents, keep proper books of account, prepare an annual budget and a statement of income and expenditures

to be presented to the membership at its regular meeting, and deliver a copy of each to the Members, and, in general, perform all the duties incident to the office of treasurer.

ARTICLE 5

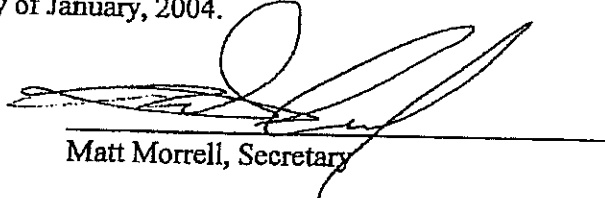
ASSESSMENTS

5.1 Assessments. Subject to the provisions of the Neighborhood Declaration, the Board shall levy, collect and enforce Assessments for the operation of the Neighborhood Association and for the management, maintenance and operation of the Neighborhood Common Areas. The Assessments shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the Members and residents of La Privada at Verde Santa Fe, enhancing the quality of life within La Privada at Verde Santa Fe, and protecting and enhancing the value, desirability and attractiveness of La Privada at Verde Santa Fe.

5.2 Collection Policy. In connection with its obligation to levy and collect Assessments, the Board shall establish and make available to the Members of the Neighborhood Association a collection policy that sets forth the due dates, delinquency dates, and late charges with respect to Assessments and the collection procedures that may be employed if Assessments are not paid in a timely manner.

CERTIFICATION

I hereby certify that the foregoing Bylaws were duly adopted by the Board of the Neighborhood Association on the 19 day of January, 2004.


Matt Morrell, Secretary

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When recorded, return to:

Stardust Development, Inc.
6730 North Scottsdale Road
Suite 230
Scottsdale, Arizona 85253
Attn: Chris Heeter

12/4

3678470 BK 4114 PG 448
Yavapai County, Arizona
Patsy Jenney-Colon, Recorder
01/28/2004 03:30P PAGE 1 OF 5
BROWN & BAIN
RECORDING FEE 5.00
SURCHARGE 8.00
POSTAGE 1.00

TRACT DECLARATION AND DECLARATION OF ANNEXATION

FOR

LA PRIVADA AT VERDE SANTA FE

This Tract Declaration and Declaration of Annexation for La Privada at Verde Santa Fe (this "Tract Declaration") is executed as of this 20th day of January, 2004 by STARDUST DEVELOPMENT, INC., an Arizona corporation ("Declarant").

RECITALS:

A. As of the date of this Tract Declaration, Declarant is the owner and holder of all rights of the "Declarant" under that certain Declaration of Covenants, Conditions, Restrictions and Easements for Verde Santa Fe dated February 6, 1997, and recorded on February 20, 1997, in Book 3360, page 858, Official Records of Yavapai County, Arizona as amended from time to time (the "Master Declaration").

B. The real property described on Exhibit A attached hereto (the "Tract") is a part of the Additional Property for purposes of the Master Declaration and, as of the date of this Tract Declaration, Declarant holds fee simple title to the Tract.

C. Article 2 of the Master Declaration contemplates that: (1) portions of the Additional Property may from time to time be added and annexed to the Project and subjected to the Master Declaration; and (2) Tract Declarations for property already subject to, or being annexed to, the Master Declaration may be executed and recorded from time to time.

D. Declarant desires to add and annex the Tract to the Project, to subject the Tract to the Master Declaration and to record this Tract Declaration with respect to the Tract.

E. In addition, as of the date of this Tract Declaration, Declarant is the owner and holder of all rights of the "Declarant" under that certain Neighborhood Declaration of Covenants, Conditions, Restrictions and Easements for La Privada at Verde Santa Fe, dated as of the date hereof and recorded concurrently herewith in the Official Records of Yavapai County, Arizona (as amended from time to time, the "Neighborhood Declaration"), with respect to the Tract. Among other things, the Neighborhood Declaration contemplates that the Tract will have private streets, the maintenance and operation costs of which will be borne by the Owners within the Tract, and may have features to control public access to the Tract. (Capitalized terms not defined in this Tract Declaration shall have the same meaning as given them in the Master Declaration).

DECLARATIONS:

Declarant declares as follows:

1. Annexation. As permitted by Section 2.3 of the Master Declaration and to promote the consistent development and maintenance of property in and about the Project, the Tract is hereby added and annexed to the Project and subjected to the Master Declaration.

2. Land Use Classification. Subject to the provisions of this Tract Declaration and the Master Declaration, Lots 1 through 102, inclusive, of the Tract shall have a land use classification of "Single Family Residential Use" and tracts A through E, inclusive, and tract G of the Tract shall have a land use classification of "Common Areas." Any and all references in this Tract Declaration to "Lot" or "Lots" shall be deemed to refer to any Lot or Lots established or created from the Tract.

3. Memberships and Votes. Pursuant to Section 5.8.1 of the Master Declaration, an Owner shall have one (1) Membership for each Lot owned by such Owner within the Tract.

4. Assessments. The Tract shall be assessed in accordance with the number of Memberships associated with the Tract as provided in Article 6 of the Master Declaration. The assessments to be levied pursuant to the Neighborhood Declaration shall be in addition to, and not in lieu of, the Assessments to be levied pursuant to the Master Declaration.

5. Architectural Control. In addition to the provisions of the Master Declaration relating to architectural control, the Tract shall also be subject to the following:

(a) No Residential Unit in the Tract shall contain more than a single-story, nor shall any Residential Unit in the Tract contain fewer than 1,800 square feet of air conditioned livable space.

(b) No Improvement shall be constructed or installed within the Tract without the prior written approval of the Architectural Committee, which approval shall include a review of the elevation and color scheme of the proposed Improvement.

The provisions of this Section 5 do not apply to, and approval of the Architectural Committee shall not be required for, any construction, installation, addition, alteration, repair, change, replacement or other work by or on behalf of the Declarant.

6. Enforcement. As provided in Section 9.1 of the Master Declaration, the Association or any Owner shall have the right to enforce the provisions of this Tract Declaration (as one of the Project Documents).

7. Term. All of the covenants, conditions, restrictions and other provisions of this Tract Declaration (as amended from time to time) shall: (a) run with and bind the Tract and all portions thereof, including but not limited to all Parcels or Lots created therefrom; (b) inure to the benefit of and shall be enforceable by the Association, the Neighborhood Association, by the owner of any property subject hereto or, so long as Declarant owns any portion of the Project or the Additional Property, by Declarant, and by their respective legal representatives, heirs,

successors and assigns; and (c) remain in full force and effect for a term co-extensive with the term of the Master Declaration, as the same may be extended in accordance with the provisions thereof.

8. Amendment. Except as otherwise expressly stated herein, this Tract Declaration may be amended only as provided in Section 2.2 of the Master Declaration. In no event shall any amendment be effective unless and until it is Recorded.

9. Severability; Interpretation; Gender. Invalidation of any provisions of this Tract Declaration by judgment or court order shall in no way affect any other provisions, which shall remain in full force and effect. The provisions of this Tract Declaration shall be construed and interpreted with reference to the laws of the State of Arizona. Where the context hereof so requires, any personal pronouns used in this Tract Declaration, whether used in the masculine, feminine or neuter gender, shall include all genders, and the singular shall include the plural and vice versa. Titles of paragraphs are for convenience only and shall not affect the interpretation hereof. All Exhibits attached hereto are incorporated herein by reference.

10. Perpetuities. If any of the covenants, conditions, restrictions or other provisions of this Tract Declaration would otherwise be unlawful, void or voidable for violation of the rule against perpetuities, then such provisions shall continue only until twenty-one (21) years after the death of the last survivor of the now living descendants of the President of the United States in office on the date this Tract Declaration is Recorded.

11. Declarant's Disclaimer of Representations. Although Declarant has no reason to believe that any provision in this Tract Declaration is or may be invalid or unenforceable for any reason or to any extent, Declarant makes no warranty or representation as to the present or future validity or enforceability of any such provision. Any owner acquiring the Tract or a Parcel or Lot created therefrom in reliance on one or more of such provisions shall assume all risks of the validity and enforceability thereof and by accepting ownership of the Tract, Parcel or Lot agrees to hold Declarant harmless therefrom.

12. Relationship to Master Declaration. This Tract Declaration shall be considered an integral part of the Project Documents and shall be construed and interpreted in a manner consistent therewith. In the event of any conflict between a provision of the Master Declaration and a provision of this Tract Declaration, the provision in the Master Declaration shall control except in the case where the provision in this Tract Declaration places greater or more specific restrictions upon the use, occupancy, improvement or development of the Tract, Parcel or Lots created therefrom, or upon the activities or conduct of owners, residents or others upon or about the Tract, Parcel or Lots created therefrom, in which event the provision in this Tract Declaration shall control.

IN WITNESS WHEREOF, Declarant has executed this instrument as of the date first set forth above.

STARDUST DEVELOPMENT, INC.
an Arizona corporation

By: *Chris B. Heeter*
Chris B. Heeter, its President

STATE OF ARIZONA)
) ss.
County of Maricopa)

Acknowledged before me this 20 day of January, 2004 by Chris B. Heeter, the President of STARDUST DEVELOPMENT, INC., an Arizona corporation, for and on behalf of the corporation.



Rhonda Rigg
Notary Public

My Commission Expires:

NOV. 7~~th~~, 2006
RR

EXHIBIT A

LEGAL DESCRIPTION

Tracts A through E, inclusive, Tract G and Lots 1 through 102, inclusive, of the FINAL PLAT OF LA PRIVADA AT VERDE SANTA FE, according to the plat of record in the office of the County Recorder of Yavapai County, Arizona, recorded in Book 49 of Maps, Pages 18, 19 and 20.

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36
/

When recorded, return to:

Stardust Development, Inc.
6730 North Scottsdale Road
Suite 230
Scottsdale, Arizona 85253
Attn: Chris Heeter

3678472 BK 4114 PG 450
Yavapai County, Arizona
Patsy Jenney-Colon, Recorder
01/28/2004 03:30P PAGE 1 OF 67
BROWN & BAIN
RECORDING FEE 67.00
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**NEIGHBORHOOD DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS**

FOR

LA PRIVADA AT VERDE SANTA FE

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**NEIGHBORHOOD DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS**

FOR

LA PRIVADA AT VERDE SANTA FE

THIS NEIGHBORHOOD DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR LA PRIVADA AT VERDE SANTA FE ("Neighborhood Declaration") is made this 24th day of January, 2004 by STARDUST DEVELOPMENT, INC., an Arizona corporation ("Declarant").

This Neighborhood Declaration provides for an extensive degree of control by the Declarant, including, but not limited to control of the Neighborhood Association and substantial flexibility in developing the Property. SECTION 11.24 AND ARTICLE 14 INCLUDE LIMITATIONS ON CERTAIN LEGAL PROCEEDINGS RELATED TO THIS NEIGHBORHOOD DECLARATION AND THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, A REQUIREMENT THAT CERTAIN CLAIMS BE SUBMITTED TO MEDIATION AND FINAL AND BINDING ARBITRATION, RATHER THAN INSTITUTING LITIGATION. Sections 2.2, 2.3, and 11.19 contain certain limitations on the liability of Declarant and a waiver of certain representations and warranties of Declarant and Designated Developers. Each Owner, by accepting title to a Lot or a Parcel, and all other Persons hereafter acquiring any other interest in any portion of the Property, acknowledge, agree to and accept Declarant's control of the Property, the limitations on legal proceedings, and the limitations on liability and representations and warranties. Capitalized terms used in this paragraph are defined in this Neighborhood Declaration.

RECITALS

A. First American Title Insurance Company, a California corporation, as Trustee under Trust No. 8248 of First American Title Insurance Company, dated June 21, 1996, as Declarant, executed and caused to be recorded that certain Declaration of Covenants, Conditions, Restrictions and Easements for Verde Santa Fe, Yavapai County, Arizona, dated February 6, 1997, and recorded on February 20, 1997, in Book 3360, page 858, of the official records of the Yavapai County, Arizona, as amended from time to time (the "Master Declaration").

B. Declarant: (1) holds fee simple title to the property (or a portion thereof) described on Exhibit A of the Master Declaration for the purpose of development and/or resale in the ordinary course of business, (2) is a successor-in-title to First American Title Insurance Company as Trustee under its Trust No. 8248 dated June 21, 1996, and (3) has been designated as the Declarant for purposes of the Master Declaration in that certain Assignment and Assumption of Declarant's Rights dated October 9, 2000, and recorded on February 15, 2001, in Book 3811, page 842, of the official records of the Yavapai County, Arizona, which was

executed and acknowledged by Verde Santa Fe-Sunbelt L.L.C., the immediately preceding Declarant under the Master Declaration.

C. The Master Declaration contemplates that the Declarant may record a declaration of covenants, conditions and restrictions or similar instrument (other than the Master Declaration or a Tract Declaration) that affects (or indicates by its terms that it is intended ultimately to affect) a Parcel or Parcels or a Lot or Lots (as those terms are defined in the Master Declaration) and contains a provision expressly identifying itself as a "Neighborhood Declaration" for purposes of the Master Declaration.

D. The real property described on Exhibit A attached hereto (the "Property") is subject to the Master Declaration and consists of a Parcel or Parcels or a Lot or Lots under the Master Declaration.

E. Declarant desires to Record this Neighborhood Declaration and subject the Property to this Neighborhood Declaration.

F. This Neighborhood Declaration shall constitute a "Neighborhood Declaration" for purposes of the Master Declaration.

ARTICLE 1 DEFINITIONS

- 1.1 "Annual Assessments" means the Assessments levied pursuant to Section 7.2.
- 1.2 "Articles" means the articles of incorporation of the Neighborhood Association, as amended from time to time.
- 1.3 "Assessable Property" means each Lot or Parcel, except for Exempt Property.
- 1.4 "Assessment" means an Annual Assessment, Parcel Assessment or Special Assessment.
- 1.5 "Assessment Lien" means the lien created and imposed by Article 7.
- 1.6 "Assessment Period" means the period set forth in Section 7.6.
- 1.7 "Board" means the board of directors of the Neighborhood Association.
- 1.8 "Bylaws" means the bylaws of the Neighborhood Association, as amended from time to time.
- 1.9 "Common Expenses" means expenditures made by or financial liabilities of the Neighborhood Association, together with any allocations to reserves.
- 1.10 "County" means Yavapai County, Arizona, and any and all agencies, boards, commissions, or departments of the County.

1.11 "Declarant" means Stardust Development, Inc., an Arizona corporation, or any successor, successor-in-title, or assignee of Stardust Development, Inc. who has or takes title to, or has any interest in (including, without limitation, an option to purchase), any portion of the property described on Exhibit A hereto for the purpose of development and/or resale in the ordinary course of business and who is designated as the Declarant for purposes of this Neighborhood Declaration in a recorded instrument executed by the immediately preceding Declarant. An assignment by recorded instrument of all Declarant's rights shall vest in the assignee all of the Declarant's rights hereunder on the same terms they were held by Declarant. An assignment by recorded instrument of part of Declarant's rights shall vest in the assignee only the specific rights named in the instrument of assignment on the same terms they were held by Declarant. Notwithstanding anything to the contrary herein, an assignment of all or any portion of Declarant's rights shall not deprive the assignor of any protection, indemnity or freedom from liability that would otherwise exist under this Neighborhood Declaration if the assignor had retained all of the Declarant's rights hereunder.

1.12 "Declarant Affiliate" means any Person directly or indirectly controlling, controlled by or under common control with Declarant, and shall include, without limitation, any general or limited partnership, limited liability company, limited liability partnership or corporation in which the Declarant (or another Declarant Affiliate) is a general partner, managing member or controlling shareholder.

1.13 "Designated Developer" means any Person who is in the business of developing, selling or leasing real property and who acquires one or more Lots or Parcels in connection with, and in the course of, such business, for the purpose of developing, selling or leasing such Lots or Parcels and who is designated as a Designated Developer in a document executed and acknowledged by Declarant and Recorded with the County.

1.14 "Development Plan" means the Development Plan for the community commonly known as Verde Santa Fe, as amended from time to time.

1.15 "Exempt Property" means: (a) all land and improvements dedicated to and accepted by, the United States, the State of Arizona, or the County, or any political subdivision of any of them, for as long as said dedication remains effective; (b) all Master Association Common Area; (c) all Neighborhood Common Area; and (d) any parcel with a Land Use Classification of Fire Station Use, Park Use or Public or Private Utility Use, unless otherwise indicated in the applicable recorded Tract Declaration.

1.16 Intentionally Omitted.

1.17 "First Mortgage" means a Mortgage Recorded against a Lot or Parcel that has priority over all other Mortgages Recorded against that Lot or Parcel.

1.18 "Golf Course" means that parcel of land operated as a golf course pursuant to the terms of the Golf Course Declaration.

1.19 "Golf Course Declaration" means that Declaration of Covenants, Conditions, Restrictions and Easements executed on July 19, 1996, by First American Title Insurance Company, a California corporation, as Trustee under Trust No. 8248, as Declarant, and accepted

and approved by Verde Santa Fe South Partners, L.L.C., an Arizona limited liability company, as Second Beneficiary, and Verde Santa Fe Limited Partnership, an Arizona limited partnership, as First Beneficiary, and recorded in Book 3246, page 467, Official Records of Yavapai County, as may be amended from time to time.

1.20 "Improvement" means: (a) any Residential Unit, building, fence or wall; (b) any swimming pool, tennis court, basketball court, road, driveway, parking area; (c) any trees, plants, shrubs, grass or other landscaping improvements of every type and kind; (d) any statuary, fountain, artistic work, craft work, figurine, ornamentation or embellishment of any type or kind (whether or not affixed to a structure or permanently attached to a Lot or Parcel); and (e) any other structure of any kind or nature.

1.21 "Land Use Classification" means the classification established by a Tract Declaration designating the type of Improvements that may be constructed on a Lot or Parcel and the purposes for which such Lot or Parcel, and the Improvements situated thereon, may be utilized.

1.22 "Lessee" means the lessee or tenant under a lease, oral or written, of any Lot or Parcel (or part thereof), including an assignee of the lessee's or tenant's interest under a lease.

1.23 "Lot" means a portion of the Property intended for independent ownership and residential use and designated as a lot on any Subdivision Plat and, where the context indicates or requires, shall include any Residential Unit, building, structure or other Improvements situated on the Lot.

1.24 "Master Architectural Committee" means the committee established pursuant to the Master Declaration.

1.25 "Master Architectural Committee Rules" means the rules and guidelines adopted by the Master Architectural Committee pursuant to the Master Declaration, as amended or supplemented from time to time.

1.26 "Master Association" means Verde Santa Fe Community Association, an Arizona nonprofit corporation, and its successors and assigns.

1.27 "Master Association Common Area" shall have the same meaning given to the term, "Common Area" in Section 1.15 of the Master Declaration.

1.28 "Master Association Land" shall have the same meaning given to the term, "Association Land" in Section 1.11 of the Master Declaration.

1.29 "Master Declaration" means that certain Declaration of Covenants, Conditions, Restrictions and Easements for Verde Santa Fe, Yavapai County, Arizona dated February 6, 1997 and recorded on February 20, 1997, in Book 3360, page 858, of the official records of the Yavapai County, Arizona Recorder, as amended from time to time.

1.30 "Maximum Membership Assessment" shall have the meaning given such term in paragraph 7.3.1(b).

1.44 "Occupant" means any Person other than an Owner who occupies or is in possession of a Lot or Parcel, or any portion thereof or building or structure thereon, whether as a Lessee or otherwise, other than on a merely transient basis (and shall include, without limitation, a Resident).

1.45 "Owner" means the Person or Persons who individually or collectively own fee title to a Lot or Parcel (as evidenced by a Recorded instrument), provided that: (a) the Declarant (and not the fee title holder) shall be deemed to be the "Owner" of each Lot or Parcel with respect to which fee title is held by a Declarant Affiliate or by a trustee (other than the trustee of a deed of trust) for the benefit of the Declarant or a Declarant Affiliate; and (b) in any case where fee title to a Lot is vested in a trustee under a deed of trust pursuant to Chapter 6.1 of Title 33 of the Arizona Revised Statutes, the owner of the trustor's interest under the deed of trust shall be deemed to be the "Owner" of that Lot. Where reference is made in this Neighborhood Declaration to Lots or Parcels "owned by" a Person, such phrase shall be deemed to refer to Lots or Parcels of which that Person is the Owner, as determined pursuant to this Section 1.45.

1.46 "Parcel" means each area of real property in the Property, and all Improvements situated thereon, shown as a separate parcel of land on the Development Plan, provided, however, that in the event a Parcel is split in any manner into portions under separate ownership (other than by subdivision of the Parcel by Recordation of a subdivision plat into Lots, each of which constitutes or may have constructed thereon only one Residential Unit), each portion under separate ownership shall thereafter constitute a separate Parcel. If two or more contiguous parcels of land are owned by the same Person, they shall be considered one Parcel for purposes of this Neighborhood Declaration. A Parcel shall cease to be a Parcel when it has been fully subdivided into Lots (together with Master Common Area and Neighborhood Common Area, if any). If a portion of a Parcel is subdivided into Lots (and Master Common Area and Neighborhood Common Area, if any), the subdivided portion shall cease to be a Parcel, but each remaining unsubdivided portion shall be a Parcel if it otherwise meets the requirements of the definition set forth in this Section 1.46.

1.47 "Parcel Assessment" means an Assessment levied against fewer than all of the Lots and Parcels on the Property pursuant to Section 7.4.

1.48 "Parcel Assessment Area" means any part of the Property designated in the Tract Declaration (or other Recorded instrument approved by the Declarant, and by the Owner of the property subject thereto, if other than the Declarant) as an area that is to be operated, maintained, repaired and replaced by the Neighborhood Association but which is for the sole or primary benefit of the Owners of fewer than all of the Lots and Parcels in the Property.

1.49 "Period of Declarant Control" means the period commencing on the date of the Recording of this Neighborhood Declaration and ending on the earlier of: (a) the date on which the votes entitled to be cast by the Class A Members equals or exceeds the total votes entitled to be cast by all the Class B Members; (b) seven (7) years after the recording of this Neighborhood Declaration; or (c) the date the Declarant Records a written instrument terminating the Period of Declarant Control.

1.50 Intentionally Omitted.

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

1.52 "Private Amenities" means real property and any improvements and facilities thereon located adjacent to, in the vicinity of, or within the Properties, which are privately owned and operated by Persons other than the Neighborhood Association for recreational and related purposes, on a club membership basis, use fee basis, or otherwise, and shall include, without limitation, the Golf Course, if any, for so long as such Golf Course is owned and operated by Persons other than the Neighborhood Association.

1.53 "Project" means the development that is generally known as "Verde Santa Fe" located in the County and that is described as the "Property" in the Master Declaration, including all other real property that becomes subject to the Master Declaration pursuant to the terms thereof.

1.54 "Property" or "Properties" means the real property described on Exhibit A together with all Improvements located thereon, and all real property, together with all Improvements located thereon.

1.55 "Property Documents" means this Neighborhood Declaration, Tract Declarations, the Articles, the Bylaws, the Neighborhood Association Rules, the Neighborhood Architectural Committee Rules, and the Master Architectural Committee Rules.

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

1.57 Intentionally Omitted.

1.58 "Record." "Recording." "Recorded" and "Recordation" means placing or having placed an instrument of public record in the official records of Yavapai County, Arizona.

1.59 "Resident" means each individual who resides in any Residential Unit.

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

1.61 "Single Family" means a group of 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 Residential Unit.

1.62 "Special Assessment" means any Assessment levied pursuant to Section 7.4.

1.63 "Special Use Fees" means any fees charged by the Neighborhood Association for use of Neighborhood Common Areas pursuant to paragraph 5.1.1(f).

1.64 "Subdivision Plat" means any subdivision plat Recorded against any portion of the Property with the intent of, or which has the effect of, subdividing such portion into Lots (together with any related Master Association Common Area, Neighborhood Common Area and public rights-of-way), together with all amendments, supplements and corrections to such plat.

1.65 "Tract Declaration" means any declaration Recorded pursuant to Section 2.2 of the Master Declaration which affects the Property or any portion thereof.

1.66 "Visible From Neighboring Property" means, with respect to an object, that the object is or would be visible to a six-foot tall person standing at ground level on any part of neighboring property, except where the object is visible solely through a wrought iron fence and would not be visible if the wrought iron fence were a solid fence.

ARTICLE 2 PLAN OF DEVELOPMENT

2.1 Property Subject to the Neighborhood Declaration. This Neighborhood Declaration is being Recorded to establish a general plan for the development and use of the Property in order to protect and enhance the value and desirability of the Property and the Project. All of the Property shall be held, sold and conveyed subject to this Neighborhood Declaration. By acceptance of a deed or by acquiring any interest in any of the property subject to this Neighborhood Declaration, each Person, for himself, herself or itself, and his, her or its heirs, personal representatives, successors, transferees and assigns, binds himself, herself or itself, and his, her or its heirs, personal representatives, successors, transferees and assigns, to all of the provisions, restrictions, covenants, conditions, rules and regulations now or hereafter imposed by this Neighborhood Declaration. In addition, each such Person by so doing acknowledges that this Neighborhood Declaration sets forth a general scheme for the development and use of the Property and evidences his, her or its intent that all the restrictions, conditions, covenants, rules and regulations contained in this Neighborhood Declaration shall run with the land and be binding on all subsequent and future Owners, grantees, Purchasers, assignees, Lessees and transferees thereof. Furthermore, each such Person fully understands and acknowledges that this Neighborhood Declaration shall be mutually beneficial, prohibitive and enforceable by the Neighborhood Association and all Owners.

2.2 Disclaimer of Representations. The Declarant makes no representations or warranties whatsoever that: (a) the Project will be completed in accordance with the plans for the Project as they exist on the date this Neighborhood Declaration is Recorded; (b) any property subject to this Neighborhood Declaration will be committed to or developed for a particular use or for any use; (c) any property not now subject to this Neighborhood Declaration will be subjected to the provisions hereof; or (d) the use of any property subject to this Neighborhood Declaration will not be changed in the future. In addition, if any guardhouses are constructed within the Project, the Declarant makes no representations or warranties that a guard service will be provided or, if guard service is provided, that it will be provided during any particular hours or be continued in the future. Nothing contained in this Neighborhood Declaration and nothing

that may be represented to a purchaser by real estate brokers or salesmen representing the Declarant or any Designated Developer shall be deemed to create any covenants or restrictions, implied or express, with respect to the use of any property subject to this Neighborhood Declaration.

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

ARTICLE 3

LAND USE CLASSIFICATIONS, PERMITTED USES AND RESTRICTIONS

3.1 Land Use Classifications. The purposes for which the Property may be used shall be determined by the Land Use Classification of the property as established by the Tract Declaration annexing the Property under the Master Declaration. The exact definitions and characteristics of the Land Use Classification of the Property (and the specific permitted and prohibited uses of the real property within a particular Land Use Classification) will be determined in the respective Recorded Tract Declaration and the Master Declaration.

3.2 Architectural Control.

3.2.1 In addition to the rules, restrictions and rights made upon the Property by virtue of the Master Architectural Committee Rules and the authority of the Master Architectural Committee, the Property also shall be subject to the following:

(a) All Improvements constructed within the Property shall be of new construction, and no buildings or other structures shall be removed from other locations to the Property (except for construction and sales trailers or similar facilities approved in advance by the Neighborhood Architectural Committee).

(b) No Residential Unit shall contain more than a single-story, nor shall any Residential Unit contain fewer than 1,800 square feet of air conditioned livable space.

(c) No devegetation, excavation or grading work shall be performed within the Property without the prior written approval of the Neighborhood Architectural Committee.

(d) No Improvement shall be constructed or installed within the Property without the prior written approval of the Neighborhood Architectural Committee, which approval shall include a review of the elevation and color scheme of the proposed Improvement.

(e) No addition, alteration, repair, change or other work that in any way alters the exterior appearance (including without limitation, the exterior color scheme or the elevation) of any property within the Property, or any Improvements located thereon, shall be made or done without the prior written approval of the Neighborhood Architectural Committee, nor shall any Lot be split, divided or further subdivided in any manner without the prior written approval of the Neighborhood Architectural Committee.

(f) Any Owner or other Person desiring approval of the Neighborhood Architectural Committee for the construction, installation, addition, alteration, repair, change or replacement of any Improvement that would alter the exterior appearance of his, her or its Lot, Parcel or other portion of the Property, or any Improvements located thereon, shall submit to the Neighborhood Architectural Committee a written request for approval specifying in detail the nature and extent of the construction, installation, addition, alteration, repair, change, replacement or other work that such Owner or other Person desires to perform. Any Owner or other Person requesting the approval of the Neighborhood Architectural Committee shall also submit to the Neighborhood Architectural Committee any additional approval within thirty (30) days after the application, together with all supporting information, plan and specifications required by the Neighborhood Architectural Rules or reasonably requested by the Neighborhood Architectural Committee, have been submitted to it, approval will not be required and this Section 3.2 will be deemed to have been complied with by the Owner or other Person who submitted such application for approval.

(g) The approval by the Neighborhood Architectural Committee of any construction, installation, addition, alteration, repair, change, replacement or other work pursuant to this Section 3.2 shall not be deemed a waiver of the Neighborhood Architectural Committee's right to withhold approval of any similar construction, installation, addition, alteration, repair, change, replacement or other work subsequently submitted for approval.

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

(i) Any material change, deletion or addition to the plan and specifications approved by the Neighborhood Architectural Committee must be approved in writing by the Neighborhood Architectural Committee.

(j) The Neighborhood Architectural Committee shall have the right to charge a reasonable fee for reviewing requests for approval or any construction, installation, addition, alteration, repair, change, replacement or other work pursuant to this Section 3.2, which

fee shall be payable at the time the application for approval is submitted to the Neighborhood Architectural Committee. Such fee, if established and charged by the Neighborhood Architectural Committee, shall be set at such a reasonable level as the Neighborhood Architectural Committee may establish will be necessary to defray the reasonable costs and expenses of the Neighborhood Architectural Committee in reviewing and evaluating any such request or application, and may include, if the Neighborhood Architectural Committee deems it reasonably necessary under the circumstances, an amount to cover the reasonable costs of professional consultation to the Neighborhood Architectural Committee by an architect or engineer.

(k) The provisions of this Section 3.2 do not apply to, and approval of the Neighborhood Architectural Committee shall not be required for, any construction, installation, addition, alteration, repair, change, replacement or other work by or on behalf of the Declarant.

(l) The approval required of the Neighborhood Architectural Committee pursuant to this Section 3.2 shall be in addition to, and not in lieu of, any approvals or permits that may be required under any federal, state or local law, statute, ordinance, rule or regulation, under any Recorded instrument, or under the Master Architectural Rules or the Master Declaration. The Neighborhood Architectural Committee may condition its approval of any application, plans or other items submitted to it on delivery to the Neighborhood Architectural Committee of evidence satisfactory to the Neighborhood Architectural Committee that the Owner or other Person seeking the Neighborhood Architectural Committee's approval has also made appropriate applications for (and prior to commencing work shall have obtained) any and all such other approvals or permits. The Neighborhood Architectural Committee shall cooperate reasonably with any other approving authorities or entities, including the Master Architectural Committee; provided, however, that the Neighborhood Architectural Committee shall not be bound by any approvals, permits or other decisions of any other such approving authority or entity.

3.2.2 In the event Master Architectural Committee Rules and Neighborhood Association Committee Rules differ, the more restrictive of the rules shall control. At all times the Master Architectural Committee Rules shall be superior to the extent of any conflict with the Neighborhood Architectural Committee Rules; provided, however, the Master Architectural Committee Rules and Neighborhood Association Committee Rules shall be interpreted and applied, to the maximum extent reasonably possible, so as to not conflict with one another.

3.3 Temporary Occupancy and Temporary Buildings. No trailer, basement of any incomplete building, tent, shack, garage or barn, and no temporary buildings or structures of any kind, shall be used at any time for a residence, either temporary or permanent. Temporary buildings, trailers or other structures used during the construction of Improvements approved by the Master Architectural Committee shall be removed immediately after the completion of construction, 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 months without the prior written approval of the Master Architectural Committee.

3.4 Maintenance of Landscaping. Except as otherwise expressly provided for in the Tract Declaration, each Owner of a Lot or Parcel shall properly maintain and keep neatly trimmed, properly cultivated and free of trash, weeds and other unsightly material all shrubs, trees, hedges, grass and plantings of every kind (collectively, "Landscaping") located on: (a) his, her or its Lot or Parcel; (b) any public right-of-way or easement area that abuts or adjoins the Owner's Lot or Parcel and that is located between the boundary line of his, her or its Lot or Parcel and the paved area of any street, sidewalk, bike-path or similar area (unless otherwise directed by the Board); and (c) any non-street public right-of-way or easement area adjacent to his, her or its Lot or Parcel (unless otherwise directed by the Board); provided, however, that such Owner shall not be responsible for maintenance of any area over which: (i) the Neighborhood Association or Master Association assumes the responsibility in writing; (ii) the Neighborhood Association or Master Association has been given such responsibility by a Tract Declaration; or (iii) the County or any other municipality or other governmental agency or entity having jurisdiction over such property, assumes responsibility, for so long as the County or such other municipality or other governmental agency or entity assumes or has responsibility. For purposes of this Section 3.4, proper maintenance of Landscaping shall include, without limitation, removal and replacement of dead Landscaping, subject to the Master Architectural Committee Rules and Neighborhood Architectural Rules.

3.5 Nuisances, Construction Activities. No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot, Parcel or other property, and no odors, loud noises or loud music shall be permitted to arise or emit therefrom, so as to render any such property or any portion thereof, or activity thereon, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to the occupants of such other property. No other nuisance shall be permitted to exist or operate upon or adjacent to any Lot, Parcel or other property so as to be offensive or detrimental to any other property in the vicinity thereof or to its occupants. Normal construction activities and parking in connection with the building of Improvements on a Lot, Parcel or other property shall not be considered a nuisance or otherwise prohibited by this Neighborhood Declaration, but during construction periods, Lots, Parcels and other property shall be kept in a neat and tidy condition, trash and debris shall not be permitted to accumulate, supplies of brick, block, lumber and other building materials shall be piled only in such areas as may be approved in writing by the Master Architectural Committee and Neighborhood Architectural Committee, and no loud music shall be permitted. In addition, any construction equipment and building materials stored or kept on any Lot, Parcel or other property during the construction of Improvements may be kept only in areas approved in writing by the Master Architectural Committee and Neighborhood Architectural Committee, which may also require screening of the storage areas. The Master Architectural Committee and Neighborhood Architectural Committee, individually in their sole discretion, shall have the right to determine the existence of any such nuisance. The provisions of this Section 3.5 shall not apply to construction activities of the Declarant.

3.6 Diseases and Insects. No Person shall permit any thing or condition to exist upon any Lot, Parcel or other property that shall induce, breed or harbor infectious diseases or noxious insects.

3.7 Repair of Building. No Residential Unit, building, structure or other Improvement on any Lot, Parcel or other property shall be permitted to fall into disrepair and each such

Residential Unit, building, structure and other Improvement shall at all times be kept in good condition and repair and adequately painted or otherwise finished. In the event any Residential Unit, building, structure or other Improvement is damaged or destroyed, then, subject to the architectural approvals required by the Master Declaration, such Residential Unit, building, structure or other Improvement shall be immediately repaired or rebuilt or shall be demolished.

3.8 Antennas, Poles, Towers and Dishes. The Board shall have the power to adopt rules or regulations pertaining to an Owner's or Occupant's placement, installation and maintenance of a satellite dish or other antenna designed to receive a signal relayed from a satellite, a television, radio, shortwave, microwave, flag or other antenna, pole, tower or dish, including a flagpole, upon the Owner's or Occupant's Lot or Parcel, provided that the location and size of same may also be regulated by the Master Architectural Committee and may, if so provided in such rule or regulation, be made subject to the prior approval thereof by the Master Architectural Committee. Nothing in this Section 3.8 shall be deemed to prohibit the Declarant from installing and maintaining flagpoles on, at or adjacent to model homes within the Project. Poles to which basketball backboards, goals and related equipment are affixed shall be governed by Section 3.31. Each provision of this Section 3.8 shall apply only to the extent it is enforceable under state or federal law at the time the provision is sought to be enforced. The failure of the Neighborhood Association to enforce any provision in this Section 3.8 shall not be deemed a waiver of any other provision in this Neighborhood Declaration.

3.9 Mineral Exploration. No Lot, Parcel or other property shall be used in any manner to explore for or to remove any water, oil or other hydrocarbons, minerals of any kind, gravel, gas, earth or any earth substance of any kind, except for the drilling, operation and maintenance of any testing, inspection or other water wells approved by the Declarant.

3.10 Trash Containers and Collection. No garbage or trash shall be placed or kept on any Lot, Parcel or other property except in sanitary, covered containers of a type, size and style that are approved by the Master Architectural Committee and Neighborhood Architectural Committee. In no event shall such containers be maintained so as to be Visible From Neighboring Property except to make the same available for collection and then only for the shortest time reasonably necessary to effect such collection. All rubbish, trash or garbage shall be removed from Lots, Parcels and other property and shall not be allowed to accumulate thereon. No outdoor incinerators shall be maintained on any Lot, Parcel or other property.

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

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

Master Architectural Committee and Neighborhood Architectural Committee. Notwithstanding the foregoing, utility meters and related panels and similar equipment may be placed on outside building walls exposed to view from a street in order to comply with any requirements, regulations, orders, conditions or specifications of any public, quasi-public or private utility or any governmental agency or body, provided that reasonable efforts shall be made to avoid placing any such meter, panel or other equipment on the outside front wall of a residence or other building facing the street running directly in front of such residence.

3.13 Overhead Encroachments. No tree, shrub or planting of any kind on any Lot, Parcel or other property shall be allowed to overhang or otherwise to encroach upon any sidewalk, street, bicycle path or pedestrian way from ground level to a height of eight (8) feet without the prior approval of the Master Architectural Committee and Neighborhood Architectural Committee.

3.14 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, Lessees and Occupants, the Board may make rules restricting or regulating their presence in the Property as part of the Neighborhood Association Rules or may request the Master Architectural Committee and Neighborhood Architectural Committee to make rules governing their presence on Lots, Parcels or other property as part of the Master Architectural Committee Rules and Neighborhood Architectural Committee Rules.

3.15 Model Homes. Any provisions of this Neighborhood Declaration or any Tract Declaration that prohibit non-residential use of Lots and certain Parcels and regulate parking of vehicles shall not prohibit the construction and maintenance of model homes or other model Residential Units of any kind (including, without limitation, any used in whole or in part as sales offices) (collectively, "Models") by Persons engaged in the construction of Residential Units in the Project, or parking incidental to the visiting of such Models, so long as the construction, operation and maintenance of such Models and parking otherwise comply with all of the provisions of this Neighborhood Declaration. The Master Architectural Committee and Neighborhood Architectural Committee may also permit Lots and other areas to be used for parking in connection with the showing of Models. Any homes or other structures constructed as Models shall cease to be used as Models at any time the Owner or Lessee thereof is not actively engaged in the construction and sale of Residential Units on the Property, and no home or other structure shall be used as a Model for the sale of homes or other structures not located on the Property. Neither the provisions of this Section 3.15 nor the provisions of any other Section of this Neighborhood Declaration or of any Tract Declaration shall restrict or prohibit the right of the Declarant or a Declarant Affiliate to construct, operate and maintain Models on the Property.

3.16 Incidental Uses. The Master Architectural Committee may approve uses of property within a Land Use Classification that are incidental to the full enjoyment of the Owners and Occupants of the property within the Land Use Classification. Such approval may be subject to such regulations, limitations and restrictions, including termination of the use, as the Master Architectural Committee may wish to impose, in its sole discretion, for the benefit of the Project as a whole.

3.17 Residential Use and Trades or Businesses. All Lots and Residential Units shall be used, improved and devoted exclusively to residential use by a Single Family. No trade or business may be conducted on any Lot or Parcel or in or from any Residential Unit, except that an Owner or other Resident may conduct a business activity in a Residential Unit so long as: (a) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell from outside the Residential Unit; (b) the business activity conforms to all applicable zoning ordinances or requirements; (c) the business activity does not involve the door-to-door solicitation of Owners or other Residents in the Project; (d) the use of the Residential Unit for trade or business shall in no way destroy or be incompatible with the residential character of the Residential Unit or the surrounding neighborhood; (e) the trade or business shall be conducted only inside the Residential Unit or inside an accessory building or garage, and shall not involve the viewing, purchase or taking delivery of goods or merchandise at, to, from or in any Residential Unit; (f) the trade or business shall be conducted by a Resident or Residents of the Residential Unit with no more than one (1) employee working in or from such Residential Unit who is not a Resident thereof; (g) no more than twenty percent (20%) of the total floor area of the Residential Unit shall be used for trade or business; (h) the Residential Unit used for trade or business shall not be used as a storage facility for a business conducted elsewhere; (i) the volume of vehicular or pedestrian traffic or parking generated by such trade or business shall not result in congestion or be in excess of what is customary in a residential neighborhood; (j) a trade or business shall not utilize flammable liquids or hazardous materials in quantities not customary to a residential use; and (k) a trade or business shall not utilize large vehicles not customary to a residential use. The terms "business" and "trade" as used in this Section 3.17 shall be construed to have ordinary, generally accepted meanings, and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis that involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation or other form of consideration, regardless of whether: (i) such activity is engaged in full or part time; (ii) such activity is intended to or does generate a profit; or (iii) a license is required for such activity. The leasing of a Residential Unit by the Owner thereof shall not be considered a trade or business within the meaning of this Section.

3.18 Animals. No animal, livestock, poultry or fowl of any kind, other than a reasonable number of house pets, shall be maintained on or in any Lot or Parcel and then only if they are kept or raised thereon solely as domestic pets and not for commercial purposes. No house pets shall be permitted to make an unreasonable amount of noise or create a nuisance. No structure for the care, housing or confinement of any pet shall be Visible From Neighboring Property. Notwithstanding the foregoing, no pets may be kept on or in any Lot or Parcel that, in the opinion of the Board, result in an annoyance to other Owners or Occupants in the vicinity. All pets shall be leashed when not on property owned by the pet's owner or on which the pet's owner is a Resident or guest, and persons walking any pet shall promptly and properly remove and dispose of the pet's waste.

3.19 Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot or Parcel, except: (a) such machinery or equipment as is usual and customary in connection with the use, maintenance or construction (during the period of construction) of a building, appurtenant structures or other Improvements; and (b) that which Declarant or the Neighborhood Association may permit or require for the development, operation and maintenance of the Project.

3.20 Signs. No signs whatsoever (including, but not limited to commercial, political, "for sale," "for rent" and similar signs) that are Visible From Neighboring Property shall be erected or maintained on any Lot or Parcel except:

3.20.1 Signs required by legal proceedings.

3.20.2 Residence identification signs provided the size, color, content and location of such signs have been approved in writing by the Master Architectural Committee and Neighborhood Architectural Committee.

3.20.3 Signs of Designated Developers or Declarant approved from time to time by the Master Architectural Committee and Neighborhood Architectural Committee as to number, size, color, design, message content, location and type.

3.20.4 Such construction job identification signs, business identification signs and subdivision identification signs that are in conformance with the requirements of the County or any municipality having jurisdiction over the property and that have been approved in writing by the Master Architectural Committee and Neighborhood Architectural Committee as to number, size, color, design, message content and location.

3.20.5 Temporary "Open House" signs indicating that a Residential Unit is available for inspection by interested parties, but such signs may only be erected or maintained during the hours of 10:00 A.M. through 6:00 P.M. on Saturdays, Sundays, legal holidays or other days designated by the Master Architectural Committee and Neighborhood Architectural Committee.

3.20.6 Temporary "for sale" signs, which shall be subject to any limitations as to such signs adopted by the Master Architectural Committee and Neighborhood Architectural Committee, and which shall not be allowed to remain on a Lot or Parcel for more than a total of ninety (90) days during any 365-day period.

3.21 Required Approvals for Further Property Restrictions.

3.21.1 All proposed site plans and Subdivision Plats for any Lot or Parcel, or any portion thereof, must be approved in writing by the Master Architectural Committee and Neighborhood Architectural Committee prior to Recordation thereof or commencement of construction on the applicable Lot or Parcel. No Lot, or portion thereof, shall be further subdivided, and no portion less than all of any such Lot, or any easement or other interest therein, shall be conveyed or transferred by any Owner without the prior written approval of the Master Architectural Committee and Neighborhood Architectural Committee, provided that nothing in this Subsection 3.21.1 shall be deemed to prohibit sales by the Declarant or a Designated Developer of Lots into which a Parcel is divided, so long as the plat(s) and other items required to be approved pursuant to this Section 3.21 have been so approved.

3.21.2 No further covenants, conditions, restrictions, condominium declarations or easements shall be Recorded against any Lot or Parcel, or portion thereof, without the prior written approval of the Master Architectural Committee and Neighborhood Architectural Committee.

3.21.3 No applications for rezoning, variances or use permits, or for waivers of or modifications to existing variances, use permits, zoning stipulations or similar restrictions, shall be filed with any governmental authority or agency without the prior written approval of the Master Architectural Committee and Neighborhood Architectural Committee, and then only if such proposed zoning, variance or use, or waiver or modification, is in compliance with the Master Declaration, this Neighborhood Declaration, any applicable Tract Declaration and the Development Plan.

3.21.4 No Subdivision Plat, condominium declaration, easement, declaration of further covenants, conditions, restrictions or easements or other instrument that is to be Recorded and that is required by this Section 3.21 to be approved by the Master Architectural Committee and Neighborhood Architectural Committee shall be effective unless the required approval is evidenced on such instrument by the signature of an authorized representative of the Master Architectural Committee and Neighborhood Architectural Committee.

3.21.5 No site plan, Subdivision Plat, condominium declaration or further covenants, conditions, restrictions or easements, and no application for rezoning, variances or use permits shall be submitted to the County or any other governmental authority or agency unless the same has first been approved in writing by the Master Architectural Committee and Neighborhood Architectural Committee as provided in this Section 3.21; further, no changes or modifications shall be made in any such documents, instruments or applications once the documents have been approved by the Master Architectural Committee and Neighborhood Architectural Committee hereunder (whether requested by the County or otherwise) unless such changes or modifications have first been approved by the Master Architectural Committee and Neighborhood Architectural Committee in writing.

3.21.6 Notwithstanding the foregoing, the Declarant shall not be required to seek or obtain any of the approvals or consents otherwise required under this Section 3.21 as to any Lot or Parcel, or any portion of either, of which Declarant is the Owner.

3.22 Trucks, Trailers, Campers and Boats. No truck, mobile home, travel trailer, tent trailer, trailer, camper shell, detached camper, recreational vehicle, boat, boat trailer, or other similar equipment or vehicle may be parked, maintained, constructed, reconstructed or repaired on any Lot, Neighborhood Common Area or other portion of the Property, or on any street, so as to be Visible From Neighboring Property for more than twenty-four (24) hours during any seven (7) day period except for: (a) temporary construction trailers, trucks or facilities maintained during, and used exclusively in connection with, construction of any Improvement approved by the Master Architectural Committee and Neighborhood Architectural Committee; (b) boats and vehicles parked in garages on Lots so long as such vehicles are in good operating condition and appearance and are not under repair; (c) the storage of vehicles in any area designated or approved for such purposes by Declarant or by the Board (including, but not limited to, one or more recreational vehicle storage facilities, whether operated on a for-profit or not-for-profit basis); or (d) motor vehicles not exceeding seven (7) feet in height and eighteen (18) feet in length that are not used for commercial purposes and that do not display any commercial name, phone number or message of any kind.

3.23 Motor Vehicles.

3.23.1 Except for emergency vehicle repair, no automobile or other motor vehicle shall be constructed, reconstructed or repaired upon a Lot or other portion of the Property, and no inoperable vehicle may be stored or parked on such Lot or other portion of the Property so as to be Visible From Neighboring Property or be visible from any Neighborhood Common Area or any street.

3.23.2 No motorcycle, motorbike, all-terrain vehicle, off-road vehicle or any similar vehicle shall be parked, maintained or operated on any portion of the Property except in garages on Lots.

3.23.3 The Board shall have the power to adopt rules and regulations regarding the parking of automobiles or other motor vehicles on roads or streets in the Property, including rules and restrictions regarding automobiles or motor vehicles of guests of Owners that may be parked on a road or street in the Property for a period of more than twenty-four (24) hours.

3.24 Towing of Vehicles. The Board shall have the right to have any truck, mobile home, travel trailer, tent trailer, trailer, camper shell, detached camper, recreational vehicle, boat, boat trailer or similar equipment or vehicle or any automobile, motorcycle, motorbike, or other motor vehicle that is parked, kept, maintained, constructed, reconstructed or repaired in violation of the Property Documents towed away at the sole cost and expense of the owner of the vehicle or equipment. Any expense incurred by the Neighborhood Association in connection with the towing of any vehicle or equipment shall be paid to the Neighborhood Association upon demand by the owner of the vehicle or equipment. If the vehicle or equipment is owned by an Owner, any amounts payable to the Neighborhood Association shall be secured by the Assessment Lien, and the Neighborhood Association may enforce collection of such amounts in the same manner provided for in this Neighborhood Declaration for the collection of Assessments.

3.25 Variances. The Master Architectural Committee and Neighborhood Architectural Committee may, at their option and in extenuating circumstances, grant variances from the restrictions set forth in this Article 3 if the Master Architectural Committee and Neighborhood Architectural Committee determines in their discretion that: (a) a restriction would create an unreasonable hardship or burden on an Owner or Occupant or a change of circumstances since the recordation of this Neighborhood Declaration had rendered such restriction obsolete; and (b) the activity permitted under the variance will not have any substantial adverse effect on Owners and Occupants and is consistent with the high quality of life intended for residents of the Project.

3.26 Change of Use of Neighborhood Common Area. Upon: (a) adoption of a resolution by the Board stating that in the Board's opinion the then present use of a designated part of the Neighborhood Common Area is no longer in the best interests of the Owners; and (b) the approval of such resolution by Members casting more than fifty percent (50%) of the votes entitled to be cast by Members who are present in person or by proxy at a meeting duly called for such purpose and who are entitled to use such Neighborhood Common Area under the terms of this Neighborhood Declaration or any Tract Declaration, the Board shall have the power

and right to change the use thereof (and in connection therewith, construct, reconstruct, alter or change the buildings, structures and improvements thereon in any manner deemed necessary by the Board to accommodate the new use), provided such new use shall be consistent with any zoning regulations restricting or limiting the use of the Neighborhood Common Area. This Section 3.26 shall not apply to, or be deemed to limit in any way, the right and power of the Neighborhood Association pursuant to paragraph 5.1.1(a) to grant easements over, under or through portions of the Neighborhood Common Area, or to dedicate portions of the Neighborhood Common Area, to public, quasi-public or private utility companies, municipalities or other governmental agencies or entities, in connection with or at the time of development of the property within or adjacent to the Project, where required or requested by any municipality or other governmental agency or entity, or any public, quasi-public or private utility company.

3.27 Drainage. No Residential Unit, structure, building, landscaping, fence, wall or other Improvement shall be constructed, installed, placed or maintained in any manner that would obstruct, interfere with or change the direction or flow of water in accordance with the drainage plans for the Project, or any part thereof, or for any Lot or Parcel as shown on the drainage plans on file with the county or municipality in which the Project is located.

3.28 Garages and Driveways. The interior of all garages shall be maintained in a neat, clean and sightly condition. Garages shall be used only for parking vehicles and storage, and shall not be used or converted for living or recreational activities. Garage doors shall be kept closed at all times except to the limited extent reasonably necessary to permit the entry or exit of vehicles or persons.

3.29 Rooftop HVAC Equipment Prohibited. No heating, ventilating, air conditioning or evaporative cooling units or appurtenant equipment may be mounted, installed or maintained on the roof of any Residential Unit or other building so as to be Visible From Neighboring Property.

3.30 Solar Collecting Panels or Devices. The 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, the 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 prior approval of the plans therefor by the Master Architectural Committee and Neighborhood Architectural Committee, solar collecting panels and devices may be placed, constructed or maintained upon any Lot within the Property so long as such solar collecting panels and devices are placed, constructed and maintained in such locations and with such means of screening or concealment as the Master Architectural Committee and Neighborhood Architectural Committee may reasonably deem appropriate to limit, to the extent possible, the visual impact of such solar collecting panels and devices when viewed from any street or from any other property (whether within or outside the Property). Notwithstanding any other provision of this Neighborhood Declaration to the contrary, the Declarant (during the Period of Declarant Control) or the Board (after the expiration or termination of the Period of Declarant Control) shall have the right, without the consent or approval of any Owner or other Person, to amend this Section (which amendment may, without limitation, impose additional or different restrictions on solar collecting panels and devices) as

the Declarant or the Board (as applicable) deems appropriate in the event that, after the date this Neighborhood Declaration is Recorded, Section 33-439 of the Arizona Revised Statutes (or any successor thereto) is amended, repealed or replaced.

3.31 Basketball Goals or Play Structures. No basketball goal, backboard or similar structure or device, and no swingsets or other play structures, shall be placed or constructed on any Lot without the prior written approval of the Master Architectural Committee and Neighborhood Architectural Committee (including, without limitation, approval as to appearance and location).

3.32 Tanks. No tanks of any kind (including tanks for the storage of fuel) shall be erected, placed or maintained on any Lot or Parcel unless such tanks are buried underground. Nothing herein shall be deemed to prohibit use or storage upon any Lot, or Parcel of an aboveground propane or similar fuel tank with a capacity of ten (10) gallons or less used in connection with a normal residential gas barbecue, grill or fireplace or a spa or "hot tub," so long as any such tank either: (a) has a capacity of ten (10) gallons or less; or (b) is appropriately stored, used and/or screened, in accordance with the Master Architectural Committee Rules and Neighborhood Architectural Committee Rules or as otherwise approved by the Master Architectural Committee and Neighborhood Architectural Committee, so as not to be Visible From Neighboring Property.

3.33 Exterior Lighting. Exterior lighting shall be permitted on a Lot or Parcel so long as: (a) the source of such lighting is not Visible From Neighboring Property; (b) such lighting is limited to that which is reasonably necessary for the safety and convenience of the Occupants of such Lot or Parcel; and (c) such lighting conforms to such other requirements as may be imposed by the Master Architectural Committee and Neighborhood Architectural Committee. Notwithstanding the foregoing, but subject to reasonable regulation by the Master Architectural Committee and Neighborhood Architectural Committee, Owners or Occupants of Lots or Parcels may display temporary holiday lighting during the Christmas season, provided that no such lighting shall be permitted for a period in excess of thirty (30) days.

3.34 Declarant's Exemption. Nothing contained in this Neighborhood Declaration or in any Tract Declaration shall be construed to prevent the construction, installation or maintenance by the Declarant, any Declarant Affiliate or any agents or contractors thereof, during the period of development, construction and sales on the Property, of Improvements, landscaping or signs deemed necessary or convenient by the Declarant, in its sole discretion, to the development or sale of property within the Property. The foregoing exemption shall in no way limit or otherwise alter the applicability of the Master Declaration.

ARTICLE 4
INTENTIONALLY OMITTED

ARTICLE 5
EASEMENTS

5.1 Owners' Easements of Enjoyment.

5.1.1 Subject to the rights and easements granted to the Declarant in Section 5.4, each Owner, and each Occupant of such Owner's Lot or Parcel, shall have a non-exclusive right and easement of enjoyment in, to and over the Neighborhood Common Area, which right and easement shall be appurtenant to and shall pass with the title to each Lot and Parcel, subject to the provisions of this Neighborhood Declaration including, without limitation, the following:

(a) Except as otherwise provided in this Neighborhood Declaration, no dedication, transfer, mortgage or encumbrance of all or any portion of the Neighborhood Common Area shall be effective unless approved by Owners representing two-thirds (2/3) of the votes in each class of Members. Notwithstanding the preceding sentence or any other provision of this Neighborhood Declaration to the contrary, the Neighborhood Association shall have the right, without the consent of the Owners or any other Person (except Declarant, whose consent shall be required so long as Declarant owns any part of the Property), to dedicate portions of the Neighborhood Common Area to the public, or grant easements over, under or through portions of the Neighborhood Common Area to the public, to any municipal or other governmental agency or entity, or to any public, quasi-public or private utility company, for use as right-of-way, for utilities, for public landscape purposes and the like, as may be required or requested by the County or any municipal or other governmental agency or entity having jurisdiction, or by a public, quasi-public or private utility company, in connection with or at the time of the development of portions of the Property.

(b) The Neighborhood Association shall have the right to regulate the use of the Neighborhood Common Area through the Neighborhood Association Rules (which may include, without limitation, the adoption and implementation of a reservation system for such portions of the Neighborhood Common Area, or Improvements or amenities thereon, as the Board deems appropriate) and to prohibit access to such portions of the Neighborhood Common Area, such as landscaped right-of-ways, not intended for use by the Owners, Lessees or other Occupants.

(c) If a Recorded Tract Declaration designates a portion of the Neighborhood Common Area as a Parcel Assessment Area, then only the Owners and Occupants of those Lots and Parcels that are assessed a Parcel Assessment for such Parcel Assessment Area shall have the right to use such Parcel Assessment Area.

(d) The Declarant and the Neighborhood Association shall each have the right to grant easements or licenses to Designated Developers or other Persons for the construction of Improvements on the Neighborhood Common Area, and the Declarant and the Neighborhood Association shall each have the right to grant ingress and egress easements over the streets and roads in the Property to Persons who are not Members of the Neighborhood Association.

(e) The Declarant and the Neighborhood Association shall each have the right to convey certain portions of the Neighborhood Common Area to Owners of adjoining Lots or Parcels in connection with the correction or adjustment of any boundary between Neighborhood Common Area and any one or more adjoining Lots or Parcels; provided, however, that neither the Neighborhood Association nor the Declarant shall have the right to transfer or convey any portion of the Neighborhood Common Area upon which is situated any recreational facility unless approved by a vote of the Members pursuant to paragraph 5.1.1(a).

(f) The Neighborhood Association shall have the right to charge Special Use Fees for the use of the Neighborhood Common Area. The Special Use Fees, if any, shall be set by the Board from time to time, in its discretion. Special Use Fees shall be charged only for actual entry upon or use of those portions of the Neighborhood Common Area, if any, selected by the Board to be subject to a Special Use Fee, and shall be imposed only where the Board deems it appropriate to collect revenue from the actual users of such selected portions of the Neighborhood Common Area so that all of the costs of operating such selected portions of the Neighborhood Common Area are not borne by all of the Owners through Annual Assessments, but rather are borne, at least in part, by the Owners, Occupants and other Persons using such selected portions of the Neighborhood Common Area.

(g) The Neighborhood Association shall have the right to suspend the rights of any Owner or Occupant to use and enjoy recreational facilities on the Neighborhood Common Area: (1) for any period during which an Assessment remains delinquent; (2) for a period not to exceed 60 days for any infraction of the Property Documents; or (3) for successive 60-day periods if any such infraction is not corrected during any preceding suspension period.

(h) Access to and use of the Private Amenities are strictly subject to the rules and procedures of the Private Amenities, and no Person automatically gains any right to enter or to use those facilities by virtue of membership in the Neighborhood Association, ownership of a Lot, or occupancy of a Residential Unit. In addition, the access and use of the Private Amenities are subject to the following:

(i) No representations or warranties, either written or oral, have been or are made by the Declarant or any other Person with regard to the nature or size of improvements to, or the continuing ownership or operation of the Private Amenities. No purported representation or warranty, written or oral, in conflict with this Section shall be effective without an amendment to this Neighborhood Declaration executed or joined into by the Declarant or the owner(s) of the Private Amenities that are the subject thereof.

(ii) The ownership or operational duties of and as to the Private Amenities may change at any time and from time to time by virtue of, but without limitation, (a) the sale to or assumption of operations by an independent entity, (b) conversion of the membership structure to an "equity" club or similar arrangement whereby the members of a Private Amenity or an entity owned or controlled thereby become the owner(s) and/or operator(s) of the Private Amenity, or (c) the conveyance of a Private Amenity to one or more subsidiaries, affiliates, shareholders, employees, or independent contractors of the Declarant. No consent of the Neighborhood Association, or any Owner shall be required to effectuate such a transfer or conversion.

(iii) Rights to use the Private Amenities will be granted only to such persons, and on such terms and conditions, as may be determined by their respective owners. Such owners shall have the right, from time to time in their sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of their respective Private Amenities and to terminate use rights altogether.

5.1.2 If a Lot or Parcel is leased or rented by its Owner, the Occupants of such Lot or Parcel shall have the right to use the Neighborhood Common Area during the term of the lease, and the Owner of such Lot or Parcel shall have no right to use the Neighborhood Common Area until the termination or expiration of such lease.

5.1.3 The Board shall have the right to limit the number of guests and invitees who may use the recreational facilities located on the Neighborhood Common Area at any one time and may restrict the use of the recreational facilities by guests and invitees to certain specified times.

5.2 Utility Easement. There is hereby created an easement upon, across, over and under the Neighborhood Common Area, Lots, Parcels and other property for reasonable ingress, egress, installation, replacement, repair or maintenance of all utilities, including, but not limited to, gas, water, sewer, telephone, cable television and electricity. Except as may be qualified by the Master Declaration, by virtue of this easement, it shall be expressly permissible for the providing utility company to install and maintain the necessary equipment on the Neighborhood Common Area, Lots, Parcels and other property but no sewers, electrical lines, water lines or other utility or service lines may be installed or located on the Neighborhood Common Area, Lots, Parcels and other property except as initially designed, approved and/or constructed by the Declarant or as approved by the Board (and, in the case of a Lot or Parcel, by the Owner of such Lot or Parcel). If any utility company requests that a more specific easement be granted in its favor in substitution for the blanket easement hereby established with respect to the Neighborhood Common Area, the Neighborhood Association shall have the power and authority, without the need for any consent by the Owners or any other Person, to grant the more specific easement on such terms and conditions as the Board deems appropriate.

5.3 Easements for Ingress and Egress. There are hereby created easements for ingress and egress for pedestrian traffic over, through and across sidewalks, paths, walks and lanes that from time to time may exist upon the Neighborhood Common Area. There is also created an easement for ingress and egress for pedestrian and vehicular traffic over, through and across such driveways and parking areas as from time to time may be paved and intended for such purposes. Such easements shall run in favor of and be for the benefit of the Owners and Occupants of the Lots and Parcels and their guests, families, tenants and invitees. There is also hereby created an easement upon, across and over the Neighborhood Common Area and all private streets, private roadways, private driveways and private parking areas within the Property for vehicular and pedestrian ingress and egress for police, fire, medical and other emergency vehicles and personnel.

5.4 Declarant's Use and Easements.

5.4.1 The Declarant shall have the right and an easement (which, in its discretion, it may delegate to and/or share with one or more Designated Developers, upon and subject to such terms and conditions as the Declarant may deem appropriate) to maintain sales or leasing offices, management offices and models throughout the Property and to maintain one or more advertising signs on the Neighborhood Common Area with respect to the sales of Lots, Parcels or other portions of the the Property. The Declarant reserves the right (which, in its discretion, it may delegate to and/or share with one or more Designated Developers, upon and subject to such terms and conditions as the Declarant may deem appropriate) to place models, management offices and sales and leasing offices on any Lots, Parcels or other property owned by the Declarant (or by such Designated Developer(s), as applicable) and on any portion of the Neighborhood Common Area and in such number, of such size and in such locations as the Declarant deems appropriate.

5.4.2 So long as the Declarant is marketing Lots, Parcels or other portions of the Property, the Declarant shall have the right to restrict the use of the parking spaces on the Neighborhood Common Area. Such right shall include reserving such spaces for use by prospective Purchasers, Declarant's employees and others engaged in sales, leasing, maintenance, construction or management activities.

5.4.3 The Declarant shall have the right and an easement on and over the Neighborhood Common Area to construct all Improvements the Declarant may deem necessary and to use the Neighborhood Common Area and any Lots, Parcels and other property owned by the Declarant for construction or renovation related purposes including the storage of tools, machinery, equipment, building materials, appliances, supplies and fixtures, and the performance of work respecting the Project and property adjacent to the Project.

5.4.4 The Declarant shall have the right and an easement upon, over and through the Neighborhood Common Area as may be reasonably necessary for the purpose of exercising the rights granted to or reserved by the Declarant in this Neighborhood Declaration.

5.5 Easement in Favor of Neighborhood Association. The Lots, Parcels and Neighborhood Common Area are hereby made subject to the following easements in favor of the Neighborhood Association and its directors, officers, agents, employees and independent contractors:

5.5.1 For inspection during reasonable hours of the Lots, Parcels and Neighborhood Common Area in order to verify the performance by Owners or other Persons of all items of maintenance and repair for which they are responsible;

5.5.2 For inspection, maintenance, repair and replacement of portions of the Neighborhood Common Area accessible only from such Lots, Parcels and Neighborhood Common Area;

5.5.3 For correction of emergency conditions on one or more Lots, Parcels or Neighborhood Common Area or on portions of the Neighborhood Common Area accessible only from such Lots, Parcels or Neighborhood Common Area;

5.5.4 For the purpose of enabling the Neighborhood Association, the Board, the Master Architectural Committee, the Neighborhood Architectural Committee or such committees as may be appointed by the Board to exercise and discharge during reasonable hours their respective rights, powers and duties under the Property Documents;

5.5.5 For inspection during reasonable hours of the Lots, Parcels and Neighborhood Common Area in order to verify that the Owners and Occupants, and their guests, tenants and invitees, are complying with the provisions of the Property Documents.

5.6 Easements for Golf Course.

5.6.1 Every Lot and Neighborhood Common Area are burdened with an easement permitting golf balls unintentionally to come upon such Neighborhood Common Area or Lots and for golfers at reasonable times and in a reasonable manner to come upon the Neighborhood Common Area or the exterior portions of a Lot to retrieve errant golf balls; provided, however, if any Lot is fenced or walled, the golfer shall seek the Owner's or Occupant's permission before entry. The existence of this easement shall not relieve golfers of liability for damage caused by errant golf balls. Under no circumstances shall any of the following Persons be held liable for any damage or injury resulting from errant golf balls or the exercise of this easement: the Declarant; the Neighborhood Association or its Members (in their capacities as such); the management company of the Neighborhood Association; the owner of the Golf Course, its successors, successors-in-title to the Golf Course, or assigns; any builder or contractor (in their capacities as such); any officer, director or partner of any of the foregoing, or any officer or director of any partner (in their capacities as such).

5.6.2 The owner of the Golf Course, its respective agents, successors and assigns, shall at all times have a right and non-exclusive easement of access and use over those portions of the Neighborhood Common Areas reasonably necessary, with or without the use of maintenance vehicles and equipment, for the operation, maintenance, repair and replacement of the Golf Course.

5.6.3 The Properties immediately adjacent to the Golf Course are hereby burdened with a non-exclusive easement in favor of the Golf Course for overspray of water from any irrigation system serving the Golf Course. Under no circumstances shall the Neighborhood Association or the owners of the Golf Course be held liable for any damage or injury resulting from such overspray or the exercise of this easement.

5.6.4 The owner of the Golf Course, its respective agents, successors and assigns, shall have a perpetual, exclusive easement of access over the Properties for the purpose of retrieving golf balls from bodies of water within the Neighborhood Common Areas lying reasonably within range of golf balls hit from the Golf Course.

5.6.5 The owner of the Golf Course, its respective agents, successors and assigns, as well as its members, guests, invitees, employees, and authorized users of the Golf Course, shall at all times have a right and non-exclusive easement of access and use over all roadways located or to be located within the Properties reasonably necessary to travel to and from the Golf Course; however, nothing in this Subsection 5.6.5 shall be construed to permit the

parking of vehicles on or within the right-of-way of any private roadway located within the Property.

5.6.6 The owner of the Golf Course, its respective agents, successors and assigns, shall have a perpetual non-exclusive easement, to the extent reasonably necessary, over the Properties, for the installation, operation, maintenance, repair, replacement, monitoring and controlling of irrigation systems and equipment, including, without limitation, wells, pumps and pipelines, serving all or portions of the Golf Course.

5.6.7 The owner of the Golf Course, its respective agents, successors and assigns, shall have a perpetual, non-exclusive easement to the extent reasonably necessary, over the Properties for the installation maintenance, repair, replacement and monitoring of utility lines, wires, drainage pipelines and pipelines serving all or portions of the Golf Course.

5.6.8 The Properties are hereby burdened with easements in favor of the Golf Course for natural drainage of storm water runoff from the Golf Course.

5.6.9 The Properties are hereby burdened with easements in favor of the Golf Course for golf cart paths serving the Golf Course. Under no circumstances shall the Neighborhood Association or the owner of the Golf Course, or their respective agents, successors, or assigns, be held liable for any damage or injury resulting from the exercise of this easement.

5.6.10 The owner of the Golf Course, its respective agents, successors and assigns, as well as its members, guests, invitees, employees, and authorized users of the Golf Course shall at all times have a right and non-exclusive easement of access and use over the golf cart paths, if any, and located within the Properties as reasonably necessary for the use and enjoyment of the Golf Course.

ARTICLE 6 THE NEIGHBORHOOD ASSOCIATION; ORGANIZATION; MEMBERSHIP AND VOTING RIGHTS

6.1 Formation of Neighborhood Association. The Neighborhood Association shall be a nonprofit Arizona corporation charged with the duties and vested with the powers prescribed by law and set forth in the Articles, the Bylaws and this Neighborhood Declaration. In the event of any conflict or inconsistency between this Neighborhood Declaration and the Articles, Bylaws or Neighborhood Association Rules, this Neighborhood Declaration shall control. Upon the incorporation of the Neighborhood Association, this Neighborhood Declaration will be binding upon and shall benefit the Neighborhood Association and its successors and assigns.

6.2 Board of Directors and Officers. The affairs of the Neighborhood Association shall be conducted by the Board and such officers as the Board may elect or appoint in accordance with the Articles and the Bylaws. Unless the Property Documents specifically require the vote or written consent of the Members, approvals or actions to be given or taken by the Neighborhood Association shall be valid if given or taken by the Board. The Board may appoint various committees at its discretion. The Board may also appoint or engage a manager to be

responsible for the day-to-day operation of the Neighborhood Association and the Neighborhood Common Area; the Board shall determine the compensation to be paid to any such manager.

6.3 Neighborhood Association Rules. The Board may, from time to time, and subject to the provisions of this Neighborhood Declaration, adopt, amend and repeal rules and regulations pertaining to: (a) the management, operation and use of the Neighborhood Common Area including, but not limited to, any recreational facilities situated upon the Neighborhood Common Area; (b) traffic and parking restrictions including speed limits on private streets within the Property; (c) minimum standards for any maintenance of Neighborhood Common Areas, Lots and Parcels within the Property; or (d) any other subject within the jurisdiction of the Neighborhood Association. In the event of any conflict or inconsistency between the provisions of this Neighborhood Declaration and the Neighborhood Association Rules, the provisions of this Neighborhood Declaration shall prevail.

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

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

6.6 Membership in the Neighborhood Association. Every Owner of a Lot or Parcel that is Assessable Property shall be a Member of the Neighborhood Association, and the Declarant shall be a Member of the Neighborhood Association so long as it owns any part of the Property (unless and until the Declarant expressly relinquishes in writing its status as a Member). Each such Owner shall have the following number of Memberships in the Neighborhood Association:

6.6.1 An Owner shall have one (1) Membership for each Lot owned by that Owner.

6.6.2 If, at any time when the Declarant is a Member of the Neighborhood Association but would have no Memberships pursuant to Subsections 6.6.1, the Declarant shall nevertheless be deemed to have one (1) Membership, provided, however, that the number of votes held by the Declarant shall be determined pursuant to Section 6.7.

6.7 Votes in the Neighborhood Association. The Neighborhood Association shall have the following two classes of voting membership:

6.7.1 Class A. Class A Members are all Owners, with the exception of Declarant and Designated Developers (who are Owners of Lots), until the termination of the Class B membership. Each Class A Member shall be entitled to one (1) vote for each Lot with respect to which it is the Owner. Upon the termination of the Class B membership, Declarant shall be a Class A Member so long as Declarant owns any Lot.

6.7.2 Class B. The Class B Members shall be the Declarant and Designated Developers, to the extent a Designated Developer is the Owner of Lots. The Class B Members shall each be entitled to three (3) votes for each Lot with respect to which such Member is the Owner. The Class B membership shall cease and be converted to Class A membership on the earlier of (i) the date on which the votes entitled to be cast by the Class A Members equals or exceeds the total votes entitled to be cast by all the Class B Members; (ii) the date which is seven (7) years after the recording of this Neighborhood Declaration; or (iii) when all the Class B Members notify the Neighborhood Association in writing that they relinquish their Class B membership.

6.8 Voting Procedures. A change in the ownership of a Lot or Parcel shall be effective for voting purposes from the time the deed or other instrument effecting such change is Recorded; the Board shall thereafter be given written notice of such change and provided satisfactory evidence thereof. The vote for each such Lot or Parcel must be cast as a unit, and fractional votes shall not be allowed. In the event that a Lot or Parcel is owned by more than one Person and such Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Member casts a vote representing a certain Lot or Parcel, it will thereafter be conclusively presumed for all purposes that he, she or it was acting with the authority and consent of all other Owners of the same Lot or Parcel unless objection thereto is made at the time the vote is cast. In the event more than one Owner attempts to cast the vote or votes for a particular Lot or Parcel, the vote or votes for that Lot or Parcel shall be deemed void and shall not be counted.

6.9 Transfer of Membership. The rights and obligations of any Member other than the Declarant shall not be assigned, transferred, pledged, conveyed or alienated in any way except upon transfer of ownership of an Owner's Lot or Parcel, and then only to the transferee of ownership of the Lot or Parcel. A transfer of ownership of a Lot or Parcel may be effected by deed, intestate succession, testamentary disposition, foreclosure or such other legal process as is now in effect or as may hereafter be established under or pursuant to applicable law. Any attempt to make a prohibited transfer shall be void. Any transfer of ownership of a Lot or Parcel shall operate to transfer the Membership appurtenant to said Lot or Parcel to the new Owner thereof. Each Purchaser of a Lot or Parcel shall notify the Neighborhood Association of his, her or its purchase of a Lot or Parcel. The Neighborhood Association may require the Purchaser of a Lot or Parcel to pay to the Neighborhood Association a transfer fee in an amount to be set by the Board, and the transfer fee shall be secured by the Assessment Lien.

6.10 Neighborhood Architectural Committee.

6.10.1 At the election of the Board, the Association may have a Neighborhood Architectural Committee to perform the functions assigned to it as set forth in this Neighborhood Declaration. So long as Declarant owns any Lot, Parcel or other property within the Property, the Neighborhood Architectural Committee shall consist of three (3) regular members and one (1) alternate member, each of whom shall be appointed by, and serve at the pleasure of, Declarant. As such time as the Declarant no longer owns any Lot, Parcel or other property with the Property, the Neighborhood Architectural Committee shall consist of such number of regular and alternate members as the Board may deem appropriate from time to time (but in no event less than three (3) nor more than seven (7) regular members, nor less than one (1) no more than three (3) alternate members), each of whom shall be appointed by, and serve at the pleasure of, the Board. The Declarant may at any time voluntarily surrender in writing its right, as the Declarant, to appoint and remove the members of the Neighborhood Architectural Committee pursuant to this Subsection 6.10.1, and in that event Declarant may require, for so long as Declarant owns any Lot, Parcel or other property within the Property, that specified actions of the Neighborhood Architectural Committee, as described in a Recorded instrument executed by this Declarant, be approved by the Declarant before they become effective.

6.10.2 The Neighborhood Architectural Committee shall promulgate architectural design guidelines and standards (including, but not limited to, color palettes and plant materials) to be used in rendering its decisions. The decisions of the Neighborhood Architectural Committee shall be final on all matters submitted to it pursuant to this Neighborhood Declaration. As provided in Subsection 3.2.1(j), the Neighborhood Architectural Committee may establish a reasonable fee to defer the costs of considering any requests for approvals submitted to the Neighborhood Architectural Committee, which fee shall be paid at the time the request for approval is submitted.

6.10.3 If the Board does not deem it desirable that the Association form or continue to have a Neighborhood Architectural Committee, all provisions in this Neighborhood Declaration pertaining to the Neighborhood Architectural Committee shall be deemed references to the Board, and the Board shall act in the capacity of the Neighborhood Architectural Committee until such time as the Board decides to form a Neighborhood Architectural Committee.

ARTICLE 7
COVENANT FOR ASSESSMENTS AND CREATION OF LIEN

7.1 Creation of Lien and Personal Obligation of Assessments. The Declarant, for each Lot and Parcel, hereby covenants and agrees, and each Owner, other than the Declarant, by becoming the Owner of a Lot or Parcel, is deemed to covenant and agree, to pay Assessments to the Neighborhood Association in accordance with this Neighborhood Declaration. All Assessments shall be established and collected as provided in this Neighborhood Declaration. The Assessments to be levied pursuant to this Neighborhood Declaration shall be in addition to, and not in lieu of, the assessments to be levied pursuant to the Master Declaration. The Assessments, together with interest, late charges and all costs, including but not limited to reasonable attorneys' fees, incurred by the Neighborhood Association in collecting or attempting

to collect delinquent Assessments, whether or not suit is filed, shall be a charge on the Lot or Parcel and shall be a continuing lien upon the Lot or Parcel against which each such Assessment is made. Each Assessment, together with interest and all costs, including but not limited to reasonable attorneys' fees, incurred by the Neighborhood Association in collecting or attempting to collect delinquent Assessments, whether or not suit is filed, shall also be the personal obligation of each Person who was an Owner of the Lot or Parcel at the time when the Assessment became due. The personal obligation for delinquent Assessments shall not pass to the successors in title of the Owner unless expressly assumed by them (unless title is transferred to one or more such successors for purposes of avoiding payment of any Assessment or is transferred to a Person controlling, controlled by or under common control with the Owner transferring title).

7.2 Annual Assessment.

7.2.1 In order to provide for the operation and management of the Neighborhood Association and to provide funds for the Neighborhood Association to pay all Common Expenses and to perform its duties and obligations under the Property Documents, including, without limitation, the costs associated with ownership and usual maintenance of the private streets and the access controls and private gates (if any) on the Neighborhood Common Area and costs associated with the establishment of reasonable reserves for replacements, maintenance and contingencies, the Board, for each Assessment Period, shall assess an Annual Assessment against each Lot and Parcel that is Assessable Property.

7.2.2 The Board shall give notice of the Annual Assessment to each Owner at least thirty (30) days prior to the beginning of each Assessment Period, but the failure to give prior notice shall not affect the validity of the Annual Assessment established by the Board nor relieve any Owner from its obligation to pay the Annual Assessment. If the Board determines during any Assessment Period that the funds budgeted for that Assessment Period are, or will become, inadequate to meet all Common Expenses for any reason, including, without limitation, nonpayment of Assessments by Members, it may increase the Annual Assessment for that Assessment Period and the revised Annual Assessment shall commence on the date designated by the Board (provided, however, that the total Annual Assessment for such Assessment Period shall not exceed the maximum amount determined pursuant to paragraph 7.3.1(b)).

7.2.3 Notwithstanding anything to the contrary contained herein, Annual Assessments shall commence upon installation of the following Improvements to the Neighborhood Common Area: mechanical gates.

7.3 Rate of Assessment.

7.3.1 The amount of the Annual Assessment against each Lot or Parcel shall be determined as follows:

(a) The term "Membership Assessment" shall mean the amount equal to the total budget of the Neighborhood Association (except for any Common Expenses to be assessed as a Parcel Assessment under Section 7.4) for the applicable Assessment Period divided

by the total number of Memberships in the Neighborhood Association (subject to paragraph 7.3.1(b) below).

(b) Except for Lots and Parcels subject to assessment pursuant to paragraph 7.3.1(c) and except for Lots and Parcels owned by the Declarant that are exempt from assessment under paragraph 7.3.1(d), each Lot and Parcel shall be assessed an Annual Assessment in an amount equal to the number of Memberships attributable to such Lot or Parcel pursuant to Section 6.6 of this Neighborhood Declaration multiplied by the Membership Assessment. Notwithstanding any provision of this Neighborhood Declaration to the contrary, the Membership Assessment provided for herein shall not for any fiscal year of the Neighborhood Association exceed the Maximum Membership Assessment, as determined in accordance with this paragraph 7.3.1(b). For the fiscal year ending December 31, 2004, the Maximum Membership Assessment shall be Four Hundred Twenty Dollars (\$420.00). Thereafter, unless a greater increase is approved by the affirmative vote of two-thirds (2/3) of the votes of each class of Members represented in person or by valid proxy at a meeting of Members duly called for such purpose, the Maximum Membership Assessment for any fiscal year (the "New Year") shall be equal to the Maximum Membership Assessment for the immediately preceding fiscal year (the "Prior Year") increased at a rate equal to the greater of: (i) the percentage increase in the CPI from the Base Month to the Index Month (as each of those terms is defined below); or (ii) ten percent (10%). Nothing herein shall obligate the Board to establish, in any fiscal year, a budget that results in Membership Assessments, as calculated pursuant to paragraph 7.3.1(a) above, to be in the full amount of the Maximum Membership Assessment for such fiscal year, and the election by the Board not to establish a budget that would result in the Membership Assessment, as calculated pursuant to paragraph 7.3.1(a) above, to be in the full amount of the Maximum Membership Assessment for any fiscal year shall not prevent the Board from establishing a budget in subsequent fiscal years such that the Membership Assessment for such subsequent fiscal year, as calculated pursuant to paragraph 7.3.1(a) above, is in the full amount of the Maximum Membership Assessment for such subsequent fiscal year (as determined in accordance with this paragraph 7.3.1(b)). For purposes hereof: (x) the term "CPI" means the Consumer Price Index -- All Urban Consumers -- All Items (1982-1984 Average = 100 Base) published by the Bureau of Labor Statistics of the U.S. Department of Labor (or its successor governmental agency), or, if such index is no longer published by said Bureau or successor agency, in the index most similar in composition to such index; (y) the term "Index Month" means the month of July immediately prior to the beginning of the New Year; and (z) the term "Base Month" means the month of July immediately prior to the beginning of the Prior Year; provided, however, that if the Board changes the Assessment Period pursuant to Section 7.6, the Board shall have the right to change the calendar month used for purposes of clauses (y) and (z) (so long as the same calendar month in successive years is used for both clauses).

(c) Each Lot shall be assessed an Annual Assessment of twenty-five percent (25%) of the Membership Assessment until the earliest of: (i) the completion of a Residential Unit on the Lot; (ii) six (6) months from the commencement of construction of a Residential Unit on the Lot; or (iii) four (4) years from the date of the Recording of the Tract Declaration that annexes the Property under this Master Declaration. Thereafter the Annual Assessment for the Lot shall be an amount equal to the Membership Assessment.

(d) Notwithstanding any other provision of this Neighborhood Declaration to the contrary, no Annual Assessment shall be levied against Lots and Parcels owned by the Declarant. During the Period of Declarant Control, the Declarant shall subsidize the Neighborhood Association for the amount by which (i) the cost of operating and administering the Neighborhood Association and maintaining reasonable reserves for maintenance, replacement and repairs and for contingencies exceeds (ii) the total amount of Assessments levied against Lots and Parcels owned by Owners other than the Declarant. The subsidy required of Declarant under this paragraph 7.3.1(d) may be in the form of cash or in the form of "in-kind" contributions of goods or services, or in any combination of the foregoing, and any subsidies made by Declarant in the form of "in-kind" contributions of goods or services shall be valued at the fair market value of the goods or services contributed. Declarant shall make payments or contributions in respect of its subsidy obligations under this paragraph 7.3.1(d) at such times as the Board may reasonably request from time to time (but shall not be required to make such payments or contributions more often than monthly); at the end of each fiscal year of the Neighborhood Association, either: (1) Declarant shall pay or contribute to the Neighborhood Association such additional funds, goods or services (or any combination thereof) as may be necessary, when added to all other funds, goods and services paid or contributed by Declarant during such fiscal year, to satisfy in full Declarant's subsidy obligations under this paragraph 7.3.1(d) for such fiscal year; or (2) the Neighborhood Association shall pay to Declarant or credit against Declarant's subsidy obligation for the immediately following fiscal year, as Declarant may elect, the amount, if any, by which the total of all payments or contributions paid or made by Declarant during such fiscal year exceeded the total subsidy obligation of Declarant for such fiscal year under this paragraph 7.3.1(d).

7.3.2 For purposes of this Section 7.2.3, construction of a Residential Unit or other building shall be deemed to commence on the earlier of: (a) the date on which the excavation of the foundation footings is completed; or (b) the date on which a building permit for the Residential Unit or other building is issued by the County. For purposes of this Section 7.2.3, a Residential Unit or other building shall be deemed completed when, in the opinion of the Board, the building is ready for occupancy.

7.3.3 If the rate of assessment for any Lot or Parcel changes during any Assessment Period pursuant to the provisions of Subsection 7.3.1, the Annual Assessment attributable to such Lot or Parcel shall be prorated between the applicable rates upon the basis of the number of days in the Assessment Period that the Lot or Parcel was assessed under each rate.

7.4 Parcel Assessments. All Common Expenses of the Neighborhood Association pertaining to the operation, maintenance, repair and replacement of Parcel Assessment Area shall be shown separately in the budget adopted by the Board. The Common Expenses pertaining to the operation, maintenance, repair and replacement of Parcel Assessment Areas (which Common Expenses shall for purposes of this Section 7.4 include, without limitation: (a) any contributions to reserves for maintenance, replacement and repairs and for contingencies; (b) any additional insurance premiums charged to the Neighborhood Association because of the type or nature of the Parcel Assessment Area; and (c) any costs, losses, damages, liabilities or expenses, including without limitation attorneys' fees and court costs, suffered or incurred by the Neighborhood Association by reason of its ownership, operation, maintenance, replacement or repair of the Parcel Assessment Area (to the extent such costs, losses, damages, liabilities or expenses exceed

the amount of any insurance proceeds received by the Neighborhood Association or any proceeds recovered by the Neighborhood Association from other parties, as reasonably determined by the Board) shall be assessed solely against the Lots and Parcels that are benefited by the Parcel Assessment Area as established by the Tract Declaration designating the Parcel Assessment Area. No Common Expenses pertaining to the operation, maintenance, repair or replacement of a Parcel Assessment Area shall be used in computing the Annual Assessments to be levied pursuant to Sections 7.2 and 7.2.3. Unless otherwise provided for in the applicable Tract Declaration, Parcel Assessments shall be levied against the Lots and Parcels benefited by the Parcel Assessment Area at a uniform rate per Membership. If the Board determines during any Assessment Period that Parcel Assessments with respect to any Parcel Assessment Area are, or will, become inadequate to meet all Common Expenses pertaining to that Parcel Assessment Area for any reason, including, without limitation, nonpayment of Parcel Assessments by Members, the Board may increase the Parcel Assessment for that Assessment Period and the revised Parcel Assessment shall commence on the date designated by the Board.

7.5 Special Assessments. The Neighborhood Association may levy against each Lot and Parcel that is Assessable Property, in any Assessment Period, a Special Assessment for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of Improvements upon the Neighborhood Common Area, including fixtures and personal property related thereto, provided that any Special Assessment shall have the assent of two-thirds (2/3) of the votes entitled to be cast by Members who are voting in person or by proxy at a meeting duly called for such purpose.

7.6 Assessment Period. The period for which the Annual Assessments and Parcel Assessments are to be levied (the "Assessment Period") shall be the calendar year. The Board in its sole discretion from time to time may change the Assessment Period.

7.7 Rules Regarding Billing and Collection Procedures. Annual and Parcel Assessments shall be collected on a monthly basis or such other basis as may be selected by the Board. Special Assessments may be collected as specified by the Board. The Board shall have the right to adopt rules and regulations setting forth procedures for the purpose of making Assessments and for the billing and collection of the Assessments provided that the procedures are not inconsistent with the provisions of this Neighborhood Declaration. The failure of the Neighborhood Association to send a bill to a Member shall not relieve any Member of his liability for any Assessment or charge under this Neighborhood Declaration, but the Assessment Lien therefor shall not be foreclosed or otherwise enforced until the Member has been given not less than thirty (30) days written notice prior to such foreclosure or enforcement that the Assessment or any installment thereof is or will be due and of the amount owing. Such notice may be given at any time prior to or after delinquency of such payment. The Neighborhood Association shall be under no duty to refund any payments received by it even though the ownership of a Lot or Parcel changes during an Assessment Period; successor Owners of Lots or Parcels shall be given credit for prepayments, on a prorated basis, made by prior Owners.

7.8 Effect of Nonpayment of Assessments, Remedies of the Neighborhood Association.

7.8.1 Any Assessment, or any installment of an Assessment, not paid within thirty (30) days after the Assessment, or the installment of the Assessment, first became due shall bear interest from the due date at the rate established from time to time by the Board. In addition, the Board may establish a late fee to be charged to any Owner who has not paid any Assessment, or any installment of an Assessment, within thirty (30) days after such payment was due.

7.8.2 The Neighborhood Association shall have a lien on each Lot and Parcel for all Assessments levied against the Lot or Parcel and for all other fees and charges payable to the Neighborhood Association by the Owner of the Lot or Parcel pursuant to this Neighborhood Declaration. Recording of this Neighborhood Declaration constitutes record notice and perfection of the Assessment Lien. The Neighborhood Association may, at its option, Record a notice of lien setting forth the name of the delinquent Owner as shown in the records of the Neighborhood Association, the legal description or street address of the Lot or Parcel against which the notice of lien is Recorded and the amount claimed to be past due as of the date of the Recording of the notice, including interest, lien recording fees and reasonable attorneys' fees.

7.8.3 The Assessment Lien shall have priority over all liens or claims except for (a) tax liens for real property taxes; (b) assessments in favor of any municipal or other governmental body; (c) the lien of any First Mortgage; and (d) the lien provided for in Article 6 of the Master Declaration. Regardless whether the Assessment Lien has, or is deemed to have, priority over liens securing assessments levied pursuant to a subsidiary declaration of covenants, conditions and restrictions, foreclosure of the Assessment Lien with respect to a Lot or Parcel shall not impair, extinguish or otherwise affect such other assessment liens or relieve or release any obligations for such other assessments secured by such Lot or Parcel.

7.8.4 The Neighborhood Association shall not be obligated to release any Recorded notice of lien until all delinquent Assessments, interest, lien fees, reasonable attorneys' fees, court costs, collection costs and all other sums payable to the Neighborhood Association by the Owner of the Lot or Parcel have been paid in full.

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

7.9 Evidence of Payment of Assessments. Upon receipt of a written request by a Member or any other Person, the Neighborhood Association, within a reasonable period of time

thereafter, shall issue to such Member or other Person a written certificate stating: (a) that all Assessments, interest and other fees and charges have been paid with respect to any specified Lot or Parcel as of the date of such certificate; or (b) if all Assessments have not been paid, the amount of such Assessments, interest, fees and charges due and payable as of such date. The Neighborhood Association may make a reasonable charge for the issuance of such certificates, which charges must be paid at the time the request for any such certificate is made. Any such certificate, when duly issued as herein provided, shall be conclusive and binding with respect to any matters therein stated as against any bona fide Purchaser of, or lender on, the Lot or Parcel in question.

7.10 Purposes for Which Neighborhood Association's Funds May Be Used. The Neighborhood Association shall apply all funds and property collected and received by it (including the Assessments, fees, loan proceeds, surplus funds and all funds and property received by it from any other source) for the common good and benefit of the Property and the Owners and Occupants 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 Owners and the Occupants, and to the establishment and funding of reasonable reserves for replacements and contingencies. The following are some, but not all, of the areas in which the Neighborhood Association may seek to aid, promote and provide for such common benefit: social interaction among Members and Occupants, maintenance of landscaping on Neighborhood Common Area and public right-of-way and drainage areas within the Property, construction, operation and maintenance of recreational and other facilities on Neighborhood Common Area, operation, maintenance, replacement and repair of Parcel Assessment Area and Improvements thereon, recreation, insurance, communications, ownership and operation of vehicle storage areas, education, transportation, health, utilities, public services, safety, indemnification of officers, directors and committee members of the Neighborhood Association, employment of professional managers, and hiring professional consultants such as architects, engineers, attorneys and accountants.

7.11 Surplus Funds. The Neighborhood Association shall not be obligated to spend in any year all the Assessments and other sums received by it in such year, and may carry forward as surplus any balances remaining. The Neighborhood Association shall not be obligated to reduce the amount of the Annual Assessment in the succeeding year if a surplus exists from a prior year, and the Neighborhood 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 Neighborhood Association and the accomplishment of its purposes.

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

7.13 Notice and Quorum for Meetings to Consider Special Assessments and Certain Increases in Annual Assessments. Notwithstanding any other provision hereof or of the Articles, Bylaws or Neighborhood Association Rules, written notice of any meeting called for the purpose

of: (a) approving the establishment of any Special Assessment, as required by Section 7.4 hereof; or (b) approving any increase in the Maximum Membership Assessment greater than that permitted by paragraph 7.3.1(b), shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days prior to the date of said meeting. At the first meeting thus called to consider the particular Special Assessment or increase in the Maximum Membership Assessment, a quorum shall consist of sixty percent (60%) of the votes in each class of Members (whether represented in person or by valid proxy), provided, however, that if a quorum, as so determined, is not present at said first meeting, a second meeting may be called (subject to the same notice requirements as set forth above) to consider the same issue, and a quorum at said second meeting shall be one-half (1/2) of the required quorum at the first meeting, as described above. Such second meeting may not be held more than sixty (60) days after the first meeting.

7.14 Capital Reserve Fund. In addition to the other Assessments authorized in this Neighborhood Declaration, each Purchaser of a Lot from a Designated Developer or the Declarant (other than the purchase by another Designated Developer or the Declarant) shall pay to the Neighborhood Association immediately upon becoming the Owner of the Lot a sum equal to one-sixth (1/6th) of the current Annual Assessment for the Lot. Funds paid to the Neighborhood Association pursuant to this Section shall be used by the Neighborhood Association for establishment of appropriate maintenance and/or replacement reserves and for the reconstruction, replacement and non-routine maintenance and repair of the Neighborhood Common Areas (including, but not limited to, landscaping equipment, improvements and other amenities thereon). Payments made pursuant to this Section 7.14 shall be nonrefundable and shall not be considered as an advance payment of Assessments levied by the Neighborhood Association pursuant to this Neighborhood Declaration.

ARTICLE 8 MAINTENANCE

8.1 Neighborhood Common Area and Public Right of Way.

8.1.1 The Neighborhood Association, or its duly delegated representative, shall manage, maintain, repair and replace the Neighborhood Common Area and all Improvements located thereon (subject to Subsection 8.1.3), except the Neighborhood Association shall not be obligated to maintain areas that any governmental entity or any utility company is maintaining or is obligated to maintain.

8.1.2 The Board shall be the sole judge as to the appropriate maintenance of all Neighborhood Common Area and other properties maintained by the Neighborhood Association, subject to the rights of the Master Association described in Section 8.8 hereof. 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.

8.1.3 In the event any Subdivision Plat, Tract Declaration, deed restriction or this Neighborhood Declaration permits the Board to determine whether or not Owners of certain Lots of Parcels will be responsible for maintenance of certain Neighborhood Common Area 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 Occupants for the

Neighborhood 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 Neighborhood Association to contract to provide maintenance service to Owners of Lots and Parcels having such responsibilities in exchange for the payment of such fees as the Neighborhood Association and Owner may agree upon.

8.2 Lots and Parcels. Except as otherwise expressly provided for in the Tract Declaration, each Owner of a Lot or Parcel shall be responsible for maintaining, repairing or replacing his, her or its Lot or Parcel, and all buildings, Residential Units, landscaping or other Improvements situated thereon, except for any portion of the Lot or Parcel which is Neighborhood Common Area (unless otherwise required by the Board pursuant to Subsection 8.1.3). All buildings, Residential Units, landscaping and other Improvements shall at all times be kept in good condition and repair. Landscaping shall be maintained as required by Section 3.4. All Lots and Parcels upon which no Residential Units or other Improvements have been constructed shall be maintained in a weed free and attractive manner.

8.3 Installation of Landscaping. The Owner of a Lot shall install (if not already installed) grass, trees, plants and other landscaping improvements (together with an irrigation system sufficient to adequately water any grass, trees, plants and other landscaping improvements): (a) in the front yard of the Lot and in any side or back yard (or portion thereof) Visible From Neighboring Property, including in any side or back yard (or portion thereof) which is visible through a wrought iron fence, commencing not later than thirty (30) and completing not later than sixty (60) days after the date on which title to the Lot is first conveyed to a Purchaser (as evidenced by Recordation of a deed); and (b) in any side or back yard of the Lot not required to be landscaped under clause (a) of this Section 8.3, not later than one hundred twenty (120) days after the date on which title to the Lot is first conveyed to a Purchaser (as evidenced by Recordation of a deed). All landscaping must be installed in accordance with plans approved in writing by the Master Architectural Committee and Neighborhood Architectural Committee. If landscaping and an irrigation system are not installed on a Lot in the manner and by the applicable dates provided for in this Section, the Board may make a finding to such effect, and pursuant thereto give notice thereof to the offending Owner that unless corrective action is taken within fourteen (14) days, the Board may cause such action to be taken at said Owner's cost. If at the expiration of said 14-day period the requisite corrective action has not been taken, the Board shall be authorized and empowered, but not obligated, to cause such action to be taken and the cost thereof shall be added to and become a part of the Assessment to which the offending Owner and the Owner's Lot or Parcel is subject and shall be secured by the Assessment Lien.

8.4 Installation of Walls Along Golf Course. The Owner of a Lot or Parcel adjoining the Golf Course shall install (if not already installed) a wall on the boundary line between the Lot or Parcel and the Golf Course. The wall shall be constructed in accordance with Section 7 of the Golf Course Declaration, the Master Architectural Committee Rules and Neighborhood Architectural Committee Rules.

8.5 Intentionally Omitted.

8.6 Assessment of Certain Costs of Maintenance and Repair. In the event that the need for maintenance or repair of the Neighborhood Common Area or any other area maintained

by the Neighborhood Association is caused through the willful or negligent act of any Member, his family, tenants, guests or invitees, the cost of such maintenance or repairs shall be added to and become a part of the Assessment to which such Member and the Member's Lot or Parcel is subject and shall be secured by the Assessment Lien. Any charges or fees to be paid by the Owner of a Lot or Parcel pursuant to this Section in connection with a contract entered into by the Neighborhood Association with an Owner for the performance of an Owner's maintenance responsibilities shall also become a part of such Assessment and shall be secured by the Assessment Lien.

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

8.8 Improper Maintenance of Neighborhood Common Area. If any Neighborhood Common Area 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 and Parcels or other areas of the Project that are substantially affected thereby or related thereto, or if any portion of the Neighborhood Common Area is being used in a manner that violates the Master Declaration, any Tract Declaration or this Neighborhood Declaration or if the Neighborhood Common Area is not maintained in the manner required by the Master Declaration, or any Tract Declaration or this Neighborhood Declaration, the board of the Master Association may make a finding to such effect specifying the particular condition or conditions that exist, and pursuant thereto give notice thereof to the Neighborhood Association that unless corrective action is taken within fourteen (14) days the board of the Master Association may cause such action to be taken at the Neighborhood Association's expense. If at the expiration of such 14-day period, the requisite corrective action has not been taken, the board of the Master Association shall be authorized and empowered, but not obligated, to cause such action to be taken and the cost thereof shall be payable to the Master Association by the Neighborhood Association within ten (10) days after demand therefor is made by the Master Association.

8.9 Common Walls. The rights and duties of Owners of Lots or Parcels with respect to common walls shall be as follows:

8.9.1 The Owners of contiguous Lots or Parcels that have a common wall shall both equally have the right to use such wall provided that such use by one Owner does not interfere with the use and enjoyment of same by the other Owner;

8.9.2 In the event that any common wall is damaged or destroyed through the act of an Owner (or of his, her or its agents, tenants, invitees, licensees, guests or family members), it shall be the obligation of such Owner to rebuild and repair the common wall without cost to the other Owner or Owners;

8.9.3 In the event any such common wall is damaged or destroyed by some cause other than the act of one of the adjoining Owners, or his, her or its agents, tenants, licensees, guests or family (including ordinary wear and tear and deterioration from lapse of time), then, in such event, both such adjoining Owners shall proceed forthwith to rebuild or repair the same to as good condition as formerly at their joint and equal expense;

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

8.9.5 In addition to meeting the other requirements of this Neighborhood Declaration and of any other building code or similar regulations or ordinances, any Owner proposing to construct, modify, make additions to or rebuild a common wall shall first obtain the written consent of each other Owner whose Lot or Parcel adjoins such common wall or any portion thereof;

8.9.6 In the event any common wall encroaches upon a Lot or the Neighborhood Common Area, a valid easement for such encroachment and for the maintenance of the common wall shall and does exist in favor of the Owners of the Lots that share such common wall; and

8.9.7 In the event of any dispute between two or more Owners of contiguous Lots or Parcels regarding a common wall or walls, such dispute shall be submitted to the Board for resolution, and the decision of the Board as to any such dispute shall be final and binding.

8.10 Maintenance of Walls Other than Common Walls.

8.10.1 Walls (other than common walls) located on a Lot or Parcel shall be maintained, repaired and replaced by the Owner of the Lot or Parcel.

8.10.2 Any wall that is placed on the boundary line between a Lot or Parcel and the Neighborhood Common Area shall be maintained, repaired and replaced by the Owner of the Lot or Parcel, except that the Neighborhood Association shall be responsible for the repair and maintenance of the side of the wall that faces the Neighborhood Common Area and for any wrought iron portion of the wall.

8.10.3 Any wall that is placed on the boundary line between a Lot or Parcel and the Golf Course shall be maintained, repaired and replaced in accordance with Section 7 of the Golf Course Declaration.

8.11 Maintenance of Natural Open Spaces. All property designated as Natural Open Space, whether by a Tract Declaration, Subdivision Plat or by applicable zoning or other laws or ordinances, shall be maintained by the Owner thereof in a natural, undisturbed condition (after any initial approved revegetation), and the Owner thereof shall promptly remove any litter, waste or debris as may be dumped, left or deposited thereon, and shall otherwise protect and preserve the same and maintain the same in compliance with any and all applicable laws or ordinances, and with any applicable provisions of the Master Architectural Committee Rules and Neighborhood Architectural Committee Rules.

ARTICLE 9 INSURANCE

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

9.1.1 Property insurance on the Neighborhood Common Area insuring against all risk of direct physical loss, insured against in an amount equal to the maximum insurable replacement value of the Neighborhood Common Area, as determined by the Board; provided however, that the total amount of insurance shall not be less than one hundred percent (100%) of the current replacement cost of the insured property (less reasonable deductibles), exclusive of the land, excavations, foundations and other items normally excluded from a property policy;

9.1.2 Comprehensive general liability insurance, including medical payments insurance, in an amount determined by the Board, but not less than \$1,000,000. 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 Neighborhood Common Area and other portions of the Property that the Neighborhood Association is obligated to maintain under this Neighborhood Declaration, and shall also include hired automobile and non-owned automobile coverages with cost liability endorsements to cover liabilities of the Owners as a group to an Owner;

9.1.3 Worker's compensation insurance to the extent necessary to meet the requirements of applicable law;

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

9.1.5 Each insurance policy purchased by the Neighborhood Association shall, to the extent reasonably available, contain the following provisions:

(a) The insurer issuing such policy shall have no rights of subrogation with respect to claims against the Neighborhood Association or its agents, servants or employees, or with respect to claims against Owners or Occupants;

(b) No act or omission by any Owner, unless acting within the scope of his authority on behalf of the Neighborhood Association, will void the policy or adversely affect recovery on the policy;

(c) The coverage afforded by such policy shall not be brought into contribution or proration with any insurance that may be purchased by Owners, Occupants or Mortgagees;

(d) A "severability of interest" endorsement that shall preclude the insurer from denying the claim of an Owner or Occupant because of the negligent acts of the Neighborhood Association or other Owners or Occupants;

(e) Statement naming the Neighborhood Association as the insured, and the Master Association and the Declarant as additional insureds;

(f) For policies of hazard insurance, a standard mortgagee clause providing that the insurance carrier shall notify any Mortgagee named in the policy at least ten (10) days in advance of the effective date of any substantial modification, reduction or cancellation of the policy.

9.2 Certificates of Insurance. An insurer that has issued an insurance policy under this Article shall issue a certificate or a memorandum of insurance to the Neighborhood Association, the Master Association and the Declarant and, upon request, to any Owner or Mortgagee. Any insurance obtained pursuant to this Article shall not be cancelled until thirty (30) days after notice of the proposed cancellation has been mailed to the Neighborhood Association, the Master Association and the Declarant and to each Owner and each Mortgagee to whom certificates of insurance have been issued.

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

9.4 Payment of Insurance Proceeds. With respect to any loss to the Neighborhood Common Area covered by property insurance obtained by the Neighborhood Association, the loss shall be adjusted with the Neighborhood Association, and the insurance proceeds shall be payable to the Neighborhood Association and not to any Mortgagee. Subject to the provisions of Section 9.5, the proceeds shall be disbursed for the repair or restoration of the damage to the Neighborhood Common Area.

9.5 Repair and Replacement of Damaged or Destroyed Property. Any portion of the Neighborhood Common Area that is damaged or destroyed shall be repaired or replaced promptly by the Neighborhood Association unless (a) repair or replacement would be illegal under any state or local health or safety statute or ordinance, or (b) Owners representing at least eighty percent (80%) of the total votes in the Neighborhood Association vote not to rebuild. The

cost of repair or replacement in excess of insurance proceeds and reserves shall be paid by the Neighborhood Association. If the entire Neighborhood Common Area is not repaired or replaced, insurance proceeds attributable to the damaged Neighborhood Common Area shall be used to restore the damaged area to a condition that 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 Neighborhood Association as an additional capital reserve; or (ii) be used for payment of operating expenses of the Neighborhood Association if such action is approved by the affirmative vote or written consent, or any combination thereof, of Members representing more than fifty percent (50%) of the votes in the Neighborhood Association.

ARTICLE 10 EMINENT DOMAIN

10.1 Condemnation of Neighborhood Common Area.

10.1.1 Representation in Condemnation Proceedings. The Owners hereby appoint the Neighborhood Association through such Persons as the Board may delegate, to represent all of the Owners in connection with any condemnation by eminent domain or sale under threat of condemnation of the Neighborhood Common Area. The Board shall act in its sole discretion with respect to any awards made in connection with any such action and shall be entitled to make a voluntary sale to the condemnor in lieu of engaging in a condemnation action.

10.1.2 Award For Common Areas. Any awards received by the Neighborhood Association on account of the condemnation or sale in lieu thereof of the Neighborhood Common Area shall be paid to the Board. The Board may, in its sole discretion, retain any award in the general funds of the Neighborhood Association, expend the funds for restoration and repair of the Neighborhood Common Area, or distribute all or any portion thereof to the Owners, as their interests may appear. The rights of an Owner and any mortgagee of the Owner's Lot or Parcel as to any distribution shall be governed by the provisions of the mortgage encumbering the Lot or Parcel.

10.2 Condemnation of Lots or Parcels. If any Lots, Parcels or other portions of the Assessable Property are condemned by eminent domain or sale under threat of condemnation, the Neighborhood Association shall have no right to receive any portion of any award distributed for such Lots or Parcels as a result of Assessment revenue lost by the conversion of the Lots and Parcels to Exempt Property.

ARTICLE 11 GENERAL PROVISIONS

11.1 Enforcement. The Neighborhood Association or any Owner shall have the right to enforce the Property Documents. If the Neighborhood Association fails or refuses to enforce this Neighborhood Declaration, any Tract Declaration executed pursuant hereto, the Articles, the Bylaws or the Neighborhood Association Rules for an unreasonable period of time after written request to do so from the Master Association, then the Master Association may enforce them on behalf of the Neighborhood Association by any appropriate legal action, whether at law or in equity, and charge the Neighborhood Association for any costs associated with enforcement.

Notwithstanding the foregoing, the Master Association shall have no duty to undertake any such enforcement actions and shall not be deemed a guarantor of enforcement.

11.2 Term; Method of Termination. Unless terminated in accordance with this Section, this Neighborhood Declaration shall continue in full force and effect for a term of twenty (20) years from the date this Neighborhood Declaration is Recorded, after which time this Neighborhood Declaration shall be automatically extended for successive periods of ten (10) years each. This Neighborhood Declaration may be terminated at any time if such termination is approved by the affirmative vote or written consent, or any combination thereof, of Members holding ninety percent (90%) or more of the votes in the Neighborhood Association. If the necessary votes and consents are obtained, the Board shall cause to be Recorded a Certificate of Termination, duly signed by the President or Vice President and attested by the Secretary or Assistant Secretary of the Neighborhood Association, with their signatures acknowledged. Thereupon this Neighborhood Declaration shall have no further force and effect, and the Neighborhood Association shall be dissolved pursuant to applicable law.

11.3 Amendments.

11.3.1 Except for amendments made pursuant to Subsections 11.3.2 and 11.3.3 of this Neighborhood Declaration, this Neighborhood Declaration may only be amended by the written approval or the affirmative vote, or any combination thereof, of both: (a) sixty-seven percent (67%) of the Class A votes then entitled to be cast; and (b) so long as Class B membership is in existence, the Declarant.

11.3.2 Either the Board or the Declarant (so long as the Declarant owns any portion of the Property) may amend this Neighborhood Declaration, without obtaining the approval or consent of any Owner, Mortgagee or other Person, in order to conform this Neighborhood Declaration to the requirements or guidelines of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Veterans Administration or any federal, state or local governmental agency whose approval of the Property or the Property Documents is required by law or requested by the Declarant.

11.3.3 Notwithstanding anything in this Section 11.3 to the contrary, Declarant shall, for so long as it possesses a Class B Membership, be entitled to unilaterally amend this Declaration to correct minor errors and omissions.

11.3.4 Any amendment approved pursuant to Subsection 11.3.1 of this Neighborhood Declaration or by the Board pursuant to Subsection 11.3.2 of this Neighborhood Declaration shall be signed by the President or Vice President of the Neighborhood Association and shall be Recorded. Any such amendment shall certify that the amendment has been approved as required by this Section 11.3. Any amendment made by the Declarant pursuant to Subsections 11.3.2 or 11.3.3 of this Neighborhood Declaration shall be executed by the Declarant and shall be Recorded.

11.4 Interpretation. Except for judicial construction, the Neighborhood Association shall have the exclusive right to construe and interpret the provisions of this Neighborhood

Declaration. In the absence of any adjudication to the contrary by a court of competent jurisdiction, the Neighborhood Association's construction or interpretation of the provisions hereof shall be final, conclusive and binding as to all Persons and property benefitted or bound by this Neighborhood Declaration.

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

11.6 Perpetuities. If any of the covenants, conditions, restrictions or other provisions of this Neighborhood Declaration shall be unlawful, void or voidable for violation of the rule against perpetuities, then such provisions shall continue only until twenty-one (21) years after the death of the last survivor of the now living descendants of the person holding the office of President of the United States on the date this Neighborhood Declaration is Recorded.

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

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

11.9 Laws, Ordinances and Regulations.

11.9.1 The covenants, conditions and restrictions set forth in this Neighborhood Declaration and the provisions requiring Owners and other Persons to obtain the approval of the Board, the Master Architectural Committee or the Neighborhood Architectural 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 Neighborhood Declaration shall not relieve an Owner or any other Person from the obligation also to comply with all applicable laws, ordinances and regulations.

11.9.2 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 in violation of this Neighborhood Declaration and subject to any or all of the enforcement proceedings set forth herein.

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

notice is being Recorded; (c) a brief description of the nature of the violation; (d) a statement that the notice is being Recorded by the Neighborhood Association pursuant to this Neighborhood Declaration; and (e) a statement of the specific steps that must be taken by the Owner or Occupant to cure the violation. Recordation of a notice of violation shall serve as a notice to the Owner and Occupant, and to any subsequent purchaser of the Lot or Parcel, that there is such a violation. If, after the Recordation of such notice, it is determined by the Neighborhood 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 Neighborhood Association shall Record a notice of compliance that shall state the legal description of the Lot or Parcel against which the notice of violation was recorded, 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, if such be the case, that it did not exist. Notwithstanding the foregoing, failure by the Neighborhood Association to Record a notice of violation shall not constitute a waiver of any existing violation or evidence that no violation exists.

11.19 Disclaimer of Representations. Notwithstanding anything to the contrary herein, neither the Declarant nor any Declarant Affiliate makes any warranties or representations whatsoever that the plans presently envisioned for the complete development of the Project can or will be carried out, or that any real property now owned or hereafter acquired by the Declarant or by any Declarant Affiliate is or will be subjected to this Neighborhood Declaration, or that any such real property (whether or not it has been subjected to this Neighborhood Declaration) is or will be committed to or developed for a particular (or any) use, or that if such real property is once used for a particular use, such use will continue in effect. Although neither the Declarant nor any Declarant Affiliate believes that any of the restrictive covenants contained in this Neighborhood Declaration is or may be invalid or unenforceable for any reason or to any extent, neither the Declarant nor any Declarant Affiliate makes any warranty or representation as to the present or future validity or enforceability of any such restrictive covenant. Any Owner acquiring a Lot or Parcel in reliance on one or more of such restrictive covenants shall assume all risks of the validity and enforceability thereof and by accepting a deed to the Lot or Parcel agrees to hold the Declarant and all Declarant Affiliates harmless therefrom.

11.20 Amendments Affecting Declarant Rights. Notwithstanding any other provision of this Neighborhood Declaration to the contrary, no provision of this Neighborhood Declaration (including but not limited to, this Section 11.20) that grants to or confers upon the Declarant or upon any Declarant Affiliate any rights, privileges, easements, benefits or exemptions (except for rights, privileges, easements, benefits, or exemptions granted to or conferred upon Owners generally) shall be modified, amended or revoked in any way, so long as the Declarant, any Declarant Affiliate or a trustee for the benefit of the Declarant or any Declarant Affiliate owns any portion of the Property, without the express written consent of the Declarant.

11.21 Water and Sewer.

11.21.1 A private, for-profit water company ("Water Company") has been formed to develop and operate a potable water production facility for the purpose of supplying each of the Project with potable water. A private, for-profit sewer company ("Sewer Company") has also been formed for the purpose of developing and operating a wastewater treatment facility ("Sewer System") sufficient to service the Project. No Person shall have any interest in the Water

Company or Sewer Company by virtue of membership in the Neighborhood Association, ownership of a Lot, or occupancy of a Residential Unit.

11.21.2 The ownership of or services provided by the Water Company or Sewer Company may change at any time and from time to time by virtue of, but without limitation, the sale to or assumption of operations by an independent entity. No consent of the Neighborhood Association or any Owner shall be required to effectuate such a transfer or conversion.

11.21.3 Each Lot Owner covenants and agrees that any Residential Unit constructed on his or her Lot will be connected to the Water System and/or Sewer System in compliance with all applicable laws, ordinances, codes and regulations, and that no individual well or septic system will be constructed or used on any Lot except by the Water Company or Sewer Company and as authorized and approved by the appropriate governmental and regulatory authorities. Each Lot Owner further covenants and agrees that no water or sewer tap or other connection to the Water or Sewer System will be made without (i) the express written approval of the Water Company, Sewer Company or other utility and (ii) all necessary permits, permissions and approvals from any governmental authority with jurisdiction to grant approval of utility connections within the Project.

11.22 RELATIONSHIP TO MASTER DECLARATION. THIS NEIGHBORHOOD DECLARATION, THE NEIGHBORHOOD ASSOCIATION AND THE RIGHTS OF ITS MEMBERS SHALL BE SUBJECTED AND SUBORDINATED TO THE PROVISIONS OF THE MASTER DECLARATION, AND TO THE PROVISIONS OF THE ARTICLES OF INCORPORATION, BYLAWS, MASTER ARCHITECTURAL COMMITTEE RULES AND RULES OF THE MASTER ASSOCIATION. THE ASSESSMENTS TO BE LEVIED PURSUANT TO THIS NEIGHBORHOOD DECLARATION ARE IN ADDITION TO AND NOT IN LIEU OF THE ASSESSMENTS TO BE LEVIED PURSUANT TO THE MASTER DECLARATION. THIS NEIGHBORHOOD DECLARATION AND OTHER PROPERTY DOCUMENTS SHALL BE INTERPRETED AND APPLIED, TO THE MAXIMUM EXTENT REASONABLY POSSIBLE, SO AS NOT TO CONFLICT WITH ANY PROVISION OF THE MASTER DECLARATION, THE ARTICLES OF INCORPORATION AND BYLAWS OF THE MASTER ASSOCIATION, THE MASTER ARCHITECTURAL COMMITTEE RULES OR ANY RULES PROMULGATED BY THE MASTER ASSOCIATION PURSUANT TO THE MASTER DECLARATION; BUT IN THE EVENT OF ANY CONFLICT BETWEEN ANY PROVISIONS OF THE MASTER DECLARATION OR SUCH ARTICLES OF INCORPORATION, BYLAWS, MASTER ARCHITECTURAL COMMITTEE RULES OR MASTER ASSOCIATION RULES, THE PROVISION IN THE MASTER DECLARATION OR SUCH ARTICLES OF INCORPORATION, BYLAWS, MASTER ARCHITECTURAL COMMITTEE RULES OR MASTER ASSOCIATION RULES SHALL GOVERN.

11.23 Approval of Neighborhood Declaration and Neighborhood Association Documents. Declarant, in its capacity as the Declarant under the Master Declaration, hereby expressly approves of (i) this Neighborhood Declaration, and (ii) the Articles, Bylaws and/or any other formative or governing documents of the Neighborhood Association.

11.24 Approval of Legal Proceedings. Except for any legal or collection proceedings initiated by the Neighborhood Association to (i) enforce the use restrictions contained in this Neighborhood Declaration; (ii) enforce the Neighborhood Association Rules; (iii) enforce the Master Architectural Committee Rules and Neighborhood Architectural Committee Rules; (iv) collect any unpaid Assessments levied pursuant to this Neighborhood Declaration; or (v) enforce a contract entered into by the Neighborhood Association with vendors providing services to the Neighborhood Association, the Neighborhood Association shall not incur legal expenses, including, but not limited to, reasonable attorneys' fees, witness fees, costs and related expenses or liability for costs and fees of an adverse party, where the Neighborhood Association initiates legal proceedings or is joined as a plaintiff in legal proceedings, without the prior approval of Members holding more than 50% of the total votes entitled to be cast by all Members, excluding the vote of any Member who would be a defendant in such proceedings. The costs of any legal proceedings initiated by the Neighborhood Association that are not included in the above exceptions shall be financed by the Neighborhood Association only with monies that are collected for that purpose by Special Assessment, and the Neighborhood Association shall not borrow money, use reserve funds, or use monies collected for other Neighborhood Association obligations. Each Owner shall notify prospective purchasers of such legal proceedings initiated by the Board and not included in the above exceptions. Nothing in this Section 11.24 shall preclude the Board from incurring expenses for legal advice in the normal course of operating the Neighborhood Association to (a) enforce this Neighborhood Declaration and related documents; (b) comply with the statutes or regulations related to the operation of the Neighborhood Association; (c) amend this Neighborhood Declaration and related documents, in accordance with their terms; (d) grant easements or convey Neighborhood Common Area as provided in this Neighborhood Declaration; or (e) perform the obligations of the Neighborhood Association as provided in this Neighborhood Declaration. Subject to the exceptions in the first sentence of this Section 11.24, with respect to matters involving property or Improvements to property, the Neighborhood Association additionally shall not initiate legal proceedings or join as a plaintiff in legal proceedings unless (1) the property or Improvement is owned either by the Neighborhood Association or jointly by all Members of the Neighborhood Association, (2) the Neighborhood Association has the maintenance responsibility for the property or Improvements pursuant to this Neighborhood Declaration, or (3) the Owner who owns the property or Improvements consents in writing to the Neighborhood Association initiating or joining the legal proceeding.

ARTICLE 12
FHA/VA PROVISIONS

12.1 Approvals During Period of Declarant Control. Notwithstanding any other provision of this Neighborhood Declaration or of any of the other Property Documents to the contrary, during the period: (a) commencing with the earlier of: (i) the date FHA or VA first approves any subdivision in the Property for single family residential loan insurance or guarantee programs offered by FHA or VA; or (ii) the date FHA or VA first insures or guarantees a loan on any Lot within the Property; and (b) ending with the expiration or termination of the Period of Declarant Control:

12.1.1 no additional property shall not be annexed to the Property without the prior approval of either FHA or VA (except to the extent such annexation involves only minor adjustments to boundaries of the Property);

12.1.2 neither the Neighborhood Common Area nor any part thereof shall be dedicated without the prior approval of either FHA or VA except for (a) minor adjustments to the boundaries of any Neighborhood Common Area or any other portion of the Property; (b) dedications or grants of easements to the public, to any municipal or other governmental agency or entity, or to any public, quasi-public or private utility company as permitted by paragraph 5.1.1(a); and (c) grants of easements pursuant to Section 5.2.

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

12.1.4 the Neighborhood Association shall not be dissolved, or merged or consolidated with any other entity, without the prior approval of FHA or VA.

12.2 Obtaining Approvals. As to any action required by this Article 10 to be approved by FHA or VA before becoming effective or before being taken, such action shall be submitted to FHA or VA for approval, and if the agency whose approval is requested does not disapprove the same, by written notice to the Neighborhood Association, the Declarant or other Person requesting such approval, within thirty (30) days after delivery to such agency of the request for approval, the action in question shall be deemed approved by such agency.

12.3 Definitions. For purposes of this Article 10, the term "FHA" means the Federal Housing Administration (or its successor federal agency), and the term "VA" means the Veterans Administration (or its successor federal agency).

ARTICLE 13 GOLF COURSE

13.1 Right to Use. Neither membership in the Neighborhood Association nor ownership of a Lot nor occupancy of a Residential Unit shall automatically confer any ownership interest in or right to use the Golf Course. Subject to the terms and conditions of the Golf Course Declaration, including paragraph 35 thereof, as may be amended from time to time, rights to use the Golf Course will be granted only to such persons, and on such terms and conditions, as may be determined from time to time by the owner of the Golf Course. The owner of the Golf Course shall have the right, from time to time in its sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of the Golf Course, including, without limitation, eligibility for and duration of use rights, categories of use and extent of use privileges, and number of users, and shall also have the right to reserve use rights and to terminate use rights altogether, subject to the provisions of any outstanding membership documents and subject to the provisions of the Golf Course Declaration.

13.2 View Impairment. Neither the Declarant nor the Neighborhood Association guarantees or represents that any view over and across the Golf Course from adjacent Lots will

be preserved without impairment. No provision of this Neighborhood Declaration creates an obligation on the owner of the Golf Course, if any, to prune or thin trees or other landscaping. The owner of the Golf Course may have the right to add trees and other landscaping to the Golf Course from time to time. In addition, the owner of the Golf Course may have the right to change the location, configuration, size and elevation of the tees, bunkers, fairways and greens on the Golf Course from time to time. Any such additions or changes to the Golf Course may diminish or obstruct any view from the Lots and any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed by the Declarant and the Neighborhood Association.

13.3 Limitations on Amendments. In recognition of the fact that the provisions of this Article are for the benefit of the owner of the Golf Course, no amendment to this Article, and no amendment in derogation of any rights reserved or granted to the owner of the Golf Course by other provisions of this Neighborhood Declaration, may be made without the written approval of the owner of the Golf Course.

13.4 Jurisdiction and Cooperation. It is Declarant's intention that the Neighborhood Association and the owner of the Golf Course shall cooperate to the maximum extent possible in the operation of the Properties and the Golf Course. The Neighborhood Association shall have no power to promulgate rules and regulations affecting activities or use of the Golf Course except as specifically provided in the Golf Course Declaration.

ARTICLE 14 CLAIM AND DISPUTE RESOLUTION/LEGAL ACTIONS

14.1 Generally. It is intended that the Neighborhood Common Area, each Lot and Parcel, and all Improvements constructed on the Property will be of a quality that is consistent with good construction and development practices in the area where the Property is located for housing and amenities similar to that constructed within the Project. Nevertheless, due to the complex nature of construction and the subjectivity involved in evaluation of quality, disputes may arise as to whether a defect exists and the responsibility therefor. It is intended that all disputes and claims regarding alleged defects ("Alleged Defects") in any Improvements on any Lot, Parcel, or Neighborhood Common Area and the other disputes and claims described herein will be resolved amicably, without the necessity of time-consuming and costly litigation. Accordingly, all Designated Developers, the Neighborhood Association, the Board, and all Owners and Persons shall be bound by the following claim resolution procedures. The applicability of this Article 14 to the Declarant is set forth in Section 14.10.

14.2 Right to Cure Alleged Defect. If the Neighborhood Association, the Board or any other Owner or Person ("Claimant") claims, contends, or alleges an Alleged Defect, the Designated Developer that constructed the Improvement shall have the right to inspect, repair and replace the Alleged Defect as set forth herein.

14.2.1 If a Claimant discovers an Alleged Defect, the Claimant shall give written notice of the Alleged Defect ("Notice of Alleged Defect"), including a description of the specific nature of the Alleged Defect, within thirty (30) days after discovery to the Designated Developer who constructed the Improvement.

14.2.2 Within a reasonable time after the receipt of a Notice of Alleged Defect, or the independent discovery of any Alleged Defect by a Designated Developer, the Designated Developer that constructed the Improvement shall have the right, upon reasonable notice to the Claimant and during normal business hours, to enter onto or into the Neighborhood Common Area, Lot, Parcel or Residential Unit, and any other Improvements or portion of the Property for the purposes of inspecting and conducting testing and, if deemed necessary by the Designated Developer in its sole discretion, repairing or replacing the Alleged Defect. In conducting such inspection, testing, repair and replacement, the Designated Developer shall be entitled to take any actions it deems reasonable and necessary under the circumstances.

14.3 No Additional Obligations; Irrevocability and Waiver of Right. Nothing set forth in this Article 14 shall be construed to impose any obligation on a Designated Developer to inspect, test, repair, or replace any item or Alleged Defect for which the Designated Developer is not otherwise obligated under applicable law or any warranty provided by the Designated Developer in connection with the sale of the Lots, Parcels and Residential Units and the Improvements constructed thereon. The right reserved to each Designated Developer to enter, inspect, test, repair or replace an Alleged Defect shall be irrevocable and may not be waived or otherwise terminated with regard to the Designated Developer, except by a Recorded document executed by that Designated Developer.

14.4 Legal Actions. Any legal action initiated by a Claimant must be brought in accordance with, and subject to, Section 11.24 and Section 14.5 of this Declaration. If a Claimant initiates any legal action, cause of action, regulatory action, proceeding, reference, mediation, or arbitration against a Designated Developer alleging damages for costs related to an Alleged Defect ("Alleged Defect Costs"), any judgment or award in connection therewith shall first be used to correct and or repair the Alleged Defect or to reimburse the Claimant for any costs actually incurred by the Claimant in correcting or repairing the Alleged Defect. If the Neighborhood Association, as a Claimant, recovers any funds from a Designated Developer (or any other Person) to repair an Alleged Defect, any excess funds remaining after repair of the Alleged Defect shall be paid in to the Neighborhood Association's reserve fund. If the Neighborhood Association is a Claimant, the Neighborhood Association must provide a written notice to all Members prior to initiation of any legal action, regulatory action, cause of action, proceeding, reference, mediation or arbitration against a Designated Developer including, at a minimum:

- (a) a description of the Alleged Defect;
- (b) a description of the attempts of the Designated Developer to correct the Alleged Defect and the opportunities provided to the Designated Developer to correct the Alleged Defect;
- (c) a certification from an architect or engineer licensed in the State of Arizona that the Alleged Defect exists along with a description of the scope of work necessary to cure the Alleged Defect and a resume of such architect or engineer;
- (d) the estimated Alleged Defect Costs;

(e) the name and professional background of the attorney retained by the Neighborhood Association to pursue the claim against the Designated Developer and a description of the relationship between the attorney and member(s) of the Board or the Neighborhood Association's management company (if any);

(f) a description of the fee arrangement between the attorney and the Neighborhood Association;

(g) the estimated attorneys' fees and expert fees and costs necessary to pursue the claim against the Designated Developer and the source of the funds that will be used to pay the fees and expenses;

(h) the estimated time necessary to conclude the action against the Designated Developer;

(i) a good faith estimate of the fees and costs the Neighborhood Association may be required to pay to the Designated Developer in the event that the Neighborhood Association's claim is unsuccessful; and

(j) an affirmative statement from a majority of the members of the Board that the action is in the best interests of the Neighborhood Association and its Members.

14.5 Alternative Dispute Resolution. Any dispute or claim (each, a "Dispute") between or among (a) a Designated Developer (or its brokers, agents, consultants, contractors, subcontractors, or employees) on the one hand, and any Owner or the Neighborhood Association on the other hand; or (b) the Neighborhood Association and any Owner, including any claim based on contract, tort, or statute, arising out of or relating to (i) the rights or duties of the parties under this Neighborhood Declaration; (ii) the design or construction of any portion of the Property, or (iii) an Alleged Defect, but excluding disputes relating to the payment of any type of Assessment and routine enforcement of the use restrictions set forth in Article 3, shall be subject first to mediation and then arbitration as set forth in this Section 14.5, in lieu of instituting litigation with regard to the Dispute. EACH OWNER, BY ACCEPTING TITLE TO A LOT OR A PARCEL, AND ALL OTHER PERSONS HEREAFTER ACQUIRING ANY OTHER INTEREST IN ANY OF THE PROPERTY, ACKNOWLEDGE AND ACCEPT THAT THEY WILL HAVE NO RIGHT TO HAVE THE DISPUTES DESCRIBED ABOVE TRIED IN COURT.

14.5.1 Mediation.

(a) Mediation shall be initiated by the party or parties instituting the Dispute (each, a "Disputing Party") delivering written notice of the intent to mediate to the party or parties against whom the Dispute is alleged (each, a "Respondent"). Within ten (10) days from the date the mediation notice is delivered to the last Respondent, the parties shall agree upon a mediator. If the parties are unable to agree upon a mediator within ten days, the Disputing Party (or Disputing Parties, if there are more than one) shall promptly select one mediator, and the Respondent (or Respondents, if there are more than one) shall promptly select one mediator, and those two mediators shall select a third independent mediator who shall serve as the sole mediator of the Dispute.

(b) The mediation shall be held in the County. The mediator shall have the discretion to conduct the mediation in the manner in which the mediator believes is most appropriate for reaching a settlement of the Dispute. The mediator is authorized to conduct joint and separate meetings with the parties to the Dispute and to make oral and written recommendations for settlement. Whenever necessary, the mediator may also obtain expert advice concerning technical aspects of the Dispute, provided the parties to the Dispute agree to obtain, and to assume the expenses of obtaining, the expert advice as provided in Subsection 14.5.3. Persons other than the parties to the Dispute, and their attorneys, may attend mediation sessions only with the permission of all parties to the Dispute and with the consent of the mediator. There shall be no stenographic record of the mediation process.

(c) The mediator shall not have the authority to impose a settlement on any party to the Dispute. Upon termination of the mediation, the mediator shall notify the parties to the Dispute, in writing, of the date on which the mediation terminated. Any admissions, offers of compromise, settlement negotiations or other communications at the mediation shall not be admissible in any subsequent dispute resolution forum.

14.5.2 Final and Binding Arbitration. If the parties cannot resolve their Dispute pursuant to the mediation procedures described in Subsection 14.5.1, the Disputing Party shall have thirty (30) days following termination of mediation proceedings (as determined by the mediator in writing) to submit the Dispute to final and binding arbitration by delivering written notice of the intent to arbitrate to all Respondents. If the Disputing Party does not submit the Dispute to arbitration within thirty (30) days after termination of mediation proceedings, the Disputing Party shall be deemed to have waived any claims related to the Dispute, and all Respondents shall be released and discharged from any and all liability to the Disputing Party on account of the Dispute; provided, however, nothing herein shall release or discharge any party from any liability to Persons who are not a party to the proceedings.

(a) The parties to the Dispute shall cooperate in good faith to ensure that all necessary and appropriate parties are included in the arbitration proceeding. No Designated Developer shall be required to participate in the arbitration proceeding if all parties against whom the Designated Developer would have necessary or permissive cross-claims or counterclaims cannot be joined in the arbitration proceedings.

(b) Within ten (10) days from the date the written notice of arbitration is delivered to the last Respondent, the parties shall agree upon an arbitrator. If the parties are unable to agree upon an arbitrator within ten (10) days, the Disputing Party (or Disputing Parties, if there are more than one) shall promptly select one arbitrator, and the Respondent (or Respondents, if there are more than one) shall promptly select one arbitrator, and those two arbitrators shall select a third independent arbitrator who shall serve as the sole arbitrator of the Dispute. If an arbitrator resigns or becomes unwilling or unable to continue to serve as an arbitrator in the Dispute, a replacement shall be selected in accordance with this paragraph 14.5.2(b). Any arbitrator selected pursuant to this paragraph 14.5.2(b) shall be impartial, fully active in the arbitrator's occupation, knowledgeable as to the subject matter involved in the Dispute and experienced in arbitration proceedings. The foregoing shall not preclude otherwise qualified retired judges or lawyers.

(c) The arbitration proceedings shall be held in the County. The arbitrator shall have the authority to try all issues, whether of fact or law, and shall have the power to hear and dispose of all motions (including, but not limited to, motions to dismiss and summary judgment motions) in the same manner as a trial court judge. Except as otherwise specifically provided in this Section 14.5, the arbitrator shall have the discretion to conduct the arbitration in the manner in which the arbitrator believes is most appropriate for the Dispute. Within twenty (20) days of being selected as the arbitrator, the arbitrator shall produce a written arbitration management plan, describing how the arbitration will proceed, which may include, but need not be limited to, deadlines for conducting discovery and hearing motions, one or more pre-hearing conferences, and limitations on discovery (in addition to those described in paragraph 14.5.2(d)).

(d) The parties to the Dispute shall be entitled to limited discovery only, consisting of the exchange between the parties of the following matters: (i) witness lists; (ii) expert witness designations; (iii) expert witness reports; (iv) exhibits; (v) reports of testing or inspections of the property subject to the Dispute, including, but not limited to, destructive or invasive testing; and (vi) trial briefs. The Designated Developer shall also be entitled to conduct further tests and inspections as provided in Section 14.2. Any other discovery shall be permitted by the arbitrator upon a showing of good cause or based on the mutual agreement of the parties to the Dispute. The arbitrator shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

(e) The arbitrator shall render a final decision, in writing, no later than 60 days following the conclusion of the arbitration proceedings.

(f) The arbitrator shall have the power to award compensatory damages and to grant all other legal and equitable remedies, except the arbitrator shall not have the authority to award punitive, special or consequential damages. EACH OWNER, BY ACCEPTING TITLE TO A LOT OR A PARCEL, AND ALL OTHER PERSONS HEREAFTER ACQUIRING ANY OTHER INTEREST IN ANY OF THE PROPERTY, ACKNOWLEDGE AND ACCEPT THAT THEY SHALL HAVE NO RIGHT TO RECEIVE PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES FOR ANY OF THE DISPUTES DESCRIBED ABOVE.

14.5.3 Expenses of Mediation and Arbitration. Each party to the Dispute shall bear all of its own costs incurred prior to and during the mediation and arbitration proceedings, including, but not limited to, the fees and costs of its attorneys or other representatives, discovery costs, and expenses of witnesses produced by the party. Each party to the Dispute shall share equally all charges of the mediator(s), arbitrator(s), and all costs of obtaining expert advice concerning technical aspects of the Dispute (for which the parties to the Dispute agreed to pay), unless otherwise agreed to by the parties.

14.5.4 Enforcement of Resolution. If the parties to a Dispute resolve the Dispute through mediation in accordance with Subsection 14.5.1 and any party thereafter fails to abide by the terms of such mediation, or if an arbitration award is made in accordance with Subsection 14.5.2 and any party to the Dispute thereafter fails to comply with such resolution or award, then the other party or parties to the Dispute may file suit or initiate administrative

proceedings to enforce the terms of the mediation resolution or arbitration award without the need to again comply with the procedures set forth in this Article 14. In that event, the party taking action to enforce the terms of the mediation or the award shall be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties pro rata), all costs incurred to enforce the terms of the mediation or arbitration award including, but not limited to, reasonable attorneys' fees, witness fees, costs and all related expenses.

14.5.5 Confidentiality. All papers, documents, briefs, written communication, testimony and transcripts as well as any and all mediation resolutions and arbitration decisions shall be confidential and not disclosed to anyone other than the mediator, arbitrator, the parties to the Dispute, the attorneys of the parties to the Dispute and expert witness (where applicable to their testimony), unless: (i) the prior written consent of all parties to the Dispute has been obtained; (ii) the information is otherwise available to the public through no act of the party or parties that received the information in the course of the Dispute; or (iii) a court order requires otherwise. Prior to disclosure, all third parties must agree in writing to keep such information confidential.

14.6 Repurchase Option for Alleged Defect Claims. Notwithstanding anything in this Neighborhood Declaration to the contrary, in the event any Owner, either directly or through the Neighborhood Association has a dispute with a Designated Developer regarding any Alleged Defects in the Owner's Residential Unit and submits the dispute to arbitration pursuant to Subsection 14.5.2, the Designated Developer that constructed the Residential Unit (or any assignee of the Designated Developer) shall have the option (BUT NOT THE OBLIGATION) to purchase such Residential Unit on the following terms and conditions.

14.6.1 The purchase price shall be an amount equal to the sum of the following less any sums paid to such Owner under any homeowner's warranty in connection with the Alleged Default:

(a) the purchase price paid by the original Owner of the Residential Unit when originally purchased from the Designated Developer;

(b) the value of any Improvements made to the Residential Unit by anyone other than the Designated Developer;

(c) the Dwelling Unit Owner's reasonable moving costs; and

(d) any closing costs, including loan fees and "points" incurred by the Residential Unit Owner in connection with the purchase of another primary residence within ninety (90) days after the closing of the repurchase provided for in this Section 14.6. If the costs set forth in this paragraph 14.6.1(d) have not been incurred prior to the closing of the repurchase provided for herein, upon presentation of reasonable documentation after the closing of the repurchase option, the Designated Developer that exercised the repurchase option shall promptly reimburse the Owner for such costs incurred within the time period referenced above.

14.6.2 Close of escrow on the repurchase of the Residential Unit shall occur within forty-five (45) days after written notice from the Designated Developer to the Residential Unit Owner of the Designated Developer's intent to exercise the option herein.

14.6.3 Title shall be conveyed to the applicable Designated Developer free and clear of all monetary liens and encumbrances other than non-delinquent real estate taxes.

14.6.4 All closing costs in connection with the repurchase shall be paid by the applicable Designated Developer.

14.6.5 Exercise of the repurchase option as provided hereinabove shall constitute full and final satisfaction of all claims relating to the subject Residential Unit, including claims relating to the Alleged Defect. The Residential Unit Owner (or Neighborhood Association, as applicable) shall promptly execute and deliver any notice of dismissal or other document necessary or appropriate to evidence such satisfaction.

14.7 Class Action Claims. The provisions set forth in this Article 14 are intended to apply to any class action claims.

14.8 Statutes of Limitations. Nothing in this Article 14 shall be construed to toll, stay, reduce, or extend any applicable statute of limitations. All statutes of limitation applicable to claims that are subject to mediation and arbitration pursuant to the alternative dispute resolution provisions of Section 14.5 above shall apply to the commencement of mediation proceedings pursuant to Subsection 14.5.1.

14.9 As-Built Conditions. Various engineering and architectural plans pertaining to the Property, including, but not limited to, plats, subdivision maps, grading plans, plot plans, improvement plans and building plans (collectively, the "Plans"), contain dimensions regarding certain aspects of the Residential Units, Neighborhood Common Areas and other parts of the Property. By accepting a deed to any portion of the Property, each Owner shall be deemed to have acknowledged and agreed that (i) if there is a discrepancy between the Plans and the actual as-built conditions of any Residential Unit, Neighborhood Common Area or any other Improvement within the Property, the as-built conditions will control and be deemed to be accepted as-is by the Owner; (ii) the usable or buildable area, location and configuration of the Residential Units, Neighborhood Common Areas and any other Improvements located within the Property may deviate from the Plans or from any other display or configuration related thereto; (iii) each Owner waives the right to make any demands of or claims against Designated Developers or the Declarant as a result of any discrepancies between the Plans and any actual as-built conditions of any Residential Unit, Neighborhood Common Area or any other Improvement within the Property; and (iv) the location, size, height and composition of all walls and fences to be constructed on or as part of a Residential Unit or adjacent thereto shall be determined in the discretion of the Declarant or the Designated Developers, as applicable, in accordance with this Neighborhood Declaration. Despite the Plans or any other materials that may exist, Designated Developers and the Declarant shall be deemed to have made no representations, warranties or assurances with respect to any such matters or with respect to the size, height, location or composition of any wall or fence to be constructed on or adjacent to any Residential Units.

14.10 Applicability to Declarant.

14.10.1 Each Owner acknowledges that the Designated Developers, and not the Declarant, are constructing Residential Units and related Improvements on Lots within the Property. Each Owner further acknowledges that (a) the Declarant is not responsible for the construction of Residential Units on Lots; (b) there is no direct relationship or privity of contract between the Owner and the Declarant; and (c) the Owner is not a third party beneficiary to any agreement between the Designated Developers, or any other Person, and the Declarant. To the extent that a claim arises regarding the construction of Improvements on the Neighborhood Common Areas or other matters that involve the Declarant, however, the provisions of this Article 14 including, but not limited to, Sections 14.2, 14.4, 14.5, and 14.6) shall apply to the Declarant as if Declarant was a Designated Developer. Notwithstanding the foregoing, Section 14.9 shall apply to the Declarant, as more particularly described therein, regardless of whether a claim arises involving the Declarant.


14.10.2 Nothing set forth in this Article 14 shall be construed to impose any obligation on the Declarant that the Declarant does not otherwise have under applicable law or under any warranty provided by the Declarant, including, but not limited to, the obligation to inspect, test, repair, or replace any item or Alleged Defect for which the Declarant is not otherwise obligated.

14.10.3 Notwithstanding anything to the contrary in this Article 14, in the event of any inconsistency between the provisions of this Article 14 and the provisions of any written agreement between Declarant and a Designated Developer, the provisions of the written agreement shall govern as between Declarant and the Designated Developer.

[END]

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

STARDUST DEVELOPMENT, INC., an Arizona corporation

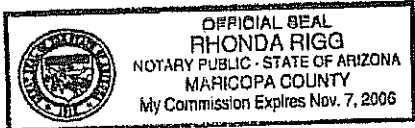
By: 
Chris B. Heeter, its President

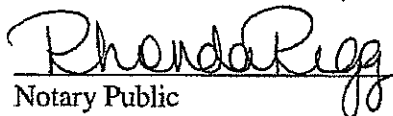
"DECLARANT"

STATE OF ARIZONA)
)ss.
County of Maricopa)

On this 20th day of December, 2004, before me, the undersigned Notary Public, personally appeared Chris B. Heeter, the President of STARDUST DEVELOPMENT, INC., an Arizona corporation, and that he, being authorized to do so, signed the foregoing document on behalf of the corporation for the purposes therein contained.

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




Notary Public

My Commission Expires:

NOV. 7, 2006

EXHIBIT A

("Property" or "Properties")

LEGAL DESCRIPTION

Tracts A through E, inclusive, Tract G and Lots 1 through 102, inclusive, of the FINAL PLAT OF LA PRIVADA AT VERDE SANTA FE, according to the plat of record in the office of the County Recorder of Yavapai County, Arizona, recorded in Book 49 of Maps, Pages 18, 19 and 20.