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DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
GRANVILLE COMMUNITY ASSOCIATION, INC.

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DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR
GRANVILLE COMMUNITY ASSOCIATION, INC.

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR GRANVILLE COMMUNITY ASSOCIATION, INC. (hereinafter termed the "Declaration") is made effective as of the 30th day of January, 2002, by GRANVILLE DEVELOPMENT COMPANY, INC., OF PRESCOTT VALLEY, ARIZONA an Arizona Corporation, (hereinafter sometimes termed "Declarant").

A. As of the date hereof, Declarant is the owner of fee title to the Property.

B. Declarant intends by this Declaration to impose upon the Property mutually beneficial restrictions under a general plan of improvement for the benefit of all owners of property within the Property. Declarant desires to provide a flexible (yet common) 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.

NOW, THEREFORE, Declarant hereby declares that the Property shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of and which shall run with the Property now and hereafter subjected to this Declaration and which shall be binding on all parties having any right, title or interest in said Property or any part thereof, and their heirs, personal representatives, successors and assigns, and shall inure to the benefit of each owner of all or any part thereof.

ARTICLE 1

DEFINITIONS

The following words, phrases or terms used in this Declaration shall have the following meanings:

1.1 Defined Terms.

1.1.1 "Additional property" shall mean real property located in the Yavapai County in the general vicinity of Granville. For purposes of the foregoing, real property shall be deemed to be located adjacent to the Property if it is separated from the Property solely by land dedicated to and accepted by the United States of America, the State of Arizona, the County, the Town, or any other political subdivision (and dedicated for public rights-of-way).

1.1.2 "Annual Assessment" shall mean the charge levied and assessed each year against each Membership pursuant to Section 7.2 hereof.

1.1.3 "Apartment Development" shall mean a Parcel which is limited by the

applicable Tract Declaration therefor to residential use and is comprised of rental apartments and surrounding area which are intended, as shown by the site plan therefor approved by the Town, County, or other applicable governmental agencies and Declarant, as one integrated apartment operation under the same ownership.

1.1.4 "Articles" shall mean the Articles of Incorporation of the Community Association as the same may from time to time be amended or supplemented.

1.1.5 "Assessable Property" shall mean any lot or parcel, except (i) such part or parts thereof as may from time to time constitute Exempt Property; and (ii) any Parcel against which no Tract Declaration has been recorded.

1.1.6 "Assessment" shall mean an Annual Assessment, Special Service Area Assessment, Special Assessment and/or Maintenance Charge.

1.1.7 "Assessment Lien" shall mean the lien created and imposed by Article 7.

1.1.8 "Assessment Period" shall mean the period for which the Annual Assessment is to be levied which shall be a calendar year; however, the Board may from time to time in its sole discretion, change the Assessment Period.

1.1.9 "Board" shall mean the Board of Directors of the Community Association.

1.1.10 "Bylaws" shall mean the Bylaws of the Community Association as the same may from time to time be amended or supplemented.

1.1.11 "Common Area" and "Common Areas" shall mean (a) all Community Association Land; and (b) all land within Granville which the Declarant, by this Declaration, a Tract Declaration or other Recorded instrument signed by Declarant, designates as "Common Area."

1.1.12 "Common Expenses" shall mean the costs and expenses incurred, and the amounts established as replacement and maintenance reserves, by the Community Association to fulfill the Community Association's obligations under this Declaration to provide for the uses and purposes specified in Article 9 or elsewhere in this Declaration.

1.1.13 "Community Association" shall mean the Granville Community Association, an Arizona non-profit corporation, or its successors and assigns, which has been organized to administer and enforce the Covenants, Conditions and Restrictions and to exercise the rights, powers and duties set forth in this Declaration, the Articles and Bylaws.

1.1.14 "Community Association Documents" shall mean this Declaration, the Articles, Bylaws, Granville Rules, the Design Guidelines, and any Tract Declarations, as any of the foregoing may be amended from time to time.

1.1.15 "Community Association Land" shall mean such part or parts of Granville (including without limitation areas identified to be used for public or private trails, not otherwise dedicated to the Town), together with the improvements thereon, and other real property which the Community Association may at any time own in fee or in which the Community Association may at any time have a leasehold interest, for as long as the Community Association is the owner of the fee or leasehold interest.

1.1.16 "Community Center" shall mean the land and improvements comprising the Granville community and recreational centers, as identified on the Master Plan, and any additional lands and improvements designated as part of the Community Centers by the Declarant or the Community Association, and conveyed to the Community Association as such. The Community Centers shall be available for the use and enjoyment of residential owners, and such other persons as the Declarant or the Community Association may designate from time to time.

1.1.17 "Community Enhancement Fee" shall mean the fee levied upon property transfers for purposes the Community Association deems beneficial to the common good and general welfare of Granville, as provided for in Section 7.6

1.1.18 "Condominium Development" shall mean a condominium established under the laws of the State of Arizona with respect to a Parcel which is limited by the Tract Declaration.

1.1.19 "Condominium Unit" shall mean a unit, together with any appurtenant interest in all common elements, within a Condominium Development. Such term shall not include a rental apartment in an Apartment Development.

1.1.20 "County" shall mean the County of Yavapai, Arizona.

1.1.21 "Covenants" shall mean the covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations and easements set forth herein.

1.1.22 "Declarant" shall mean and refer to the above recited Declarant or any person or persons to whom any part or all of Declarant's rights reserved to the Declarant hereunder are assigned. The Declarant's rights shall only be assigned by a written Recorded instrument expressly assigning those rights.

1.1.23 "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions for Granville, as amended or supplemented from time to time.

1.1.24 "Deed" shall mean a deed or other instrument conveying the fee simple title in a lot or parcel.

1.1.25 "Design Review Guidelines" shall mean guidelines and standards established by the Declarant pursuant to Section 11.1 hereof, as the same may be amended from time to time by the Declarant or the Design Review Committee.

1.1.26 "Design Review Committee" shall mean the committee of the Community Association to be created pursuant to Section 11.1 hereof.

1.1.27 "Developer" shall mean any Person who purchases one or more lots from the Declarant for the purpose of constructing dwelling units thereon and then offering the lots for sale to the general public.

1.1.28 "Dwelling Unit" shall mean any building or portion of a building situated upon a lot or parcel designed and intended for independent ownership and for use and occupancy as a residence.

1.1.29 "Exempt Property" shall mean the following parts of Granville:

1.1.29.1 All land and improvements owned by or dedicated to and accepted by the United States of America, the State of Arizona, the County, the Town or any other political subdivision, for as long as any such entity or political subdivision is the owner thereof or for so long as said dedication remains effective;

1.1.29.2 All Community Association Land, for as long as the Community Association is the owner thereof, and

1.1.30 "Granville Rules" shall mean the rules for Granville adopted by the Board pursuant to Section 5.3 as same may be amended or modified from time to time.

1.1.31 "Improvements" shall include all buildings, structures, walls, landscaping and other improvements of any nature whatsoever.

1.1.32 "Land Use Classification" shall mean the classification to be established by the Declarant pursuant to Section 4.1 hereof, which designates the type of improvements which may be constructed on a lot or parcel or Community Association Land and the purposes for which such improvements and surrounding land may be utilized.

1.1.33 "Lessee" shall mean the lessee under a lease pertaining to any property within Granville, including an assignee of a lease but excluding any Person who has assigned all of his interest in a lease.

1.1.34 "Lot" shall mean (a) any area of real property within Granville designated as a lot on any Recorded Subdivision Plat and limited by a Tract Declaration to either single family residential use or cluster residential use, and (b) any condominium unit within Granville which is limited by a Tract Declaration to residential use.

1.1.35 "Maintenance Charges" shall mean any and all costs assessed pursuant to Article 10 hereof.

1.1.36 "Master Plan" shall mean the development plan approved by the Town of Prescott Valley, as the same may be from time to time amended. The identification of property and proposed uses of such property on the Master Plan shall not, under any circumstances, obligate the Declarant to subject such property to this Declaration or develop such property in the manner described. Omission of property from the

Master Plan shall not prevent its later submission by the Declarant to the terms of this Declaration or its development as part of Granville. Amendments to the Master Plan shall not require the amendment of this Declaration.

1.1.37 "Member" shall mean any person holding a Membership in the Community Association pursuant to this Declaration.

1.1.38 "Membership" shall mean a Membership in the Community Association and the rights granted to the Owners pursuant to Article 6 hereof to participate in the Community Association.

1.1.39 "Non-Residential Parcels" shall mean those lots and parcels which are not residential parcels.

1.1.40 "Owner" shall mean (when so capitalized) the record holder of legal title to the fee simple interest in any lot or parcel, but excluding those who hold such title merely as security for the performance of an obligation. In the case of a lot or parcel, the fee simple title to which is vested of record in a seller under a valid and outstanding agreement or contract of sale, as defined in A.R.S. §33-741, legal title shall be deemed to be in the purchaser under such agreement or contract of sale. In the case of a lot or parcel, the fee simple title to which is vested of Record in a trustee pursuant to A.R.S. §33-801 legal title shall be deemed to be in the trustor. An owner shall include any Person who holds record title to a lot or parcel in joint ownership with any other Person or holds an undivided fee interest in any lot or parcel.

1.1.41 "Parcel" shall mean all contiguous area of real property within Granville, other than lots, which is owned by the same Person.

1.1.42 "Party Fence" and "Party Wall" shall mean a fence or wall constructed on, or immediately adjacent to (i) the common boundary of lots, or (ii) the common boundary of Common Areas and a lot or parcel.

1.1.43 "Person" means an individual, firm, corporation, partnership, association, estate, trust, pension or profit sharing plan, or any other entity.

1.1.44 "Property" or "Granville" shall mean the Property situated in the County, as described on Exhibit "A" to this Declaration, and such additions thereto, if any, as may hereafter become subject to this Declaration and be brought within the jurisdiction of the Community Association pursuant to the provisions of Article 13 of this Declaration.

1.1.45 "Purchaser" shall mean an independent third party home buyer that intends to be an owner occupant or landlord in the event he/she rents such home.

1.1.46 "Recording" or "Recordation" shall mean placing an instrument of public record in the office of the County Recorder of the County, and "Recorded" shall mean having been so placed of public record.

1.1.47 "Resident" shall mean:

1.1.47.1 Each Lessee actually residing or conducting a business on any part of the Assessable Property; and

1.1.47.2 Members of the immediate family of each Owner and Lessee actually living in the same household with such Owner or Lessee.

Subject to such rules and regulations as the Community Association may hereafter specify (including the imposition of special non-resident fees for use of the Community Association Land if the Community Association shall so direct), the term "Resident" also shall include guests or invitees of any such Owner or Lessee, if and to the extent the Board in its absolute discretion by resolution so directs.

1.1.48 "Residential Parcels" shall mean those lots and parcels of land which have a use classification of single family residential, residential condominium development, cluster residential use or similar residential uses (but specifically excluding Apartment Development).

1.1.49 "Special Assessment" shall mean any Assessment levied and assessed pursuant to Section 7.6 hereof.

1.1.50 "Special Service Area" shall mean any part of Granville designated in a Tract Declaration, or Recorded subdivision plat approved and signed by Declarant or the Community Association, or any other Recorded instrument approved and signed by Declarant or the Community Association, as an area within which certain services are to be provided for the sole or primary benefit of the Owners of less than all of the lots and parcels in Granville.

1.1.51 "Special Service Area Assessment" shall mean an Assessment levied against less than all of the lots and parcels in Granville pursuant to Section 7.5 - 7.6 of this Declaration. Each lot and parcel shall be subject to a separate Special Service Area Assessment for each Special Service Area within which such lot or parcel is located.

1.1.52 "Special Service Area Expenses" shall mean all costs and expenses, including insurance costs, administrative expenses and any allocations to reserves, incurred by the Community Association in providing any services which solely or primarily benefit the owners of lots and parcels located in a Special Service Area, including, without limitation, all costs and expenses pertaining to the construction, installation, operation, maintenance, repair and replacement of any private streets, street lights, street signage, guardhouse, electronic gate, mechanical equipment, landscaping, private trash removal, and any other improvements located in, or services provided to, owners of lots or parcels in a Special Service Area.

1.1.53 "Special Use Fees" shall mean special fees authorized by this Declaration which an Owner, Lessee, Resident or any other person is obligated to pay to the Community Association over, above and in addition to any Annual Assessments, Special Service Area Assessment, Special Assessments, Maintenance

Charges, Reserve Contributions or Community Enhancement Fees imposed or payable hereunder.

1.1.54 "Tract Declaration" shall mean a declaration Recorded pursuant to Section 4.1 of this Declaration.

1.1.55 "Town" shall mean the Town of Prescott Valley, Arizona.

1.1.56 "Visible From Neighboring Property" shall mean, with respect to any given object, that such object is, or would be, visible to a person six (6) feet tall, standing on the same plane as the object being viewed at a distance of one hundred (100) feet or less from the nearest boundary of the property being viewed, or otherwise visible so as to materially impair (as determined by the Design Review Committee) the available view of surrounding areas by Residents of adjacent dwelling units.

ARTICLE 2

PROPERTY SUBJECT TO DECLARATION

- 2.1 General Declaration Creating Granville. Declarant intends to develop Granville into various parcels and lots and to sell and convey such parcels and lots. As portions of Granville are developed, Declarant intends to Record one or more Tract Declarations covering lots or parcels, which Tract Declarations, among other things, may designate Common Areas and shall incorporate this Declaration by reference. The Tract Declarations may establish such additional covenants, conditions, and restrictions as may be appropriate for the lots or parcels covered by the applicable Tract Declaration. Declarant hereby declares that all of the real property within Granville is, and shall be, held, conveyed, hypothecated, encumbered, leased, occupied, built upon or otherwise used, improved or transferred, in whole or in part, subject to this Declaration and any Recorded Tract Declarations applicable thereto, as amended or modified from time to time; provided, however, that such portions of the Property as are dedicated to the public or a governmental entity for public purposes shall not be subject to this Declaration and the Covenants herein contained while owned by the public or the governmental entity, although any restrictions imposed in this Declaration upon the Owners, Lessees or Residents concerning the use and maintenance of such portion or portions of the Property shall at all times apply to the Owners, Lessees and Residents. This Declaration and the Tract Declarations are declared and agreed to be in furtherance of a general plan of the community, improvement and sale of Granville, and are established for the purpose of enhancing and protecting the value, desirability and attractiveness of and every part thereof. This Declaration shall run with all parcels and lots for all purposes and shall be binding upon and inure to the benefit of Declarant, the Community Association, all owners, lessees and residents and their successors in interest. Nothing in this Declaration shall be construed to prevent the Declarant from modifying the Master Plan or any portions thereof.
- 2.2 Golf Course Land. It is expressly intended by Declarant that Granville, as described in this Declaration, not include the golf course land, and this Declaration shall not apply to the golf course land or any golf course constructed and operated on the golf course land. Each person acquiring a membership in the Community Association, and the heirs, personal representatives, successors and assigns of the foregoing, acknowledge and agree that the acquisition of any interest in one or more lots or parcels located in Granville shall not in any way entitle any such person to any interest in or any right to use the golf course land or to membership in any club or other golf operation now or hereafter existing in connection with the golf course land.
- 2.3 Annexation of Additional Property. At any time on or before the date which is nine (9) years after the date of the Recording of this Declaration, the Declarant shall have the right to annex and subject to this Declaration all or any portion of the contiguous property without the consent of any other owner or person. The annexation of all or any portion of the contiguous property shall be effected by the Declarant Recording an amendment to this Declaration setting forth the legal description of the contiguous property being annexed, stating that such portion of the contiguous property is annexed and subjected to the Declaration and describing any portion of the contiguous property being annexed which will be Common Area. Unless a later

effective date is set forth in the Amendment annexing contiguous property, the annexation shall become effective upon the Recording of the Amendment.

2.3.1 Declarant makes no assurances as to the exact number of lots which shall be added to Granville by annexation or if all or any portion of the contiguous property will be annexed.

2.3.2 All taxes and other Assessments relating to all or any portion of the contiguous property annexed into Granville covering any period prior to the time when such portion of the contiguous property is annexed in accordance with this Section 2.3 shall be the responsibility of, and shall be paid by, the Declarant.

2.3.3 The contiguous property may be annexed as a whole, at one time or in one or more portions at different times, or it may never be annexed, and there are no limitations upon the order of annexation.

2.4 Disclaimer of Representations: Declarant makes no representations or warranties whatsoever that: (i) Granville will be completed in accordance with the plans for Granville as they exist on the date 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 this Declaration will not be changed in the future.

2.5 Community Association Bound. The Covenants shall be binding upon and shall benefit the Association.

ARTICLE 3

EASEMENTS AND RIGHTS OF ENJOYMENT IN COMMON AREAS

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

3.1.1 The right of the Community Association to suspend the voting rights and right to use of the facilities and other Common Areas (other than the right of an Owner and such Owner's family, lessees and guests to use any streets which may become part of the Common Area for ingress or egress to the owner's lot) by any Member(s) for any period during which any Assessment or any other fee or charge payable hereunder against his parcel or lot remains delinquent; (ii) for a period not to exceed sixty (60) days for any infraction of this Declaration, a Tract Declaration or the Granville Rules, and (iii) for successive 60-day periods if any such infraction is not corrected during any prior 60-day suspension period.

3.1.2 The right of the Community Association to adopt and enforce rules, regulations and/or policies regulating the use of the Common Areas, including rules, regulations and policies limiting the number of guests who may use the Common Area and restricting or prohibiting access to those Common Areas, such as specified landscaped areas, not intended for use by Owners, Lessees or Residents. The Granville Rules shall be intended, in the absolute discretion of the Board, to enhance the preservation of the Common Areas for the safety and convenience of the users thereof, and otherwise shall serve to promote the best interests of the Owners, Lessees and Residents.

3.1.3 The right of the Community Association and/or Declarant to dedicate, convey, transfer, lease or encumber all or any part of the Common Areas; provided, however, that if access to a lot is over any part of the Common Area, any conveyance, lease or encumbrance of such Common Area shall be subject to an easement for ingress and egress in favor of the owner and residents of the lot and their guests and invitees.

3.1.4 The right of the Community Association to change the use of the Common Areas in accordance with this Declaration as may be allowed by Town of Prescott Valley Plans, Ordinances and Codes.

3.1.5 The right of the Community Association to change the size, shape or location of Common Areas, to exchange Common Areas for other lands or interests therein which become Common Areas and to abandon or otherwise transfer Common Areas, as may be allowed by Town of Prescott Valley Plans, Ordinances, and Codes so long as, in each case, either (i) the Board determines that the Members are not materially or adversely affected, or (ii) Declarant or, if Declarant no longer possesses a Class B Membership, the President of the Community Association, after obtaining the affirmative vote or written consent of two-thirds (2/3) of the total of all Class A Members, agreeing to such change in size, shape or location, exchange,

abandonment or transfer, as may be allowed by Town of Prescott Valley Plans, Ordinances and Codes.

3.1.6 The right of the Community Association to rent or lease any portion of the Common Area or any recreational facility or amenity situated on the Common Area on a short-term basis to an Owner or Resident for the exclusive use of such Owner or Residents and their guests and invitees.

3.1.7 The right of the Board to charge reasonable admission or other use, consumption or membership fees for the use of any recreational facility or amenity situated on the Common Area.

3.1.8 The right of the Board to permit the use of any recreational facility or amenity situated on the Common Area by Persons other than Owners or Residents and their guests upon payment of such use, consumption or membership fees as may be established by the Board.

3.1.9 The rights and easements, if any, reserved by or granted to the Declarant, a Developer or any other Person in the deed conveying the Common Area to the Community Association.

Notwithstanding the foregoing, there is hereby granted to each owner of a lot or parcel the use of which is restricted to single family residential use, residential condominium development use, and cluster residential use, a right and non-exclusive easement to use and enjoy the Community Center, subject to the Board's ability to charge use or consumption fees for such use and to adopt and enforce reasonable rules and regulations governing such use. Other owners of non-residential parcels, apartments and employees and guests, shall not have a right and easement to use and enjoy the Community Center which is derived from ownership of property within Granville. However, in its discretion, the Board may permit such use conditioned upon the payment of such use, consumption or membership fees as it deems reasonable and appropriate.

3.2 Delegation of Use. Any Member may, in accordance with this Declaration and the Granville Rules and the limitations therein contained, delegate his or her right of enjoyment in the Common Areas to the members of his or her family, Lessees, Tenants or Residents subject to any rules and regulations governing use by guests, including limitations on the number of guests permitted, or applicable guest fees, as the Board may adopt.

3.3 Utility and Development Easements. A non-exclusive, perpetual blanket easement is hereby granted over and through the Common Area and any public utility easements shown on a Recorded subdivision plat approved and signed by Declarant or the Community Association or other Recorded instrument approved and signed by Declarant or the Community Association for the purpose of (i) installing, constructing, operating, maintaining, repairing, replacing and inspecting equipment used to provide to any portion of the Property or adjacent land any utilities, including, without limitation, water, sewer, drainage, gas, electricity, telephone and television service, whether public or private; and (ii) ingress and egress to install, construct, operate,

maintain, repair, replace and inspect such equipment and (iii) storm water management and storm water drainage, as necessary or desirable for the orderly development of the Property. Such easement is hereby granted to any Person providing the aforesaid utilities or installing, constructing, maintaining, repairing, replacing or inspecting equipment related thereto. Any pipes, conduits, lines, wires, transformers and any other apparatus necessary for the provision or metering of any utility may be installed or relocated only where permitted by the Declarant, where contemplated on any site plan approved by the Declarant or where approved by resolution of the Board. Equipment used to provide or meter such utilities or services may be installed above ground during periods of construction if approved by the Declarant. The Person providing a service or installing a utility pursuant to this easement shall install, construct, maintain, repair, replace or inspect the equipment used to provide or meter the utility as promptly and expeditiously as possible, and shall restore the surface of the land and the surrounding vegetation and improvements to their original condition as soon as possible.

3.4 Conveyance, Lease or Encumbrance of Common Areas. Except as provided in this Section or in Section 3.3, the Common Area shall not be mortgaged, transferred, dedicated or encumbered without the prior written consent or affirmative vote of at least two-thirds (2/3) of the votes entitled to be cast by Class A Members of the Community Association. Notwithstanding the foregoing, the Community Association shall have the authority to dedicate parts of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as the Board may determine to be in the best interests of the Community Association. The Community Association may grant permits, licenses and easements on, over, under and through the Common Area for utilities, roads and other purposes reasonably necessary or useful for the proper maintenance and operation of the Property and which do not have any substantial adverse effect on the enjoyment of the Common Areas by the Members. The Community Association may make such dedications on all or any part of the Common Area for such purposes and on such terms and conditions as are approved by Members entitled to cast more than two-thirds (2/3) of the votes represented in person or by proxy at an annual or special meeting of the Members at which the dedication is submitted to the Members for approval. Further the Community Association may convey portions of the Common Area for the purpose of adjusting the boundary lines between the Common Area and adjoining lots or dedicated rights-of-way.

3.5 Other Third Parties. The Common Area is private property and, in general, is not available for use by Persons other than Owners, Residents and Lessees. However, in the Board's discretion, and pursuant to such rules and regulations as the Board may adopt, the Community Association may provide services to or permit Common Area facilities use by other third parties, including the general public. The Community Association may, but is not required to, charge and collect use and consumption fees from third parties, as provided for in Sections 3.1.7 and 3.6. Such services and fees may vary among such parties. The Community Association also may enter into agreements with third parties to provide such facilities and services in exchange for financial or other consideration.

3.6 Declarant's Reserved Rights. The Declarant hereby reserves for itself, its affiliates, sales agents, employees and other designees (including without limitation, prospective lot or parcel purchasers), a right and non-exclusive easement of access to and the use and enjoyment of the Community Center until the last lot is sold, for sales and marketing, recreational use and other purposes generally permitted for other users. Such use shall not be subject to the operational rules and regulations pertaining to all other users and shall not be subject to the payment of any use, consumption or membership fees.

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

ARTICLE 4

LAND USE CLASSIFICATIONS, PERMITTED USES AND RESTRICTIONS

4.1 Land Use Classifications. As portions of Granville are prepared for development, the Land Use Classifications, restrictions, easements, rights-of-way, and other matters, including new or different uses and restrictions thereon and including any number of subclassifications thereof for any special uses, shall be fixed by Declarant in a Tract Declaration which shall be Recorded for that portion of Granville. Any such Tract Declaration shall expressly set forth restrictions on the use of the Parcel(s) subject to the Tract Declaration. Any such Tract Declaration shall be construed as a supplement to this Declaration and fully a part hereof for all purposes to the same extent as if all of the provisions thereof were set forth in this Declaration. Contemplated Land Use Classifications include, but are not limited to, the following Land Use Classifications:

4.1.1 Single Family residential use.

4.1.2 Apartment Development Use, which may be converted to Condominium Development Use upon approval by the Declarant.

4.1.3 Condominium Development Use, which may be converted to Apartment Development Use upon approval by the Declarant.

4.1.4 Cluster residential use, which shall consist of lots with dwelling units intended for single family occupancy and may include those types of residential housing arrangements known as townhouses, clustered housing, zero-lot line housing and similar arrangements, together with related areas intended for the use and enjoyment of the owners and residents of the lots in the cluster development.

4.1.5 Community Association Use, which may include Community Common Areas

4.1.6 General Public Use

4.1.7 School

4.1.8 Church

4.1.9 Public/Private Recreation

4.1.10 Park(s)

4.1.11 Community Center(s)

4.1.12 Well-Site Use

4.1.13 Telecommunications Site Use

Unless otherwise specifically provided in this Declaration, the definitions and characteristics of such Land Use Classifications, and specific permitted and prohibited uses in such classifications, shall be determined in the Tract Declaration.

4.2 Declarant's Right to Change Land Use Classifications. Unless the applicable Tract Declaration provides to the contrary, for so long as the Class B Membership exists, Declarant (if Declarant is the owner of said lot or parcel) or Declarant and the owner(s) of said lot or parcel (if Declarant is not the owner or the sole owner of said lot or parcel), without the approval of the Board or any other owner, shall have the right to change the Land Use Classification of a lot or parcel as established in a Recorded Tract Declaration by Recordation of an amendment to the applicable Tract Declaration executed by Declarant and, if applicable, the owner(s) of said lot or parcel.

4.3 Covenants, Conditions, Restrictions and Easements Applicable to Parcels Within All Land Use Classifications. The following covenants, conditions, restrictions and reservations of easements and rights shall apply to all parcels and lots, and the owners, residents, tenants and lessees thereof, regardless of Land Use Classifications.

4.3.1 Residential Architectural Control. All residential parcels at Granville are subject to architectural control as established by the Design Review Committee. Except as otherwise expressly provided in this Declaration, no improvements, alterations, repairs, excavation, grading, landscaping or other work which in any way alters any residential parcels within Granville or the exterior appearance of improvements located thereon, from its natural or improved state existing on the date a Tract Declaration for such property was first recorded shall be made or done without prior written approval of the Design Review Committee. The exterior of any building, fence, wall, residence or other structure shall not be commenced, erected, maintained, improved, altered, or made without the prior written approval of the Design Review Committee. All subsequent additions to or changes or alterations in any building, fence, wall or other structure, including exterior color scheme, and any changes in the grade of residential parcels shall be subject to the prior written approval of the Design Review Committee. No changes or deviations in or from the plans and specifications once approved in writing by the Design Review Committee shall be made without prior written approval of the Design Review Committee. This Section does not apply to improvements, alterations, repairs, excavation, grading, landscaping or other work performed by or on behalf of Declarant. The approval of the Design Review Committee required hereby shall be in addition to, and not in lieu of, any approvals, consents or permits required under the ordinances or rules and regulations of any county or municipality having jurisdiction over the applicable residential parcel.

4.3.2 Restriction on Further Subdivision and Rezoning. No lot or parcel subject to a Recorded Tract Declaration shall be further subdivided or separated into smaller lots or parcels by any owner, and no portion less than all of any such lot or parcel, nor any easement or other interest therein, shall be conveyed or transferred by any owner, without the prior written approval of the Board and Declarant (so long as

Declarant is the owner of any lot or parcel), which approval must be evidenced on the recorded plat or other Recorded instrument creating the subdivision, easement or other interest. No further covenants, conditions, restrictions or easements shall be recorded by any owner, lessee or other person against any lot or parcel without the provisions thereof having been first approved in writing by the Board, and any covenants, conditions, restrictions or easements recorded without such approval being evidenced thereon shall be null and void. Except as set forth in Section 4.2 above, any rezoning or change of use of lots or parcels covered by a Tract Declaration must first be approved in writing by the Board or the Design Review Committee as appropriate. For so long as Declarant owns any lot or parcel in Granville, this Subsection 4.3.2, 4.3.3 shall not be applicable to or binding upon Declarant with respect to any such lot or parcel.

4.3.3 Utility Easements. There is hereby created a non-exclusive, perpetual blanket easement upon, across, over and under each lot and parcel for ingress to, egress from and the installation, construction, operation, replacement, repair, maintenance and inspection of all utility and service lines and systems including, but not limited to, water, sewer, gas, telephone, electricity, television cable or communication lines and systems, etc. as such utilities: (i) are installed in connection with the initial development of each lot and parcel and the construction of the first dwelling unit or other building thereon, and (ii) may be necessary, in the sole discretion of Declarant, to serve the needs of any lot or parcel in connection with the orderly development of Granville. The exercise of any such easement shall not extend to permitting entry into the structures on any lot or parcel, nor shall it unreasonably interfere with the use of any lot or parcel, and, except in an emergency, entry onto any lot or parcel shall be made only after reasonable notice to the owner or occupant of the lot or parcel. All owners shall cooperate to allow Declarant and any Person designated by Declarant, to install, extend and connect to any utility improvements installed pursuant to the foregoing. Pursuant to this easement, a providing utility or service company may install and maintain facilities and equipment on the Property and affix and maintain wires, circuits and conduits on, in and under the roofs and exterior walls of buildings on the lots and parcels. The Person providing a service or installing a utility pursuant to this easement shall install, construct, maintain, repair, replace or inspect the equipment used to provide or meter the utility as promptly and expeditiously as possible, and shall restore the surface of the land and the surrounding vegetations and improvements to their original condition as soon as possible. Notwithstanding anything to the contrary contained in this Subsection, no sewers, electrical lines, water lines, or other utility or service lines may be installed or relocated on any lot or parcel except as initially approved in writing by the Declarant or the Design Review Committee or, if installed after the Recording of a Tract Declaration, approved by the owner and the Declarant or the Design Review Committee.

4.3.4 Health, Safety and Welfare. If additional uses, activities and facilities are deemed by the Board to be a nuisance or to adversely affect the health, safety or welfare of owners, lessees or Residents, Declarant or the Board may make rules restricting or regulating their presence on Granville as part of the Granville Rules, or may direct the Design Review Committee to make rules governing their presence on

lots or parcels as part of the Design Guidelines applicable to residential parcels or non-residential parcels, as appropriate.

4.3.5 Model Homes. The provisions of this Declaration and of Tract Declarations which prohibit non-residential use of parcels and regulate parking of vehicles shall not prohibit the construction and maintenance of model homes by Developers and parking incidental to the visiting of such model homes so long as the location of such model homes are approved by the Design Review Committee, and the construction, operation and maintenance of such model homes otherwise comply with all of the provisions of this Declaration. The Design Review Committee may also permit other areas to be used for parking in connection with the showing of model homes provided such parking and parking areas are in compliance with the ordinances of the governing municipality, other applicable governmental agencies and any rules of the Design Review Committee. Any homes constructed as model homes shall cease to be used as model homes at any time the owner or builder thereof is not actively engaged in the construction and sale of dwelling units at Granville, and no home shall be used as a model home for the sale of homes not located in Granville.

4.3.6 Residential Parcels Permitted Uses. Except for construction, maintenance and other activities related to the model homes as provided in Section 4.3.5 above, the lots within residential parcels shall be used, improved and devoted exclusively to residential use and no trade or business may be conducted on any lot or in or from any improvement on any lot, except that an owner or other resident of a lot may conduct a legal business activity within a dwelling unit (but not including any garage area) on a lot so long as: (a) the existence of the operation of the business activity is not apparent or detectable by sight, sound or smell from outside the improvement dwelling on the lot; (b) the business activity conforms to all applicable zoning ordinances or requirements for the Community; (c) the business activity does not involve persons coming on to the lot other than on an infrequent basis nor does it involve the door-to-door solicitation of owners or other residents in the Community; and (d) the business activity is consistent with the residential character of the Community and does not constitute a nuisance or a hazardous or offensive use or threaten the security or safety of other residents in the Community, 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 provider's family and for which the provider receives a fee, compensation or other form of consideration, regardless of whether (a) such activity is engaged in full or part time; (b) such activity is intended to or does generate a profit; or (c) a license is required for such activity. The leasing of a lot by the owner thereof shall not be considered a trade or business within the meaning of this Section, provided, however, no lease shall be of less than the entire lot and all improvements thereon.

4.3.7 Incidental Uses. The Board may approve uses of property within a Land Use Classification which are incidental to the full enjoyment by the owners of the property within that Land Use Classification. Such approval may be subject to such regulations, limitations and restrictions, including termination of the use, as the Board

may wish to impose, in its sole discretion, for the benefit of Granville as a whole. By way of example and not of limitation, the uses which the Board may permit are private roadways and streets within an area having a Land Use Classification of cluster residential use or condominium development use, recreation facilities intended primarily for the benefit of all or certain owners and residents within areas having a Land Use Classification cluster residential use or condominium development use, recreational facilities intended for usage by the residents or owners of more than a single parcel within any area classified for residential use, and a sales, information and marketing center operated by Declarant.

4.3.8 Maintenance of Lawns and Plantings. Each owner of a lot or parcel shall install front and back yard landscaping within 120 days of the close of escrow. Each owner of a lot or parcel shall keep all shrubs, trees, hedges, grass and plantings of every kind located on (i) his or her lot or parcel (including set back areas), (ii) planted public right-of-way areas between sidewalks (or bike paths) and the street curb in front of his property, if any, (iii) any other public right-of-way or easement area which abuts the owner's lot or parcel and which is located between the boundary line of his lot or parcel and the paved area of any street, sidewalk, bike path or similar area, and (iv) any non-street public right-of-way, neatly trimmed and shall keep all such areas properly cultivated and free of trash, weeds and other unsightly material; provided, however, that such owner shall not be responsible for maintenance of any area (1) which is Common Area; or (2) over which the Town, the County, or other public agency assumes responsibility, for so long as said political subdivision or other public agency assumes or has responsibility as provided above. Notwithstanding the foregoing, the Design Review Committee having jurisdiction, or Declarant, may require the owner of any lot or parcel adjacent to the areas described in items (ii), (iii) and (iv) above to install and maintain landscaping in such areas on such terms and conditions established by the Design Review Committee or Declarant as the case may be. The Board may impose such conditions as may be determined to be reasonably necessary (including, without limitation, the requirement that certain improvements be constructed or installed within certain time periods or that any landscaping be installed and maintained by the owner for a sufficient grow-in period) prior to accepting any portion of a lot or parcel intended to be dedicated for use as Common Area or prior to accepting any maintenance responsibility.

4.3.9 Nuisances, Construction Activities. No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any lot or parcel and no odors shall be permitted to arise or emit therefrom so as to render any such lot or parcel 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 or parcel so as to be offensive or detrimental to any other property in the vicinity thereof or to its occupants. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, firecrackers, bells or other sound devices, except security devices used exclusively for security purposes, shall be located, used or placed on any such lot or parcel; provided, however that the foregoing shall not be construed to prohibit the installation of a reasonable number of exterior speakers in the backyard of a lot so long as the volume level of sound emitted therefrom does not create a nuisance to other property in the vicinity thereof or to the

occupants of such other property, as determined by the Board in its sole discretion. Normal construction activities and parking in connection with the building of improvements on a lot or parcel shall not be considered a nuisance or otherwise prohibited by this Declaration, but the Board may adopt rules limiting the hours and/or days construction may take place and lots and parcels 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 shall be piled only in such areas as may be approved by the Design Review Committee or Declarant. In addition, any construction equipment and building materials stored or kept on any lot or parcel during construction improvements may be kept only in areas approved by the Design Review Committee or Declarant. The Board, in its sole discretion, shall have the right to determine the existence of any such nuisance.

4.3.10 Repair of Building. No building or structure on any lot or parcel shall be permitted to fall into disrepair and each such building and structure shall at all times be kept in good condition and repair and adequately painted or otherwise finished. If any building or structure is damaged or destroyed, such building or structure shall be immediately repaired or rebuilt or shall be demolished.

4.3.11 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 or parcel or any portion of the Common Area except such signs which have been approved in advance and in writing by the Declarant or the Design Review Committee, and which are in conformance with the applicable requirements of the Town, the County or other applicable governmental agencies.

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

4.3.13 Right of Entry. During reasonable hours and upon reasonable notice to the owner or other occupant of a lot or parcel, Declarant, any member of the Design Review Committee, any member of the Board, or any authorized representative of either of them, shall have the right to enter upon and inspect any lot or parcel, and the improvements thereon, except for the interior portions of any completed dwelling unit, for the purpose of ascertaining whether or not the provisions of this Declaration have been, or are being, complied with, and such persons shall not be deemed guilty of trespass by reason of such entry.

4.3.14 Animals. No animal, bird, fowl, poultry, reptile or livestock, other than a reasonable number of generally recognized house or yard pets, shall be maintained

on any lot or parcel and then only if they are kept, bred or raised thereon solely as domestic pets and not for commercial purposes. No animal, bird, fowl, poultry, reptile or livestock shall be allowed to make any unreasonable amount of noise or to become a nuisance. No animal that has a propensity to attack other Persons or animals, without provocation, or otherwise endanger the safety of Persons and other animals in Granville, or that has otherwise been determined to be vicious, shall be permitted or maintained on any lot or parcel. No structure for the care, housing or confinement of any animal, bird, fowl, poultry, reptile or livestock shall be maintained so as to be unsightly or visible from neighboring property. Upon the written request of any Member or Resident, the Board shall conclusively determine, in its sole and absolute discretion, whether, for the purpose of this Section, a particular animal, bird, fowl, poultry, reptile or livestock is a generally recognized house or yard pet, whether such a pet is a nuisance or is vicious, or whether the number of animals, birds, fowl, poultry, reptile or livestock on any such property is reasonable, or whether any structure for the care, housing, or confinement of any animal, bird, fowl, poultry, reptile or livestock is unsightly. Any decision rendered by the Board shall be enforceable in the same manner as other restrictions contained herein.

4.3.15 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 dwelling unit, either temporary or permanent. Temporary buildings or structures used during the construction of a dwelling unit or other structure on any property shall be removed immediately after the completion of construction.

4.3.16 Diseases and Insects. No owner shall permit any thing or condition to exist upon any lot or parcel which shall induce, breed or harbor infectious plant diseases or noxious insects.

4.3.17 Antennas. Except as permitted under federal, state and local law and as permitted under the Granville Rules, no antenna, aerial, satellite dish, electronic tower or other device for the transmission or reception of television or radio signals or any other form of electromagnetic radiation may be erected, used or maintained outdoors on any portion of any lot or parcel, whether attached to a dwelling unit, or other improvement or structure or otherwise.

4.3.17.1 Approval for antennas visible for neighboring property shall be temporary in nature and their use will be revoked when an alternate cable system is available.

4.3.17.2 Ham, citizen band or other similar antennas will not be allowed.

4.3.17.3 Satellite Dish/Internet Antenna. Homeowners may install an 18-inch satellite dish and/or internet antenna. The dish/antenna may not be visible from the street, except with Design Review Committee approval. The preferred installation locations are as follows in descending order of preference:

(a) A location in the back yard of the lot where the receiver will be screened from view by landscaping or other improvements;

- (b) An unscreened location in the backyard of the lot;
- (c) A location in the side yard of the lot where the receiver and any pole or mast will be screened from view by landscaping or other improvements;
- (d) An unscreened location in the side yard;
- (e) A location in the front yard of the lot where the receiver will be screened from view by landscaping or other improvements;
- (f) On the roof, but below the roof line.

4.3.18 Mineral Exploration. No lot or parcel 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, except for grading and excavation work and the removal of fill material including, but without limitation, gravel, rock and sand, in connection with the construction of Dwelling units, buildings, structures or other improvements which have been approved in writing by the Declarant or the Design Review Committee, except for grading, excavation and removal work being performed by, or on behalf of, Declarant.

4.3.19 Trash Containers and Collection. No garbage or trash shall be placed or kept on any lot or parcel, except in covered containers of a type, size and style which are approved in writing by the Declarant or the Design Review Committee. In no event shall such containers be maintained so as to be unsightly or Visible From Neighboring Property except to make the same available for collection and then only for the shortest time reasonably necessary to affect such collection. All rubbish, trash, or garbage shall be removed from the lots and parcels and shall not be allowed to accumulate thereon. No outdoor incinerators shall be kept or maintained on any lot or parcel.

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

4.3.21 Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon, or adjacent to, any lot or parcel except (i) 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; (ii) that which Declarant or the Community Association may require for the operation and maintenance of Granville; or (iii) that used in connection with any business permitted under a Tract Declaration.

4.3.22 Party Walls/Fences. All party walls or fences erected within Granville shall be of masonry construction. Fences constructed of any other material are strictly forbidden, i.e. wood, chain link, screened chain link, fiberglass, etc. Wherever such party walls or fences face a street they shall be painted a color which is approved by the Design Review Committee. Fences with a combination of masonry and wrought

iron may be used in areas contiguous to open spaces or park areas. Such installations shall require the approval of the Design Review Committee prior to installation.

4.3.23 Maintenance of Party Walls. Except as hereinafter provided, the rights and duties of owners with respect to Party Walls between lots and parcels or party fences between lots and parcels shall be as follows:

4.3.23.1 The owners of contiguous lots or parcels who have a party wall or party fence shall both equally have the right to use such wall or fence, provided that such use by one (1) owner does not interfere with the use and enjoyment of same by the other owner.

4.3.23.2 If any party wall or party fence is damaged or destroyed through the act of an owner or any of his lessees, agents, guests, or members of his family (whether or not such act is negligent or otherwise culpable and including, without limitation, any damage or destruction caused by or related to construction and use of a planter along any party wall or party fence), it shall be the obligation of such owner to rebuild and repair the party wall or party fence without cost to the owner of the adjoining lot or parcel. Any dispute over an owner's liability for such damage shall be resolved as provided in Subsection 4.3.23.5 below, but any liability imposed on an owner hereunder shall not prevent the owner from seeking indemnity from the causing of such damage.

4.3.23.3 If any Party Wall or Party Fence is destroyed or damaged (including deterioration from ordinary wear and tear and lapse of time), other than by the act of an adjoining owner, his tenants, lessees, agents, guests or family, it shall be the obligation of all owners whose lots or parcels adjoin such party wall or party fence to rebuild and repair such wall or fence at their joint expense, such expense to be allocated among the owners in accordance with the frontage of their lots or parcels on the party wall or party fence.

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

4.3.23.5 If a dispute occurs between owners with respect to the construction, repair or rebuilding of a party wall or party fence, or with respect to the sharing of the cost thereof, such adjoining owners shall submit the dispute to Arbitration, the decision of which shall be binding.

4.3.23.6 Anything in the foregoing to the contrary notwithstanding:

(i) In the case of party fences or party walls (a) between Common Areas and lots or parcels, or (b) constructed by Declarant or the Community Association on Common Areas, the Community Association, only following its approval of the construction of such party fence and acceptance of the maintenance thereof, shall be responsible for all maintenance thereof, subject to the provisions of

Sections 10.2 and 10.4, except that each lot or parcel shall be responsible for painting the portion of the party fence or party wall facing his lot or parcel or the portion thereof which is not a portion of the Common Area, and each owner shall be responsible for any repairs, replacements and maintenance resulting from the improper or defective construction of such party fence or party wall constructed by the owner.

(ii) The provisions of this Section 4.3.23.6(ii) shall not apply to any party wall which separates the interiors of two (2) dwelling units and the rights of the owners of such dwelling units with respect to party walls shall be governed by plats and any covenants, conditions and restrictions to be Recorded by the Developer of the dwelling units on the real property on which the dwelling units are located.

(iii) If any portion of a party wall or party fence, the length of which is situated in its entirety either on, immediately adjacent to or over the common boundary of lots or parcels, or on the common boundary of Common Areas and lots or parcels, encroaches onto a lot or parcel, or encroaches onto any Common Area, then: (1) the owner of the property onto which the party wall or party fence encroaches (the "Burdened Property") shall be deemed to have granted an easement of access and enjoyment to the owner of the adjacent lot or parcel (the "Benefited Property") over that portion of the Burdened Property lying on the same side of the party fence or party wall as the Benefited Property (the "Easement Area"), and (2) the owner of the Benefited Property shall be responsible for maintenance of the Easement Area in accordance with all maintenance standards applicable to the adjacent portion of the Benefited Property.

4.3.24 Maintenance of Walls other than Party Walls.

4.3.24.1 Unless otherwise provided in a Tract Declaration, walls (other than Party Walls or Party Fences governed by Section 4.3.24 or walls covered by Subsections 4.3.24.2 and 4.3.24.3 of this Declaration) located on a lot or parcel shall be maintained, repaired and replaced by the owner of the lot or parcel.

4.3.24.2 Any wall which consists of masonry columns and/or masonry base and wrought iron fencing which separates a lot or parcel and Common Area shall be maintained, repaired and replaced by the owner of the lot or parcel, except that the Community Association shall be responsible for the painting, repair, maintenance and replacement of (i) the top of the masonry wall or columns, (ii) the side(s) of the masonry wall or columns which are visible from the Common Area, and (iii) all portions of any wrought iron fencing. The owner of lot or parcel shall be responsible for reimbursing the Community Association for one-half of the cost incurred by the Community Association in painting, repairing and/or replacing any such wrought iron fencing. Any reimbursement due to the Community Association from an owner pursuant to this Subsection shall be paid by the owner to the Community Association within fifteen (15) days after receipt of a bill, invoice or other demand from the Community Association for such reimbursement amount.

4.3.24.3 If the Community Association deems it necessary to trim, cut or remove vines, plants, trees, bushes, shrubs or other landscaping planted on a lot or parcel in order for the Community Association to be able to perform its maintenance

responsibilities under this Section, the Community Association shall give notice to the owner of the applicable lot or parcel identifying the work which must be done in order for the Community 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 Community Association shall have the right to perform the necessary work and charge the owner for all costs incurred by the Community Association in the performance of the work. Any such amounts which become payable by an owner to the Community 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 Community Association for payment of such amount. The Community Association shall be liable to the owner of a lot or parcel for any damage to a wall caused by the Community Association in the exercise of the Association's rights under this Subparagraph 4.3.24.3.

4.3.24.4 Any wall which is placed on the boundary line between a lot or parcel and public right-of-way shall be maintained, repaired and replaced by the Community Association except that the owner of the lot or parcel shall be responsible for the repair and replacement of the surface of the wall which faces the lot or parcel.

4.3.25 Overhead Encroachments. No tree, shrub, or planting of any kind on any lot or parcel shall be allowed to overhang or otherwise to encroach upon any sidewalk, street, pedestrian way or other area from ground level to a height of eight (8) feet without the prior written approval of the Declarant or the Design Review Committee.

4.3.26 Trucks, Trailers, Campers and Boats. No vehicle may be left upon any portion of Granville except in a garage, driveway, parking pad, or other area designated by the Board. Commercial vehicles, recreational vehicles, mobile homes, trailers, campers, boats or other watercraft, or other vehicles exceeding eighteen (18) feet in length, and unlicensed vehicles or inoperable vehicles shall not be parked within Granville other than in enclosed garages; provided however, that one boat may be temporarily kept or stored completely on a parking pad on a lot for not more than four (4) nights within each calendar month. This Section shall not apply to emergency vehicle repairs. The term "vehicles" as used in this Section, shall include, without limitation, automobiles, trucks, boats, trailers, motorcycles, campers, vans, and recreational vehicles.

4.3.27 Motor Vehicles. No automobile, motorcycle, motorbike or other motor vehicle shall be constructed, reconstructed or repaired upon any lot, parcel or street in Granville, and no inoperable vehicle (including, without limitation, vehicles with flat tires) may be stored or parked on any such lot, parcel or street, so as to be visible from neighboring property or to be visible from Common Areas or streets; provided, however, that the provisions of this Subsection shall not apply to emergency vehicle repairs or temporary construction shelters or facilities maintained during, and used exclusively in connection with, the construction of any improvement approved in writing by the Declarant or the Design Review Committee.

4.3.28 Parking. Vehicles of all owners, lessees and residents, their guests and invitees, are to be kept in garages, residential driveways of the owner, and other designated parking areas wherever and whenever such facilities are sufficient to accommodate the number of vehicles of a lot or parcel; provided, however, this Subsection shall not be construed to permit the parking in the above described areas of any vehicle whose parking at Granville is otherwise prohibited or the parking of any inoperable vehicle; provided, further, the Board may promulgate rules and regulations limiting or restricting parking of vehicles during designated hours and on designated streets.

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

4.3.30 Floodlights. To preserve the special nature of Granville, no dwelling unit may be floodlighted. All security, landscaping, and safety lighting shall be low wattage, incandescent and indirect. No fixtures shall be permitted which shine toward the street or adjacent properties; nor shall any obvious or harsh light source be allowed to create "hot spots" within Granville.

4.3.31 Rooftop Equipment. The Design Guidelines may restrict or prohibit the installation of rooftop equipment and may require that all such equipment be fully screened such that it is not Visible From Neighboring Property. The Design Guidelines may require such screening to take into account not only views from the adjacent street and property, but also from more distant locations which occur at a higher elevation within Granville.

4.3.32 Basketball Poles and Backboards. No basketball pole and/or backboard or similar sport equipment to be located in a front yard or visible from adjacent streets may be installed without the prior written consent of the Design Review Committee, which consent may be withheld in the sole and absolute discretion of such committee.

4.3.33 Soil Condition and Drainage. In no event is Declarant responsible to any owner for the condition of the soils or subsurface condition, soils preparation, drainage, construction of the building pad (collectively, the "Soils Condition"), or any affect such matters have on the dwelling unit, other improvements constructed on any lot, including, without limitation, any landscaping on any part of a lot. Each owner hereby acknowledges that Declarant is making no representation or warranty regarding such matters. Each home builder is responsible for constructing the

dwelling unit in accordance with soils and geotechnical reports and studies and ensuring that the dwelling unit; and other improvements do not impede the drainage on the lot as contemplated by the drainage plans. Each home builder shall defend, indemnify and hold Declarant harmless from, of, for and against any claims, damages, obligations, liabilities, losses, expenses or fees (including attorneys' fees) arising from any Soils Condition on the lots owned or developed by the home builder (except to the extent same is caused by an individual or entity who owns any such lot after same is owned by the home builder) or the failure of a home builder to construct a dwelling unit, including any appurtenant structures, driveways, landscaping or otherwise on such lots. Each owner hereby acknowledges that proper drainage is necessary for the maintenance of the lots and accordingly agrees that such owner shall not install any sprinklers or water system, construct ponds, wells, retention basins, make or remove improvements to the dwelling unit or otherwise alter the surface of the lot so as to improperly impede or impair the drainage of the lot. In addition, each owner hereby agrees that all discharges of water (for example, without limitation, discharges of swimming pool backwash) shall remain on the lot or parcel and shall not be permitted to flow off the lot or parcel onto adjacent lots, streets, parcels, or Common Areas (including washes or channels). Each owner shall defend, indemnify and hold Declarant, the Community Association and all other owners harmless from, of, for and against any claims, damages, obligations, liabilities, losses, expenses or fees (including attorneys' fees) arising from or related to any impermissible off-site discharge from said owners lot or parcel.

4.3.34 Drainage Easements. There is hereby created a perpetual, non-exclusive blanket easement upon, across, over and under each lot and parcel for ingress to, egress from and the installation, replacing, repairing, maintaining and inspecting of all drainage improvements and related appurtenances required to be installed pursuant to the master drainage plan for Granville, or any part thereof. All work associated with the exercise of any easement described in this Section 4.3.34 shall be performed in such a manner as to minimize interference with the use and enjoyment of the burdened property. Upon completion of the work, the Person exercising the easement shall restore the property, to the extent reasonably possible, to its condition prior to the commencement of the work. The exercise of any such easement shall not extend to permitting entry into the structures on any lot or parcel, nor shall it unreasonably interfere with the use of any lot or parcel, and, except in an emergency, entry onto any lot or parcel shall be made only after reasonable notice to the owner or occupant of the lot or parcel. No dwelling unit 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 master drainage plan for Granville, or any part thereof, or for any lot or parcel as shown on the drainage plans on file with the Town.

4.3.35 Environmental Protections. No lot or parcel, nor any facilities on the lot or parcel, shall be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Substances or solid waste in violation of any Environmental Law. As used in this paragraph, "Hazardous Substances" means any substances, water, pollutants, contaminants or materials which pose a risk of injury or threat to health or the environment or becomes regulated under any Environmental Law including, without limitation, petroleum and petroleum

derivatives and asbestos; "Environmental Law" means any federal, state or local law, including statutes, ordinances, rules, common law and guidelines now in effect and hereinafter enacted, pertaining to the health, industry, hygiene or the environment including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Superfund Amendments and Recovery Act, the Superfund Amendments and Reauthorization Act, the Clean Air Act, the Clean Water Act, the Safe Water Drinking Act and Solid Waste Disposal Act.

4.3.36 Waivers. The Board, in its good-faith discretion, may grant such waivers of the restrictions contained in this Section 4.3 as it shall deem appropriate, so long as the use permitted by such waiver shall not result in an unsafe, unsanitary or aesthetically displeasing condition and shall not result, in the Board's discretion, in a substantial departure from the common plan of development contemplated by this Declaration.

4.3.37 Declarant's Exemption. Nothing contained in this Declaration shall be construed to prevent the erection or maintenance by Declarant, or its duly authorized agents, of structures, improvements or signs necessary or convenient to the development or sale of lots and parcels within Granville.

ARTICLE 5

ORGANIZATION OF COMMUNITY ASSOCIATION

- 5.1 Formation of Community Association. The Community 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. Neither the Articles nor Bylaws shall, for any reason, be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration.
- 5.2 Board of Directors and Officers. The affairs of the Community 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 as the same may be amended from time to time. The Board may also appoint various committees and may appoint a manager who shall, subject to the direction of the Board, be responsible for the day-to-day operation of the Community Association. The Board shall determine the compensation to be paid to the manager or any other employee of the Community Association.
- 5.3 The Granville Rules. By a majority vote of the Board, the Community Association may, from time to time and subject to the provisions of this Declaration, adopt, amend and repeal rules and regulations to be known as the Granville Rules. The Granville Rules may, for example, establish certain fees for violations of the provisions of this Declaration or of any rules, regulation or Design Guidelines promulgated hereunder, or restrict and govern the use of any Common Area by any Member, Lessee, Resident or Guest; provided, however, that the Granville Rules shall not be inconsistent with this Declaration, the Articles, the Bylaws or any applicable Tract Declaration. The Granville Rules and fees may be different for different classifications of users, including, but not limited to, owners of residential parcels and non-residential parcels, lessees, employees or affiliates of the Declarant, guests or social invitees, or otherwise. The posting of the Granville rules and fees in a conspicuous manner and location within Granville or the publication in a community newsletter of general circulation within Granville shall be deemed sufficient notice to all permitted users. The Board, in its discretion, may provide notice of the Granville Rules and fees by other means or methods. Upon adoption, the Granville Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration.
- 5.4 Personal Liability. No member of the Board or of any committee of the Community Association, no officer of the Community Association and no manager, other employee or agent of the Community Association shall be personally liable to any Member, or to any other person, including the Community Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence of the Community Association, the Board, the manager, any representative or employee of the Community Association or any committee, committee member or officer of the Community Association; provided, however, the limitations set forth in this Section 5.4 shall not apply to any person who has failed to act in good faith or has engaged in willful or intentional misconduct.

ARTICLE 6

MEMBERSHIPS AND VOTING

6.1 Owners of Lots and Parcels. Each owner of a lot or parcel which is subject to Assessment, pursuant to Article 7 hereof, shall be a Member of the Community Association. Each such Membership shall be appurtenant to and may not be separated from ownership of the parcel or lot to which the Membership is attributable and joint ownership or ownership of undivided interests in any real property which establishes a Membership shall not cause there to be more Memberships than the number established for purposes of this Section 6.1. Each owner shall have the following number of Memberships in the Community Association:

6.1.1 Each owner of a lot shall have one (1) Membership for each lot owned by such owner.

6.1.2 Each owner of a parcel the use of which is limited by a Recorded Tract Declaration to single-family residential use, residential condominium development use, cluster residential use or similar residential uses shall have one (1) Membership for each lot permitted upon the parcel by the applicable Tract Declaration. At such time as a subdivision plat or other instrument creating lots is Recorded covering all or part of the Parcel, the Memberships attributable to the lots shall be determined as set forth above, and the number of memberships held by the owner, as owner of the remainder of the unplatted portion of the parcel, if any, shall be equal to the number of lots permitted by the Tract Declaration minus the number of lots included within the recorded plat. All memberships attributable to the parcel (as opposed to the lots) shall cease when the land area ceases to be a parcel because all of the area in the parcel has been platted or otherwise dedicated to the public.

6.1.3 Dedication of portions of a parcel for public rights-of-way or similar purposes shall not result in the reduction of the number of Memberships attributable to the parcel; rather, such memberships shall be attributed to the portion of the parcel not constituting Exempt Property on a fair and equitable basis as determined by the Board. Except as set forth above, the exercise by a governmental entity of the power of eminent domain or condemnation of a parcel or a substantial portion of a parcel shall result in the reduction of memberships attributable to such parcel for so long as such portion remains Exempt Property, such reduction to be determined by the Board based on the gross square footage of the real property taken by eminent domain or condemnation.

6.2 Declarant. The Declarant shall be a Member of the Community Association for so long as Declarant is the owner of any lot or parcel in Granville.

6.3 Voting.

6.3.1 Memberships. The Community Association shall have two (2) classes of voting Memberships:

6.3.1.1 Class A. Class A Memberships shall be all Memberships, except the Class B Memberships, which are appurtenant to residential parcels, and each owner of a residential parcel shall be entitled to one (1) vote for each Class A Membership held by the owner, subject to the authority of the Board to suspend the voting rights of the owner for violations of this Declaration in accordance with the provisions hereof or any applicable Tract Declaration. A Class B membership shall be a Class B member, not a Class A member.

6.3.1.2 Class B. Until converted to Class A Membership, each Membership owned by Declarant shall be a Class B Membership. At the time of any vote by the Members of the Community Association, the Class B Membership shall be entitled to three (3) votes for each Class B Membership held by Declarant. The Class B Memberships shall cease and be converted to Class A Membership, as applicable, on the first to occur of the following:

(i) The date when the total votes outstanding in the Class A Memberships held by owners subject to full Assessment equal the total votes outstanding in the Class B Membership;

(ii) The date Declarant notifies the Board that Declarant is terminating its Class B Membership.

6.3.2 Declarant Retention of Voting Rights. Notwithstanding anything contained in this Article or elsewhere in this Declaration, during any period that an owner is paying no Assessments at all because the Board has not levied any Assessments against such owner's lot or parcel, Declarant shall be entitled to exercise any and all voting rights otherwise entitled to be cast by such Member as a result of its ownership of such lot or parcel or portion thereof.

6.4 Right to Vote. No change in the ownership of a Membership shall be effective for voting purposes unless and until the Board is given actual written notice of such change and is provided with satisfactory proof thereof. The vote for each Membership must be cast as a unit and fractional votes shall not be allowed. If a Membership is owned by more than one (1) person or entity and such owners are unable to agree amongst themselves as to how their vote or votes shall be cast, they shall lose the right to vote on the matter in question. If any Member casts a vote representing a certain Membership, it will thereafter be conclusively presumed for all purposes that such Member was acting with the authority and consent of all other owners of the same membership unless objection thereto is made at the time the vote is cast. If more than one (1) vote is cast for a particular Membership, none of said votes shall be counted and all said votes shall be deemed void.

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

6.6 Transfer of Membership. The rights and obligations of the owner of a Class A Membership in the Community Association shall not be assigned, transferred,

pledged, conveyed or alienated in any way except upon transfer of ownership to an owner's lot or parcel and then only to the transferee of ownership of the lot or parcel. A transfer of ownership to a lot or parcel may be effectuated by Deed, intestate succession, testamentary disposition, foreclosure of a mortgage or deed of trust of record or such other legal process as is now in effect or as may hereafter be established under or pursuant to the laws of the State of Arizona. Any attempt to make a prohibited transfer shall be void. Any transfer of ownership to a lot or parcel shall operate to transfer the Membership(s) appurtenant to said lot or parcel to the new owner thereof. The Community Association may require the new owner of a lot or parcel to pay to the Community Association, or its designated representative, a transfer fee in an amount to be set by the Board, and payment of the transfer fee shall be secured by the Assessment Lien.

6.7 Initial Capital Contribution. Each Purchaser of a lot from the Declarant [or Developer] shall pay to the Community Association immediately upon becoming the owner of a lot a sum equal to one-sixth (1/6th) of the then current Annual Assessment for a Lot. Funds paid to the Community Association pursuant to this Section may be used by the Community Association for payment of operating expenses or any other purpose permitted under the Community Association 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 Community Association pursuant to this Declaration. Payments made pursuant to this Section shall be deemed a contribution to the capital of the Community Association.

6.8 Contribution to Reserves.

6.8.1 Except as otherwise provided in Subsection 6.8.2, each Person who purchases or otherwise becomes the owner of a lot shall pay to the Community Association immediately upon becoming the owner of the lot a sum equal to one-sixth (1/6th) of the then current Annual Assessment for a lot (the "Reserve Contribution") as a contribution to the Community Association's reserves for the construction of additional community recreation facilities or amenities, the expansion or addition to existing community recreation facilities and amenities or the future periodic maintenance, repair or replacement of the Common Area. The Reserve Contribution shall be in addition to, and not in lieu of, any other Assessments or amounts payable to the Community Association by the owner making the Reserve Contribution, and the Reserve Contribution shall be secured by the Assessment Lien. The Reserve Contribution shall be deemed a contribution to the capital of the Community Association.

6.8.2 No Reserve Contribution shall be payable with respect to: (i) the transfer or conveyance of a lot by the Declarant; (ii) the transfer or conveyance of a lot by devise or intestate succession; (iii) a transfer or conveyance of a lot to a family trust, family limited partnership or other Person for bona fide estate planning purposes; (iv) a transfer or conveyance of a lot to a corporation, partnership or other entity in which the grantor owns a majority interest unless the Board determines, in its sole discretion, that a material purpose of the transfer or conveyance was to avoid payment of the Reserve Contribution; or (v) the transfer or conveyance of a lot as a result of a trustee's sale under a deed of trust, the foreclosure of a realty mortgage or

the forfeiture or foreclosure of a purchaser's interest under a recorded contract for the conveyance of real property subject to A.R.S. 33-741, *et seq.*

6.8.3 All Reserve Contributions may only be used to pay costs and expenses related to the design or construction of recreational facilities and amenities on the Common Area, for the design and construction of additions to or expansions of existing community recreational facilities and amenities situated on the Common Area or the maintenance, repair or replacement of the Common Areas, unless the expenditure of any or all of the Reserve Contributions for other purposes is approved by the vote of owners having two-thirds (2/3) of the votes entitled to be cast by Class A Members of the Community Association and by the Declarant for so long as the Declarant is the Class B Member of the Community Association.

ARTICLE 7

COVENANT FOR ASSESSMENTS AND CREATION OF LIEN

- 7.1 Creation of Lien and Personal Obligation of Assessments and Maintenance Charges. The Declarant, for each lot or parcel now or hereafter established within Granville, hereby covenants and agrees, and each owner by acceptance of a Deed therefor (whether or not it shall be so expressed in such Deed) is deemed to covenant and agree, to pay to the Community Association the following Assessments and charges: (1) Annual Assessments established by this Article; (2) any applicable Special Service Area Assessments as established by this Article; (3) Special Assessments for capital improvements or other extraordinary expenses or costs established by this Article; (4) Maintenance Charges established by Article 10; and (5) Special Use Fees (including without limitation any System Fees established by Article 16), all such Assessments and charges to be established and collected as hereinafter provided; (6) All initial capital contributions. The Annual Assessments, Special Service Area Assessments, Special Assessments, Maintenance Charges and Special Use Fees, together with interest, late charges, costs, and reasonable attorneys' fees, shall be a charge, continuing servitude and lien upon the lot or Parcel against which each such Assessment or other fee or charge is made, which lien (the "Assessment Lien") shall be for the benefit of, and enforceable by, the Community Association. The Annual Assessments, Special Service Area Assessments and Special Assessments assessed against each lot or parcel shall be based upon the number of Memberships appurtenant to the lot or parcel. Each Assessment, Special Use Fee and Reserve Contribution, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the person who was the owner of the lot or parcel at the time the Assessment, Special Use Fee or Reserve Contribution was due. The personal obligation for delinquent Assessments, Special Use Fees and Reserve Contributions, shall not pass to the successors in title of the owner unless expressly assumed by such successors. Except as otherwise provided in any FHA/VA loan documentation (including without limitation any deed of trust or other instrument securing an FHA/VA loan), the failure of an Owner to pay the Assessments levied pursuant to this Declaration shall not constitute a default under any insured FHA/VA mortgage.
- 7.2 Annual Assessments. To provide for the uses and purposes specified in Article 9 hereof, including the establishment of replacement and maintenance reserves, the Board shall assess against each Membership an Annual Assessment. The amount of the Annual Assessment shall be determined with the objective of fulfilling the Community Association's obligations under this Declaration to provide for the source of funds to pay the Common Expenses. At least sixty (60) days before the beginning of each fiscal year, the Board shall prepare a budget of the estimated Common Expenses for the coming year, including reserve contributions. The budget shall reflect sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than Assessments (e.g., Community Enhancement Fees, user fees, subsidies, etc.), and the amount to be generated through Assessments authorized in this Declaration. Subject to Section 7.1, any costs associated with the maintenance and operation of the Common Areas shall be included in the budget of Common

Expenses and allocated as part of the Annual Assessment. Within thirty (30) days after the Board adopts a final budget, it shall send a copy to each owner of a lot or parcel, along with a notice of the amount of the Annual Assessment and a summary of the allocations. The budget and Assessment are effective upon the Board's adoption; provided, the Board may not exceed the limit imposed by Section 7.4 without the affirmative vote or written consent of owners representing at least a majority of the total votes within Granville. The Board may, during any Assessment Period, revise the amount of the Annual Assessment to meet expenses which exceed the amounts anticipated by the Community Association and collect such increased Annual Assessment in accordance with procedures established pursuant to Section 7.10 below. The Annual Assessment shall be assessed against each Member commencing with the year the first Tract Declaration is Recorded, provided, however, that if fulfillment of the purposes of the Community Association does not require the imposition of an Annual Assessment at that time, the Board may delay the initial imposition of the Annual Assessment against each Member until such time as the fulfillment of the purposes of the Community Association require such imposition.

7.3 Determination of Assessment. The amount of any Annual or Special Assessment to be levied against each lot and parcel shall be determined as follows:

7.3.1 For purposes of this Section 7.3, the term "Membership Assessment" shall mean the total amount of any Annual Assessment or Special Assessment to be levied against all lots and parcels which are Assessable Property divided by the total number of Memberships attributable to the Assessable Property.

7.3.2 Except for Parcels covered by Section 7.3.4, and except for lots and parcels owned by the Declarant which are exempt from Assessments under Section 7.3.6 and, except as otherwise may be set forth in the applicable Tract declaration, each lot and parcel shall be assessed an Annual Assessment and/or a Special Assessment, as the case may be, in an amount equal to the number of Memberships attributable to such lot or parcel as established pursuant to Section 6.1 of this Declaration.

7.3.3 The owner of a lot shall be assessed an amount equal to twenty-five percent (25%) of an amount equal to the number of Memberships attributable to this parcel multiplied by the Membership Assessment and commencing on the earlier of the recordation of the plat or the close of escrow from Declarant until the earlier of (i) the completion of a dwelling unit on the parcel, or six (6) months from the commencement of construction of the dwelling unit. The owner of a parcel restricted by a Tract Declaration to residential use or cluster residential use but for which a subdivision plat has not yet been Recorded shall be assessed an amount equal to twenty-five percent (25%) of the number of Memberships attributable to the parcel multiplied by the Membership Assessment.

7.3.4 If approved by the Board in its sole discretion, reduced Assessments referred to in Sections 7.3.3 above may be continued for unimproved portions of Parcels when improvements are to be phased. The portions of the Membership Assessments affected by the phasing shall be determined by the Board.

7.3.5 So long as there is a Class B Membership, lots and parcels owned by the Declarant shall not be subject to Assessment, but Declarant shall be required to pay to the Association the difference between the cost of operating and administering the Association and the income from Assessments as provided in Section 7.4.6.1 below. When the Class B Membership ceases in accordance with Section 6.3 hereof, Declarant no longer shall be required to subsidize the cost of operating and administering the Association but all parcels and lots owned by Declarant shall be subject to Assessment in the same way as any other lot or parcel.

7.3.6 During any period that Declarant is not paying Assessments pursuant to this Section 7.3, Declarant shall be required to pay to the Community Association annually such cash funds as may be necessary to pay the difference between the cost of operating and administering the Community Association (exclusive of all costs associated with all Special Service Areas) and the total amount of Annual Assessments levied against lots and parcels paying full Annual Assessments. In calculating the amount of any Special Service Area Assessment or any Special Assessment to be levied against a lot or parcel, the Board shall allocate all applicable, Special Service Area Expenses only against lots and parcels not owned by Declarant. The Board may require payment of such funds by the Declarant by giving written notice to Declarant, which notice shall state the total amount of funds required and the calculation of the amount due. In no event shall Declarant be obligated to pay or contribute money to the Community Association in excess of the amount of the Annual Assessments that would have been payable by Declarant if the lots and parcels owned by Declarant had been paying the full amount of the Annual Assessment.

For the purposes of this Section 7.3, a dwelling unit or other building shall be deemed completed when, in the opinion of the Board, the building is ready for occupancy. If the rate of Assessment for a parcel or lot increase during the period to which an Annual Assessment (or any Special Assessment) is attributable, the Assessment shall be prorated between the applicable rates on the basis of the number of days in the period that the owner qualified for each rate.

7.4 Annual Assessments.

7.4.1 For each fiscal year of the Association, the Board shall adopt a budget for the Association containing an estimate of the total amount of funds which the Board believes to be required during the ensuing fiscal year to pay all Common Expenses including, but not limited to (i) the amount required to pay the cost of maintenance, management, operation, repair and replacement of the Common Area and those parts of the Lots, if any, which the Association has the responsibility of maintaining, repairing or replacing, (ii) the cost of wages, materials, insurance premiums, services, supplies and maintenance or repair of the Common Area and for the general operation and administration of the Association, (iii) the amount required to render to Owners all services required to be rendered by the Association, and (iv) such amounts as may be necessary to provide general operating reserves and reserves for contingencies and replacement. The Board shall decide on an annual basis whether the then existing annual Assessment is adequate to meet the financial

obligations of the Association or an increase in the Annual Assessments is required to be imposed according to the provisions of Paragraph 7.4.6.2.

7.4.2 The Developer shall be obligated to pay only twenty-five percent (25%) of the Annual Assessment attributable to Lots owned by the Developer until all of the Lots have been conveyed to Purchasers. If a Lot ceases to qualify for the reduced twenty-five percent (25%) rate of Assessment during the period to which an annual Assessment is attributable, the Assessment shall be prorated between the applicable rates on the basis of the number of days in the Assessment period that the Lot qualified for each rate.

7.4.3 Until all of the Lots have been conveyed to Purchasers, the Declarant shall pay to the Association any amounts which, in addition to the annual assessments levied by the Association, may be required by the Association in order for the Association to fully perform its duties and obligations under the Project Documents, including the obligation to maintain adequate reserve accounts. Notwithstanding the foregoing, Declarant shall have no obligation to pay any amounts during any calendar year in excess of the amount that Declarant would have paid if its payments were made on the same basis as Purchasers of lots.

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

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

7.4.6 The maximum annual Assessment for each fiscal year of the Association shall be as follows:

7.4.6.1 Until January 1 of the year immediately following the conveyance of the first Lot to a Purchaser, the maximum annual Assessment for each Lot shall be \$49.50 per month.

7.4.6.2 From and after January 1 of the year immediately following the conveyance of the first Lot to a Purchaser, the Board shall have authority to increase the maximum annual Assessment by the greater of (a) 10% of the maximum annual Assessment for the immediately preceding fiscal year or (b) an amount based upon the percentage increase in the Consumer Price Index for All Urban Consumers (All

Items) U.S. City Average, published by the United States Department of Labor, Bureau of Labor Statistics (1982-84 = 100) (the "Consumer Price Index"), which amount shall be computed in the last month of each fiscal year in accordance with the following formula:

- X = Consumer Price Index for September of the calendar year immediately preceding the year in which annual Assessments commenced.
- Y = Consumer Price Index for September of the year immediately preceding the calendar year for which the maximum annual Assessment is to be determined.
- Y-X = multiplied by the maximum annual Assessment for the then current fiscal year equals the amount by which the maximum annual Assessment may be increased.

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

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

7.4.6.4 An emergency situation is any one of the following:

- (a) an extraordinary expense required by an order of a court;
- (b) an extraordinary expense necessary to repair or maintain Granville or any part thereof for which the Community Association is responsible where a threat to personal safety is discovered; or
- (c) an extraordinary expense necessary to repair or maintain Granville or any part thereof for which the Community Association is responsible which could not have been reasonably foreseen by the Board in preparing a budget for the fiscal year. However, prior to the imposition or collection of such an Assessment, the Board shall pass a resolution containing written findings as to the

necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. Such resolution shall be distributed to the Members with the notice of such Assessment.

7.5 Special Service Area Assessments.

7.5.1 If the Board determines that certain services provided, or to be provided, by the Community Association benefit any lots or parcel in a disproportionate manner (i.e., maintenance of private streets, electronic gates or certain Common Area, or providing security guard service or sanitation services), or if a Member or Members owning one or more lots or parcels contract with the Community Association for the Community Association to provide particular services with regard to such lot(s) or Parcel(s), the Board shall be entitled to assess Special Service Area Assessments against the Memberships appurtenant to the lots or parcels benefited by such services. Owners receiving benefits in a disproportionate manner may be located in more than one Special Service Area, and thus subject to more than one Special Service Area Assessment.

7.5.2 The Board may establish Special Service Area Committees (each a "SSA Committee") which shall make all recommendations to the Board regarding the type, quality and frequency of the specific services to be provided within each respective Special Service Area, including, without limitation, the level of services to be provided or whether to discontinue or reduce any services being provided (e.g., elimination of a security guard in lieu of an electronic security gate). However, the Board, with the input of each respective SSA Committee, shall have the final decision regarding the budget and the financial issues concerning each Special Service Area, including, without limitation, the amount of each Special Service Area Assessment. Declarant may establish and adopt guidelines and procedural rules and regulations to direct each SSA Committee in the performance of its duties. Each SSA Committee shall consist of no less than three (3) regular members and an alternative member, each appointed by Declarant. The appointees must be owners of lots or parcels located within the particular Special Service Area. If any member of a SSA Committee dies or resigns, Declarant shall replace that member within ninety (90) days following such death or resignation. Pending the replacement of such deceased or resigned member, the remaining members of the particular SSA Committee shall have full authority to act under, and in accordance with, this Declaration. Declarant's right to appoint members to any SSA Committee shall cease upon the earliest to occur of the following: (i) at such time as Declarant no longer owns any lot or parcel in Granville; or (ii) when such rights are expressly relinquished by Declarant to the Board in writing. Once the Declarant's right to appoint members to any SSA Committee ceases, the Board shall be vested with that right and with all rights of Declarant pertaining to each SSA Committee; however, only those directors who are Class A Members shall have the authority to appoint and remove members of any SSA Committee pertaining to any Special Service Area that includes any residential parcels. Notwithstanding anything to the contrary contained in the foregoing, any decision of a SSA Committee, or appointment of a member to the SSA Committee, may be overruled and modified or reversed by Declarant, if it still holds a Class B Membership or, if no Class B Membership exists, by the Board; however, if the Board fails or refuses to act, then the decision may be overruled and modified or reversed by two-thirds (2/3) of the

votes of the Members who own lots or parcels within the particular Special Service Area who are voting in person or by proxy at a meeting duly called for such purpose.

7.5.3 If a Tract Declaration or Recorded subdivision plat approved and signed by Declarant designates any Special Service Areas, such Tract Declaration or Recorded subdivision plat also shall designate the lots or parcel that solely or primarily benefit from the Special Service Area(s) and which shall be subject to a Special Service Area Assessment for each such Special Service Area. The Board, with the input of the particular SSA Committee, shall adopt a separate budget for all Special Service Area Expenses pertaining to that Special Service Area. The Special Service Area Expenses pertaining to a specific Special Service Area shall be assessed solely against the lots and parcels which are benefited by services provided to lots and parcels located in that Special Service Area as established by the Tract Declaration or Recorded Subdivision plat approved by Declarant. No Special Service Area Expense shall be used in computing the Annual Assessments to be levied pursuant to Section 7.2 of this Declaration. Special Service Area Assessments shall be levied against the lots and parcels located in the particular Special Service Area at a uniform amount per Membership determined in the sole discretion of the Board, with the objective of providing to the Community Association all funds required to pay all Special Service Area Expenses incurred by the Community Association in providing the insurance, operational, maintenance, repair, replacement and other services to the particular Special Service Area. Special Service Area Assessments shall commence upon the date established by the Board. If the Board determines during any Assessment Period that Special Service Area Assessments with respect to any Special Service Area are, or will become, inadequate to meet all Special Service Area Expenses pertaining to that Special Service Area for any reason, including, without limitation, non-payment of Special Service Area Assessments by Members, the Board may increase that Special Service Area Assessment for that Assessment Period and the revised Special Service Area Assessment shall commence on the date designated by the Board. The amount of any Special Service Area Assessments shall be determined in a manner consistent with the Board's determination of the respective benefits each lot or parcel receives from such services.

7.6 Special Assessments for Capital Improvements and Extraordinary Expenses. In addition to the Annual Assessments and Special Service Area Assessments authorized above, the Community Association may levy, in any Assessment Period, a Special Assessment for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, or for the purpose of defraying other extraordinary expenses; provided that any such Special Assessment shall have the assent of Declarant, if it still holds a Class B Membership or, if no Class B Membership exists, two-thirds (2/3) of the votes of the Members who are voting in person or by proxy at a meeting duly called for such purpose. The provisions of this Section shall not preclude or limit the Assessment, collection or use of Annual Assessments or Special Service Area Assessments for the aforesaid purposes.

7.7 Special Use Fee. All costs in connection with any Telecommunication System (as defined in Article 16) shall be funded by Special Use Fees payable by each owner as

further set forth in Article 16. In addition, the Community Association shall be authorized to charge Special Use Fees for such other or additional services or facilities that may from time to time be provided or made available by the Community Association. All Special Use Fees shall be subject to the provisions of Section 9.4 herein, and the Board shall have the sole discretion to specify the amount of and method of determining the Special Use Fee with respect to such services. The amount of Special Use Fees may vary among and between owners and non-owners. Declarant expressly intends that no cost or expense for which a Special Use Fee is charged shall be used in computing the Annual Assessments to be levied pursuant to Section 7.2 of this Declaration. The Board shall set the Special Use Fee each year and shall give notice to the Members in the same manner as for the Annual Assessment. If there are insufficient funds in the Special Use Fee account to cover the costs associated with providing the services for any reason, the Community Association shall advance the necessary funds to cover such costs and will be reimbursed within a reasonable period of time as determined by the Board. Non-use of services provided to all owners in Granville shall not exempt any owner from the obligation to pay Special Use Fees for such services. In any contracts or agreements with third parties for the provision of services within Granville, the Board may assign to the service provider the right to bill owners directly and to pursue all legal and equitable remedies otherwise available to the Board in the collection of such bills.

7.8 Uniform Amount of Assessing. Except as hereinafter specifically set forth in this Article 7, the amount of any Annual Assessment, Special Service Area Assessment or Special Assessment shall be fixed at a uniform amount per Membership; however no Assessment shall be levied against any portion of the Property until a Tract Declaration establishing a Land Use Classification has been Recorded with respect to that portion of the Property. The Annual Assessments and Special Service Area Assessment may be collected on a monthly, quarterly semi-annual or annual basis as determined by the Board and Special Assessments may be collected as specified by the Board unless otherwise determined by the resolution of the Members of the Community Association approving the Special Assessment.

7.9 Notice and Quorum for Any Action Authorized Under Sections 7.3, 7.4, 7.5 or 7.6. Written notice of any meeting called for the purpose of taking any action authorized under Sections 7.3, 7.4, 7.5 or 7.6 of this Article shall be sent to all Members subject to such Annual Assessment or Special Assessment no less than thirty (30) days nor more than fifty (50) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast twenty-five percent (25%) of all the votes (exclusive of suspended voting rights) shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

7.10 Rules Regarding Billing and Collection Procedures. The Board shall have the right to adopt rules and regulations setting forth procedures for the purpose of making the Assessments provided herein and for the billing and collection of the Assessments, provided that said procedures are not inconsistent with the provisions hereof. The failure of the Community 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 or otherwise enforced until the Member has been given not less than thirty (30) days' written notice, prior to such foreclosure or enforcement at the address of the Member on the records of the Community Association, that the Assessment, or any installment thereof is, or will be, due, and of the amount owing. Such notice may be given at any time prior to or after delinquency of such payment. The Community Association shall be under no duty to refund any payments received by it even though the ownership of a Membership changes during an Assessment Period, successor owners of lots or parcels shall be given credit on a prorated basis for prepayments made by prior owners. If the owner of a Membership becomes liable for payment of an increased sum pursuant to this Article during the Assessment Period, he shall notify the Community Association, but his failure to notify the Community Association shall not relieve him of the liability for such amounts. The amount of the Annual Assessment against Members who become such during an Assessment Period upon the Recording of a Tract Declaration shall be prorated and such new Members shall not be liable for any previously levied Special Assessment.

7.11 Collection Costs and Interest on Delinquent Assessments. Any Assessment or installment thereof not paid within fifteen (15) days of when due (or such longer period as may be required by Arizona law) shall be deemed delinquent and shall bear interest at a rate established by the Board, and, in addition, a late fee, the amount of which shall be determined by the Board and which shall not exceed the maximum permitted under Arizona law, may be assessed for each late occurrence, and the Member whose Assessment is delinquent shall be liable for all costs, including attorney's fees, demand fees and lien fees which may be incurred by the Community Association in collecting the same. The Board also may, but is not obligated to, Record a notice of delinquent Assessment against any lot or parcel as to which an Assessment is delinquent and constitutes a lien and may establish a fixed fee to reimburse the Community Association for the Community Association's cost in Recording such notice, processing the delinquency and Recording a notice of payment, which fixed fee shall be treated as a collection cost of the Community Association secured by the Assessment Lien.

7.12 Evidence of Payment of the Assessments. Upon receipt of a written request (i) from a Member or any other interested Person, the Community Association, within a reasonable period of time thereafter, shall issue, or cause an appropriate officer or agent to issue, to such Member or other interested Person a written certificate setting forth whether or not (a) all Assessments (including costs and attorney's fees, if any) have been paid with respect to any specified lot or parcel as of the date of such certificate, or (b) if all Assessments have not been paid, the amount of such Assessments (including costs, attorney's fees, if any) due and payable as of such date; and (ii) from a lienholder, Member or Person designated by a Member, the Community Association shall issue, or cause an appropriate officer to issue, a statement setting forth the amount of any unpaid Assessment against the specified lot or parcel, such statement to be furnished within ten (10) days after receipt of the request. The Community Association may make a reasonable charge for the issuance of such certificates or statements, which charge must be paid at the time the request for any such certificate or statement is made and which charge, if applicable, may

include an allowance for any amount charged to the Community Association by its management company for the issuance of such certificate of statement on behalf of the Community Association. Any such certificate or statement, when duly issued as herein provided, shall be conclusive and binding with respect to any matter therein stated as against any bona fide purchaser of, or lender on, the lot or parcel in question if the certificate or statement is requested by an escrow agency that is licensed pursuant to Arizona law.

7.13 Property Exempted from the Annual Assessment. Common Areas and all other property within Granville that Declarant or the Board of the Community Association declares non-assessable shall be exempt from the Annual Assessments and Special Assessments.

7.14 Transfer Fee. Each person or entity other than a Developer who purchases a lot or parcel shall pay to the Community Association and/or any management company employed by the Community Association immediately upon becoming the owner of the lot or parcel a transfer fee in such amount as is established from time to time by the Board. Such transfer fee shall be payable at the closing of the transfer, and shall be secured by the Assessment Lien.

7.15 Enhancement Fee. As an additional funding source the Community Association may establish and collect a Community Enhancement Fee upon each transfer of title of a residential unit on every sale transaction after the first sale. Such fee shall be charged to the grantor of the residential unit shall be payable to the Community Association at the transfer of title, and shall be secured by the Assessment Lien. Each owner transferring a lot or parcel shall notify the Secretary of the Community Association or Agent at least ten (10) days prior to the scheduled transfer. Such notice shall include the name of the buyer, the date of title transfer, and other information the Board reasonably may require. Any Owner may petition the Board of Directors to waive the Enhancement Fee for special purposes or circumstances not anticipated at the creation of this document. The Board of Directors is authorized to take appropriate action as it deems fit.

7.15.1 Fee Limit. The Board shall have the sole discretion to specify the amount and method of determining the Community Enhancement Fee; provided, the Community Enhancement Fee shall not exceed one-quarter percent (1/4%) of the Gross Selling Price (as defined below) of the property. In addition, the fee applicable to transfers of residential parcels may differ from that applied to transfers of non-residential parcels based upon the relative benefit received from or through the Community Association. For purposes of this Section 7.15, the "Gross Selling Price" shall be the total cost to the purchaser of the property, excluding transfer taxes and title fees imposed by the County, or other applicable governmental authority.

7.15.2 Purposes. Community Enhancement Fees shall be used for purposes which the Board deems beneficial to the general good and welfare of Granville. By way of example and not limitation, Community Enhancement Fees might be used to assist the Community Association or one or more tax-exempt entities in funding:

7.15.2.1 Preservation and maintenance of natural areas, wildlife preserves, or similar conservation areas, and sponsorship of educational programs and activities which contribute to the overall understanding, appreciation, and preservation of the natural environment within and surrounding Granville;

7.15.2.2 Programs, services and activities which serve to promote a sense of community within Granville, such as recreational leagues, cultural programs, educational programs, festivals and holiday celebrations and activities, and a community computer network;

7.15.2.3 Social services, community outreach programs and other charitable causes;

7.15.2.4 Community Association reserve accounts, and operating and maintenance costs.

7.15.3 Exact Transfers. Notwithstanding the above, no Community Enhancement Fee shall be levied upon transfer of title to property:

7.15.3.1 By or to the Declarant;

7.15.3.2 A builder or Developer holding title solely for purposes of development and resale;

7.15.3.3 By a co-owner, owner to any Person who was a co-owner owner immediately prior to such transfer;

7.15.3.4 To the owner's estate, surviving spouse or heirs at law upon the death of the owner;

7.15.3.5 To an entity wholly owned by the grantor or to a family trust created by the grantor for the direct benefit of the grantor and his or her spouse and/or heirs at law; provided, upon any subsequent transfer of an ownership interest in such entity, the Community Enhancement Fee shall become due, or

7.15.3.6 To an institutional lender as security for the performance of an obligation pursuant to a mortgage or deed of trust.

7.16 Budgeting for Reserves. The Board may, in its discretion, include in the budget amounts for capital and operating reserves. Reserve calculations shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. Reserves shall be funded as the Board, in the exercise of its business judgment, deems appropriate.

ARTICLE 8

ENFORCEMENT OF ASSESSMENT LIEN AND PAYMENT OF ASSESSMENTS AND OTHER CHARGES

8.1 Community Association as Enforcing Body. The Declarant, the Community Association or any Member may enforce the provisions of this Declaration and the Tract Declarations by any appropriate action, whether at law or in equity but not at the expense of the Declarant or the Community Association. A Member need not own property covered by a Tract Declaration to enforce the covenants and restrictions set forth in such Tract Declaration.

8.2 Community Association's Remedies to Enforce Payment of Assessments and Other Fees and Charges. If any Member fails to pay the Annual Assessments, Special Service Area Assessments, Special Assessments, Special Use Fees, Reserve Contributions or Community Enhancement Fees, or any installments thereof when due, or to pay Maintenance Charges assessed pursuant to Article 10, the Community Association may enforce the payment of such Assessments and other fees and charges and/or the Assessment Lien by taking either or both of the following actions, concurrently or separately (and, by exercising either of the remedies hereinafter set forth, the Community Association does not prejudice or waive its right to exercise the other remedy):

8.2.1 Bring an action at law and recover judgment against the Member personally obligated to pay the Assessments, Special Use Fees, Reserve Contributions or Community Enhancement Fees; and

8.2.2 Foreclose the Assessment Lien against the lot or parcel in accordance with the then prevailing Arizona law relating to the foreclosure of realty mortgages or deeds of trust.

8.2.3 Subordination of Assessment Lien to First Mortgage or Deed of Trust. The Assessment Lien provided for herein shall be subordinate to: (a) liens and encumbrances Recorded prior to the Recordation of this Declaration; (b) any Recorded first mortgage lien held by, or deed of trust of which the beneficiary is, a lender who has lent funds with the lot or parcel as security, or held by the lender's successors and assigns, and the seller's interest in a first contract for sale on a lot Recorded prior to the Assessment Lien; and (c) liens for real estate taxes and other public charges which by applicable law are expressly made superior. Except as above provided, the Assessment Lien shall be superior to any and all charges, liens or encumbrances which hereafter in any manner may arise or be imposed upon each lot or parcel. The sale or transfer of any lot or parcel shall not affect the Assessment Lien; provided, however, that if the sale or transfer is pursuant to foreclosure of a mortgage or deed of trust to which the Assessment Lien is subordinate, or pursuant to any sale or proceeding in lieu thereof, the purchaser at the mortgage foreclosure or deed of trust sale, or any grantee taking by deed in lieu of foreclosure, shall take the lot or parcel free of the Assessment Lien for all Annual Assessments, Special Service Area Assessments, Special Assessments, Maintenance Charges, Special Use Fees and Reserve Contributions and Community Enhancement Fees that have accrued up

to the date of issuance of a sheriff's or trustee's deed or deed in lieu of foreclosure; but upon the date of issuance of a sheriff's or trustee's deed or deed in lieu of foreclosure, the Assessment Lien immediately shall become and remain superior to any and all other charges, liens or encumbrances (except such prior liens and encumbrances, liens for taxes or other public charges which by applicable law are expressly made superior), and such mortgage or deed of trust foreclosure sale purchaser or grantee shall take subject to all Annual Assessments, Special Service Area Assessments, Special Assessments, Maintenance Charges, Special Use Fees, Reserve Contributions and Community Enhancement Fees and the Assessment Lien thereof accruing subsequent to the date of issuance of a sheriff's or trustee's deed or deed given in lieu of foreclosure.

- 8.3 Costs to be Borne by Member in Connection with Enforcement of Payment. In any action taken pursuant to Section 8.2 of this Article, the Member shall be personally liable for, and the Assessment Lien shall be deemed to secure the amount of, the Annual Assessments, Special Service Area Assessments, Special Assessments, Maintenance Charges, Special Use Fees, Reserve Contributions and Community Enhancement Fees, together with interest and late charges on all such delinquent amounts and the Community Association's collection costs and attorney's fees, demand fees, and lien fees including those costs and fees specified.

ARTICLE 9

USE OF FUNDS; BORROWING POWER

- 9.1 Purposes for which Community Association's Funds May Be Used. The Community Association shall apply all funds and property collected and received by it (including the Annual Assessments and Special Assessments, fees, loan proceeds, surplus funds and all funds and property received by it from any other source) for the purposes of the common good and benefit of Granville and the Members and Residents. In furtherance of such purposes, the Community Association may use said funds and property, among other things, for (i) discharging and performing the Community Association's duties and obligations under the Community Association Documents; (ii) exercising the rights and powers granted to the Community Association by the Community Association Documents; and (iii) to the acquisition, construction, alteration, management (including risk management), 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 Granville, which may be necessary, desirable or beneficial to the general common interests of Granville, the Members and the Residents. The following are some, but not all, of the areas in which the Community Association may seek to aid, promote and provide for such common benefit: maintenance of landscaping on Common Areas and public right-of-way and drainage areas within Granville, obtaining of liability insurance, supplying of utilities and other public services, providing for communication and transportation within and dissemination of information concerning Granville, indemnification of, and insurance for the benefit of, officers, directors, employees and agent(s) of the Community Association and generally protecting the health and safety of the Members and the Residents. The Community Association also may expend its funds for any purposes which any municipality may expend its funds under the laws of the State of Arizona or such municipality's charter.
- 9.2 Borrowing Power. The Community Association may borrow money in such amounts, at such rates, upon such terms and security, and for such period of time as in the determination of the Board is necessary or appropriate.
- 9.3 Community Association's Rights in Spending Funds from Year to Year. The Community Association shall not be obligated to spend in any year all the sums received by it in such year (whether by way of Annual Assessments, Special Service Area Assessments or Special Assessments, fees or otherwise), and may carry forward as surplus any balances remaining. The Community Association shall not be obligated to reduce the amount of the Annual Assessment in the succeeding year if a surplus exists from a prior year and the Community 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 Community Association and the accomplishment of its purposes.
- 9.4 Administration of Special Use Fees. The Community Association is authorized to bill for, sue for, collect, administer and disburse all Special Use Fees and the payment thereof shall be secured by the Assessment Lien; provided, however, that all Special

Use Fees collected shall, if imposed in connection with a particular improvement, be separately accounted for as to each separate improvement pertaining to which they are collected and shall be expended on the particular improvement to which they pertain.

- 9.5 Insurance. The Community Association shall maintain insurance against liability incurred as a result of death or injury to persons or damage to property on the Common Areas, with the amount and type of coverage to be determined by the Board.

The Board of Directors of the Community Association may purchase such other insurance as it deems necessary, including but not limited to, Directors and Officers insurance and fidelity bonds.

ARTICLE 10

MAINTENANCE

10.1 Common Areas. The Community Association, or its duly delegated representative, shall operate, maintain and otherwise manage, all Common Areas, including without limitation, the Community Center(s), and all other areas which the Board, pursuant to the authority contained in this Declaration, has the right and elects to maintain, and such other areas required to be maintained by the Community Association as identified in a Recorded document or instrument signed by the Declarant or the Community Association. The Board shall use a reasonably high standard of care in providing for the repair, management and maintenance of the Common Areas so the Granville development will reflect a high pride of ownership. In this regard, the Community Association may (but without any obligation to do so), in the discretion of the Board:

10.1.1 Reconstruct, repair, replace or refinish any improvement or portion thereof upon any Common Area;

10.1.2 Replace injured and diseased trees and other vegetation in any Common Area and plant trees, shrubs and ground cover to the extent that the Board deems necessary for the conservation of water and soil and for aesthetic purposes;

10.1.3 Place and maintain upon any Common Area such signs as the Board may deem appropriate for the proper identification, use and regulation thereof, and

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

The Board shall be the sole judge as to the appropriate maintenance of all Common Areas. Any cooperative action necessary or appropriate for the proper maintenance and upkeep of any Common Area shall be taken by the Board or by its duly delegated representative.

If any Recorded subdivision plat, Tract Declaration, deed restriction or this Declaration permits the Board to determine whether owners of certain lots or parcels will be responsible for maintenance of certain Common Areas or public right-of-way areas, the Board shall have the sole discretion to determine whether or not it would be in the best interest of the owners, lessees and residents of Granville for the Community Association or an individual owner to be responsible for such maintenance, considering cost, uniformity of appearance, location and other factors deemed relevant by the Board. The Board may cause the Community Association to contract with others for the performance of the maintenance and other obligations of the Community Association under this Article 10, and, in order to promote uniformity and harmony of appearance, the Board may also cause the Community Association to contract to provide maintenance services to owners of lots and parcels having such responsibilities in exchange for the payment of such fees as the Community

Association and owner may agree upon. Fees for the above provided maintenance services are secured by the Assessment Lien.

10.2 Assessment of Certain Costs of Maintenance and Repair of Common Areas and Public Areas. If the need for maintenance or repair of Common Areas and other areas maintained by the Community Association is caused through the willful or negligent act of any Member, his family, guests or invitees, the cost of such maintenance or repairs shall be added to, and become a part of, the Assessment to which such Member and the Member's lot or parcel is subject and shall be secured by the Assessment Lien. Any charges or fees to be paid by the owner of a lot or parcel in connection with a contract entered into by the Community Association with an owner for the performance of an owner's maintenance responsibilities shall also become a part of such Assessment and shall be secured by the Assessment Lien.

10.3 Lots. Each owner of a lot or parcel shall be responsible for the maintenance of his lot or parcel, and all buildings, dwelling units or other improvements situated thereon, except for any portion of the lot, or any improvement situated thereon, which is Common Area. All buildings, dwelling units and other improvements shall at all times be kept in good condition and repair. No yard equipment, wood piles or storage areas may be maintained so as to be Visible From Neighboring Property or streets.

All lots or parcels upon which no dwelling unit, buildings or other improvements have been constructed shall be maintained in a weed free and attractive manner.

10.4 Improper Maintenance and Use of Lots or Parcels. If any portion of any lot or parcel is so maintained as to present a public or private nuisance, or as to substantially detract from the appearance or quality of the surrounding lots or parcels or other areas of Granville which are substantially affected thereby or related thereto, or if any portion of a lot or parcel is being used in a manner which violates this Declaration or any Tract Declaration applicable thereto, or if the owner of any lot or parcel is failing to perform any of its obligations under this Declaration, any Tract Declaration or the Design Guidelines, standards and rules and regulations of the Design Review Committee, the Board may by resolution 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 (14) day period of time the requisite corrective action has not been taken, the Board shall be authorized and empowered, but shall not be required, to enter the lot or parcel and cause such action to be taken, and the cost thereof (together with a fee determined by the Board in its sole discretion on a case by case basis to compensate the Community Association for its overhead and supervision relating to such action) shall be deemed a Maintenance Charge and shall be added to, and become a part of, the Assessment to which the offending owner and the owner's lot or parcel is subject to, and shall be secured by, the Assessment Lien.

ARTICLE 11

DESIGN REVIEW COMMITTEE

- 11.1 Establishment. Declarant shall establish a Design Review Committee, which shall exercise all powers of the Design Review Committee with regard to all lots and parcels limited by the applicable Tract Declaration to single family residential use, residential condominium development use, cluster residential use and similar residential uses (but specifically excluding apartment development use). Declarant shall establish and adopt Design Review Guidelines and procedural rules and regulations to direct the Design Review Committee in the performance of its duties. The Design Review Committee shall consist of no less than three (3) regular members and an alternate member, each appointed by Declarant. The appointees need not be owners, lessees or residents and need not possess any special qualifications except such as Declarant may, in its discretion, require. Declarant may replace any member of the Design Review Committee at any time with or without cause. If any member of the Design Review Committee dies or resigns, Declarant shall replace said member within ninety (90) days following such death or resignation. Pending the replacement of such deceased or resigned member, the remaining member or members of the Design Review Committee shall have full authority to act under, and in accordance with, this Declaration. Declarant's right to appoint members to the Design Review Committee shall cease upon the earliest to occur of the following: (i) at such time as Declarant no longer owns any lot or parcel in Granville; or (ii) when such rights are expressly relinquished by Declarant to the Board in writing. Once the Declarant's right to appoint members to the Design Review Committee ceases, the Board shall be vested with that right and with all rights of the Declarant pertaining to the Design Review Committee which shall exercise all powers of the Design Review Committee with regard to all lots and parcels limited by the applicable Tract Declaration to single family residential use, residential condominium development use, cluster residential use and similar residential use (but specifically excluding apartment development use). All references herein to "Design Review Committee" and "Design Guidelines" shall be deemed to refer to the committee or rules as the context requires.
- 11.2 Purpose. The purpose of the Design Review Committee is to maintain uniformity of architectural and landscaping standards throughout Granville and thereby enhance the aesthetic and economic value of Granville. The Design Review Committee is hereby empowered to supplement and amend the Design Review Guidelines and its procedural rules and regulations to the extent and with the frequency it deems necessary; provided, however, that such modifications are in general conformity with the standards set forth in this Declaration and the applicable Tract Declarations.
- 11.3 Operation/Authority. It shall be the duty of the Design Review Committee to consider and act upon all proposals and plans submitted to it pursuant to this Declaration. The Design Review Committee shall hold regular meetings in accordance with its procedural rules and regulations. A quorum for such meetings shall consist of a majority of the Committee members and an affirmative vote of a majority of the quorum shall be necessary for any decision. A duly appointed alternate member may participate in any meeting in which there is not a quorum of regular Committee

members present, may constitute a quorum by his/her presence and shall have all the authority of a regular member while so participating. The Design Review Committee shall review all complete applications submitted to it and shall furnish a written decision to the applicant setting forth the reasons for its decision and the nature of any objections. If the Design Review Committee fails to furnish a written decision within sixty (60) calendar days after a complete application has been submitted or resubmitted to it, then the application as submitted or resubmitted, as the case may be shall be deemed approved. The Design Review Committee may require the submission of such additional information as deemed reasonably necessary by such the Design Review Committee to consider any application. In reviewing each submission, the Design Review Committee may consider any factors it deems relevant. Decisions may be based on purely aesthetic considerations. Each owner acknowledges that determinations as to such matters are purely subjective and opinions may vary as to the desirability and/or attractiveness of particular improvements. Subject to the provisions of Section 11.5 below, the Design Review Committee shall have the sole discretion to make final, conclusive and binding determinations on matters of aesthetic judgment and such determinations shall not be subject to review so long as they are made in good faith and in accordance with the procedures set forth herein. The Design Review Committee shall have broad discretionary powers in determining whether to approve any application, including without limitation the authority to deny approval to any application, notwithstanding compliance by the applicant with the Design Guidelines, and to grant approval to any application notwithstanding failure by the applicant to comply fully with the Design Guidelines. In addition, the Design Review Committee may disapprove any application if it, in its discretion, believes the applicant has not supplied sufficient or accurate information for the Design Review Committee to exercise the judgment required by this Declaration. The Design Review Committee shall keep complete written records of all applications for approval submitted to it (including one set of all preliminary sketches and all architectural plans) in connection with all actions taken by it under the provisions of the Design Guidelines. All such records shall be maintained for a minimum of three years after approval or disapproval.

11.4 Fee. The Board (or its designated representative) shall have the right, in its sole discretion, to assess against applicants a processing fee to defer the costs incurred by the Design Review Committee in considering any requests for approval submitted to it. If imposed, the fee shall be in such amount and payable in accordance with such schedule as reasonably determined by the Design Review Committee.

11.5 Appeal. Any owner or other Resident aggrieved by a decision of the Design Review Committee may appeal the decision to the Board in accordance with procedures to be established by the Board. Such procedures would include the requirement that the Design Review Committee has modified the requested action or has new information which would in the Board's opinion warrant a reconsideration. If the Board, after appeal, again rules in a manner aggrieving the appellant, the decision of the Board is final. In the event the decision of the Design Review Committee is overruled by the Board on any issue or question, the prior decision of the Design Review Committee shall be deemed modified to the extent specified by the Board and, for purposes of this Declaration, such decision, as so modified, shall thereafter be deemed the decision of the Design Review Committee. In this regard, the Board shall have the

authority to modify or overrule the decision of the Design Review Committee on any matter presented to it.

- 11.6 Limited Liability of Design Review Committee Approval. All plans, drawings and specifications approved by the Design Review Committees are not approved for engineering, design or architectural competence. Through its approval of such plans, drawings and specifications, the Design Review Committee does not assume liability or responsibility therefor or for any defect in any structure constructed from such plans, drawings and specifications. Declarant, members of the Design Review Committee, members of the Board and employees or agent(s), shall not be liable to the Community Association, any owner or any other person or entity for any damage, loss or prejudice suffered or claimed because of:

11.6.1 the approval or disapproval of any plans, drawings or specifications, whether or not defective; or

11.6.2 the construction performance of any work, whether or not pursuant to approved plans, drawings or specifications.

- 11.7 Waiver. Each owner acknowledges that it may not always be possible to identify objectionable features of proposed activity within the scope of this Article 11 until the work with respect thereto is completed, in which case it may be unreasonable to require changes to the improvements involved. The approval by the Design Review Committee of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring the approval of the Design Review Committee, shall not be deemed to constitute a waiver of any right to withhold approval of a similar plan, drawing, specification or matter subsequently submitted for approval.

- 11.8 Nonapplicability to Declarant. The provisions of this Article are not to apply to any lots and parcels owned by Declarant or by any person affiliated with Declarant.

- 11.9 Additional Governmental Approvals. The approval of the Design Review Committee contemplated by this Article and required by Section 4.3 shall be in addition to, and not in lieu of, any approvals, consents or permits required under the ordinance or rules and regulations of any county or municipality having jurisdiction over Granville.

ARTICLE 12

RIGHTS AND POWERS OF COMMUNITY ASSOCIATION

- 12.1 Community Association's Rights and Powers as Set Forth in Articles and Bylaws. The Community Association, as the agent and representative of the owners and lessees, shall have the non-exclusive right to enforce the Covenants set forth in this Declaration, any Tract Declaration and/or any and all covenants, restrictions, reservations, charges, servitudes, Assessments, conditions, liens or easements provided for in any contract, deed, declaration or other instrument which (i) shall have been executed pursuant to, or subject to, the provisions of this Declaration, or (ii) otherwise shall indicate that the provisions of such instrument were intended to be enforced by the Community Association or by Declarant. Notwithstanding the foregoing, Declarant expressly intends that neither the foregoing nor anything else in this Declaration shall obligate or be construed to obligate Declarant or the Community Association, or their respective agents, representatives or employees, to undertake any affirmative action to enforce the provisions of this Declaration, any Tract Declaration or any provision hereof or thereof, or to undertake any remedial or corrective action with respect to any actual or asserted violation hereof or thereof.
- 12.2 Contracts with Others for Performance of Community Association's Duties. Subject to the restrictions and limitations contained herein, the Community 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 Community Association, or members of any committee, is 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 he is a member which shall authorize any contract or transaction described above or grant or deny any approval sought by the Declarant, its affiliated companies or any competitor thereof and may vote thereat to authorize any such contract, transaction or approval with like force and effect as if he were not so interested.
- 12.3 Reservation of Trade Name. Declarant hereby reserves all right, title and interest in the name "Granville" for the uses set forth herein and any other use as Declarant may choose. The Community Association shall be entitled to the non-exclusive use of the name "Granville" only with reference to, and in connection with, the Property, the Community Association or its authorized activities.
- 12.4 Common Area. The Association, through action of the Board, may acquire, hold and dispose of tangible and intangible personal property and real property without submitting the same to the Members for approval. The Board, acting on behalf of the Association, shall accept any real or personal property, leasehold or other property interests within, adjacent to or related to all or any part of the Property as may be conveyed or assigned to the Association by Declarant (including, but not limited to, such parts of the Common Area as may now or hereafter be held by Declarant). Declarant shall convey the Common Area to the Association free and clear of any encumbrances prior to the first Lot being conveyed to a Retail Purchaser.

ARTICLE 13

ANNEXATION AND DEANNEXATION

13.1 Annexation Without Approval. The Additional Property may be annexed to the Property and become subject to this Declaration and subject to the jurisdiction of the Community Association without the approval, assent or vote of the Community Association or its Members, provided that a Supplementary Declaration of Covenants, Conditions and Restrictions, as hereinafter described, covering the portion of the Additional Property sought to be annexed shall be executed and Recorded by Declarant or its successors and assigns (and by the fee title holder(s) of the portion of the Additional Property sought to be annexed, if Declarant or its successors and assigns does not hold fee title to all of said property), provided, however, that no Supplementary Declaration shall be so executed and Recorded pursuant to this Section more than fifteen (15) years (i) subsequent to the Recording of this Declaration or (ii) subsequent to the last Recording of a Supplementary Declaration, whichever of (i) or (ii) shall have later occurred. Such execution and Recording of a Supplementary Declaration shall constitute and effectuate the annexation of said portion of the Additional Property described therein, making said real property subject to this Declaration and subject to the functions, powers and jurisdiction of the Community Association, and thereafter the Additional Property so annexed shall be part of the Property and all of the owners of parcels and lots in the Additional Property so annexed shall automatically be Members of the Community Association. Although Declarant, its successors and assigns, shall have the ability to so annex all or any portion of the Additional Property, neither Declarant, nor its successors and assigns, shall be obligated to annex all or any portion of the Additional Property, and such Additional Property shall not become subject to this Declaration unless and until a Supplementary Declaration annexing such Additional Property shall have been so executed and Recorded.

13.2 Deannexation Without Approval. A portion or portions of the Property may be deannexed from the Property and be withdrawn from this Declaration and the jurisdiction of the Community Association without the approval, assent or vote of the Community Association or its Members, provided that a Certificate of Deannexation covering the portion of the Property sought to be deannexed shall be executed and Recorded by Declarant or its successors and assigns, the portion of the Property covered by such Certificate of Deannexation is owned by Declarant or its successors and assigns. No Certificate of Deannexation shall be so executed and Recorded pursuant to this Section more than fifteen (15) years subsequent to the Recording of this Declaration.

13.3 Supplemental Declarations and Certificates of Deannexation. The annexations and deannexations authorized under the foregoing Sections shall be made by Recording in the office of the Yavapai County Recorder, a Supplementary Declaration of Covenants, Conditions and Restrictions, or similar instrument with respect to the Additional Property which shall extend the plan of this Declaration to such property or a Certificate of Deannexation which shall remove the portion of the Property covered thereby from the plan of this Declaration. The Supplementary Declarations contemplated above may contain such complementary additions and modifications of

the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the annexed property and as are not inconsistent with the plan of this Declaration. In no event, however, shall any such Supplementary Declaration, revoke, modify or add to the covenants established by this Declaration within the existing Property.

ARTICLE 14

DISPUTE RESOLUTION AND LIMITATION ON LITIGATION

- 14.1 Dispute Resolution. Declarant and each owner agrees that it is in the best interest of all concerned to resolve disputes among and between any owner and the Board without the emotional and financial costs of litigation. Accordingly, the Board is empowered to impose and enforce procedures and rules designed to encourage the resolution of disputes, including requiring written notice of claims and the structured negotiation or mediation of disputes. Prior to the initiation of any administrative or judicial proceeding by one against another or by any owner against the Board, the party initiating such action shall comply with the Board's procedures and rules. This Section shall serve as an agreement to submit claims to such procedures or rules and the failure to abide by such requirements shall serve as a defense to any such action. The requirements of this Section shall not apply to any action by the Board to collect Assessments or other fees or charges authorized by this Declaration, which actions may proceed in the Board's discretion directly without any prior procedure for claims resolution.
- 14.2 Consensus for Community Association Litigation. The Community Association shall not commence a judicial or administrative proceeding without the approval of at least seventy-five percent (75%) of each class of Members then entitled to vote, excluding the voting power of any owner who would be a defendant in such proceedings. This Section shall not apply, however, to (a) actions brought by the Community Association to enforce the Community Association Documents (including, without limitation, the foreclosure of liens); (b) the collection of Assessments, Special Use Fees or Reserve Contributions; (c) proceedings involving challenges to ad valorem taxation; or (d) counterclaims brought by the Community Association in proceedings instituted against it. This Section shall not be amended unless such amendment is approved by the percentage of votes, and pursuant to the same procedures, necessary to institute proceedings as provided above. If the Community Association commences any legal action or arbitration proceeding involving a claim, grievance or dispute (collectively, a "Claim") arising out of or relating to the interpretation, application or enforcement of the Community Association Documents, or the rights, obligations and duties of any party bound under the Community Association Documents (including, without limitation, the Declarant, the Community Association, their respective officers, directors, and committee members, all Persons subject to this Declaration, any Developer, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (the foregoing collectively "Bound Parties") or relating to the design or construction of improvements on the Property, all owners must notify prospective purchasers of such legal action or arbitration proceeding and must provide such prospective purchasers with a copy of the notice received from the Community Association in accordance with Section 14.4. Any Bound Party having a Claim against any other Bound Party (a "Respondent") shall notify each Respondent in writing of the claim (the "Notice"), stating plainly and concisely: (i) the nature of the Claim, including the date, time, location, Persons involved, and Respondent's role in the Claim; (ii) the factual and legal basis of the Claim; and (iii) what Claimant wants Respondent to do or not to do to resolve the Claim.

14.2.1 In the event the Board commences a judicial or administrative proceeding and receives approval of at least seventy-five percent (75%) of each class of members, the Board shall be required to assess a special Assessment against each class of members to pay for the cost of such judicial or administrative procedure. The Board is strictly prohibited from using any operating funds or funds previously set aside for a specific purpose. By way of example, this limitation applies to the following amounts: (a) initial capital contributions, (b) reserve funds, (c) annual Assessments, (d) community enhancement funds or (e) any other funds collected by the Association for any purpose other than commencing a judicial or administrative procedure.

14.3 Right to Enter, Inspect, Repair and/or Replace. Within a reasonable time after the receipt by Declarant of a Notice, Declarant shall have the right, upon reasonable notice to Claimant and during normal business hours, to enter onto or into, as applicable, the Common Area, any lot or parcel, including any building or dwelling unit constructed thereon, and/or any improvements for the purpose of inspecting and/or conducting testing to determine the validity of the Claim, and, if deemed necessary by Declarant, to correct, repair and/or replace the alleged deficiency in the planning, design, engineering, grading, construction or development of the Common Area or any lot or parcel, or any improvement constructed on the Common Area or a lot or parcel which is the basis for the Claim (the "Alleged Defect"). In conducting such inspection, testing, repairs and/or replacement, Declarant shall be entitled to take any actions as it shall deem reasonable and necessary under the circumstances. Nothing set forth in this Section shall be construed to impose any obligation on Declarant to inspect, test, repair, or replace any item or Alleged Defect for which Declarant is not otherwise obligated under applicable law or any limited warranty provided by Declarant in connection with the sale of the lots, parcels 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 no event shall any statutes of limitations be tolled during the period in which Declarant conducts any inspection or testing of any Alleged Defects.

14.4 Use of Funds. If a Claimant initiates any legal action, cause of action, proceeding, reference or arbitration against Declarant alleging damages (i) for the costs of repairing or the replacement of any Alleged Defect, (ii) for the diminution in value of any real or personal property resulting from such Alleged Defect, or (iii) for any consequential damages resulting from such Alleged Defect, any judgment or award in connection therewith shall first be used to correct and/or repair such Alleged Defect or to reimburse the Claimant for any costs actually incurred by such Claimant in correcting and/or repairing the Alleged Defect. If the Claimant is the Community Association, the Community Association must provide written notice to all Members prior to initiation of any legal action, cause of action, proceeding, reference or arbitration against Declarant which notice shall (at a minimum) include (i) a description of the Claim, (ii) a description of the attempts of Declarant to correct such Alleged Defect and the opportunities provided to Declarant to correct such Alleged Defect, (iii) a certification from an engineer licensed in the State of Arizona that such Alleged Defect exists along with a description of the scope of work necessary to cure such Alleged Defect and a resume of such engineer, (iv) the estimated cost to repair such

Alleged Defect, (v) the name and professional background of the attorney 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 (if any), (vi) a description of the fee arrangement between such attorney and the Community Association, (vii) 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, (viii) the estimated time necessary to conclude the action against Declarant, and (ix) an affirmative statement from the Board that the action is in the best interests of the Community Association and its Members. If the Community Association recovers any funds from Declarant (or any other Person) to repair an Alleged Defect, any excess funds remaining after repair of such Alleged Defect shall be paid into the Association's reserve fund.

ARTICLE 15

TERM: AMENDMENTS: TERMINATION

15.1 Term: Method of Termination. This Declaration shall be effective upon the date of its Recordation and, as amended from time to time, shall continue in full force and effect for a term of thirty (30) years from the date this Declaration is Recorded. From and after said date, this Declaration, as amended from time to time, shall be automatically extended for successive periods of ten (10) years each, unless there is an affirmative vote to terminate this Declaration by the then Members casting ninety percent (90%) of the total votes cast in each class of Membership at a meeting held for such purpose within six (6) months prior to the expiration of the initial effective period hereof or any ten-year extension. The Declaration may be terminated at any time if ninety percent (90%) of the votes cast shall be cast in favor of termination at a meeting held for such purpose. Anything in the foregoing to the contrary notwithstanding, no vote to terminate this Declaration shall be effective unless and until the written consent to such termination has been obtained, within a period from six (6) months prior to such vote to six (6) months after such vote from the holders of recorded first mortgages or deeds of trust to which the Assessment Lien is subordinate pursuant to Section 8.3 above, on seventy-five percent (75%) of the lots and parcels upon which there are such Recorded first mortgages and deeds of trust. If the necessary votes and consents are obtained, the Board shall cause to be Recorded with the Yavapai County Recorder, a Certificate of Termination, duly signed by the President or Vice President and attested by the Secretary or Assistant Secretary of the Community Association, with their signatures acknowledged. Thereupon these Covenants shall have no further force and effect, and the Community Association shall be dissolved pursuant to the terms set forth in its Articles.

15.2 Amendments.

15.2.1 Amendments to this Declaration. This Declaration may be amended by Recording with the County Recorder of Yavapai County, a Certificate of Amendment, duly signed and acknowledged. The Certificate of Amendment shall set forth in the amendment adopted, and, except as provided in Sections 15.3 and 15.4 of this Article, shall certify that the amendment has been approved by the affirmative vote, or written consent, or any combination thereof, of the owners casting at least sixty-seven percent (67%) of the votes then entitled to be cast. Notwithstanding the foregoing, the affirmative vote or written consent, or any combination thereof, of the owners casting at least sixty-seven percent (67%) of the votes that are entitled to be cast by all Class A Members and the Declarant (for so long as Declarant owns a lot or parcel) may amend any use restrictions contained in Section 4.2 of this Declaration as to the manner in which such use restrictions affect residential parcels.

15.2.2 Amendment to Tract Declarations. Unless the applicable Tract Declaration provides otherwise, or as otherwise set forth in Section 4.2, Tract Declarations may be amended by approval of the Board and the owners of all lots and parcels subject to the Tract Declaration. As long as the Declarant owns any lot or parcel in Granville, Declarant's approval is also required for any amendment to a Tract Declaration.

15.3 Right of Amendment if Requested by Governmental Agency or Lending Institutions.

Anything in this Article to the contrary notwithstanding, Declarant reserves the right, but shall not be obligated, to amend all or any part of this Declaration to such an extent and with such language as may be requested by the FHA, VA, Fannie Mae or FHLMC and to further amend to the extent requested by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of this Declaration, or by any federally or state chartered lending institution as a condition precedent to lending funds upon the security of any lot(s) or parcel(s) or any portions thereof. Any such amendment shall be effected by the Recording, by Declarant, of a Certificate of Amendment duly signed by or on behalf of the partners, authorized agents, or authorized officers of Declarant, as applicable, with their signatures acknowledged, specifying the federal, state or local governmental agency or the federally or state chartered lending institution requesting the amendment and setting forth the amendatory language requested by such agency or institution. The Recording of such a Certificate of Amendment shall be deemed conclusive proof of the agency's or institution's request for such an amendment, and such Certificate of Amendment, when Recorded, shall be binding upon all of Granville and all persons having an interest therein. It is the desire of Declarant to retain control of the Community Association and its activities during the anticipated period of planning and development. If any amendment requested pursuant to the provisions of this Section deletes, diminishes or alters such control, Declarant shall have the right to prepare, provide for and adopt, as an amendment thereto, other and different control provisions. Except as provided in this Section 15.3 and in Section 15.4, Declarant shall not have any right to amend this Declaration otherwise than in accordance with and pursuant to the provisions of Section 15.2 of this Article.

15.4 Declarant's Right of Amendment. Notwithstanding anything in this Article to the contrary, Declarant shall, for so long as it possesses a Class B Membership, be entitled to unilaterally amend this Declaration to correct minor errors and omissions.

15.5 Rights of First Mortgagees.

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

15.5.2 No lot shall be partitioned or subdivided without the prior written approval of the holder of any first mortgage on such lot.

15.5.3 Unless at least two-thirds (2/3) of the first mortgagees (based upon one vote for each first mortgage owned) of owners (other than the sponsor, Developer or

builder) of at least two-thirds (2/3) of the lots have given their prior written approval, the Community Association shall not be entitled to:

(i) Seek to abandon, partition, subdivide, sell or transfer the Common Area owned, directly or indirectly, by the Community Association for the benefit of the lots. The granting of easements for public utilities or for other public purposes consistent with the intended use of such Common Area shall not be deemed a transfer within the meaning of this Subsection;

(ii) Change the method of determining the obligations, Assessments, dues or other charges which may be levied against an owner;

(iii) Change, waive or abandon any scheme or regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of lots or the maintenance of the Common Area;

(iv) Fail to maintain fire and extended coverage insurance on Common Area on a current replacement cost basis in an amount of at least one hundred percent (100%) of insurable value; or

(v) Use hazard insurance proceeds for losses to any Common Area, other than the repair, replacement or reconstruction of such Common Area.

15.5.4 No provision of this Declaration gives or shall be construed as giving any owner or other person priority over any rights of a first mortgagee of a lot in the case of the distribution to such owner of insurance proceeds or condemnation awards for losses to or taking of the Common Area.

15.5.5 Any first mortgagee who receives a written request from the Board to respond to or consent to any action requiring the consent of the first mortgagee shall be deemed to have approved such action if the Community Association has not received a negative response from such first mortgagee within thirty (30) days of the date of the Community Association's request.

15.5.6 In the event of any conflict or inconsistency between the provisions of this Section and any other provision of this Declaration or any Tract Declaration, the provisions of this Section shall prevail; provided, however, that in the event of any conflict or inconsistency between the provisions of this Section and any other provisions of the Declaration with respect to the number or percentages of owners, or first mortgagees that must consent to (i) an amendment of the Declaration, Articles or Bylaws, (ii) a termination of the Declaration, or (iii) certain actions of the Community Association as specified in Section 15.5 of this Declaration, the provision requiring the consent of the greatest number or percentage of owners or first mortgagees shall prevail; provided, however, that notwithstanding the foregoing, the Declarant shall have the right to amend this Declaration in accordance with and pursuant to the provisions of Section 15.2, of this Article.

ARTICLE 16

GOLF COURSE LAND

- 16.1 Non-Applicability: Not Common Area. As used in this Declaration, the terms "Property" and "Granville" do not include or apply to Golf Course Land. Golf Course Land shall not be part of the Common Area, and no Owner, Lessee, Tenant or Resident shall acquire any right, title or interest whatsoever in the Golf Course Land or the use of the Golf Course Land solely by reason of owning, leasing or occupying any Lot, Parcel or other property in Granville.
- 16.2 No Right to Use of Golf Course. Each grantee of Declaring by the acceptance of a deed of conveyance, and each purchaser under any contract for such deed of conveyance, and each purchaser under any agreement of sale, and each Person acquiring a Membership in the Community Association, and the heirs, personal representatives, successors and assigns of the foregoing, acknowledge and agree that the acquisition of any interest in one or more Lots or Parcels located in Granville shall not in any way entitle any such Person to any interest in or any right to the use of the Golf Course Land or membership in any club or other golf operation now or hereafter existing in connection with the Golf Course Land.
- 16.3 Waiver of Liability. Each Owner and other occupant of any Golf Course Lot or Golf Course Parcel, by becoming the Owner or occupant thereof, acknowledges that golf balls may be hit onto their Lot or Parcel by persons playing golf on the adjacent golf course and that such golf balls may cause injury to persons on the Lot or Parcel or cause damage to the dwelling unit or other structures or improvements situated on the Lot or Parcel. Each Owner and occupant assumes the risk of such injury or damage and releases: (i) Declarant and all of its constituent owners, officers, directors, employees and agents; (ii) the Community Association and all of its officers, directors, employees and agents; and (iii) the owner of the Golf Course Land and its constituent owners, officers, directors, employees and agents, from all claims, causes of action, duties, liabilities and obligations of any and every sort or nature, in law or in equity, which it has or which it may hereafter have, or which in the future may arise from or as a result or by reason of, or in connection with, the design, construction, operation or maintenance of the Golf Course Land and any golf course constructed and operated thereon.
- 16.4 Operation of the Golf Course. Each Owner, Resident, Lessee and Tenant acknowledge that the operation and maintenance of a golf course on the Golf Course Land will require that maintenance men and other workers required to operate and maintain the golf course will commence work as early as 5:00 a.m. on a daily basis. In connection therewith, each Owner, Resident, Lessee and Tenant agree that neither Declarant nor its employees, agents and contractors nor the Community Association or its employees, agents and contractors shall be responsible or accountable for, and shall be held harmless for, from and against, any claims, causes of action, loss or liability arising in connection with or associated with any noise or inconvenience normally associated with such maintenance activities.

ARTICLE 17

TELECOMMUNICATION SERVICES

17.1 Establishment and Management. As a means of encouraging and facilitating the ability of the owners and Residents and businesses in Granville to take advantage of the increasing telecommunications technology, opportunities and services, Declarant on behalf of itself and the Board, hereby reserves the right, but not the obligation, to design, create and implement a telecommunications system that may serve as a universal network connecting and benefiting all or portions of Granville, and that may be expanded, reduced, terminated, enhanced, modified, redesigned or replaced as determined from time to time by the Declarant or the Board, including when new information and communication technology and services become available that Declarant or the Board determines would be appropriate or beneficial. Such telecommunications system(s) is hereinafter referred to as the "Telecommunications Systems". The Board reserves the authority to implement such rules and regulations concerning all aspects of the use of the Telecommunications Systems as the Board may deem desirable or appropriate in its sole and absolute discretion

17.1.1 Authority. The Board shall have the sole authority, but not the obligation, to provide for the establishment, operation, management, maintenance, repair, modification, termination, enhancement, and/or replacement of the Telecommunications Systems, and, in doing so, shall have the sole authority to select the provider(s) and vendor(s) of the particular hardware, software, programming, infrastructure, services, management and administration constituting the Telecommunications Systems (collectively, "System Components"). Except as expressly provided in this Article, the Board shall have the sole authority to determine the preferred provider for the Telecommunications Systems and all System Components. The Board further shall have the sole authority to cause the Community Association to enter into contracts with such vendors (which may include vendors affiliated with Declarant, so long as the terms of the relevant contracts are arms length and commercially reasonable). The Board shall also have the authority to cause the Community Association to enter into contracts for the maintenance, management, administration and operation of all or portions of the Telecommunications Systems, and to cause the Community Association to enter into contracts to modify or enhance the Telecommunications System (which may include contracts with persons affiliated with Declarant, so long as the terms of the relevant contracts are arms-length and commercially reasonable). Depending on the requirements of such contracts, it may be necessary for owners or lessees to execute contracts directly with such vendors or other persons as a condition to gaining access to the Telecommunications System, and each such owner and lessee, as a condition to the right to use such services, by accepting title to real property (or leasing real property) within Granville, agrees to do so. Subject to the foregoing, such contracts may contain terms and conditions with regard to use of and access to the Telecommunications System in addition to those contained in this Article. Notwithstanding the foregoing, no owner shall be restricted from obtaining, at such owner's sole cost and expense, similar services from such provider(s) as such owner may select; however, no owner shall be entitled to claim any exemption from the obligation to pay any of the fees or charges levied pursuant to this Article 16 by

reason of non-use of the Telecommunications Systems or any System Components made available for such owner's use by the Community Association.

17.1.2 Disclaimer. Neither Declarant, the Board nor the Community Association make any representation or warranty as to the quality, fitness or performance of the Telecommunications Systems, as to the quality, fitness or performance any of the System Components, or that any particular System Component or type of System Component will be utilized for the Telecommunications Systems, or that any Telecommunications System will be provided or, once provided, will continue to be provided to Granville or all portions thereof or to all owners, lessees and residents.

17.2 System Connections: Additional Services.

17.2.1 Required Connections. From time to time, the Board, in its sole and absolute discretion, may require: (i) each lot restricted to single family residential use to have at least one connection to the Telecommunications Systems; and (ii) each lot restricted to cluster residential use or condominium development use to have at least one connection to the Telecommunications Systems per dwelling unit.

17.2.2 Additional Connections. Each owner may obtain additional Telecommunications Systems connections, or obtain any available additional or enhanced Telecommunications Systems services, at such owner's own expense, subject to availability and the requirements of the Board and the particular vendor of the relevant System Components or services, and upon such additional terms and conditions and upon the payment of such additional fees as the Board or such vendor (or both) may require. Neither Declarant, the Board nor the Community Association make any representation or warranty that additional Telecommunications Systems connections or additional or enhanced services will be provided, nor, once provided, will remain available.

17.3 Governmental Regulations. The Telecommunications Systems, and the providers, managers and operators of the Telecommunications Systems, may be subject (currently or in the future) to federal, state or municipal regulations, laws and ordinances, which may have a significant impact on certain aspects of the Telecommunications Systems including, but not limited to, the fees charged, the method of delivery, and the rights of the users, providers, managers or operators of the Telecommunications Systems, which regulations, laws and ordinances, and their impact, are beyond the control of Declarant, the Board and the Community Association. The Board may at any time impose additional obligations on owners and lessees in Granville (in addition to those contained in this Article or any contracts pursuant to Sections 17.1 and 17.2, as well as any other rules and regulations that may be adopted by the Board), if the Board determines that such additional obligations are necessary or appropriate due to such regulations, laws and ordinances.

17.4 Special Telecommunications Fee.

17.4.1 Determination of Fees. The Telecommunications Systems shall be funded through the collection from each owner of (i) a one-time charge levied with respect to each connection to the Telecommunications Systems (the "Connection Fee") and (ii) a separate periodic fee (the "Periodic Fee"), which collectively are referred to herein as the "System Fees", and which shall be considered Special Use Fees for purposes of this Declaration. Except as may be determined or required by the terms of any contracts entered into by the Community Association or by any governmental regulations (which may dictate, in whole or in part, the amount of the System Fees), the amount of the System Fees will be determined in the sole discretion of the Board. The System Fees may vary among owners in the discretion of the Board depending on the different types or levels of connections or services as may be provided from time to time, or the Board may, in its discretion, establish reduced System Fees, or, in its discretion, establish rules whereby all or a portion of the System Fees are waived for certain owners.

17.4.2 Obligation of All Owners. Each owner shall be obligated to pay the System Fees for each Telecommunications Systems connection that is installed at its property or, if greater, for each connection required to be included pursuant to 7.2 above. The levying of the Connection Fee shall occur, and the levying of the Periodic Fee shall commence, upon the later to occur of: (x) the commencement of operation of the Telecommunications Systems, or (y) issuance of a certificate of occupancy (or equivalent governmental approval) for the relevant dwelling unit.

17.4.3 No Exemption. The Declarant or the Board may declare the System Fees to be mandatory fees; and if so, no owner may avoid the obligation for payment of the System Fees through a claim of nonuse of the Telecommunications Systems or any other claim, excuse or exception, unless otherwise approved by the Board in its sole and absolute discretion. The System Fees are separate and apart from, and shall be in addition to, and not in lieu of, any Assessment or other charge or fee provided for under this Declaration.

17.4.4 System Fees Are Not Assessments. The Declarant expressly intends that the System Fees are not "regular Assessments" as that term is used in A.R.S. §§ 33-1801 through 33-1807, as amended from time to time, and that the System Fees are not subject to the twenty percent (20%) maximum annual increase limitations set forth in A.R.S. § 33-1803, as amended from time to time.

17.4.5 Collection. The System Fees shall be paid in such manner and on such dates as the Board may establish, which may include discounts for early payment or similar time/price differentials. The Board may require advance payment of the System Fees at the closing of the transfer of title to a lot or Parcel and may impose special requirements for owners with a history of delinquent payment. Subject to any governmental regulations and/or contract provisions, the Community Association may collect the System Fees (directly or through any other person designated by the Board), or the Community Association may cause a third party provider, manager or operator of the Telecommunications Systems to collect the System Fees (directly or

through any other person designated by such third party provider, manager or operator). In the collection of System Fees, the Community Association shall have all of the rights and remedies available to the Community Association for the collection of Assessments and Special Use Fees provided in this Declaration, including, but not limited to, all lien rights hereunder. To the extent permitted under any applicable governmental regulations and any applicable contract provisions with any third party provider, manager or operator of the Telecommunications Systems: in addition to any other action it may take, the Community Association may act as the agent for any third party provider, manager or operator of the Telecommunications Systems, for the purpose of collecting any unpaid System Fees, and in such capacity, the Community Association may utilize all methods of enforcement available by law or contract to such third party provider, manager or operator, and if any third party provider, manager or operator seeks to collect unpaid fees on its own behalf, or engages the services of another person for the purpose of collection, the Community Association shall have the authority for this purpose to assign its enforcement rights under this Declaration (including, but not limited to, its lien rights) to such third party provider, manager or operator or such other agent.

ARTICLE 18

MISCELLANEOUS

- 18.1 Interpretation of the Covenants. Except for judicial construction, the Community Association, by its Board, 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 Community 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 the Covenants and provisions hereof
- 18.2 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
- 18.3 Rules and Regulations. In addition to the right to adopt rules and regulations on the matters expressly mentioned elsewhere in this Declaration, the Community Association shall have the right to adopt rules and regulations with respect to all other aspects of the Community Associations' rights, activities and duties, provided said rules and regulations are not inconsistent with the provisions of this Declaration. Any new rule or any change to an existing rule that is proposed by the Community Association following termination of the Class B Membership shall become effective thirty (30) days after the mailing of notice to the Members of the proposed new rule or proposed change, unless prior to such date Members holding more than ten percent (10%) of the votes in the Community Association submit to the Board a written request that the Board call a meeting of the Members to consider the adoption of the new changed rule. The rule shall become effective at the adjournment of such meeting unless the passage of such rule is disapproved by Members holding more than fifty percent (50%) of the votes cast by Members in person or by proxy at the meeting.
- 18.4 Declarant's Disclaimer of Representations. Anything to the contrary in this Declaration notwithstanding, and except as otherwise may be expressly set forth on a Recorded plat or other instrument signed by Declarant and Recorded in the office of the County Recorder of the County, Declarant makes no warranties or representations whatsoever that the plans presently envisioned for the complete development of Granville can, or will be, carried out, or that any land now owned or hereafter acquired by it is, or will be, subjected by this Declaration, or that any such land (whether or not it has been subjected to this Declaration) is, or will be, committed to, or developed for, a particular (or any) use, or that if such land is once used for a particular use, such use will continue in effect. While Declarant has no reason to believe that any of the restrictive covenants contained in this Declaration are or may be invalid or unenforceable, Declarant makes no warranty or representation as to the present or future validity or enforceability of any such restrictive covenant. Any owner acquiring a lot or parcel in reliance on one or more of such restrictive covenants shall assume all risks of the validity and enforceability thereof and by accepting a Deed to a lot or parcel agrees that Declarant shall have no liability with respect thereto.

- 18.5 References to the Covenants in Deeds. Deeds to, and instruments affecting, any lot or parcel or any part of Granville may contain the Covenants herein set forth by reference to this Declaration, but regardless of whether any such reference is made in any Deed or instrument, each and all of the Covenants shall be binding upon the grantee/owner or other person claiming through any instrument and his heirs, executors, administrators, successors and assigns.
- 18.6 Successors and Assigns of Declarant. Any reference in this Declaration to Declarant shall include any successors or assigns of Declarant's rights and powers hereunder, provided that Declarant's rights and powers may only be assigned by a written, Recorded instrument expressly assigning such rights and powers.
- 18.7 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.
- 18.8 Captions and Titles. All captions, titles or headings of the Articles and Sections in this Declaration are for the purpose of reference and convenience only and are not to be deemed to limit, modify or otherwise affect any of the provisions hereof or to be used in determining the intent or context thereof.
- 18.9 Notices. If notice of any action or proposed action by the Board or any committee or of any meeting is required by applicable law, this Declaration or resolution of the Board, to be given to any owner, lessee or resident then, unless otherwise specified herein or in the resolution of the Board, such notice requirement shall be deemed satisfied if personal notice of such action or meeting is given to such owner, lessee or resident, and, if personal notice is impracticable, shall be deemed satisfied if notice of such action or meeting is published once in any newspaper in general circulation within the Town of Prescott Valley. This Section shall not be construed to require that any notice be given if not otherwise required and shall not prohibit satisfaction of any notice requirement in any other manner.
- 18.10 FHA/VA Approval. If this Declaration has been initially approved by the FHA or the VA in connection with any loan programs made available by FHA or VA and any loans have been made which are insured or guaranteed by FHA or VA, then as long as there is a Class B Membership, the following actions will require the prior approval of the FHA or the VA, as applicable, unless the need for such approval has been waived by FHA or VA: dedications of Common Areas (except where such dedication is required as of the date hereof to the Town, the County, or other applicable government subdivision); annexation of additional property; and amendment of this Declaration.
- 18.11 No Absolute Liability. No provision of this Declaration shall be interpreted or construed as imposing on owners absolute liability for damage to the Common Area, parcels or lots. Owners shall only be responsible for damage to the Common Area or lots caused by the owners' negligence or intentional acts.
- 18.12 Conveyance or Encumbrance of Common Area. Except as otherwise expressly provided herein, the Common Area shall not be mortgaged, encumbered, transferred or dedicated without the prior written consent or affirmative vote, or combination thereof, of the Declarant and of at least two-thirds (2/3) of the owners of the Class A Memberships.

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

Granville Development Company, Inc.
of Prescott Valley, Arizona,
an Arizona corporation

By: Joseph All
Its: President

STATE OF ARIZONA)
) ss.
County of Maricopa)



The foregoing instrument was acknowledged before me this 30th day of January, 2002, by Joseph Contadino, as President of Granville Development Company, Inc. of Prescott Valley, Arizona, an Arizona corporation, for and on behalf thereof.

Jeanie Griffiths
Notary Public

My Commission Expires: March 5, 2004

EXHIBIT "A"

Legal Description of Property

Granville Unit 1, as recorded in Book 44, pages 28-36.

Lots 1 – 153, 161 – 190, 240 – 243, 265 – 268, 282 – 326

And

Tracts A, B, C, D, E, F, G, H, J, M

EXHIBIT "B"

Arbitration Rules

1. Initiation of Arbitration. The arbitration shall be initiated by either party delivering to the other a Notice of Intention to Arbitrate as provided for in the American Arbitration Association ("AAA") Commercial Arbitration Rules, as amended from time to time (the "AAA Rules").

2. Governing Procedures. The arbitration shall be conducted in accordance with the AAA Rules and A.R.S. §12-1501, et seq. In the event of a conflict between the AAA Rules and these rules, the provisions of this Exhibit "B" shall govern.

3. Appointment of Arbitration. The parties shall appoint a single Arbitrator by mutual agreement. If the parties have not agreed within ten (10) days of the date of the Notice of Intention to Arbitrate on the selection of an arbitrator willing to serve, the AAA shall appoint a qualified Arbitrator to serve. Any arbitrator chosen in accordance with this Paragraph 3 is referred to herein as the "Arbitration."

4. Qualifications of Arbitration. The Arbitrator shall be neutral and impartial. The Arbitrator shall be fully active in such Arbitrator's occupation or profession, knowledgeable as to the subject matter involved in the dispute, and experienced in arbitration proceedings. The foregoing shall not preclude otherwise qualified retired lawyers or judges.

5. Disclosure. Any candidate for the role of Arbitrator shall promptly disclose to the parties all actual or perceived conflicts of interest involving the dispute or the parties. No Arbitrator may serve if such person has a conflict of interest involving the subject matter of the dispute or the parties. If an Arbitrator resigns or becomes unwilling to continue to serve as an Arbitrator, a replacement shall be selected in accordance with the procedures set forth in Paragraph 3 above.

6. Compensation. The Arbitrator shall be fully compensated for all time spent in connection with the arbitration proceedings in accordance with the Arbitrator's hourly rate not to exceed Three Hundred Dollars (\$300.00) per hour, unless otherwise agreed to by the parties, for all time spent by the Arbitrator in connection with the arbitration proceedings. Pending the final award, the Arbitrator's compensation and expenses shall be advanced equally by the parties.

7. Preliminary Hearing. Within thirty (30) days after the Arbitrator has been appointed, a preliminary hearing among the Arbitrator and counsel for the parties shall be held for the purpose of developing a plan for the management of the arbitration, which shall then be memorialized in an appropriate order. The matters which may be addressed include, in addition to those set forth in the AAA Rules, the following: (a) definition of issues; (b) scope, timing and types of discovery, if any; (c) schedule and place(s) of hearings; (d) setting of other timetables; (e) submission of motions and briefs; (f) whether and to what extent expert testimony will be required; whether the Arbitrator should engage one or more neutral experts, and whether, if this is done,

engagement of experts by the Parties can be obviated or minimized; (g) whether and to what extent the direct testimony of witnesses will be received by affidavit or written witness statement; and (h) any other matters which may promote the efficient, expeditious and cost-effective conduct of the proceeding.

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

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

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

11. Final Award. The Arbitrator shall promptly (within sixty (60) days of the conclusion of the proceedings or such longer period as the parties mutually agree) determine the claims of the parties and render a final award in writing. The Arbitrator may award the prevailing party in the proceeding all or a part of such party's reasonable attorneys' fees and expert witness fees, taking into account the final result of arbitration, the conduct of the parties and their counsel in the course of the arbitration, and other relevant factors. The Arbitrator shall not award any punitive damages. The Arbitrator shall not award indirect, consequential or special damages regardless of whether the possibility of such damage or loss was disclosed to, or reasonably foreseen by the party against whom the claim is made; provided, however, that such damages may be deemed by the Arbitrator to be direct damages in an award reimbursing payments by a party therefor to a third party. The parties agree that the non-prevailing party shall reimburse the prevailing party for any costs and expenses advanced by the prevailing party for the Arbitration process (including, without limitation, the fees of the Arbitrator).