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DECLARATION OF COVENANTS, CONDITIONS

AND RESTRICTIONS

FOR

THE AMERICAN RANCH

DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS
FOR
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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
THE AMERICAN RANCH

This Declaration of Covenants, Conditions and Restrictions for THE AMERICAN RANCH (the "Declaration") is made this 8th day of October, 2002, by ARVentures, L.L.C., an Arizona limited liability company (the "Declarant").

ARTICLE 1

DEFINITIONS

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

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

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

1.3 "Architectural Review Committee" means the committee of the Association to be created pursuant to Section 5.12 of this Declaration.

1.4 "Areas of Association Responsibility" means (i) all Common Area; (ii) all real property, and the Improvements situated thereon, located within the boundaries of a Lot which the Association is obligated to maintain, repair and replace pursuant to the terms of this Declaration or the terms of another Recorded document executed by the Association; (iii) all real property, and the Improvements situated thereon, within the Project located within dedicated rights-of-way with respect to which the State of Arizona or any county or municipality has not accepted responsibility for the maintenance thereof, but only until such time as the State of Arizona or any county or municipality has accepted all responsibility for the maintenance, repair and replacement of such areas; (iv) all real property, and the Improvements situated thereon, designated on a Plat signed or ratified by the Association as an area to be maintained, repaired or replaced by the Association; and (v) all real property, and any Improvements situated thereon, within the Project which the Association has agreed in a Recorded document signed by the Association to maintain, repair or replace. Areas of Association Responsibility shall not include Open Space Easement areas established within Lots.

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

1.6 "Assessable Property" means any Lot, except such Lots or parts thereof

that may from time to time be Exempt Property.

1.7 **“Assessment”** means an Annual Assessment, Special Assessment or Subdivision Assessment.

1.8 **“Assessment Lien”** means the lien created and imposed by Article 6 of this Declaration.

1.9 **“Assessment Period”** means the period set forth in Section 6.7 of this Declaration.

1.10 **“Association”** means The American Ranch Community Association, an Arizona nonprofit corporation, or such other Arizona nonprofit corporation to be organized by Declarant to administer and enforce the Project Documents and to exercise the rights, powers and duties set forth therein, and its successors and assigns.

1.11 **“Association Rules”** means the rules adopted by the Board pursuant to Section 5.3 of this Declaration, as amended from time to time.

1.12 **“Board”** means the Board of Directors of the Association.

1.13 **“Builder”** means any Person purchasing (i) one or more Lots to construct Residential Units thereon for later sale to Owners, or (ii) one or more parcels of land within the Project to subdivide, develop and/or resell in the ordinary course of such Person’s business.

1.14 **“Building Envelope”** means that area of a Lot designated on the Plat as “Building Envelope” on which all Improvements must be constructed and installed.

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

1.16 **“Common Area”** means all real property, together with all Improvements situated thereon, which the Association at any time owns in fee or in which the Association has a leasehold interest for as long as the Association is the owner of the fee or leasehold interest, except that Common Area shall not include any Lot which the Association may acquire through foreclosure of the Assessment Lien or any deed in lieu of foreclosure.

1.17 **“Common Expenses”** means the actual or estimated expenses incurred, or anticipated to be incurred, by the Association, together with any allocations to reserves.

1.18 **“Declarant”** means ARVentures, L.L.C., an Arizona limited liability company, its successors and any Person to whom it may expressly assign any or all of its rights under this Declaration by a Recorded instrument.

1.19 **“Declarant Party”** or **“Declarant Parties”** means collectively Declarant, its members and the members thereof, their officers, directors and employees, and their builders, general contractors, brokers and agents.

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

1.21 “Design Guidelines” means the rules and guidelines adopted by the Architectural Review Committee pursuant to Section 5.12 of this Declaration, as amended or supplemented from time to time.

1.22 “Development Plan” means the master plan for the Project attached hereto as Exhibit C which originally established the density for the Project, which density is subject to change pursuant to Section 2.6 herein.

1.23 “Exempt Property” means (i) all real property and improvements owned by, or dedicated to and accepted by the United States, State of Arizona, the County of Yavapai, or any political subdivision thereof, so long as such entity or political subdivision is the owner thereof or for so long as said dedication remains effective; (ii) all Common Area; and (iii) prior to the Transition Date, all Lots or other real property within the Project owned by Declarant, or any wholly-owned subsidiary of Declarant, except for property owned by Declarant or such a subsidiary that is subject to a contract for the conveyance of real property subject to the provisions of A.R.S. §33-741 et seq.

1.24 “Equestrian Lot” means a Lot which has been designated as such on a Plat or in a Supplemental Declaration whereupon the Owner thereof has the privilege of maintaining no more than two (2) horses per one (1) acre of pasture.

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

1.26 “First Mortgagee” means the holder or beneficiary of any First Mortgage.

1.27 “Improvement” means any building, fence, wall or other structure or improvement above or below ground (including, without limitation, any sheds, basketball poles/hoops, patio covers and balconies) or any swimming pool, road, driveway, parking area (paved or unpaved) water well facilities, irrigation facilities, horse facilities and any trees, plants, shrubs, grass or other landscaping improvements of every type and kind.

1.28 “Lessee” means the lessee or tenant under a written lease of any Lot, including an assignee of a lease.

1.29 “Lot” means a portion of the Project intended for independent ownership and use and designated as a lot on a Plat and, where the context indicates or requires, shall include any building, structure or other Improvements situated on the Lot.

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

1.31 “Member” means any Person who is a member of the Association which holds a “**Membership**” created pursuant to Article 5.

1.32 “Open Space Easement Areas” means (i) areas of undisturbed natural landscape, and (ii) areas wherein the natural landscape has been modified only for the purposes of creating pasture and grazing areas for horses, as designated on a Plat or by another Recorded instrument.

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

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

1.35 “Plat” means any subdivision plat Recorded against all or any part of the Project, and all amendments, supplements and corrections thereto.

1.36 “Property” or “Project” means the real property described on Exhibit A attached to this Declaration together with all Improvements, and all real property and all Improvements which is thereto annexed and subjected to this Declaration pursuant to Section 2.3 of this Declaration.

1.37 “Project Documents” means this Declaration, any and all Supplemental Declarations, all Plats, the Articles, the Bylaws, the Association Rules and the Design Guidelines.

1.38 “Purchaser” means any Person, other than the Declarant or a Builder, who by means of a voluntary transfer becomes the Owner of a Lot, except for a Person who, in addition to purchasing a Lot, is assigned any or all of the Declarant’s rights under this Declaration.

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

1.40 “Resident” means each natural person occupying or residing in a Residential Unit.

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

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

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

1.44 "Subdivision Assessment" means an assessment levied against less than all of the Lots in the Project pursuant to Section 6.6 of this Declaration.

1.45 "Subdivision Assessment Area" means a portion of the Project designated in a Supplemental Declaration as an area in which the Association will provide Subdivision Services.

1.46 "Subdivision Expenses" means the actual or estimated expenses, including allocations to reserves, incurred or anticipated to be incurred by the Association to provide Subdivision Services to the Owners, Lessees and Residents in a Subdivision Assessment Area.

1.47 "Subdivision Services" means services designated in a Supplemental Declaration as being for the sole or primary benefit of the Owners, Lessees and Residents of a particular part, but less than all, of the Project. Subdivision Services may include, without limitation, maintenance services for fences situated on Lots.

1.48 "Supplemental Declaration" means a Declaration recorded pursuant to Section 2.2 of this Declaration.

1.49 "Transition Date" means the first to occur of:

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

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

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

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

Date in a Recorded instrument.

1.50 “Visible From Neighboring Property” means, with respect to any given object, that such object is or would be visible to a person standing at ground level on any part of an adjoining Lot or Common Area.

ARTICLE 2

PLAN OF DEVELOPMENT

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

2.2 Supplemental Declarations. Declarant reserves the right, but not the obligation, to record one or more Supplemental Declarations against portions of the Property. A Supplemental Declaration may (i) designate Subdivision Services for Subdivision Assessment Areas, (ii) impose such additional covenants, conditions and restrictions as the Declarant determines to be appropriate for the Subdivision Assessment Area, (iii) establish a Subdivision Assessment pursuant to Section 6.6 of this Declaration for a Subdivision Assessment Area, and (iv) impose any additional covenants, conditions and restrictions as Declarant deems reasonably necessary and appropriate, whether or not a Subdivision Assessment Area is established. A Supplemental Declaration may only be amended by the written approval or the affirmative vote, or any combination thereof, of (a) the Owners representing more than seventy-five percent (75%) of the

votes in the Association held by the Owners of all of the Lots subject to the Supplemental Declaration, (b) the Association, and (c) the Declarant so long as the Declarant owns any Lot or other real property in the Project. Such amendment shall certify that the amendment has been approved as required by this Section, shall be signed by the President or Vice President of the Association, and the Declarant, so long as the Declarant owns any Lot or other real property in the Project, and shall be Recorded.

2.3 Annexation of Additional Property.

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

2.3.2 Additional Property may be annexed in separate parcels and at different times, or Additional Property may never be annexed, and there are no limitations upon the boundaries thereof. Additional Property annexed by the Declarant pursuant to this Section 2.3 need not be contiguous with other property in the Project, and the exercise of the right of annexation as to any Additional Property shall not bar the further exercise of the right of annexation as to any other Additional Property. The Declarant makes no assurances that Additional Property will or will not be annexed.

2.3.3 Unless a later effective date is set forth in the Declaration of Annexation, the annexation shall become effective upon Recording of the Declaration of Annexation. Subject to the provisions of Section 5.9, the voting rights of the Owners of Lots annexed pursuant to this Section shall be effective as of the date the Declaration of Annexation annexing such property is Recorded, unless a later effective date is set forth in the Declaration of Annexation.

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

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

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

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

2.8 Restriction on Liability of the Association and the Declarant Parties:
Release.

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

2.8.2 The Project is located adjacent to the Prescott National Forest and the Project and the Prescott National Forest contain many species of insects, reptiles and other animals. Animals indigenous to the area, including, without limitation, scorpions, snakes, spiders, bobcats, hawks, javelina, bears, mountain lions and antelope, may be found throughout the Prescott National Forest and the natural areas of the Project and may enter upon the residential and recreational portions of the Project from time to time. Each Owner, Lessee and Resident, for itself and its families, invitees and licensees, assumes the risk that such animals may be present and may present danger. Neither the Declarant Parties, the Association nor any director, officer, agent or employee of the Association shall be liable to any Owner, Resident, Lessee or its family, invitees or licensees for any claims or damages resulting, directly or indirectly, from the existence of such animals within the Project.

2.8.3 Several lakes ("Lakes") may be constructed throughout the Project, which shall be owned or leased and maintained by the Association. In addition, a "wetlands" area ("Wetlands") may be preserved in accordance with applicable state and federal

laws, which may be owned either by the Association or a public or private entity. The use of the Lakes and Wetlands by Owners shall be governed by the provisions set forth in Section 3.12 of this Declaration and the Association Rules and as otherwise may be provided in another Recorded instrument if the Wetlands are owned by a public or private entity. Each Owner, Lessee and Resident, for himself and his family, invitees and licensees, acknowledges, understands and agrees that (i) the Lakes and Wetlands may present a hazard to children; (ii) power boats operated by the Association for maintenance, safety or other community purposes may create noise; (iii) the proximity to the Lakes and Wetlands of certain Residential Units may create additional burdens upon Owners, including, but not limited to, back yard maintenance requirements and the construction requirements for back yard fencing; (iv) insects associated with standing bodies of water may be present from time to time; and (v) if the Wetlands are conveyed to a public or private entity, the Association shall be authorized to grant easements over the private streets owned by the Association for ingress and egress to the Wetlands for maintenance and such other purposes deemed necessary or appropriate by the Association and as otherwise required by state and federal laws governing Wetlands. The existence of the Lakes and Wetlands may cause inconvenience and disturbance and possible injury to the Owners, Lessees, Residents and their families, invitees and licensees; however, each Owner, Lessee and Resident has considered the location of the Residential Unit being purchased, leased or occupied and its proximity to the Lakes and Wetlands. By acceptance of a deed or by acquiring any interest in any of the Property, each Owner, Lessee and Resident, for himself and his family, invitees and licensees, acknowledges and assumes the risks of the aforesaid nuisance, inconvenience, disturbance, damage and possible injury to persons. The Lakes and Wetlands may become a component of the flood control and drainage facilities for the Project, and therefore water may be diverted away from or into the Lakes and Wetlands for that purpose. Declarant, the Association or the private or public entity shall not be obligated to maintain the Lakes or Wetlands in the size, level or formation as originally shown on the Development Plan where forces of nature, governmental restrictions or the operation of flood control and drainage devices prohibit or otherwise render such maintenance of the Lakes and Wetlands unreasonable for environmental, flood and drainage control, economic and other reasons, as determined by the Declarant in its sole discretion until the Declarant no longer owns any Lot or other property within the Project, and thereafter, the Association.

2.8.4 The Declarant intends to designate portions of the Property as Equestrian Lots, which will allow Owners, Residents and Lessees to maintain horses and to erect facilities for the housing and care of the horses. In addition, Declarant intends to construct equestrian trails throughout the Project. Each Owner, Lessee and Resident, for itself and its families, invitees and licensees, acknowledges that (i) maintaining and riding horses within the Project may create noise, odors and dust and attract insects associated with horses; and (ii) activities involving horses may create a dangerous condition and persons may be subject to personal injury (including, without limitation, death) and property damage as a result thereof. Neither the Declarant Parties, the Association nor any director, officer, agent or employee of the Association shall be liable to any Owner, Resident, Lessee or its family, invitees or licensees for any claims or damages resulting, directly or indirectly, from the riding and/or maintenance of such animals within the Project.

2.8.5 Each Owner, Resident and Lessee hereby releases the Declarant Parties and the Association from any and all claims, actions, suits, demands, causes of action,

losses, damages or liabilities (including, without limitation, strict liability) related to or arising in connection with any nuisance, inconvenience, disturbance, injury or damage resulting from activities or occurrences described in this Section 2.8.

2.9 Equestrian Center.

2.9.1 Declarant may, but is not obligated, to construct an "Equestrian Center" in the location shown on the Development Plan. The Equestrian Center may include such facilities as boarding stables for horses, corrals, storage barns for feed, hay and equipment, equestrian event facilities, offices and meeting rooms and living quarters for an Equestrian Center manager or maintenance person. At any time prior to the Transition Date, Declarant, or any third party designated by Declarant, may own and/or operate the Equestrian Center as a private, for-profit enterprise available for use by Owners and Residents, and additionally, at Declarant's sole discretion, by Persons not residing or owning property within the Project. At any time prior to the Transition Date, without the consent of any Owner, Declarant, at its sole discretion, but without obligation to do so, may convey the Equestrian Center to the Association as Common Area.

2.9.2 If Declarant has conveyed the Equestrian Center to the Association as Common Area, then at any time after the Transition Date upon [(a)] adoption of a resolution by the Board stating that in the Board's opinion the use of the Equestrian Center by the general public is no longer in the best interests of the Members and Residents, [and (b) the approval of such resolution by the prior written consent or affirmative vote of Owners representing at least two-third (2/3) of the votes entitled to be cast by Class A Members of the Association,] and approval of the Declarant, so long as Declarant owns any Lot or other property within the Project, the Board shall have the power and right to restrict the use of the Equestrian Center to Members and Residents, subject to the provisions of Subsection 4.1.1 of this Declaration and subject to the provisions contained in any lease or management agreement with an Equestrian Center operator and in any agreements for the use of the Equestrian Center between the Association and Persons other than Owners and Residents which may be effective at the time of such action by the Board.

2.9.3 Each Owner, Lessee and Resident, for himself and his family, invitees and licensees, acknowledges, understands and agrees that (i) activities at the Equestrian Center may create noise, odors and dust and attract insects associated with horses; (ii) the proximity to the Equestrian Center of certain Residential Units may create additional burdens upon Owners, including, but not limited to, back yard maintenance requirements and the construction requirements for back yard fencing; and (iii) activities involving horses may create a dangerous condition and persons may be subject to personal injury (including, without limitation, death) and property damage as a result thereof. The existence of the Equestrian Center may cause inconvenience and disturbance to the Owners, Lessees, Residents and their families, invitees and licensees; however, each Owner, Lessee and Resident has considered the location of the Residential Unit being purchased, leased or occupied and its proximity to the Equestrian Center; By acceptance of a deed or by acquiring any interest in any of the Property, each Owner, Lessee and Resident, for himself and his family, invitees and licensees, acknowledges and assumes the risks of the aforesaid nuisance, inconvenience, disturbance and injury to persons. **The Declarant**

Parties, any owner or operator of the Equestrian Center, the Association, any director, officer, agent or employee of an owner or operator of the Equestrian Center or the Association, individually or collectively, shall not be responsible or accountable for, and shall have no liability (including, without limitation, strict liability) for any claims, causes of action, losses, damages, costs or expenses (including, without limitation, attorneys' fees and court costs) for any nuisance, inconvenience, disturbance, property damage or personal injury (including, without limitation, death) arising from the Equestrian Center, activities involving horses or actions or omissions incidental to Equestrian Center activities within the Project. Each Owner, Resident and Lessee covenants and agrees for himself, herself or itself, its family members, guests, successors and assigns that he, she or it does knowingly and voluntarily assume all risks associated with the foregoing, including, but not limited to, the risks of nuisance, inconvenience and disturbance, as well as property damage (including injury to horses or livestock) and personal liability arising from Equestrian Center activities or activities involving horses or actions or omissions incidental to the use of the Equestrian Center, and hereby releases the Declarant Parties, any owner or operator of the Equestrian Center and the Association from any and all claims, actions, suits, demands, causes of action, losses, damages or liabilities (including, without limitation, strict liability) related to or arising in connection with any nuisance, inconvenience, disturbance, injury or damage resulting from activities or occurrences described in this Section 2.9.

2.10 Views Not Guaranteed. Although certain Lots in the Project currently may have particular views, no express or implied rights or easements exist for views or for the passage of light and air to any Lot. Neither Declarant nor Association makes any representation or warranty whatsoever, express or implied, concerning the view which any Lot will have whether as of the date this Declaration is Recorded or thereafter. Any view which currently exists for a Lot may be impaired or obstructed by further construction within or outside the Project, including, without limitation, by construction of Improvements (including landscaping) by Declarant, construction by third parties and by the natural growth of landscaping. No third party, including, without limitation, any broker or salesperson, has any right to bind Declarant or the Association with respect to the preservation of any view from any Lot or any view of a Lot from any other property.

ARTICLE 3

USE RESTRICTIONS

3.1 Architectural Control.

3.1.1 No excavation or grading work shall be performed on any Lot without the prior written approval of the Architectural Review Committee.

3.1.2 No Improvement shall be constructed or installed on any Lot without the prior written approval of the Architectural Review Committee. No additions, alterations, repairs, changes or other work which in any way alters the exterior appearance, including but without limitation, the exterior color scheme, of any part of a Lot or any Improvements located thereon, from their appearance on the date this Declaration is Recorded shall be made or done without the prior written approval of the Architectural Review Committee.

Any Owner desiring approval of the Architectural Review Committee for the construction, installation, addition, alteration, repair, change or replacement of any Improvement shall submit to the Architectural Review Committee a written request for approval specifying in detail the nature and extent of the addition, alteration, repair, change or other work which the Owner desires to perform, including, without limitation, the distance of such work from neighboring properties, if applicable. Any Owner requesting the approval of the Architectural Review Committee also shall submit to the Architectural Review Committee any additional information, plans and specifications which the Architectural Review Committee may request. In the event that the Architectural Review Committee fails to approve or disapprove an application for approval within sixty (60) days after the application, together with any fee payable pursuant to Subsection 3.1.6 of this Declaration and all supporting information, plans and specifications requested by the Architectural Review Committee, have been submitted to the Architectural Review Committee, this Section will be deemed to have been complied with by the Owner who had requested approval of such plans. The approval by the Architectural Review Committee of any construction, installation, addition, alteration, repair, change or other work shall not be deemed a waiver of the Architectural Review Committee's right to withhold approval of any similar construction, installation, addition, alteration, repair, change or other work subsequently submitted for approval.

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

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

Review Committee.

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

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

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

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

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

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

3.1.11 The Architectural Review Committee may condition its approval of plans and specifications upon the agreement by the Owner submitting such plans and specifications (other than Declarant who shall not be subject to the provisions of this Subsection) to furnish to the Association a bond or other security acceptable to the Architectural Review Committee in an amount determined by the Architectural Review Committee to be reasonably sufficient to: (i) assure the completion of the proposed Improvements or the availability of funds adequate to remedy any nuisance or unsightly conditions occurring as a result of the partial completion of such Improvement, and (ii) to repair any damage which might be caused to any Area of Association Responsibility as a result of such work. Any such bond shall be released or security shall be fully refundable to the Owner upon: (a) the completion of the Improvements in accordance with the plans and specifications approved by the Architectural Review Committee; and (b) the Owner's written request to the Architectural Review Committee, provided that there is no damage caused to any Area of Association Responsibility by the Owner or its agents or contractors.

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

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

3.2 Residential Unit Size and Configuration. Only a Residential Unit not exceeding Twenty-Eight feet (28') in height across two-thirds ($2/3$'s) of the building area and thirty-five feet (35') in height across one third ($1/3$) of the building area, as measured from the natural grade of the surrounding soil to the top of the house or any chimney or other appurtenance, whichever is higher, may be constructed on each Lot. No Residential Unit shall be constructed with a livable area of less than 2200 square feet, exclusive of open porches, ramadas, patios, balconies, pergolas, detached garage or attached garage, if any.

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

3.4 Nuisances; Construction Activities. No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot, and no odors or loud noises shall be permitted to arise or emit therefrom, so as to render any such property or any portion thereof, or activity thereon, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to the occupants of such other property. No other nuisance shall be permitted to exist or operate upon any Lot 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 shall not be considered a nuisance or otherwise prohibited by this Declaration, but Lots shall be kept in a neat and tidy condition during construction periods, trash and debris shall not be permitted to accumulate, and supplies of brick, block, lumber and other building materials will be piled only within the Building Envelope in such areas as may be approved in writing by the Architectural Review Committee. In addition, any construction equipment and building materials stored or kept on any Lot during the construction of Improvements may be kept only within the Building Envelope

in areas approved in writing by the Architectural Review Committee, which may also require screening of the storage areas. The Architectural Review Committee in its sole discretion shall have the right to determine the existence of any such nuisance. The provisions of this Section shall not apply to construction activities of the Declarant.

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

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

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

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

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

3.10 Overhead Encroachments. No tree, shrub, or planting of any kind on any Lot shall be allowed to overhang or otherwise to encroach upon any trail, sidewalk, street or pedestrian way from ground level to a height of twelve (12) feet, and upon any equestrian trail from ground level to a height which will allow a horse and rider to pass without obstruction.

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

3.12 Restrictions on Use of Lakes and Wetlands. No swimming or wading (except for an emergency) shall be permitted in the Lakes or Wetlands. Boats and other watercraft shall not be permitted in the Lakes or Wetlands except for watercraft used by the Association for maintenance purposes. There shall be no dumping of any trash or other materials in the Lakes or Wetlands, and no Owner, Resident or Lessee is permitted to introduce any living species into the Lakes or Wetlands. The Lakes and Wetlands also shall be subject to any additional Association Rules deemed appropriate by the Board and any rules and regulations promulgated pursuant to federal or state law or regulations of the applicable entity owning or operating the Wetlands.

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

3.14 Animals. No animal, bird, fowl, poultry, reptile or livestock may be kept on any Lot, except that, subject to any restrictions contained herein or in any Supplemental Declaration or the Association Rules, (i) dogs, cats, parakeets, similar household birds or other animals reasonably determined by the Board to be household pets (not to exceed a reasonable number of such animals) may be kept on a Lot if they are kept, bred or raised thereon solely as domestic pets and not for commercial purposes, and (ii) subject to any restrictions contained in this Declaration, any Supplemental Declaration or in the Association Rules, not more than two (2) horses per one acre of pasture may be kept on an Equestrian Lot if they are kept thereon solely as domestic riding horses and not for commercial purposes (collectively referred to herein

as "Permitted Pets"). All Permitted Pets shall be confined to a Resident's Lot except that a dog may be permitted to leave a Resident's Lot if such dog is at all times kept on a leash and is not permitted to enter upon any other Lot, and a horse may be permitted to leave a Resident's Lot if ridden or led by a Resident and reasonably confined to the equestrian trails within the Project. No Permitted Pet shall be allowed to make an unreasonable amount of noise or to become a nuisance. No structure for the care, housing or confinement of any Permitted Pet shall be maintained so as to be Visible From Neighboring Property without the prior written consent of the Architectural Review Committee. Upon the written request of any Owner, Lessee or Resident, the Architectural Review Committee shall conclusively determine, in its sole and absolute discretion, whether, for the purposes of this Section, (a) an animal shall be deemed a Permitted Pet, (b) the number of Permitted Pets kept on a Lot constitutes a reasonable number, and (c) a particular Permitted Pet is a nuisance or making an unreasonable amount of noise. Any decision rendered by the Architectural Review Committee shall be enforceable in the same manner as other restrictions set forth in this Declaration. Any Owner, Resident or other person who brings or permits his pet to be on the Common Area or any Lot shall be responsible for immediately removing any solid waste deposited by said pet.

3.15 Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot, except 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, such machinery or equipment which Declarant or the Association may require for the operation and maintenance of the Project or such machinery or equipment reasonably necessary for the maintenance of Equestrian Lots. Any machinery or equipment maintained on an Equestrian Lot shall be stored so as not to be Visible From Neighboring Property when not in use.

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

3.16.1 Signs required by legal proceedings.

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

3.16.3 One (1) "For Sale" sign placed by a professional residential real estate brokerage company or placed by the Owner of the Lot, provided that the Architectural Review Committee shall reserve the right to prescribe within the Design Guidelines the size, materials, color and format of such signs.

3.17 Restriction on Further Subdivision, Property Restrictions and Rezoning. No Lot shall be further subdivided or separated into smaller lots or parcels by any Owner other than the Declarant, and no portion less than all of any such Lot shall be conveyed or transferred by any Owner other than the Declarant, without the prior written approval of the Board. No further covenants, conditions, restrictions or easements shall be recorded by any

Owner, Lessee, or other Person other than the Declarant against any part of the Property without the provisions thereof having been first approved in writing by the Board. No application for rezoning, variances or use permits pertaining to any Lot shall be filed with any governmental authority by any Person other than the Declarant unless the application has been approved by the Board and the proposed use otherwise complies with this Declaration.

3.18 Vehicles and Parking. Use of streets within the Project by all terrain vehicles (ATV's) shall be limited to vehicles with 4 stroke engines that are licensed for operation on public streets and operated by a licensed driver. Except for emergency vehicle repairs, no automobile or other motor vehicle shall be constructed, reconstructed or repaired upon a Lot or other property in the Project, and no inoperable vehicle may be stored or parked on any such Lot or other property unless stored in an enclosed structure. No truck, mobile home, travel trailer, tent trailer, trailer, camper shell, detached camper, recreational vehicle, boat, boat trailer, horse trailer or other similar equipment or vehicle may be parked, maintained, constructed, reconstructed or repaired on any Lot or Common Area unless stored in an enclosed structure, except for: (i) the parking of any such vehicle in storage areas owned and operated by the Association, if any; (ii) the temporary parking of a motor home, camper, recreational vehicle or boat and boat trailer on the concrete driveway situated on a Lot for a period of not more than twenty-four (24) consecutive hours within any consecutive seven (7) day period for the purpose of loading, unloading or cleaning such vehicle or equipment; (iii) temporary construction trailers or facilities maintained during, and used exclusively in connection with, the construction of any Improvement approved by the Architectural Review Committee; (iv) boats, trailers and motor vehicles parked in garages on Lots so long as such vehicles are in good operating condition and appearance and are not under repair; and (v) horse trailers parked on Equestrian Lots in structures approved by the Architectural Review Committee. Parking on streets or other Common Areas is prohibited except in signed areas as may from time to time be designated by the Association.

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

3.20 Drainage. No structure, building, landscaping, fence, wall or other Improvement shall be constructed, installed, placed or maintained in any manner that would obstruct, interfere with or change the direction or flow of water in accordance with the drainage plans for the Project, or any part thereof, or for any Lot as shown on the drainage plans on file with the county or municipality in which the Project is located. No Person shall alter the grading of a Lot or alter the natural flow of water over and across a Lot without the prior written approval of the Architectural Review Committee and any applicable governmental authority.

3.21 Garages and Driveways. Garages situated on Lots shall be used only for the parking of vehicles and shall not be used or converted for living or recreational activities without the prior written approval of the Architectural Review Committee. Garages may be used for the storage of material so long as the storage of material does not restrict the use of the garage for the parking of motor vehicles.

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

3.23 Basketball Goals and Backboards. No basketball hoop, goal or backboard shall be constructed or installed on any Lot without the prior written approval of the Architectural Review Committee unless constructed or installed in accordance with the provisions of the Design Guidelines.

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

3.25 Open Space Easement Areas. Any portion of a Lot designated as an Open Space Easement Area shall be left undisturbed by the Owner or Resident of such Lot, except that any such Open Space Easement Area on an Equestrian Lot may be used solely for the purpose of pasture and grazing. An Owner shall not prune or trim plant materials, except to remove broken limbs and dead or diseased trees and plants; however, an Owner shall perform general maintenance within the undisturbed area to remove trash and to remove weeds to the extent that the existence of weeds may create a fire hazard. The restrictions set forth in this Section shall not prohibit an Owner from erecting a fence to enclose an Open Space Easement Area to contain horses, subject to the prior written consent of the Architectural Review Committee.

3.26 Water Wells. The placement, drilling and operation of water wells is prohibited on all Lots except Equestrian Lots. Any placement, drilling and operation of wells on Equestrian Lots shall be subject to the prior written approval of the Architectural Review Committee and shall solely serve to irrigate pasture land and provide drinking water for horses. Wells shall not be used on Equestrian Lots for domestic purposes. If approved by the Architectural Control Committee, each water well shall be constructed on an Owner's Lot, in accordance with all applicable laws and regulations, only after an application to drill a well has been submitted to and approved by the Arizona Department of Water Resources and shall be constructed by a qualified contractor. In addition, each Owner shall be responsible for obtaining whatever rights, licenses and permits as may be necessary for the use of groundwater by such Owner and for taking appropriate safety precautions.

3.27 Leasing of Residential Units.

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

conditions is satisfied:

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

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

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

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

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

3.29 Lights and Noise. No spotlights, flood lights or other high intensity lighting shall be placed or utilized upon any Lot which in any manner will allow light to be directed or reflected unreasonably upon any other Lot. No radio, television or other speakers or amplifiers shall be installed or operated on any Lot so as to be audible from other Lots, the Common Area or streets.

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

3.31 Variances; Diminution. The Architectural Review Committee may, at its option and in extenuating circumstances, grant variances from the restrictions set forth in Sections 3.1 through 3.30 if the Architectural Review Committee determines in its sole discretion that: (i) a restriction would create an unreasonable hardship or burden on an Owner, Lessee or Resident or a change of circumstances since the Recordation of this Declaration has rendered such restriction obsolete and (ii) the activity permitted under the variance will not have

any substantial adverse effect on the Owners, Lessees and Residents of the Project and is consistent with the high quality of life intended for Residents of the Project. If any restriction set forth in this Article 3 is adjudged or deemed to be invalid or unenforceable as written by reason of any federal, state or local law, ordinance, rule or regulation, then a court or the Board, as applicable, may interpret, construe, rewrite or revise such restriction to the fullest extent allowed by law, so as to make such restriction valid and enforceable. Such modification shall not serve to extinguish any restriction not adjudged or deemed to be unenforceable.

ARTICLE 4

EASEMENTS

4.1 Easement for Use of Common Area.

4.1.1 Every Owner, Lessee and Resident shall have a non-exclusive right and easement of use and enjoyment in and to the Common Area (including, but not limited to, the right to use any streets which may be part of the Common Area for ingress and egress to the Owner's Lot) which right shall be appurtenant to and shall pass with the title to every Lot, subject to the following:

(i) The right of the Association to dedicate, convey, transfer or encumber the Common Area as provided in Section 5.13 of this Declaration.

(ii) The right of the Board to change the use of a Common Area as provided in Section 5.14.

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

(iv) The right of the Board to impose reasonable Membership requirements and charge reasonable Special Use Fees for the use of any facility situated on the Common Area.

(v) The right of the Board to organize and operate events and programs which utilize the facilities by Members, and the general public if authorized by the Board, within any Common Area for the purpose of generating funds for the Association, and the right of the Board to exclude Members from using such facilities during special events.

(vi) The right of the Association to regulate the use of the Common Area through the Association Rules and to prohibit access to such portions of the Common Area, such as landscaped areas and Lakes and Wetlands, not intended for use by the Owners, Lessees or Residents.

(vii) If Declarant constructs the Equestrian Center and elects to convey the Equestrian Center to the Association as Common Area, subject to the provisions of Section 2.9 of this Declaration, the right of the Association to operate the Equestrian Center as a

private facility open to Persons other than Owners and Residents and to rent or lease the Equestrian Center on a short-term or long-term basis to any Person, including, without limitation, the right to permit use of the Equestrian Center by such Persons other than Owners and Residents, for the purpose of generating funds for the Association.

(viii) The right of the Association to operate any recreational facility on Common Area through management agreements with Persons designated by the Board.

(ix) The right of the Association to suspend the right of an Owner to use the Common Area (other than the right of an Owner and such Owner's family, tenants and guests to use any streets which are part of the Common Area for ingress or egress to the Owner's Lot) if such Owner is more than fifteen (15) days delinquent in the payment of Assessments or other amounts due to the Association or if the Owner has violated any other provisions of the Project Documents and has failed to cure such violation within fifteen (15) days after the Association notifies the Owner of the violation. Any suspension of an Owner's right to use the Common Area shall also extend to the Lessees and Residents of the Owner's Lot and their guests and invitees.

4.1.2 If a Lot is leased or rented by the Owner thereof, the Lessee and the members of the Lessee's family residing with such Lessee shall have the right to use the Common Area during the term of the lease, and the Owner of such Lot shall have no right to use the Common Area (other than the right of an Owner to use any streets which are part of the Common Area for ingress or egress to the Owner's Lot) until the termination or expiration of such lease.

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

4.3 Declarant's and Builders' Use for Sales and Leasing Purposes. Declarant and any Builder shall have the right and an easement to maintain sales or leasing offices, management offices, a design center, model homes and parking areas, for the purpose of accommodating persons visiting such model homes and sales offices, throughout the Project and to maintain one or more advertising, identification or directional signs on the Common Area or on the Lots owned or leased respectively by Declarant and any Builder while the Declarant and Builders are selling Lots. Declarant reserves the right, for itself and for all Builders, to place model homes, management offices, sales and leasing offices and parking areas on any Lots owned or leased respectively by Declarant and Builders and on any portion of the Common Area in such number, of such size and in such locations as Declarant and Builders deem appropriate. In the event of any conflict or inconsistency between this Section and any other provision of this

Declaration, this Section shall control. Notwithstanding anything contained to the contrary in this Section, the rights of any Builder pursuant to this Section shall be subject to review and approval by the Architectural Review Committee.

4.4 Declarant's and Builders' Easements. Declarant shall have the right and an easement on and over the Areas of Association Responsibility to construct all Improvements that the Declarant may deem necessary and to use the Areas of Association Responsibility and any Lots or other property within the Project owned by 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. In addition, the Declarant shall have the right and an easement on and over those parts of Lots adjacent to planned streets within the Project as may be required to complete construction of said streets and related Areas of Association Responsibility. The Declarant shall have the right and an easement upon, over, and through the Areas of Association Responsibility as may be reasonably necessary for the purpose of discharging its obligations or exercising the rights granted to or reserved by the Declarant by this Declaration, including, without limitation, the reasonable use of any Area of Association Responsibility for marketing purposes. Any Builder shall have the right and an easement on and over any Lot owned by such Builder for construction or renovation related purposes, including the storage of tools, machinery, equipment, building materials, appliances, supplies and fixtures, as long as such activities have the prior written consent of the Architectural Review Committee. In the event of any conflict or inconsistency between this Section and any other provision of this Declaration, this Section shall control.

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

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

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

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

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

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

4.6 Easement for Trail to Access Prescott National Forest. Declarant intends to construct (or has constructed) a trail within the Project over which Declarant intends

to convey to the general public a non-exclusive easement for access from Williamson Valley Road to the Prescott National Forest. Such trail shall be Common Area and shall be subject to the same restrictions as set forth in Section 3.13 of this Declaration.

ARTICLE 5

THE ASSOCIATION; ORGANIZATION; MEMBERSHIP AND VOTING RIGHTS

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

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

5.3 The Association Rules. The Board may, from time to time, adopt, amend and repeal rules and regulations pertaining to: (i) the management, operation and use of the Areas of Association Responsibility including, but not limited to, any recreational facilities situated upon the Areas of Association Responsibility; (ii) minimum standards for any maintenance of Lots; (iii) the health, safety or welfare of the Owners, Lessees and Residents, or (iv) restrictions on the use of Lots. Rules and regulations pertaining to the use of the Lots may include improvement and maintenance requirements for Equestrian Lots which may differ from all other Lots, including, without limitation, rules governing the storage of horse-related equipment, feed and supplies, maintenance of all horse-related facilities and the periodic cleaning of pasture and horse barns. In the event of any conflict or inconsistency between the provisions of this Declaration and the Association Rules, the provisions of this Declaration shall prevail. The Association Rules shall be enforceable in the same manner and to the same extent as the covenants, conditions and restrictions set forth in this Declaration.

5.4 Special Use Fees. Each Resident shall be entitled to use the recreational facilities which are a part of the Common Area, except that Special Use Fees may be charged for

special programs, equipment and any other services determined by the Board to be subject to Special Use Fees.

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

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

5.7 Identity of Members. Membership in the Association shall be limited to (i) the Declarant and (ii) the Owners of Lots (including Builders) which are Assessable Property. An Owner of a Lot which is Assessable Property shall automatically, upon becoming the Owner thereof, be a Member of the Association and shall remain a Member of the Association until such time as his ownership ceases for any reason, at which time his Membership in the Association shall automatically cease. Membership in the Association shall be appurtenant to each Lot owned by the Declarant and each Lot which is Assessable Property, subject to the provisions of Subsection 5.8.2 herein, and may not be separately assigned, transferred or conveyed.

5.8 Allocation of Memberships.

5.8.1 Each Member shall have one Membership for each Lot owned by the Member.

5.8.2 In addition to the Memberships allocated to the Declarant pursuant to Subsection 5.7 of this Declaration, the Declarant shall have one (1) Membership for each unit of density available for residential development allowed by the Development Plan as shown thereon, which unit of density is not yet shown as a Lot on a Recorded Plat.

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

Class A. Class A Memberships shall be all Memberships except for the Class B Memberships held by the Declarant and each Owner shall be entitled to one vote for each Class A Membership held by such Owner.

Class B. Class B Memberships shall be all Memberships held by the Declarant. The Declarant shall be entitled to three (3) votes for each Membership held by the

Declarant. The Class B Memberships shall expire when the Declarant no longer owns any property within the Project.

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

5.11 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, and then only to the transferee of ownership to the Lot. A transfer of ownership to a Lot may be effected by deed, intestate succession, testamentary disposition, foreclosure of a mortgage of record, or such other legal process as now in effect or as may hereafter be established under or pursuant to the laws of the State of Arizona. Any attempt to make a prohibited transfer shall be void. Any transfer of ownership to a Lot shall operate to transfer the Membership appurtenant to said Lot to the new Owner thereof. Each Purchaser of a Lot shall notify the Association of his purchase within ten (10) days after he becomes the Owner of a Lot.

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

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

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

5.14 Procedure for Change of Use of 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 Common Area is no longer in the best interests of the Members and Residents, and (b) the approval of such resolution by Declarant as long as the Declarant owns any property within the Project, the Board shall have the power and right to change the use of such property (and in connection therewith, construct, reconstruct, alter or change the buildings, structures and Improvements thereon in any manner deemed necessary by the Board to accommodate the new use), provided such new use (i) shall be for the benefit of the Members and Residents, as determined by the Board, and (ii) shall be consistent with any deed restrictions, zoning and other municipal regulations restricting or limiting the use of the land.

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

companies or any competitor thereof and may vote at the meeting to authorize any such contract, transaction or approval with like force and effect as if he were not so interested.

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

ARTICLE 6

COVENANT FOR ASSESSMENTS AND CREATION OF LIEN

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

6.2 Annual Assessments.

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

6.2.2 The Board shall give notice of the Annual Assessment to each Owner at least thirty (30) days prior to the beginning of each Assessment Period, but the failure to give such notice shall not affect the validity of the Annual Assessment established by the Board nor relieve any Owner from its obligation to pay the Annual Assessment. If the Board

determines during any Assessment Period that the funds budgeted for that Assessment Period are or will become inadequate to meet all Common Expenses for any reason, including, without limitation, nonpayment of Assessments by Members, it may increase the Annual Assessment, to the extent permitted by law, for that Assessment Period and the revised Annual Assessment shall commence on the date designated by the Board. Notwithstanding any provision in the Declaration, Bylaws or Association Rules, the Board shall not impose an Annual Assessment in any Assessment Period in excess of that amount permitted by law; however, to the extent that the law shall permit any increase in the Annual Assessment which requires the approval of the majority of Members, such increase shall be implemented only upon approval of the majority of Members.

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

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

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

6.6 Subdivision Assessments.

6.6.1 All Subdivision Expenses shall be shown separately in the budget adopted by the Board. The Common Expenses pertaining to providing Subdivision Services shall be assessed solely against the Lots within the Subdivision Assessment Area as established by the Supplemental Declaration designating the Subdivision Assessment Area. No Subdivision Expenses shall be used in computing the Annual Assessments to be levied pursuant to Section 6.2 of this Declaration. Unless otherwise provided for in the applicable Supplemental Declaration, Subdivision Assessments shall be levied against the Lots within the Subdivision

Assessment Area at a uniform rate per Membership. If the Board determines during any Assessment Period that any Subdivision Assessment is, or will, become inadequate to pay all Subdivision Expenses for any reason, including, without limitation, nonpayment of Subdivision Assessments by Owners within the Subdivision Assessment Area, the Board may increase the Subdivision Assessment for that Assessment Period and the revised Subdivision Assessment shall commence on the date designated by the Board.

6.6.2 In addition to a Subdivision Assessment assessed pursuant to Subsection 6.6.1, the Association may assess against each Lot within a Subdivision Assessment Area a special Subdivision Assessment for the purpose of paying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of an Improvement situated within the Subdivision Assessment Area, provided that any special Subdivision Assessment is approved by Class A Members having more than two-thirds (2/3) of the votes entitled to be cast by Class A Members within such Subdivision Assessment Area present in person or by proxy at a meeting duly called for such purpose, and the consent of the Declarant so long as the Declarant owns any Lot or property within the Project. Any such special Subdivision Assessment shall be assessed against all Lots within the applicable Subdivision Assessment Area at a uniform rate per Membership.

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

6.8 Commencement Date of Assessment Obligation. Each Lot within the Property described in Exhibit "A" to this Declaration and each Lot annexed pursuant to Section 2.3 of this Declaration shall be subject to assessment upon the conveyance of each such Lot to a Purchaser or a Builder, except that any Lot owned by the Declarant shall be subject to assessment on the first day following the Transition Date.

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

prior Owners.

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

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

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

6.10.3 Unless otherwise provided under Arizona law, the Assessment

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

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

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

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

6.12 Purposes for which Association's Funds May Be Used. The Association shall use all funds and property collected and received by it (including the Assessments, income derived from the operation or lease of any Common Area facilities, fees, loan proceeds, surplus funds and all funds and property received by it from any other source) solely for the purpose of (i) discharging and performing the Association's duties and obligations under the Project Documents; (ii) exercising the rights and powers granted to the Association by the Project Documents, and (iii) the common good and benefit of the Project and the Owners, Lessees and Residents, by devoting said funds and property, among other things, to the acquisition, construction, alteration, maintenance, provision and operation, by any manner or method whatsoever, of any and all land, properties, improvements, facilities, services, projects, programs, studies and systems, within or without the Project, which may be necessary, desirable or beneficial to the general common interests of the Project, the Owners, Lessees and Residents. Notwithstanding any other provision of this Declaration to the contrary, until the Transition Date, funds of the Association may not be used for the initial construction of Improvements on the Common Area unless approved by Class A Members having more than two-thirds (2/3) of the votes entitled to be cast by Class A Members present in person or by proxy at a meeting duly called for such purpose and the consent of the Declarant so long as the Declarant owns any Lot or property within the Project.

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

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

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

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

ARTICLE 7

MAINTENANCE

7.1 Areas of Association Responsibility. The Association, or its duly delegated representative, shall manage, maintain, repair and replace the Areas of Association Responsibility, and all Improvements located thereon, except for any part of the Areas of Association Responsibility which any governmental entity is maintaining or is obligated to maintain. The Board shall be the sole judge as to the appropriate maintenance, repair and replacement of all Areas of Association Responsibility, but all Areas of Association Responsibility, and the Improvements located thereon, shall be maintained in good condition and repair at all times. No Owner, Resident or other Person shall construct or install any Improvements on the Common Area or alter, modify or remove any Improvements situated on the Common Area without the approval of the Board. No Owner, Resident or other Person shall remove, add to or modify any plants, trees, granite or other landscaping Improvements in the part of their Lot which constitutes an Area of Association Responsibility without the prior written approval of the Board. No Owner, Resident or other Person shall obstruct or interfere with the Association in the performance of the Association's maintenance, repair and replacement of the Areas of Association Responsibility, and the Improvements located thereon. The Association shall be responsible for the control, maintenance and payment of ad valorem taxes and liability insurance on the Common Area.

7.2 Lots. Subject to the restrictions set forth in Section 3.25 of this Declaration, and except as otherwise may be provided in a Supplemental Declaration, each Owner of a Lot shall be responsible for maintaining, repairing or replacing his Lot, and all buildings, Residential Units, landscaping or other Improvements situated thereon (including, without limitation, any landscaping installed within the street right-of-way contiguous to a Lot, whether public or private), except for any portion of the Lot which is an Area of Association Responsibility. All buildings, Residential Units, landscaping and other Improvements shall at all times be kept in good condition and repair. All grass, hedges, shrubs, vines and plants of any type within a Building Envelope shall be irrigated (to the extent necessary to produce healthy plant material), mowed, trimmed and cut at regular intervals so as to be maintained in a neat and attractive manner. Trees, shrubs, vines, plants and grass within a Building Envelope which die shall be promptly removed and replaced with living foliage of like kind, unless different foliage is approved in writing by the Architectural Review Committee. No yard equipment, wood piles or storage areas may be maintained so as to be Visible From Neighboring Property or streets. All Lots upon which no Residential Units, buildings or other structures, landscaping or Improvements have been constructed shall be maintained in a weed free and attractive manner.

7.3 Assessment of Certain Costs of Maintenance and Repair. In the event that the need for maintenance or repair of an Area of Association Responsibility, or any Improvement situated thereon, is caused through the willful or negligent act of any Owner, his

family, Lessees, guests or invitees, the cost of such maintenance or repairs shall be paid by such Owner to the Association upon demand and payment of such amounts shall be secured by the Assessment Lien.

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

7.5 Boundary Fences. Except as otherwise may be provided in a Supplemental Declaration:

7.5.1 Each fence which is located between two Lots shall constitute a boundary fence and, to the extent not inconsistent with this Section 7.5, the general rules of law regarding boundary fences shall apply, subject to any contrary or additional provisions contained in a Supplemental Declaration;

7.5.2 The Owners of contiguous Lots who have a boundary fence shall both equally have the right to use such fence provided that such use by one Owner does not interfere with the use and enjoyment of same by the other Owner;

7.5.3 The adjoining Owners shall each have the right to perform any necessary maintenance, repair or replacement of the fence and the cost of such maintenance, repair or replacement shall be shared equally by the adjoining Owners except as otherwise provided in this Section; provided, however, that each Owner shall be solely responsible for painting or otherwise maintaining the side of the fence which faces his Lot;

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

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

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

7.5.7 In addition to meeting the other requirements of this Declaration and of any other building code or similar regulations or ordinances, any Owner proposing to modify, make additions to or rebuild a boundary fence shall first obtain the written consent of the adjoining Owners;

7.5.8 In the event any boundary fence has been constructed by Declarant which unintentionally creates an encroachment upon a Lot, a valid easement for such encroachment and for the maintenance of the boundary fence shall and does exist in favor of the Owners of the Lots which share such boundary fence.

7.6 Maintenance of Fences other than Boundary Fences.

7.6.1 Unless otherwise provided in a Supplemental Declaration, fences (other than boundary fences governed by Section 7.5 or fences covered by Subsection 7.6.2 of this Declaration) located on a Lot shall be maintained, repaired and replaced by the Owner of the Lot.

7.6.2 Any fence which is placed on the boundary line between a Lot and an Area of Association Responsibility shall be maintained, repaired and replaced by the Association, except that the Owner of the Lot shall be responsible for the cost of such repair and maintenance. Any such amounts which become payable by an Owner to the Association pursuant to this Subsection shall be paid by the Owner within fifteen (15) days after receipt of a billing, invoice or other demand from the Association for payment of such amount, and repayment of such amount shall be secured by the Assessment Lien established pursuant to Article 6. In the event any fence constructed by Declarant which has been placed on the boundary line between a Lot and an Area of Association Responsibility unintentionally creates an encroachment upon a Lot, a valid easement for such encroachment and for the maintenance of the boundary fence shall and does exist in favor of the Association.

7.6.3 If the Association deems it necessary to trim, cut or remove vines, plants, trees, bushes, shrubs or other landscaping planted on a Lot in order for the Association to be able to perform its maintenance responsibilities under this Section, the Association shall give notice to the Owner of the applicable Lot identifying the work which must be done in order for the Association to be able to perform its maintenance responsibilities and the date by which such work must be completed. If the Owner does not perform the work identified in the notice within the time period set forth in the notice, then the Association shall have the right to perform the necessary work and charge the Owner for all costs incurred by the Association in the performance of the work. Any such amounts which become payable by an Owner to the Association pursuant to this Subsection shall be paid by the Owner within fifteen (15) days after receipt of a billing, invoice or other demand from the Association for payment of such amount. The Association shall not be liable to the Owner of a Lot or to any other Person for any loss or damage to the landscaping or for any change in appearance of a Lot as a result of any work performed by the Association on a Lot pursuant to this Subsection. The Association shall be

liable to the Owner of a Lot for any damage to a fence caused by the Association in the exercise of the Association's rights under this Subsection 7.6.3.

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

7.7.1 Each driveway designated on a plot plan approved by the Architectural Review Committee for use by two Lots shall constitute a common driveway;

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

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

7.7.4 If a common driveway is damaged or destroyed through the act of an Owner, his agents, employees or contractors, it shall be the obligation of such Owner to rebuild and repair the common driveway without cost to the other Owner;

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

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

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

7.8 Installation of Landscaping. If not installed by Declarant or a Builder, within ninety (90) days after the later of (i) the issuance of a certificate of occupancy for a Residential Unit, or (ii) conveyance of a Lot with a Residential Unit constructed thereon from the Declarant or a Builder to an Owner, each Owner shall install trees, plants or other landscaping Improvements (together with any sprinkler system or drip irrigation system sufficient to adequately water the trees, plants or other landscaping Improvements) on that part of the Lot which is located between the paved area of any street(s) adjacent to the Lot and the exterior walls of the Residential Unit situated on the Lot, except for (a) any side or back yard of the Lot which is completely enclosed by a wall or fence and not Visible From Neighboring

Property, (b) any portion of such Lot which is an Area of Association Responsibility, and (c) any portion of such Lot which is an Open Space Easement Area. All landscaping installed by an Owner or such Owner's contractors must be approved by the Architectural Review Committee prior to installation.

ARTICLE 8

INSURANCE

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

8.1.1 Commercial general liability insurance, including medical payments insurance, in an amount determined by the Board, but not less than \$1,000,000 per occurrence with a \$2,000,000 aggregate. Such insurance shall cover all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the Areas of Association Responsibility and all other portions of the Project which the Association is obligated to maintain under this Declaration, and shall also include hired automobile and non-owned automobile coverages with cost liability endorsements to cover liabilities of the Owners as a group to an Owner;

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

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

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

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

8.1.6 The insurance policies purchased by the Association shall, to the extent reasonably available, contain the following provisions: (i) that there shall be no subrogation with respect to the Association, its agents, servants and employees, with respect to Owners and members of their household; (ii) no act or omission by any Owner, unless acting within the scope of his authority on behalf of the Association, will void the policy or be a condition to recovery on the policy; (iii) that the coverage afforded by such policy shall not be brought into contribution or proration with any insurance which may be purchased by Owners or

their mortgagees or beneficiaries under deeds of trust; (iv) a "severability of interest" endorsement which shall preclude the insurer from denying the claim of an Owner because of the negligent acts of the Association or other Owners; (v) statement of the name of the insured as the Association; and (vi) for policies of hazard insurance, a standard mortgagee clause providing that the insurance carrier shall notify the Association and the first mortgagee named in the policy at least ten (10) days in advance of the effective date of any substantial modification, reduction or cancellation of the policy;

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

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

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

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

ARTICLE 9

GENERAL PROVISIONS

9.1 Enforcement. The Association or any Owner shall have the right to enforce the Project Documents in any manner provided for in the Project Documents or by law

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

9.2 Method of Termination. This Declaration may be terminated at any time if such termination is approved by the affirmative vote or written consent, or any combination thereof, of Owners representing ninety percent (90%) or more of the votes in each class of Membership and by the holders of First Mortgages on Lots the Owners of which have seventy-five percent (75%) or more of the votes in the Association. If the necessary votes and consents are obtained, the Board shall cause to be Recorded a Certificate of Termination, duly signed by the President or Vice President and attested by the Secretary or Assistant Secretary of the Association, with their signatures acknowledged. Thereupon this Declaration shall have no further force and effect, and the Association shall be dissolved pursuant to the terms set forth in its Articles.

9.3 Amendments.

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

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

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

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

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

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

9.5 Dispute Notification and Resolution Procedure. All actions or claims (i) by the Association against any one or more of the Declarant Parties, (ii) by any Owner(s) against any one or more of the Declarant Parties, or (iii) by both the Association and any Owner(s) against any one or more of the Declarant Parties, relating to or arising out of the Project, including but not limited to, the Declaration or any other Project Documents, the use or condition of the Project or the design or construction of or any condition on or affecting the Project, including, but not limited to, construction defects, surveys, soils conditions, grading, specifications, installation of Improvements (including, but not limited to, Residential Units) or disputes which allege negligence or other tortious conduct, breach of contract or breach of implied or express warranties as to the condition of the Project or any Improvements (collectively, "Dispute(s)") shall be subject to the provisions of this Section 9.5. Declarant and each Owner acknowledge that the provisions set forth in this Section 9.5 shall be binding upon current and future Owners of the Project and upon the Association, whether acting for itself or on behalf of any Owner(s)."

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

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

elects to take any corrective action, Declarant and Declarant's representatives and agents shall be provided full access to the Project and the property which is the subject of the claim to take and complete corrective action.

9.5.3 No Additional Obligations; Irrevocability and Waiver of Right.

Nothing set forth in Subsection 9.5.2 shall be construed to impose any obligation on Declarant to inspect, test, repair or replace any item of the Project for which Declarant is not otherwise obligated under applicable law or any limited warranty provided by Declarant in connection with the sale of the Project and/or the Improvements constructed thereon. The right of Declarant to enter, inspect, test, repair and/or replace reserved hereby shall be irrevocable and may not be waived or otherwise terminated except by a writing, in recordable form executed and recorded by Declarant in the Official Records of Yavapai County, Arizona.

9.5.4 Mediation.

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

(i) Position Memoranda; Pre-Mediation Conference.

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

(ii) Conduct of Mediation.

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

(iii) Exclusion Agreement.

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

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

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

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

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

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

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

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

(v) Discovery. The parties shall be entitled only to limited discovery, consisting of the exchange between the parties of only the following matters: (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 parties shall also be entitled to conduct further tests and inspections as provided in Subsection 9.5.2 above. Any other discovery shall be permitted by the arbitrator upon a showing of good cause or based on the mutual agreement of the parties. The arbitrator shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

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

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

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

9.5.6 WAIVERS.

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

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

9.5.8 Required Consent of Declarant to Modify. Neither this Section 9.5

nor Section 9.6 below may be amended except in accordance with Subsection 9.3.1 of this Declaration and with the express written consent of the Declarant.

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

9.6.1 Notice of Owners.

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

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

9.6.2 Notification to Prospective Purchasers. In the event that the Association commences any action or claim, all Owners must notify prospective purchasers of such action or claim and must provide such prospective purchasers with a copy of the notice received from the Association in accordance with Subsection 9.6.1.

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

of any conflict between this Declaration and the Articles, Bylaws, Association Rules or Design Guidelines, this Declaration shall control. In the event of any conflict between the Articles and the Bylaws, the Articles shall control. In the event of any conflict between the Bylaws and the Association Rules or Design Guidelines, the Bylaws shall control.

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

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

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

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

9.12 Laws, Ordinances and Regulations.

9.12.1 The covenants, conditions and restrictions set forth in this Declaration and the provisions requiring Owners and other Persons to obtain the approval of the Board or the Architectural Review Committee with respect to certain actions are independent of the obligation of the Owners and other Persons to comply with all applicable laws, ordinances

and regulations, and compliance with this Declaration shall not relieve an Owner or any other Person from the obligation to also comply with all applicable laws, ordinances and regulations.

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

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

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

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

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

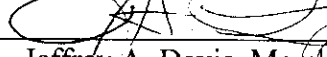
9.17 Limitation on Declarant's Liability. Notwithstanding anything to the contrary in this Declaration, each Owner, by accepting any interest in any portion of the Property and becoming an Owner, acknowledges and agrees that neither Declarant (including, without limitation, any assignee of the interest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

Declarant:

ARVENTURES, L.L.C.
an Arizona limited liability company

By: M3 Builders, L.L.C., an Arizona
Limited liability company

By: The M3 Companies, L.L.C., an
Arizona limited liability company

By: 
Jeffrey A. Davis, Member

By: 
William I. Brownlee, Member

STATE OF ARIZONA

)
) ss.
)

County of Yavapai

Acknowledged before me this 4th day of November, 2002, by William L. Brownlee and Jeffrey A. Davis,, the members of The M3 Companies, L.L.C., an Arizona limited liability company, Sole Member of M3 Builders, L.L.C., Manager of ARVentures L.L.C., an Arizona limited liability company.

Beth K. Caldwell

Notary Public

My Commission Expires:



LIST OF EXHIBITS

- Exhibit A - Property initially subject to the Declaration
- Exhibit B - Additional Property
- Exhibit C - Development Plan

EXHIBIT A
PROPERTY

EXHIBIT A

LEGAL DESCRIPTION "AMERICAN RANCH"

That portion of the East half of the Northwest quarter and that portion of the Northeast quarter of Section 14, Township 15 North, Range 3 West, Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

BEGINNING at a found BLM brass cap at the North quarter corner of said Section 14;

Thence, South 89°35'17" East, along the North line of said Section 14, a distance of 1737.34 feet to a point on the Westerly right-of-way line of "Williamson Valley Road", recorded in Book 233 of Official Records, Pages 169-170 on file in the office of the Yavapai County Recorder;

Thence, South 05°18'48" East, along said Westerly right-of-way, 1354.91 feet to a point on the South line of the Northeast quarter of the Northeast quarter of said Section 14;

Thence, North 89°30'02" West, along said South line, 547.61 feet to the Southeast corner of the Northwest quarter of the Northeast quarter of said Section 14;

Thence, continuing North 89°30'02" West, 1367.50 feet to the Southwest corner of the Northwest quarter of the Northeast quarter of said Section 14;

Thence, North 89°23'39" West, along the South line of the Northeast quarter of the Northwest quarter of said Section 14, a distance of 1315.58 feet to a found BLM brass cap at the Southwest corner of the Northeast quarter of the Northwest quarter of said Section 14;

Thence, North 00°29'19" East, along the West line of the Northeast quarter of the Northwest quarter of said Section 14, a distance of 587.85 feet to a found capped rebar #19353;

Thence, South 89°10'56" East, 134.61 feet to a found capped rebar #19353;

Thence, South 86°17'47" East, 151.35 feet to a found capped rebar #19353;

Thence, North 05°49'33" East, 167.77 feet to a found capped rebar #19353;

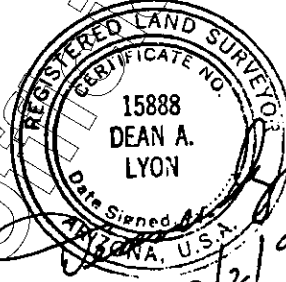
Thence, North 12°31'18" East, 267.88 feet to a found capped rebar #19353;

Thence, North 19°34'52" East, 358.33 feet to a found ½" rebar lying on the North line of said Section 14;

EXHIBIT A

Thence, South 89°16'28" East, along said North line, 882.01 feet to the POINT OF BEGINNING

Containing 91.46 acres, more or less.



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EXHIBIT A

AMERICAN RANCH

PARCEL 1 RELEASE

RECORDERS MEMO: LEGIBILITY
QUESTIONABLE FOR GOOD REPRODUCTION

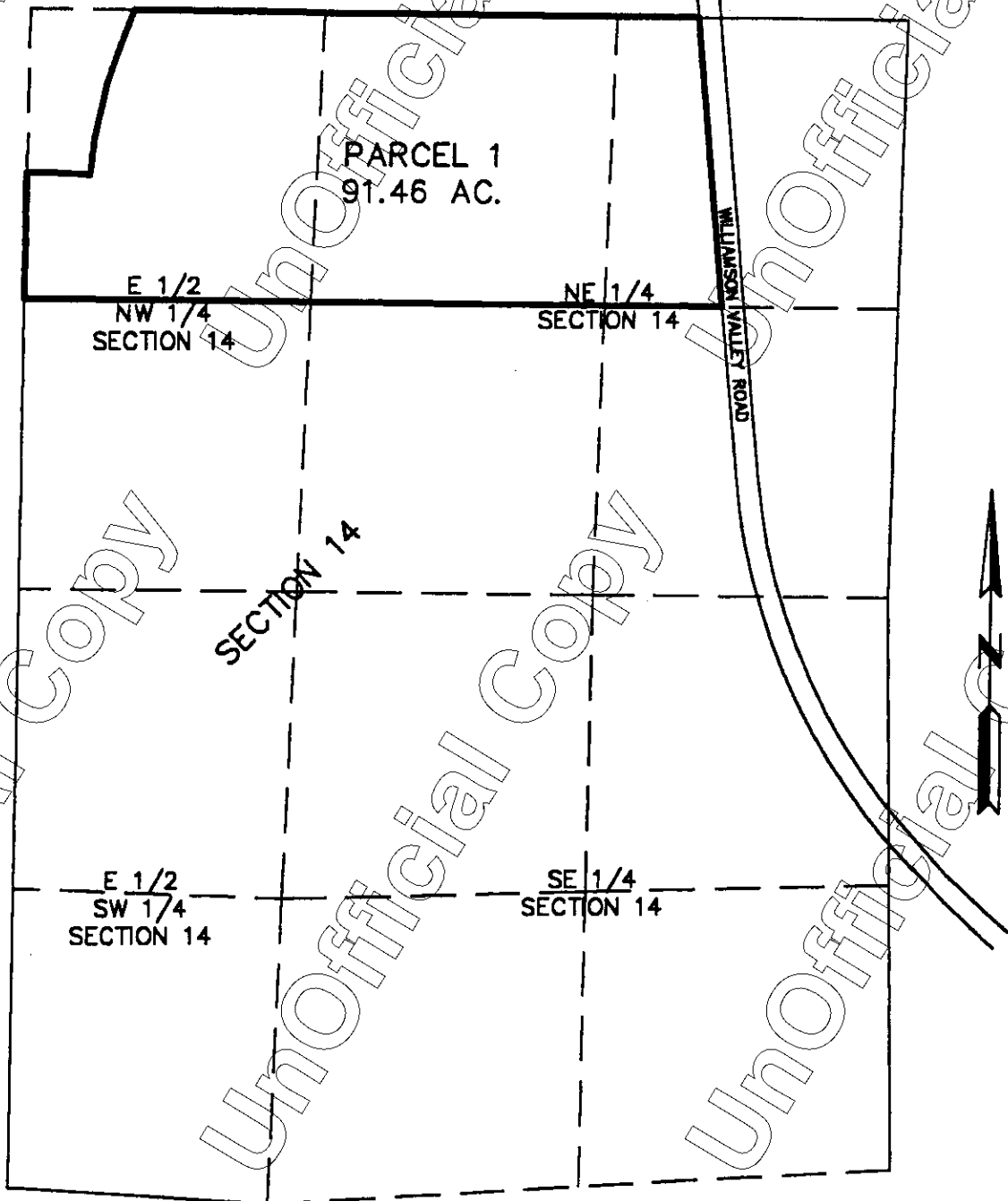


EXHIBIT A

AMERICAN RANCH PHASE 2A

A parcel of land lying within Section 14, Township 15 North, Range 3 West, Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

Commencing at a found BLM brass cap at the North quarter corner of said Section 14;

Thence, South $02^{\circ}13'34''$ West, along the North-South mid-section line of said Section 14, a distance of 1345.91 feet;

Thence, South $89^{\circ}30'02''$ East, 58.16 feet to the TRUE POINT OF BEGINNING;

Thence, continuing South $89^{\circ}30'02''$ East, 1856.95 feet to a point on the Westerly right-of-way of Williamson Valley road, recorded in Book 233 of Official Records, Pages 169-170 on file in the office of the Yavapai County Recorder, Yavapai County, Arizona.

Thence, South $5^{\circ}18'48''$ East, along said Westerly right-of-way, 817.71 feet to the beginning of a non-tangent curve, concave Northeasterly, having a radius of 2914.79 feet, the radius point of which bears North $84^{\circ}41'58''$ East;

Thence, Southeasterly, along said Westerly right-of-way and said curve, through a central angle of $10^{\circ}44'07''$, an arc distance of 546.13 feet to a point on the East-West mid-section line of said Section 14;

Thence, North $89^{\circ}24'54''$ West, along said East-West mid-section line, 766.55 feet;

Thence, South $29^{\circ}19'08''$ West, 136.56 feet;

Thence, South $35^{\circ}58'50''$ West, 298.09 feet;

Thence, South $22^{\circ}42'32''$ West, 94.00 feet;

Thence, South $18^{\circ}12'42''$ East, 121.16 feet;

Thence, South $11^{\circ}53'07''$ West, 120.55 feet;

Thence, South $66^{\circ}59'23''$ West, 87.32 feet;

Thence, South $21^{\circ}37'03''$ West, 115.42 feet;

Thence, North $57^{\circ}48'35''$ West, 427.35 feet;

Thence, North $54^{\circ}52'30''$ East, 88.87 feet;

EXHIBIT A

Thence, North 5°30'55" East, 155.76 feet;

Thence, North 60°16'47" West, 118.74 feet;

Thence, North 0°06'16" East, 49.42 feet;

Thence, North 60°29'22" East, 142.92 feet;

Thence, North 6°34'42" East, 311.26 feet;

Thence, North 50°38'17" West, 180.84 feet;

Thence, North 27°11'37" East, 137.64 feet;

Thence, North 8°36'56" West, 330.34 feet;

Thence, North 8°36'51" East, 146.41 feet;

Thence, North 31°51'39" West, 55.92 feet;

Thence, North 75°24'33" West, 192.85 feet;

Thence, South 45°28'36" West, 263.19 feet;

Thence, North 19°25'15" West, 335.16 feet;

Thence, South 74°20'10" West, 176.63 feet;

Thence, North 55°59'26" West, 205.78 feet to the beginning of a non-tangent curve, concave Northwesterly, having a radius of 50.00 feet, the radius point of which bears North 55°59'26" West;

Thence, Northeasterly, along said curve, through a central angle of 46°13'35", an arc distance of 40.34 feet;

Thence, North 77°46'58" East, 197.32 feet;

Thence, North 29°22'21" East, 200.12 feet to the TRUE POINT OF BEGINNING.

Containing 57.73 acres, more or less.

Revised 06/25/02

04/29/02

LE #98-17

SS #98017

LGL-Phase-2A-Revised.doc

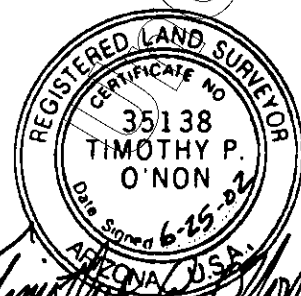
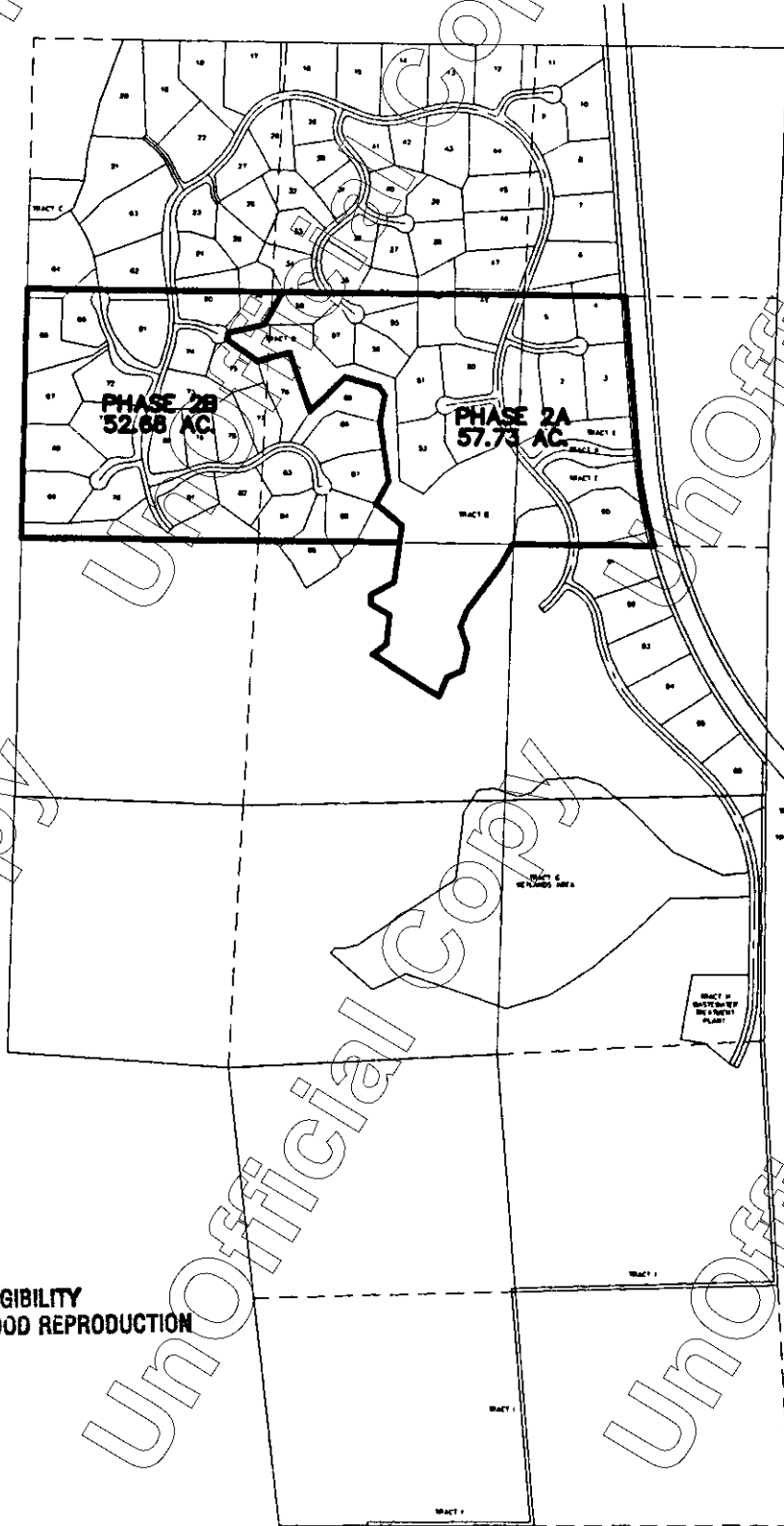


EXHIBIT A

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MAP TO ACCOMPANY LEGAL DESCRIPTION



RECORDERS MEMO: LEGIBILITY
QUESTIONABLE FOR GOOD REPRODUCTION

LE #98-17
SS #98017\LGL-PHASE-2A2B-REVISED.DWG

EXHIBIT B

ADDITIONAL PROPERTY

EXHIBIT B

AMERICAN RANCH PHASE 2B

A parcel of land lying within Section 14, Township 15 North, Range 3 West, Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

Commencing at a found BLM brass cap at the North quarter corner of said Section 14;

Thence, South $02^{\circ}13'34''$ West, along the North-South mid-section line of said Section 14, a distance of 1345.91 feet to the TRUE POINT OF BEGINNING;

Thence, South $89^{\circ}30'02''$ East, 58.16 feet;

Thence, South $29^{\circ}22'21''$ West, 200.12 feet;

Thence, South $77^{\circ}46'58''$ West, 197.32 feet to the beginning of a non-tangent curve, concave Westerly, having a radius of 50.00 feet, the radius point of which bears South $77^{\circ}46'58''$ West;

Thence, Southerly, along said curve, through a central angle of $46^{\circ}13'35''$, an arc distance of 40.34 feet;

Thence, South $55^{\circ}59'26''$ East, 205.78 feet;

Thence, North $74^{\circ}20'10''$ East, 176.63 feet;

Thence, South $19^{\circ}25'15''$ East, 335.16 feet;

Thence, North $45^{\circ}28'36''$ East, 263.19 feet;

Thence, South $75^{\circ}24'33''$ East, 192.85 feet;

Thence, South $31^{\circ}51'39''$ East, 55.92 feet;

Thence, South $8^{\circ}36'51''$ West, 146.41 feet;

Thence, South $8^{\circ}36'56''$ East, 330.34 feet;

Thence, South $27^{\circ}11'37''$ West, 137.64 feet;

Thence, South $50^{\circ}38'17''$ East, 180.84 feet;

Thence, South $6^{\circ}34'42''$ West, 94.58 feet to a point on the East-West mid-section line of said Section 14;

EXHIBIT B

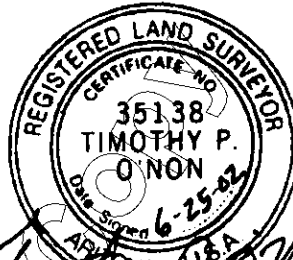
Thence, North 89°24'54" West, along said mid-section line, 761.56 feet to the center corner of said Section 14;

Thence, North 89°26'48" West, along said mid-section line, 1273.69 feet;

Thence, North 0°26'34" East, 1346.54 feet;

Thence, South 89°23'39" East, 1315.58 feet to the TRUE POINT OF BEGINNING.

Containing 52.68 acres, more or less.

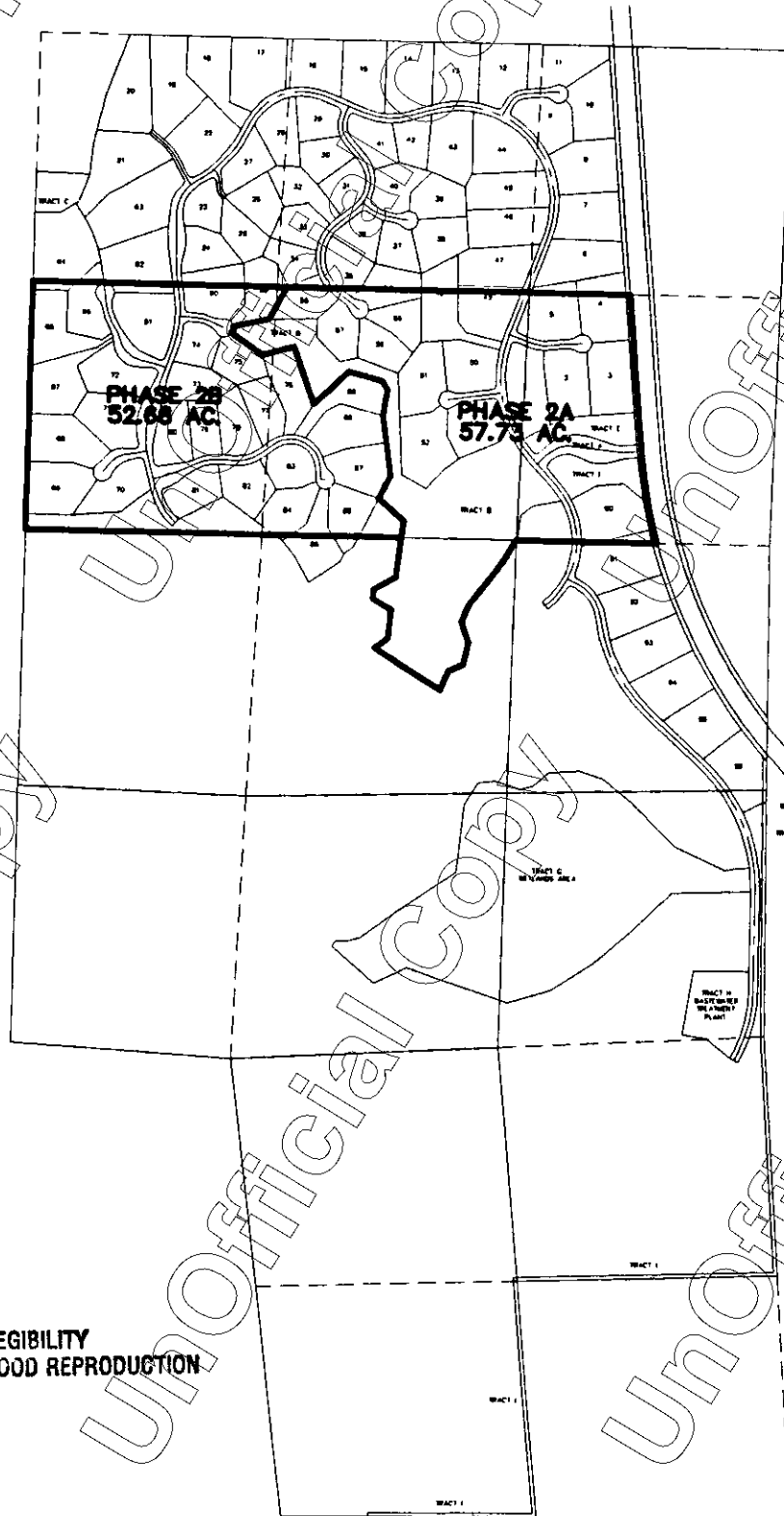


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04/29/02
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EXHIBIT B

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MAP TO ACCOMPANY LEGAL DESCRIPTION



RECORDERS MEMO: LEGIBILITY
QUESTIONABLE FOR GOOD REPRODUCTION

LE #98-17
SS #98017\LGL-PHASE-2A2B-REVISED.DWG

EXHIBIT B

LEGAL DESCRIPTION "AMERICAN RANCH"

That portion of the East half of the Southwest quarter and that portion of the Southeast quarter of Section 14, Township 15 North, Range 3 West, Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

Commencing at a found USGLO brass cap at the South quarter corner of said Section 14;

Thence, North 02°14'49" East, along the North-South mid-section line of said Section 14, a distance of 1415.26 feet to the TRUE POINT OF BEGINNING, said point also being the Southeast corner of the Northeast quarter of the Southwest quarter of said Section 14;

Thence, North 87°55'15" West, 1232.60 feet to the Southwest corner of the Northeast quarter of the Southwest quarter of said Section 14;

Thence, North 00°33'55" East, 1381.81 feet to a found BLM brass cap at the Northwest corner of the Northeast quarter of the Southwest quarter of said Section 14;

Thence, South 89°26'48" East, 1273.69 feet to the Northeast corner of the Northeast quarter of the Southwest quarter of said Section 14;

Thence, South 89°24'54" East, 1379.66 feet to the Northeast corner of the Northwest quarter of the Southeast quarter of said Section 14;

Thence, South 00°50'58" West, 1369.37 feet to the Southeast corner of the Northwest quarter of the Southeast quarter of said Section 14;

Thence, South 88°45'01" West, 1415.11 feet to the TRUE POINT OF BEGINNING.

Containing 84.86 acres, more or less.

09/08/99
SS #98017
LGL-Release-3



EXHIBIT B

AMERICAN RANCH PARCEL 3 RELEASE

RECORDERS MEMO: LEGIBILITY
QUESTIONABLE FOR GOOD REPRODUCTION

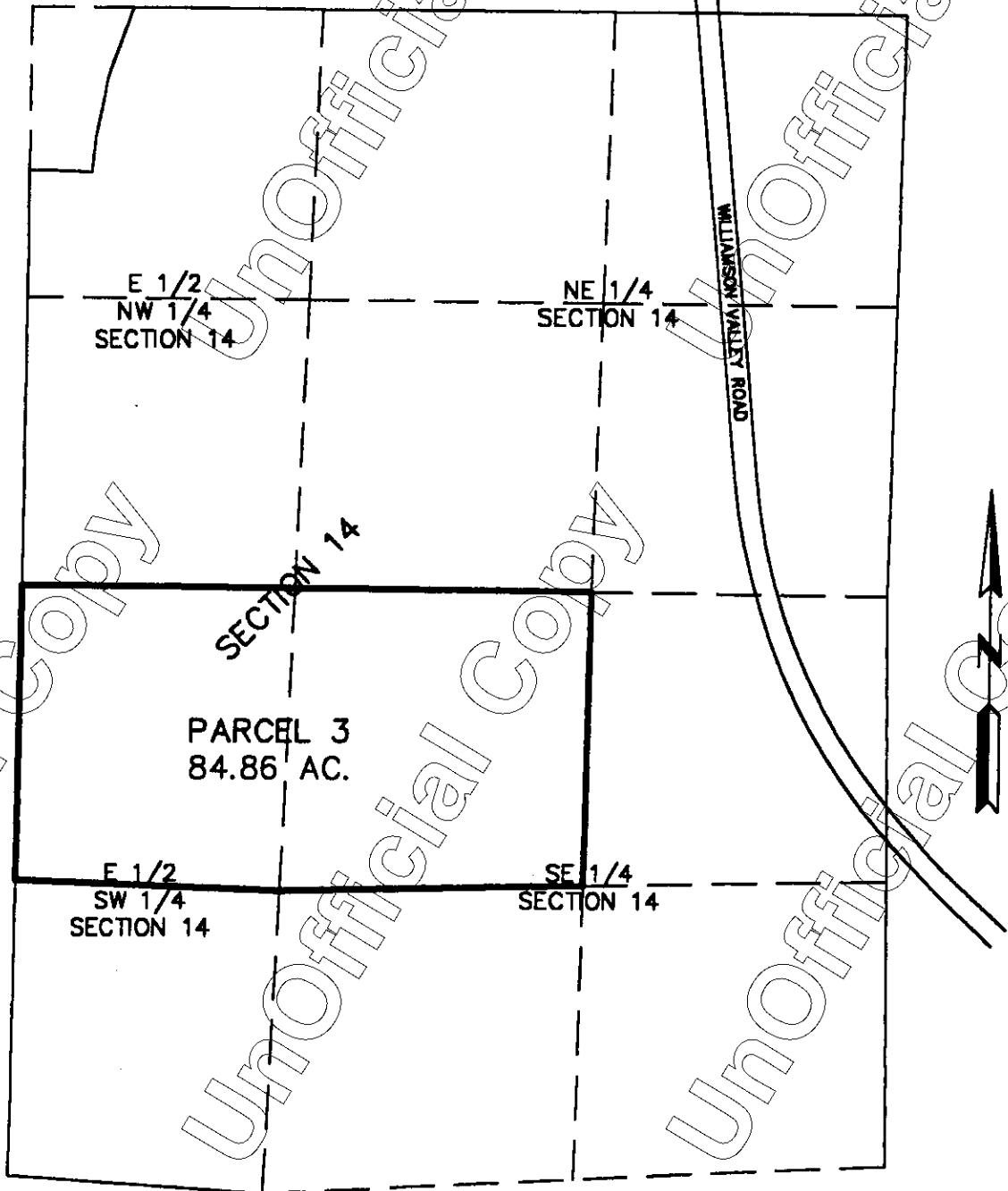


EXHIBIT B

LEGAL DESCRIPTION "AMERICAN RANCH"

That portion of the East half of the Southwest quarter and that portion of the Southeast quarter of Section 14, Township 15 North, Range 3 West, Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

BEGINNING at a found USGLO brass cap at the South quarter corner of said Section 14;

Thence, North $86^{\circ}17'26''$ West, 1192.43 feet to the Southwest corner of the Southeast quarter of the Southwest quarter of said Section 14;

Thence, North $00^{\circ}33'55''$ East, 1381.81 feet to the Northwest corner of the Southeast quarter of the Southwest quarter of said Section 14;

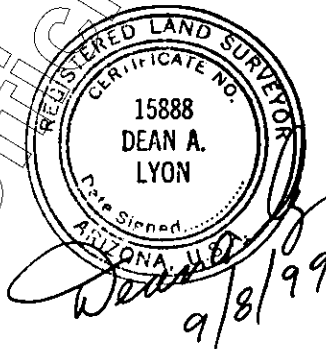
Thence, South $87^{\circ}55'15''$ East, 1232.60 feet to the Northeast corner of the Southeast quarter of the Southwest quarter of said Section 14;

Thence, North $88^{\circ}45'01''$ East, 1415.11 feet to the Northeast corner of the Southwest quarter of the Southeast quarter of said Section 14;

Thence, South $00^{\circ}50'58''$ West, 1369.37 feet to the Southeast corner of the Southwest quarter of the Southeast quarter of said Section 14;

Thence, South $87^{\circ}00'25''$ West, 1451.94 feet to the TRUE POINT OF BEGINNING.

Containing 84.62 acres, more or less.



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SS #98017
LGL-Release-4

EXHIBIT B

AMERICAN RANCH

PARCEL 4 RELEASE

RECORDERS MEMO: LEGIBILITY
QUESTIONABLE FOR GOOD REPRODUCTION

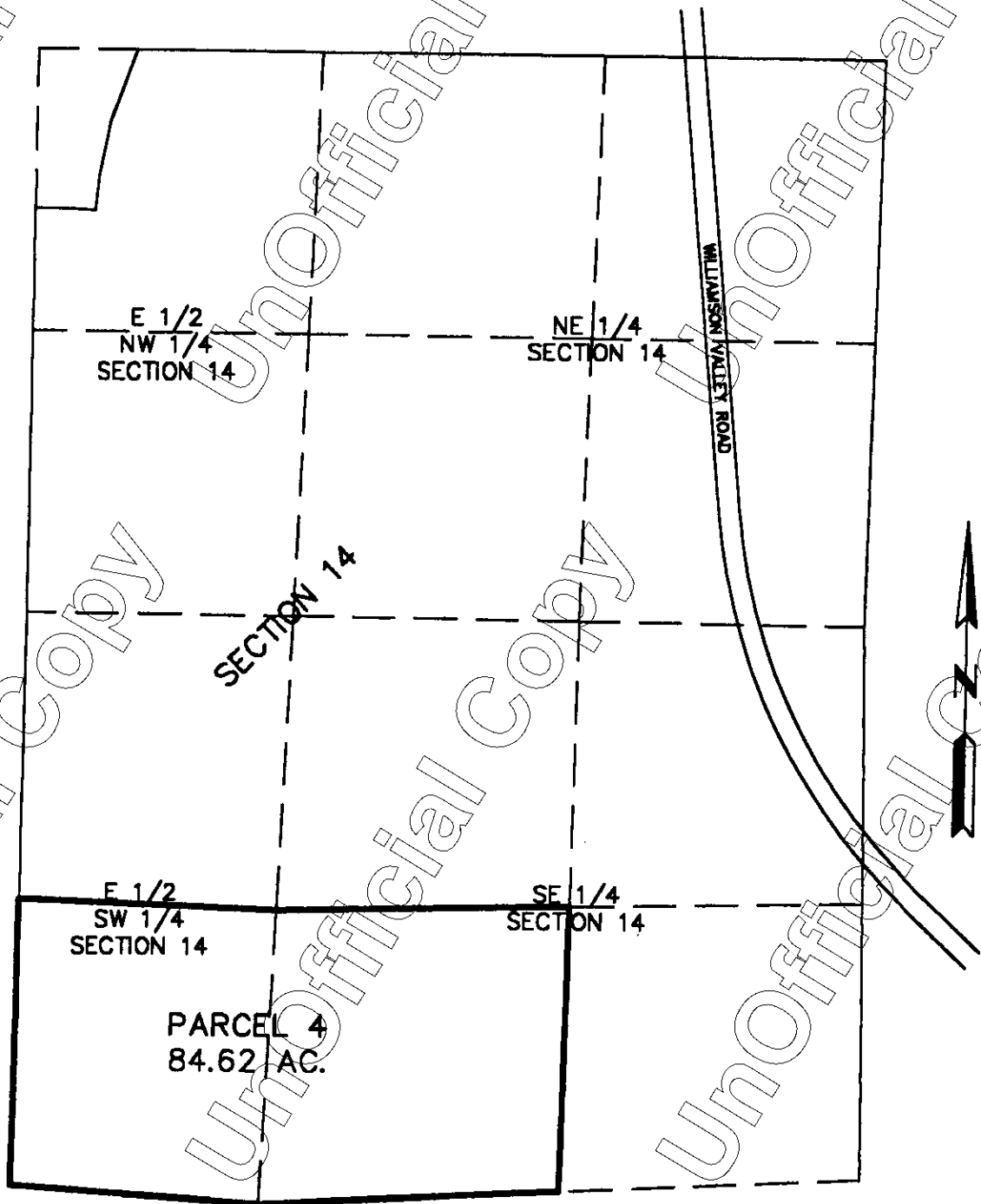


EXHIBIT B

LEGAL DESCRIPTION "AMERICAN RANCH"

All of the West half of the Northeast quarter of Section 23, Township 15 North, Range 3 West, Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

BEGINNING at a found USGLO brass cap at the North quarter corner of said Section 23;

Thence, North 87°00'25" East, 1451.94 feet to the Northeast corner of the Northwest quarter of the Northeast quarter of said Section 23;

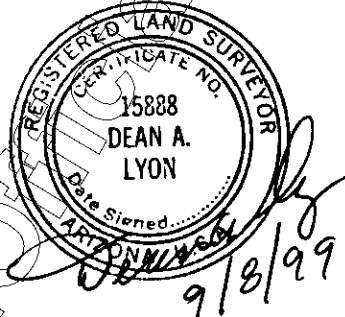
Thence, South 05°47'36" East, 1276.86 feet to a found ½" rebar with cap #15666 at the Southeast corner of the Northwest quarter of the Northeast quarter of said Section 23;

Thence, South 05°49'11" East, 1277.00 feet to a found BLM brass cap at the Southeast corner of the Southwest quarter of the Northeast quarter of said Section 23;

Thence, South 89°46'01" West, 1385.73 feet to a found BLM brass cap at the Southwest corner of the Southwest quarter of the Northeast quarter of said Section 23;

Thence, North 07°26'22" West, 2491.56 feet to the TRUE POINT OF BEGINNING.

Containing 81.82 acres, more or less.



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LGL-Release-5

EXHIBIT B

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AMERICAN RANCH PARCEL 5 RELEASE

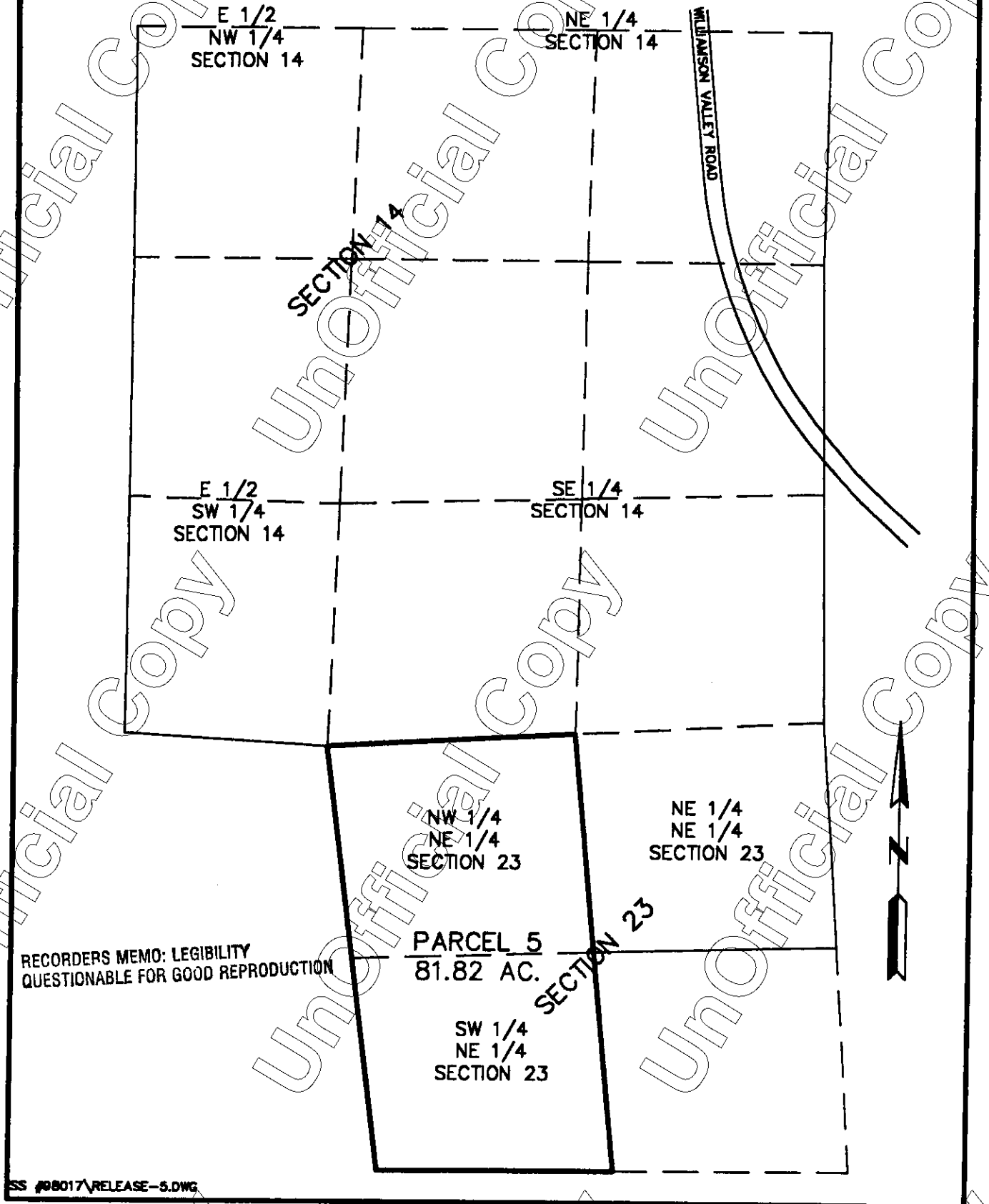


EXHIBIT B

LEGAL DESCRIPTION "AMERICAN RANCH"

That portion of the Southeast quarter of Section 14 and that portion of the Northeast quarter of Section 23, Township 15 North, Range 3 West, Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

BEGINNING at a found USGLO brass cap at the Northeast corner of said Section 23;

Thence, South 04°18'07" East, 1308.77 feet to the Southeast corner of the Northeast quarter of the Northeast quarter of said Section 23;

Thence, South 88°20'32" West, 1419.84 feet to a found ½" rebar with cap #15666 at the Southwest corner of the Northeast quarter of the Northeast quarter of said Section 23;

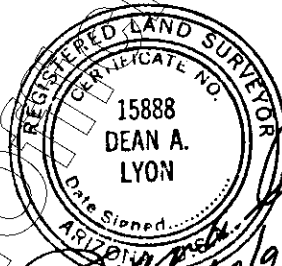
Thence, North 05°47'36" West, 1276.86 feet to the Southwest corner of the Southeast quarter of the Southeast quarter of said Section 14;

Thence, North 00°50'58" East, 1369.37 feet to the Northwest corner of the Southeast quarter of the Southeast quarter of said Section 14;

Thence, North 88°45'01" East, 1415.11 feet to the Northeast corner of the Southeast quarter of the Southeast quarter of said Section 14;

Thence, South 00°38'39" East, 1324.35 feet to the TRUE POINT OF BEGINNING.

Containing 86.84 acres, more or less.



09/08/99
SS #98017
LGL-Release-6

EXHIBIT B

AMERICAN RANCH PARCEL 6 RELEASE

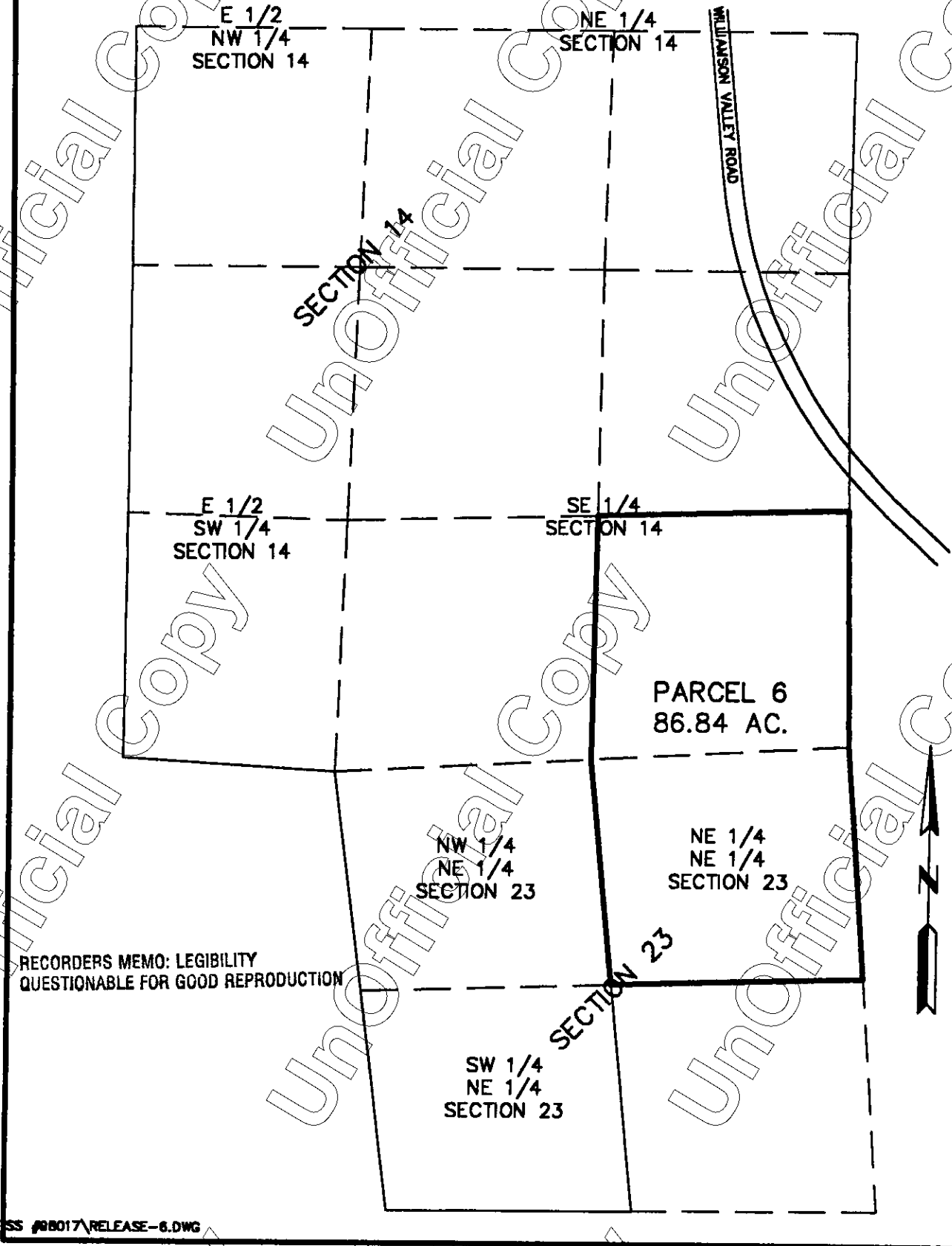


EXHIBIT B

LEGAL DESCRIPTION
"AMERICAN RANCH"

That portion of the East half of Section 14, Township 15 North, Range 3 West, Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

Commencing at a found USGLO brass cap at the Southeast corner of said Section 14;

Thence, North 00°38'39" West, along the East line of said Section 14, a distance of 1324.35 feet to the TRUE POINT OF BEGINNING, said point also being the Southeast corner of the Northeast quarter of the Southeast quarter of said Section 14;

Thence, South 88°45'01" West, 1415.11 feet to the Southwest corner of the Northeast quarter of the Southeast quarter of said Section 14;

Thence, North 00°50'58" East, 1369.37 feet to the Southwest corner of the Southeast quarter of the Northeast quarter of said Section 14;

Thence, North 01°42'25" East, 1347.66 feet to the Northwest corner of the Southeast quarter of the Northeast quarter of said Section 14;

Thence, South 89°30'02" East, 547.61 feet to a point on the Westerly right-of-way line of "Williamson Valley Road", recorded in Book 233 of Official Records, Pages 169-170 on file in the office of the Yavapai County Recorder;

Thence, South 05°18'48" East, along said Westerly right-of-way, 817.71 feet to the beginning of a 2914.79 foot radius non-tangent curve whose center bears North 84°41'58" East;

Thence, Southeasterly, along said curve, through a central angle of 36°28'56", a distance of 1855.95 feet to a point on the East line of said Section 14;

Thence, South 00°38'39" East, along said East line, 193.59 feet to the TRUE POINT OF BEGINNING.

Containing 53.47 acres, more or less.

09/08/99
SS #98017
LGL-Release-7

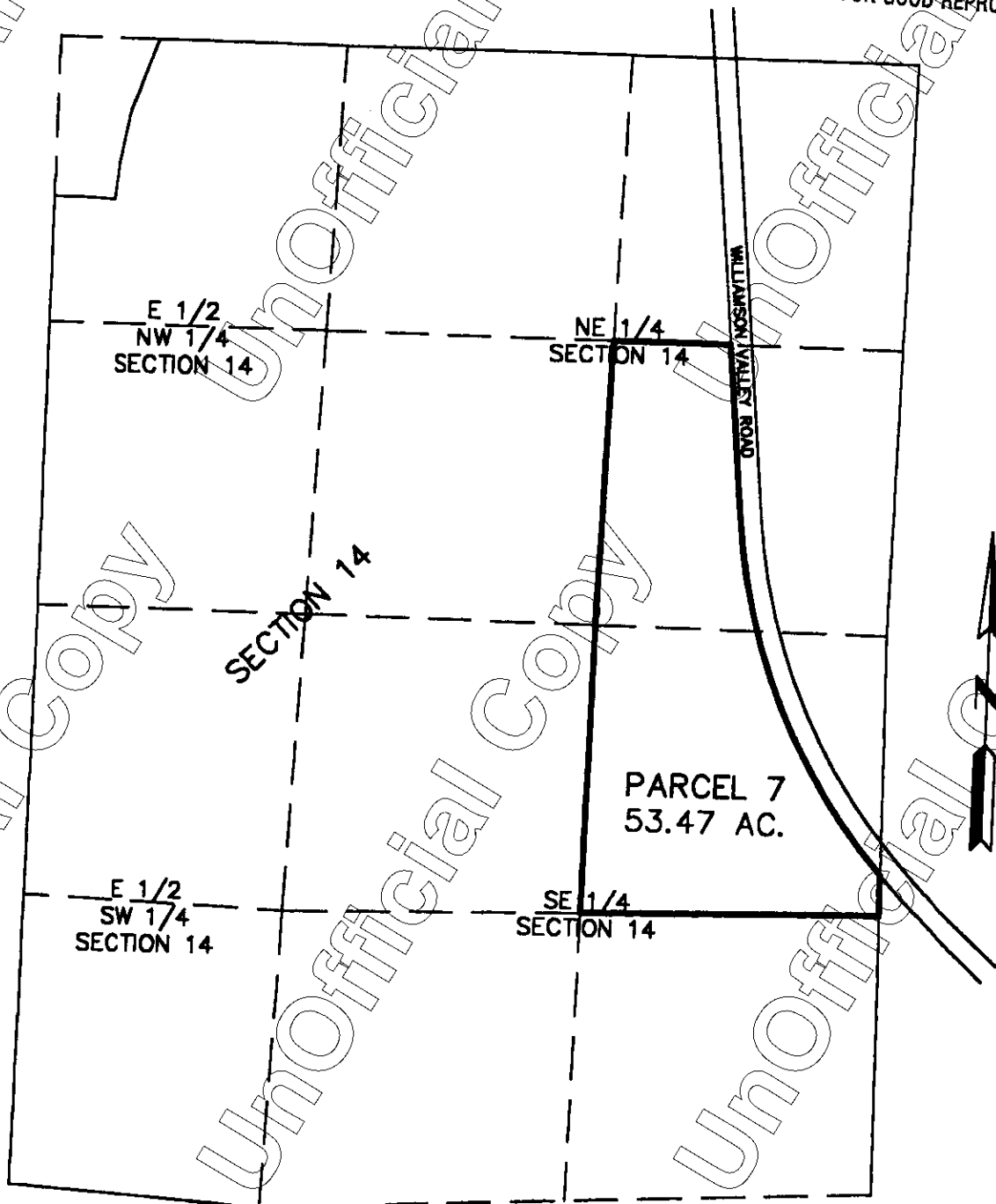


EXHIBIT B

AMERICAN RANCH

PARCEL 7 RELEASE

RECORDERS MEMO: LEGIBILITY
QUESTIONABLE FOR GOOD REPRODUCTION



SS #00017\RELEASE-7.DWG

EXHIBIT B

LEGAL DESCRIPTION "AMERICAN RANCH"

That portion of the East half of Section 14, Township 15 North, Range 3 West, Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

BEGINNING at a found brass cap #12005 at the Northeast corner of said Section 14;

Thence, North 89°35'17" West, along the North line of said Section 14, a distance of 872.85 feet to a point on the Easterly right-of-way line of "Williamson Valley Road", recorded in Book 233 of Official Records, Pages 169-170 on file in the office of the Yavapai County Recorder;

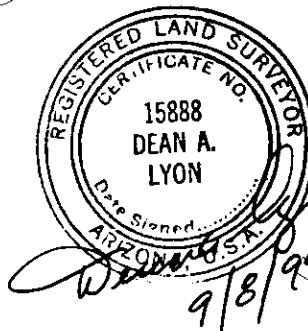
Thence, South 05°18'48" East, along said Easterly right-of-way, 2162.62 feet to the beginning of a 2814.79 foot radius non-tangent curve whose center bears North 84°41'58" East;

Thence, Southeasterly, along said curve, through a central angle of 34°05'40", a distance of 1674.97 feet to a point on the East line of said Section 14;

Thence, North 00°38'39" West, along said East line, 975.04 feet to a found USGLO brass cap at the East quarter corner of said Section 14;

Thence, North 01°11'21" East along the East line of said Section 14, a distance of 2699.06 feet to the TRUE POINT OF BEGINNING.

Containing 50.98 acres, more or less.



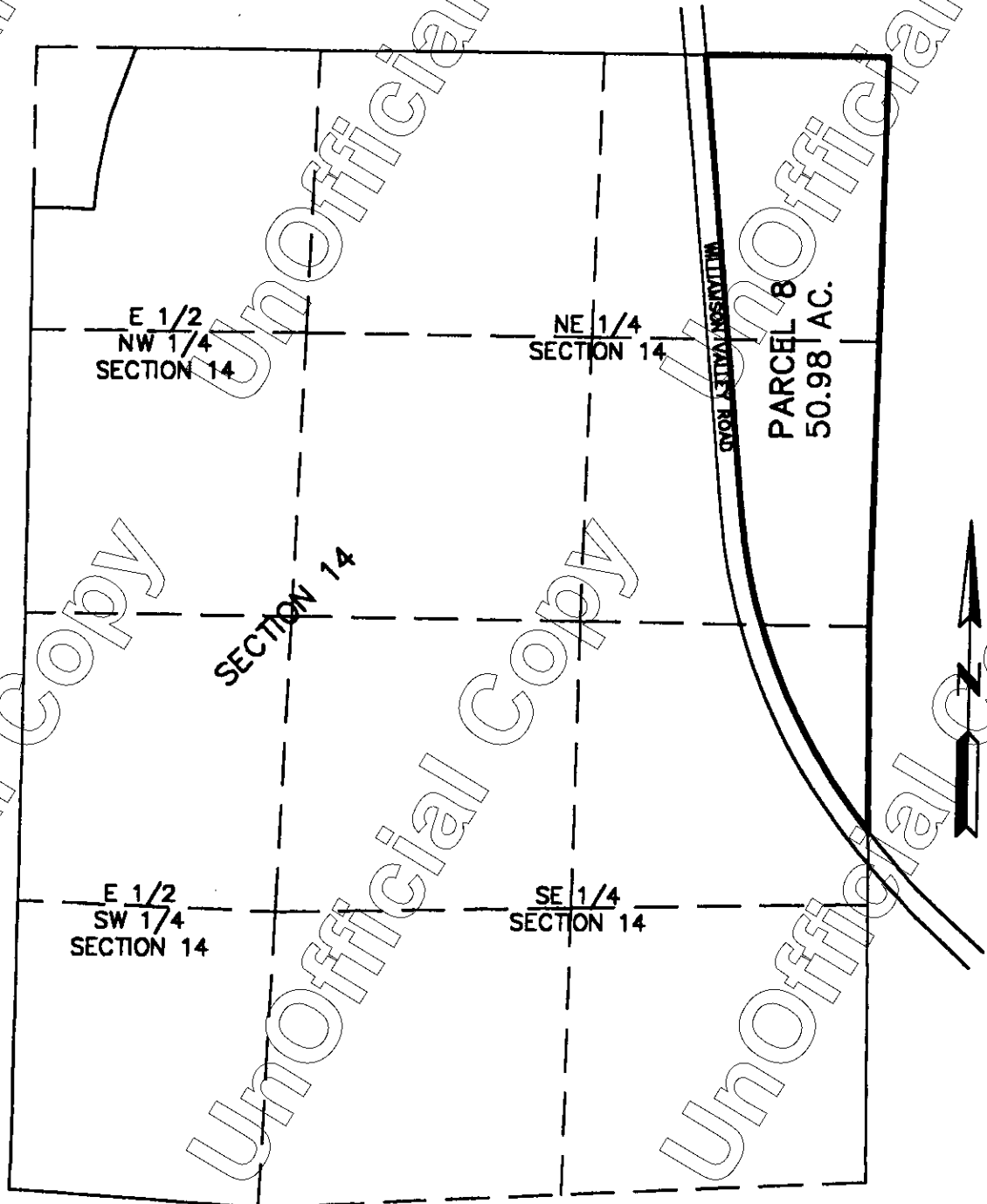
09/07/99
SS #98017
LGL-Release-8

EXHIBIT B

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AMERICAN RANCH PARCEL 8 RELEASE

RECORDERS MEMO: LEGIBILITY
QUESTIONABLE FOR GOOD REPRODUCTION



SS #08017\RELEASE-8.DWG

EXHIBIT C

DEVELOPMENT PLAN



American Ranch

1774-75