

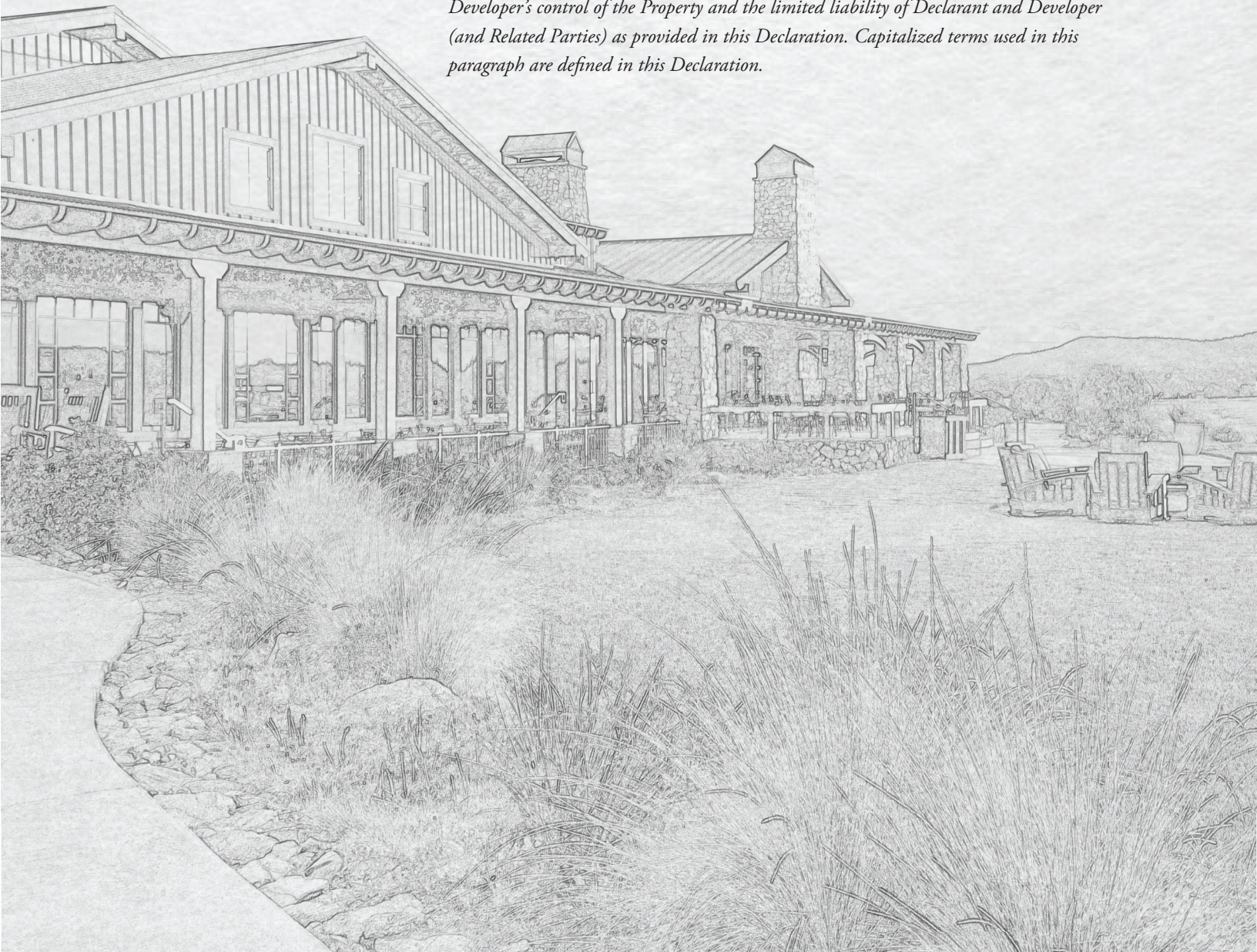


TALKING ROCK™

DECLARATION
of
COVENANTS, CONDITIONS & RESTRICTIONS
for
TALKING ROCK RANCH

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS is made and entered into as of the 31st day of August, 2001, by FIRST AMERICAN TITLE INSURANCE AGENCY OF YAVAPAI, INC., an Arizona corporation ("Declarant"), as trustee under trust No. 4750 (the "Trust") and not in its proprietary capacity, and by TALKING ROCK LAND, L.L.C., an Arizona limited liability company ("Developer"), as beneficiary of the Trust.

This Declaration provides for an extensive degree of control by the Developer of the Project ("Developer") including, but not limited to, (i) control of the Association, the type and design of improvements that may be built upon (or otherwise made to) Lots with fines up to \$10,000 for non-compliance, and the use, and limitations upon use, of the Common Areas; and (ii) substantial flexibility in developing the Property. Developer's control is an integral part of this Declaration and the general scheme of development and operation of the Property. Section 19.5 contains a limitation on the liability of Declarant and Developer (and Related Parties), and Section 23 contains a waiver of representations and warranties of Declarant and Developer. Each Owner, by accepting title to a Lot, and all other Persons hereafter acquiring any other interest in any of the Property subject to this Declaration, acknowledge, agree to and accept Developer's control of the Property and the limited liability of Declarant and Developer (and Related Parties) as provided in this Declaration. Capitalized terms used in this paragraph are defined in this Declaration.



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RECITALS

A. Declarant, as the trustee of the Trust, is the record owner of that parcel of real property situated in Yavapai County, Arizona, described on Exhibit "A" attached hereto and by reference made a part hereof (the "Parcel"). Developer is the beneficiary of the Trust.

B. Declarant and Developer desire to submit and subject the Parcel, together with all buildings, improvements and other permanent fixtures of whatever kind now or hereafter located thereon, and all easements, rights, appurtenances and privileges belonging or in any way pertaining thereto (all of which comprise a part of the "Property" as hereinafter defined), to the covenants, conditions, restrictions, liens, assessments, easements, privileges and rights contained herein.

C. Declarant and Developer desire that the Property be developed as part of a master planned community to be known as "Talking Rock Ranch," containing residential lots, one or more golf courses and related recreational facilities (the "Project").

D. Declarant and Developer deem it desirable to establish covenants, conditions and restrictions applicable to the Property, and each and every portion thereof, and certain mutually beneficial restrictions and obligations with respect to the proper use, occupancy and enjoyment thereof, all for the purpose of enhancing and protecting the value, desirability and attractiveness of the Property and enhancing the quality of life within the Property.

E. Declarant and Developer deem it desirable to create an owners association ("Association") for the Property and to delegate to it the powers of (i) managing, maintaining and administering the Common Areas and any Areas of Common Responsibility within the Property, (ii) administering and enforcing these covenants, conditions and restrictions and (iii) collecting and disbursing funds pursuant to the assessments and charges hereinafter created and performing other acts provided for in this Declaration or which generally benefit its members, the Property, and the owners of any interests therein.

F. Talking Rock Ranch Association for Community Preservation, a nonprofit corporation, has been incorporated under the laws of the State of Arizona for the purpose of being the Association.

G. Declarant and Developer intend, but are not obligated, to annex land to the Property (in addition to the Parcel), thereby subjecting the annexed land to the plan of this Declaration, and binding the owners of any interests therein to the covenants, conditions and restrictions contained in this Declaration. Portions of the Project that are not part of the Parcel and are not annexed to the Parcel will not be considered part of the Property that is subject to this Declaration. Owners of any land annexed to the Property and subjected to the Declaration will automatically become members of the Association as provided herein.

H. Declarant and Developer desire and intend that the owners, mortgagees, beneficiaries and trustees under trust deeds, occupants and all other Persons hereafter acquiring any interest in the Property shall at all times enjoy the benefits of, and shall hold their interests subject to, the covenants, conditions, restrictions, liens, assessments, easements, privileges and rights hereinafter set forth, all of which are declared to be in furtherance of a plan to promote and protect the Property.

DECLARATIONS

NOW, THEREFORE, Declarant and Developer, for the purposes above set forth, declare that the Property shall hereafter be held, transferred, sold, conveyed, leased, occupied and used subject to the covenants, conditions, restrictions, liens, assessments, easements, privileges and rights hereinafter set forth, all of which shall run with the land and be binding upon the Property and all parties having or acquiring any right, title or interest in or to the Property, or any part thereof, and shall inure to the benefit of each owner thereof, the Association and each member of the Association.

1. DEFINITIONS

Unless the context clearly requires otherwise, the following terms used in this Declaration are defined as follows. Defined terms appear throughout this Declaration with the initial letter of the term capitalized.

1.1 “Annexable Property” means the real property more particularly described on Exhibit “B” attached hereto and by reference made a part hereof, and any other real property located within one-half mile of the Parcel or the real property more particularly described on Exhibit “B.”

1.2 “Annexed Property” means any additional land that has been annexed to the Property in accordance with Section 16, thereby becoming a part of the Property and subject to this Declaration.

1.3 “Architectural Design Guidelines” means the rules, regulations, restrictions, architectural standards and design guidelines from time to time adopted by the Architectural Review Committee, or by the Developer prior to the Transition Date (pursuant to Section 12.2).

1.4 “Architectural Review Committee” means the committee provided for in Section 12.

1.5 “Area of Common Responsibility” means any area that is not owned, leased or otherwise held by the Association (and is therefore not part of the Common Areas) but for which the Association has maintenance, repair, and/or operational responsibility by the terms of this Declaration, any Supplemental Declaration, any Neighborhood Declaration or other applicable real property covenants, by requirements of governmental authorities, or by contract (including, but not limited to, any right-of-way easement over State land serving any portion of the Project). Any area described in the preceding sentence shall continue to be an Area of Common Responsibility only so long as the Association’s responsibility for it continues.

1.6 “Articles” means the Articles of Incorporation of the Association, as they may be amended from time to time.

1.7 “Assessments” shall include the following:

1.7.1 “Regular Assessment” means the amount that is to be paid by each Owner as the Owner’s Proportionate Share of the Common Expenses of the Association, as provided in Section 7.3.

1.7.2 “Special Assessment” means a charge against a particular Owner or a particular Lot, directly attributable to the Owner or Lot, to reimburse the Association for costs incurred in bringing the Owner or the Lot into compliance with the provisions of this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Articles, Bylaws, Association Rules or Architectural Design Guidelines,

or a fine levied against a particular Owner or Lot in accordance with this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Articles, Bylaws, Association Rules or Architectural Design Guidelines, or any other charge designated as a Special Assessment in this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Articles, Bylaws, Association Rules or Architectural Design Guidelines, together with attorneys' fees, witness fees (including expert witness fees), costs, litigation-related expenses and other charges payable by the Owner or chargeable to the Lot pursuant to the provisions of this Declaration, as provided in Section 7.4.

- 1.7.3 "Reconstruction Assessment" means the amount that is to be paid by each Owner representing the Owner's Proportionate Share of the cost to the Association for reconstruction of any portion of the Common Areas, as provided in Section 9.
- 1.7.4 "Capital Improvement Assessment" means the amount that is to be paid by each Owner representing the Owner's Proportionate Share of the cost to the Association for the installation or construction of any capital improvements on any of the Common Areas which the Association may from time to time authorize pursuant to the provisions of Section 7.5.
- 1.7.5 "Neighborhood Assessment" means a charge against each Lot within a particular Neighborhood, representing the Lot's share of additional costs, which are either (i) incurred by the Association in connection with a particular feature, characteristic or service that, in the opinion of the Board, should be borne (in whole or in substantial part) by Lots located within a particular Neighborhood, or (ii) designated as a Neighborhood Assessment in a Supplemental Declaration or a Neighborhood Declaration. A Neighborhood Assessment shall be payable in addition to, and not in lieu of, Regular Assessments payable by all Owners in the Property.

1.8 "Association" means Talking Rock Ranch Association for Community Preservation, an Arizona nonprofit corporation, its successors and assigns.

1.9 "Association Rules" means the rules and regulations adopted by the Board pursuant to Section 3.10.

1.10 "Board" means the Governing Board of the Association provided for in the Articles.

1.11 "Bylaws" means the bylaws of the Association adopted in accordance with the Articles, as the Bylaws may be amended from time to time.

1.12 "Club Facilities" means any golf course (a "Golf Course") and related facilities (including, but not limited to, any golf practice facilities, tennis facilities, swimming pool and related recreational and social facilities) constructed within the boundaries of the Project as a private club and not a part of the Common Areas owned by the Association, and all improvements and appurtenances thereto including, but not limited to, any maintenance and other buildings associated therewith. As long as the Club Facilities are not owned by the Association, they shall not constitute a part of the Property nor shall they be Common Areas or Areas of Common Responsibility. It is not contemplated that any Club Facilities will be annexed to the Property and thereby subjected to this Declaration, but Developer, at its election (with the consent of Club Owner), may elect to annex all or any portion of any Club Facilities to the Property at any time. Developer may specify areas

that constitute Club Facilities by recorded instrument, but neither Developer nor any other Person shall have any obligation to do so Nothing in this Declaration shall be deemed or construed to constitute a representation by Declarant or Developer that any Golf Course or any related facilities will be constructed or, if constructed, that any Golf Course or related facilities will be constructed at any particular time, in any particular manner, or will have any particular characteristics.

1.13 “Club Owner” means Talking Rock Golf LLC, an Arizona limited liability company, and its successors and assigns who from time to time own all or substantially all of the Club Facilities.

1.14 “Common Areas” means all real property (and the improvements and amenities thereon) that may from time to time be owned or leased by the Association or otherwise held by the Association for the common use and enjoyment of the Owners. The Common Areas include, but are not limited to, any Private Roads. The Common Areas do not include the Club Facilities or the Areas of Common Responsibility. Any real property, and improvements and amenities thereon, that are described as “common areas” in a Supplemental Declaration, Neighborhood Declaration or a Plat shall be deemed to be “Common Areas” as that term is defined herein and shall, for all purposes, be integrated into and deemed to be a part of the Common Areas subject to this Declaration. Common Areas may be abandoned or modified as provided in Section 2.1.6, Section 3.20 and Section 13.15.

1.15 “Common Expenses” means the actual and estimated costs incurred by the Association in administering, maintaining and operating the Property, and in owning or leasing any portions thereof, and in otherwise performing its rights and responsibilities under this Declaration including, but not limited to, the following:

- (a) The costs of maintenance, management, operation, repair and replacement of the Common Areas (including any Private Roads), any Areas of Common Responsibility, and all other areas in the Property that are managed or maintained by the Association except to the extent that those areas are being managed or maintained through a Special Assessment or a Neighborhood Assessment;
- (b) Unpaid Assessments;
- (c) The costs of maintenance by the Association of areas within the right-of-way of public streets in the vicinity of the Property which may be provided for in this Declaration or pursuant to agreements with the County or neighboring land owners;
- (d) The costs of managing and administering the Association including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and employees;
- (e) The costs of utilities and services (including, but not limited to, water, electricity, sewer, trash pick-up and disposal services) that are provided to the Association or the Common Areas or Areas of Common Responsibility, or are provided to Owners pursuant to Section 3.25 by a designated service provider as a basic level of service, and landscaping maintenance and other services that generally benefit and enhance the value and desirability of the Property and are provided by the Association;
- (f) The Costs of insurance maintained by the Association;
- (g) Reasonable reserves, as required or permitted herein, including the Reserve for Capital Improvements, for contingencies, replacements and other proper purposes to meet anticipated costs and expenses including, but not limited to, repair and replacement of those Common Areas and Areas of Common Responsibility that must be repaired or replaced on a periodic basis;

- (h) Any costs that the Board may elect to incur to bond the members of the Board, officers of the Association, any professional managing agent or any other Person handling the funds of the Association;
- (i) Taxes paid by the Association;
- (j) Amounts paid by the Association for discharge of any lien or encumbrance levied against all or any portion of the Common Areas or the Association's interest in any Areas of Common Responsibility;
- (k) Costs incurred by the Architectural Review Committee, or by Developer in exercising its rights under Section 12.7;
- (l) Costs incurred by any other committees established by the Board or the President;
- (m) The costs of any access control systems and patrol or similar services including, but not limited to, those services and facilities described in Section 4.9, other than those that will be charged to individual Lots or those that will be charged as a Neighborhood Assessment;
- (n) The costs of, or the subsidization of, recreation, cultural, health-related or similar facilities or enterprises available to or for the benefit of all or substantially all Owners including, but not limited to, event coordinators, speakers, performers and others providing services or experiences for Members and their guests; and
- (o) Other expenses incurred by the Association for any reason whatsoever in connection with the Common Areas or any Areas of Common Responsibility (excepting reconstruction costs and capital improvements as otherwise provided herein), or the costs of any other item or items designated by, or to be provided or performed by the Association pursuant to, this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Articles, Bylaws, Association Rules or Architectural Design Guidelines, or in furtherance of the purposes of the Association or in the discharge of any duties or powers of the Association.

Common expenses do not include costs of owning, administering, maintaining and operating the Club Facilities. If any common services furnished to the Property are part of services that are provided to or benefit property in addition to the Property (such as, by way of illustration and not limitation, patrol services furnished to the Property and other areas of the Project that are not subject to this Declaration, such as the Club Facilities), Common Expenses shall only include the cost of such services reasonably allocated to the services provided to the Property.

1.16 "County" means Yavapai County, Arizona, a political subdivision of the State of Arizona.

1.17 "Declarant" means First American Title Insurance Agency of Yavapai, Inc., an Arizona corporation, as trustee under the Trust, and its successors and assigns as trustee of the Trust.

1.18 "Declaration" means this instrument, as from time to time amended.

1.19 "Default Rate of Interest" means an annual rate of interest equal to the greater of (i) 18% per annum or (ii) 4% plus the prime rate announced by Bank One, Arizona, NA (and charged to its largest and most creditworthy customers). The Default Rate of Interest shall be adjusted as and when the announced prime

rate is adjusted. Therefore, if, during any periods while interest is accruing, the announced prime rate plus 4% per annum is less than 18%, interest shall accrue during those periods at 18% per annum. Notwithstanding anything in this Declaration to the contrary, if, during any periods, the highest lawful rate of interest that may, under applicable law, be paid by the Person required to pay the Default Rate of Interest hereunder, despite the provisions of this Declaration, is less than the rate provided above, the Default Rate of Interest payable by that Person during those periods shall be the highest lawful rate. If Bank One, Arizona, NA should cease doing business or no longer announce its prime rate as described above, the Board may compute interest based upon the announced prime rate of any other bank doing business in Yavapai County, Arizona. If banks should cease announcing prime rates, the Board may elect to use 18% as the Default Rate of Interest, or may specify the rate, in lieu of the prime rate, for purposes of the computation hereunder that the Association would reasonably have to pay to borrow money at that time.

1.20 “Developer” means Talking Rock Land L.L.C., an Arizona limited liability company, its successors and assigns, or any Person to whom Developer’s rights hereunder are hereafter assigned in whole or in part by recorded instrument, or any Mortgagee of Developer that acquires title to or succeeds to the interest of Developer in any Lot or other portion of the Property by reason of the foreclosure (or conveyance in lieu of foreclosure) or trustee’s sale under the Mortgage of said Mortgagee. The term “Developer,” as used herein, shall include not only the named Developer but also any of the foregoing successors, assigns, assignees of right(s) and Mortgagees. An assignment by recorded instrument of all of Developer’s rights shall vest in the assignee all of Developer’s rights hereunder (including, but not limited to, all of Developer’s easements, rights of consent or approval and voting rights) on the same terms that they were held by Developer hereunder. An assignment by recorded instrument of part of Developer’s rights shall vest in the assignee the specific Developer’s right(s) named in the instrument of assignment on the same terms as they were held by Developer hereunder. Notwithstanding anything to the contrary herein, an assignment of all or any portion of Developer’s rights or a sharing of those rights with any Preferred Builder, shall not deprive the assignor of any protection, indemnity or freedom from liability that would otherwise exist under this Declaration if the assignor had retained all of Developer’s rights hereunder.

1.21 “Lot” means a subdivided lot as shown on a Plat (a “Lot” includes the residential dwelling unit, garages, structures and other improvements constructed thereon). Notwithstanding anything to the contrary herein, if a portion of the Property shown as a “Lot” on a Plat is owned by the Association and used for open space or other purposes generally benefitting the Owners, it shall be considered part of the “Common Areas” (as that term is defined herein) notwithstanding its designation on the Plat.

1.22 “Majority of Members” means the Members holding more than 50% of the total votes entitled to be cast by all Members (including, unless otherwise specifically provided herein, any votes held by the Developer).

- 1.22.1 Any specified fraction or percentage “of the Members” means the members holding that fraction or percentage of the total votes entitled to be cast by Members (including, unless otherwise specifically provided herein, any votes held by the Developer).
- 1.22.2 A “Majority of a Quorum of Members” means the Members holding more than 50% of the total votes entitled to be cast by the Members (including, unless otherwise specifically provided herein, any votes held by the Developer) who are present (in person or by proxy) at a meeting at which a quorum of members (as defined in the Bylaws) is present.
- 1.22.3 Unless otherwise specified, any provisions herein requiring the approval “of the Members” means approval of a “Majority of a Quorum of Members.”

1.22.4 Notwithstanding anything in this Section 1.22 to the contrary, Developer shall maintain absolute control over the Association until the Transition Date pursuant to Section 3.17 hereof.

1.23 “Member” means every Person who is a member of the Association. The Articles, Bylaws and other documents applicable to the Property may refer to Members by the term “Site Steward.” The term “Member” and the term “Site Steward” shall be viewed as synonymous.

1.24 “Membership” means a membership in the Association but does not in any manner imply or refer to membership rights that may exist by contract with respect to the Golf Facilities or other recreational amenities at the Project.

1.25 “Mortgage” means any recorded, filed or otherwise perfected instrument given in good faith and for valuable consideration (which is not a fraudulent conveyance under Arizona law) as security for the performance of an obligation including, but not limited to, a deed of trust, but shall not include any instrument creating or evidencing solely a security interest arising under the Uniform Commercial Code.

1.26 “Mortgagee” means the holder of a note secured by a Mortgage, including the trustee and beneficiary under any deed of trust.

1.27 “Mortgagor” means the obligor under a Mortgage.

1.28 “Neighborhood” means any portion of the Property that is designated as a “Neighborhood” in an instrument recorded by (or with the consent of) Developer or the Board (including, but not limited to, a Neighborhood Declaration).

1.29 “Neighborhood Declaration” is defined in Section 18.1

1.30 “Occupant” means any Person, other than an Owner, in rightful possession of a Lot, whether an Owner’s immediate family member, guest, tenant or other individual.

1.31 “Owner” means the record owner of fee simple title to a Lot, whether one or more Persons and whether or not the Lot is subject to any Mortgage, including contract sellers, but excluding those having an interest in a Lot merely as security for the performance of an obligation. If a Lot is subject to a deed of trust pursuant to Arizona law (as amended from time to time), legal title shall be deemed to be in the trustor under the deed of trust.

1.32 “Parcel” means that parcel of real property referred to in the recitals hereof and described in Exhibit “A” hereto.

1.33 “Person” means an individual, corporation, partnership, limited liability company, trustee or other entity capable of holding title to real property, and their respective heirs, successors and assigns.

1.34 “Plat” means any plat of subdivision of the Parcel as first recorded in the official records of Yavapai County, Arizona, and as thereafter from time to time amended or supplemented, together with all subsequent recorded plats of subdivision for any Annexed Property.

1.35 “Preferred Builder” means a Person that constructs or causes the construction of homes on one or more Lots within the Property for sale to Retail Purchasers and that Developer elects, in its sole and absolute discretion, to name as a “Preferred Builder” in a written notice to the Association. In any written notice naming a Preferred Builder, Developer shall specify what special rights, privileges, obligations and exemptions of Developer that particular Preferred Builder will have pursuant to this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Association Rules and the Architectural Design Guidelines. Developer may revise, alter, supplement or rescind the rights, privileges, obligations and exemptions previously given to a Preferred Builder by delivering written notice to the Association detailing any revisions, alterations, supplements, or rescissions.

1.36 “President” means the duly elected or appointed president of the Association.

1.37 “Private Roads” mean any street, roadway or other similar right-of way within or partly within the Property that has not expressly been dedicated to public use.

1.38 “Project” means the master planned development described in the recitals hereof, to be called “Talking Rock Ranch.” The Property is located within the Project. The Project includes the Club Facilities.

1.39 “Property” means the Parcel and any additional land subjected to this Declaration by annexation pursuant to Section 16, together with all buildings, improvements and other permanent fixtures of whatever kind now or hereafter located thereon, and all easements, rights, appurtenances and privileges belonging or in any way pertaining thereto. The Property shall not include the Club Facilities or any other property (other than the Parcel), unless and until the property is annexed pursuant to Section 16.

1.40 “Proportionate Share” means

1.40.1 in the case of Neighborhood Assessments, that fraction wherein the numerator is one and the denominator is the sum of the total number of Lots in the applicable Neighborhood, and

1.40.2 in all other cases, that fraction wherein the numerator is one and the denominator is the sum of the total number of Lots in the Property at the time the calculation is made.

1.41 “Related Parties” means the constituent members of Developer; the members, partners, shareholders and owners of the constituent members and their constituent entities; affiliates of Developer; the affiliates of constituent members; and the officers, directors, members, shareholders, trustees and other principals of all of the foregoing entities, and their respective successors and assigns.

1.42 “Reserve for Capital Improvements” means a reserve established pursuant to Section 7.13 for repair and replacement of capital assets and similar property, and other proper purposes to meet anticipated costs and expenses including, but not limited to, repair and replacement of those Common Areas that must be repaired and replaced on a periodic basis.

1.43 “Residential Compound” means a consolidation of Lots by re-platting, or a re-platting of two or more contiguous Lots to permit a clustering or other relocation of dwellings. A Residential Compound may have commonly owned amenities to the extent permitted by Section 13.15 and the Architectural Design Guidelines.

1.44 “Retail Purchaser” means a Person who purchases a Lot in a retail transaction and shall not include Developer, any Related Party, any Preferred Builder or any other Person who acquires a Lot (i) in a bulk sale transaction, or (ii) by distribution (as distinguished from purchase), or (iii) in any similar transaction.

1.45 “Special Use Fees” means special fees that an Owner, an Occupant, or any other Person is obligated by this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration or the Association Rules to pay to the Association for use of, access to, or for the granting of a right or privilege with respect to, an amenity, facility, or other improvement including, but not limited to, any Common Area or Area of Common Responsibility. Special Use Fees shall be in addition to any Assessment hereunder.

1.46 “Supplemental Declaration” means a declaration of covenants, conditions and restrictions, or similar instrument, annexing additional real property to the Property and subjecting the Annexed Property to this Declaration as provided in Section 16.

1.47 “Transition Date” means 90 days following the date on which Developer no longer owns fee title or beneficial title to any portion of the Property or such earlier date as Developer voluntarily declares that the Transition Date has occurred in an instrument recorded in the official records of the County.

1.48 “Trust” means Trust No. 4750 in the records of First American Title Insurance Agency of Yavapai, Inc., and any comparable trust in the records of any successor trustee if First American is replaced as trustee.

2. RIGHTS OF ENJOYMENT

2.1 Owners’ Right of Enjoyment. Every Owner and Occupant shall have a nonexclusive easement for use and enjoyment of the Common Areas, subject to all of the easements, covenants, conditions, restrictions and other provisions contained in this Declaration including, but not limited to, the following provisions:

2.1.1 The right of the Association:

- (a) to limit the number of guests of Owners and Occupants;
- (b) to limit use of the Common Areas by Persons who are not Owners, but who are in possession of a Lot or own a portion of, or less than the entire ownership interest of, a Lot, and
- (c) to charge admission, membership and other Special Use Fees for the use of any Common Areas when provided for in a Supplemental Declaration with respect to land subject to it or in a Neighborhood Declaration with respect to land subject to it or when all or any portion of the costs of ownership should, in the opinion of the Board, be borne (in whole or in substantial part) by users rather than by all Members.

2.1.2 The right of the Association to establish reasonable rules and regulations pertaining to or restricting the use of the Common Areas by Owners, Occupants or other Persons (including restricting certain areas to drainage, utility or similar uses).

2.1.3 The right of the Association to borrow money for the purpose of improving, replacing, restoring or expanding the Common Areas or Areas of Common Responsibility, or adding new Common Areas, and the right to mortgage the Common Areas, provided that the rights of any lender shall be subordinated to the rights of the Owners.

2.1.4 The right of the Association to suspend the right of an Owner, Occupant and any other Person (including, but not limited to, a member of the family of an Owner or Occupant) to use Common Areas, or any designated portion thereof:

- (a) during any time in which any Assessment attributable to the Owner or the Owner's Lot remains unpaid and delinquent, or
- (b) for a period not to exceed 60 days for any single infraction of the Association Rules or breach of this Declaration, any applicable Supplemental Declaration or any applicable Neighborhood Declaration, and up to one year for any subsequent violation of the same or similar provision of the Association Rules or this Declaration, any applicable Supplemental Declaration or any applicable Neighborhood Declaration.
- (c) Any suspension of a Person's right to use the Common Areas, except for failure to pay Assessments, shall be made only by the Board or a duly appointed committee thereof, after notice and a reasonable opportunity for hearing.
- (d) Notwithstanding the foregoing, the Association shall not have the right to suspend any Owner's right to use any portion of the Property, including any Private Roads, necessary for Owner to gain access to the Owner's Lot.

2.1.5 The right of the Association to dedicate or transfer all or any part of, or interest in, the Common Areas to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Association provided that these actions otherwise comply with this Declaration.

2.1.6 The right of the Association to change the use, size, shape or location of Common Areas, to exchange Common Areas for other properties that then become Common Areas, and to abandon or otherwise transfer Common Areas, provided that all of these actions otherwise comply with this Declaration.

2.2 Delegation of Use. No Owner may delegate the Owner's right to use and enjoy the Common Areas to any Person including, but not limited to, Occupants of the Owner's Lot, or the Owner's guests, except as permitted by the Association Rules. An Owner's right to use and enjoy the Common Areas shall be appurtenant to and shall pass with title to the Owner's Lot.

2.3 Waiver of Use. No Owner may exempt himself, and no Owner shall be exempt, from personal liability for Assessments or release any Lot the Owner owns from the liens, charges and other provisions of this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Articles, Bylaws, Association Rules or Architectural Design Guidelines, by voluntary waiver of, or suspension or restriction of the Owner's right to, the use and enjoyment of the Common Areas, or the abandonment of the Owner's Lot.

3. ASSOCIATION

3.1 Purpose of Association. The Association has been incorporated as a nonprofit corporation to serve as the governing body for all of the Owners for the protection, improvement, alteration, maintenance, repair, replacement, administration and operation of the Property, the assessment of expenses, payment of losses, disposition of casualty insurance proceeds, and other matters as provided in this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Articles, Bylaws, Association Rules and Architectural Design Guidelines, or otherwise necessary or appropriate to the proper functioning of the

Association and the Property. The Association shall not be deemed to be conducting a business of any kind and all funds received by the Association shall be held and applied by it for the Owners in accordance with the provisions of this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Articles, and the Bylaws.

3.2 Membership in Association. Except as provided in Sections 3.5 and 3.17, there shall be one Membership in the Association with one Membership vote for each Lot. Each Membership shall be entitled to one vote on each matter to be decided by the Members. If the Owner of a Lot is other than one individual, each individual and entity comprising the Owner shall be considered a Member but the number of Memberships or votes attributable to the Lot shall not be increased by the fact of multiple ownership. In the case of multiple ownership, the Owner shall give the Association written notice identifying the individual who is entitled to cast the Membership vote for the Lot. In the absence of written notice, Assessments shall nevertheless be charged against the Lot and the Owner thereof, but there shall be no right to cast the Membership vote. The individual entitled to cast the Membership vote must be an Owner, or, if the Owner is or includes a Person other than an individual, must be an individual who is (i) a member of the limited liability company, if the Owner is or includes a limited liability company, or (ii) a partner in the partnership, if the Owner is or includes a partnership, or (iii) an officer of the corporation, if the owner is or includes a corporation, or (iv) a beneficiary of the trust, if the Owner is or includes a trust, or (v) an owner of the entity, if the Owner is or includes a Person other than an individual, a limited liability company, a partnership, a corporation or a trust. The individual, as so specified, shall be the only Person entitled to vote for the Owner of the Lot at Association meetings and elections. An Owner may change the individual who is designated for the Owner's Lot, provided the individual is eligible to cast the Membership vote hereunder. The Board may establish reasonable processing fees and reasonable procedures for changing the designated individual including rules governing the manner and frequency in which designations can be made. An Owner shall remain a member of the Association until the Owner ceases to be an Owner, at which time the Owner's membership in the Association shall automatically cease.

3.3 Suspension of Voting Rights. No Owner shall be entitled to exercise any voting rights as a Member in the Association during any period in which the Owner is delinquent in the payment of an Assessment.

3.4 Pledge of Voting Rights. Notwithstanding the foregoing, in the event that an Owner has granted an irrevocable proxy or otherwise pledged the voting right appurtenant to the Owner's Lot to a Mortgagee as additional security, only the vote of the Mortgagee will be recognized on matters covered by the proxy or pledge if a copy of the proxy or other instrument pledging the vote has been filed with the Association. In the event that more than one irrevocable proxy or pledge has been filed, the Association shall recognize the rights of the first Mortgagee to so file, regardless of the priority of the Mortgages themselves.

3.5 Assignment of Developer's Voting Rights. If any lender to whom Developer has assigned, or hereafter assigns, all or substantially all of its rights under this Declaration as security succeeds to the interests of Developer by virtue of the assignment, the absolute voting rights of Developer provided for in Section 3.17 shall not be terminated by the assignment, and the lender shall hold Developer's memberships and voting rights on the same terms as they were held by Developer pursuant hereto.

3.6 Governing Board.

3.6.1 The affairs of the Association shall be conducted by the Board as provided herein and in accordance with the Articles and Bylaws. Except for directors appointed by Developer, each director shall be an individual qualified under Section 3.2 to be designated to cast votes for Membership (whether or not actually so designated). If a director ceases to meet the foregoing qualifications during the director's term, the director will thereupon cease to be a director and the director's place on the Board shall be deemed vacant. Unless the vote or consent of the Members is expressly required hereunder, any action required or permitted to be taken by the Association, shall be satisfied or taken by the Board. The Board may appoint various committees (which may consist, in whole or in part, of individuals who are not on the Board).

3.6.2 Developer shall have the absolute power and right to appoint and remove members of the Board until the Transition Date. After the Transition Date, the Members of the Association shall have the power and right to elect and remove members of the Board as provided in the Articles and Bylaws. Developer may (but shall not be required to) relinquish its rights under this Section prior to the Transition Date by recording a notice of relinquishment.

3.7 Board's Determination Binding. Subject to the provisions of Section 17, in the event of any dispute or disagreement between or among any Owners, Members, or any other Persons subject to this Declaration, relating to the Property, or any question of interpretation or application of the provisions of this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Articles, Bylaws, Association Rules or Architectural Design Guidelines, then (subject to any judicial decision by a court of competent jurisdiction) the determination thereof by the Board shall be final and binding on each Owner, Member or other Person subject to this Declaration. The Board, at its election, may delegate the resolution of any such dispute or disagreement to the President or a committee appointed by the Board.

3.8 Approval of Members. Unless elsewhere otherwise specifically provided in this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Articles or Bylaws, any provision of this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Articles or Bylaws that requires the vote or written assent of the Members of the Association shall be deemed satisfied by the following:

- (a) The vote in person or by proxy of the specified percentage of Members at a meeting duly called and noticed pursuant to the provisions of the Articles or Bylaws dealing with annual or special meetings of the Members.
- (b) Written consents signed by the specified percentage of Members as provided in the Articles or Bylaws.
- (c) If no percentage of Members is otherwise specified then the vote or written assent of a Majority of a Quorum of Members shall be required.

3.9 Additional Provisions in Articles and Bylaws. The Articles and Bylaws may contain any provision relating to the conduct of the affairs of the Association and the rights and powers of its directors, officers, employees, agents and members not inconsistent with law or this Declaration.

3.10 Association Rules. The Board shall be empowered to adopt, amend or repeal rules and regulations that it deems reasonable and appropriate (the "Association Rules"), binding upon all Persons subject to this

Declaration and governing the use and/or occupancy of the Common Areas or any other part of the Property. The Association rules may establish a system of fines and penalties enforceable as Special Assessments. The Association rules shall govern all matters pertaining to the purposes of the Association including, but not limited to, the use of the Common Areas and Areas of Common Responsibility; provided, however, that the Association Rules may not discriminate among similarly situated Owners except as expressly provided or permitted herein, or in a Supplemental Declaration with regard to property subject to the Supplemental Declaration, or in a Neighborhood Declaration with regard to property subject to the Neighborhood Declaration. Association Rules shall not be inconsistent with this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Articles, Bylaws or Architectural Design Guidelines. A copy of the Association Rules as they may from time to time be adopted, amended or repealed or a notice setting forth the adoption, amendment or repeal of specific portions of the Association Rules shall be delivered to each Owner in the same manner established in this Declaration for the delivery of notices. Upon completion of the notice requirements, the Association Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration and shall be binding on the Owners, and all other Persons having any interest in, or making any use of, the Property, whether or not actually received thereby. The Association rules, as adopted, amended or repealed, shall be available at the principal office of the Association to each Owner or other Person reasonably entitled thereto, upon request. In the event of any conflict between any provision of the Association Rules and any provisions of this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Articles, Bylaws, or Architectural Design Guidelines, the provisions of the Association Rules shall be deemed to be superseded by the provisions of this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Articles, Bylaws or Architectural Design Guidelines to the extent of the conflict.

3.11 Indemnification. To the fullest extent permitted by law, the Association shall indemnify the following Persons against all expenses and liabilities including, but not limited to, attorneys' fees, witness fees (including expert witness fees), costs and litigation-related expenses reasonably incurred by or imposed upon them in connection with any proceeding to which they may be parties, or in which they may become involved, by reason of their being or having served in those capacities on behalf of the Association (or by reason of having appointed, removed or controlled or failed to control members of the Board or the Architectural Review Committee), or any settlement of any such proceeding:

- 3.11.1 every director and officer of the Association;
- 3.11.2 every member of the Architectural Review Committee and other committees of the Association;
- 3.11.2 Declarant;
- 3.11.4 Developer and all Related Parties (and their respective employees); and
- 3.11.5 all the employees of the Association.

Any agent of the Association may, in the discretion of the Board and subject to the findings described below, also be indemnified by the Association. Any Person described in the enumerated subsections above shall be entitled to indemnification whether or not that Person is a director, officer, member of the Architectural Review Committee or serving in any other specified capacity at the time the expenses are incurred. Notwithstanding anything to the contrary in this Declaration, before any Person is entitled to indemnity pursuant to this Section 3.11, the Board shall determine, in good faith, that the Person to be indemnified did

not act, fail to act, or refuse to act with gross negligence or fraudulent or criminal intent in the performance of that Person's duties. These rights of indemnification shall be in addition to, and not exclusive of, all other rights to which the Persons to be indemnified may be entitled at law or otherwise.

3.12 Non-Liability of Officials. To the fullest extent permitted by law, none of the following Persons shall be liable to any Member, Owner, Occupant, the Association or any other Person for any damage, loss or prejudice suffered or claimed on account of any decision, approval, or disapproval of plans or specifications (whether or not defective), course of action, act, inaction, omission, error, negligence or the like made in good faith and which the following Persons reasonably believed to be within the scope of their respective duties:

- 3.12.1 every director and officer of the Association;
- 3.12.2 every member of the Architectural Review Committee and other committees of the Association;
- 3.12.2 Declarant;
- 3.12.4 Developer and all Related Parties (and their respective employees); and
- 3.12.5 all the employees of the Association.

Each Owner, Occupant, and other Person having any interest in the Property or entering upon or using any portion of the Property is deemed to acknowledge and accept the following:

- (a) None of the Persons described above in this Section 3.12 shall be liable or responsible for, or in any manner be guarantor or insurer of, the health, safety, or welfare of any Owner, Occupant, or other Person entering upon or making use of any portion of the Property. Each Owner, Occupant, and other Person assumes all risks associated with the use and enjoyment of the Property including, but not limited to, any recreational facilities upon or within the Property.
- (b) None of the Persons described above in this Section 3.12 shall be liable or responsible for any personal injury, illness, or any other loss or damage caused by the presence or malfunction of any utility line, equipment, or substation adjacent to, near, over, or on the Property. Each Owner, Occupant, and other Person assumes all risks of personal injury, illness, or other loss or damage arising from the presence or malfunction of any utility line, equipment, or substation adjacent to, near, over, or on the Property.
- (c) No provision of this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Articles, Bylaws, Association Rules or Architectural Design Guidelines shall be construed or interpreted as creating a duty by any of the Persons described above in this Section 3.12 to protect or further the health, safety, or welfare of any Person, even if funds of the Association are used for such a purpose.

Following the Transition Date, failure of a Board member to disclose fully (i) the Board member's relationship with legal counsel for the Association and any management company retained by the Association, or (ii) the nature of any financial gain the Board member may receive upon the Association's institution of any litigation shall be deemed bad faith and shall subject the Board member to liability, including, but not limited to, liability for (a) breach of the covenant of good faith and fair dealing, and (b) breach of the duty of loyalty.

3.13 Easements. In addition to the other easements granted hereunder, the Association is authorized and empowered to grant permits, licenses, easements and rights-of-way upon, across or under real property owned or controlled by the Association for telephone lines, sewer lines, water lines, underground conduits, storm drains, television cable and other similar public or private utility purposes, roadways or other purposes as may be reasonably necessary and appropriate for the development, maintenance or preservation of the Common Areas or Areas of Common Responsibility or for the preservation of the health, safety, convenience and welfare of the Owners, provided that any damage to a Lot resulting from a grant of any of the foregoing rights shall be repaired by the grantee at its expense.

3.14 Accounting. The Association, at all times, shall keep (or cause to be kept) true and correct records of account in accordance with generally accepted accounting principles, and shall have available for the inspection of all Owners at reasonable times during regular business hours at the principal office of the Association, books or other records specifying in reasonable detail all expenses incurred and funds accumulated from Assessments or otherwise. The Association shall cause the books and records of the Association to be audited on an annual basis by an accounting firm selected by the Board.

3.15 Records. The Association shall, upon reasonable written request and during reasonable business hours, make available for the inspection by each Owner, at the Association's office, the books, records and financial statements of the Association together with current copies, as amended from time to time, of this Declaration, any Supplemental Declarations, any Neighborhood Declaration, the Articles, Bylaws, Association Rules and Architectural Design Guidelines. Neither Declarant nor Developer shall be under any obligation to make its own books and records available for inspection by any Owner or other Person.

3.16 Managing Agent. All powers, duties, and rights of the Association, the President or the Board, as provided by law and herein, may be delegated to a managing agent under a management agreement; provided, however, that no delegation shall relieve the Association of its obligation to perform any delegated duty. Any agreement for professional management, or any other contract providing for services to the Association, shall not exceed a term of three years, subject to renewal by agreement of the parties for successive one-year periods, and shall further provide for termination by the Association with or without cause and without payment of a termination fee upon 90 days' written notice.

3.17 Developer's Control of Association. Notwithstanding anything in this Declaration to the contrary, Developer shall maintain absolute control over the Association, including appointment of the President and the members of the Board, until the Transition Date. In addition, until the Transition Date, Developer shall have exclusive jurisdiction over architectural and design matters and shall be entitled to exercise the architectural and design review powers reserved to Developer under this Declaration as provided in Section 12. Until the Transition Date, only Developer will be entitled to cast any vote with respect to any matter requiring the approval of the Members except referendums of the Members with respect to certain provisions of this Declaration as set forth in Sections 7.3.4, 7.5, 7.17, 9.3, and 20.4. Developer voluntarily may (but shall not be required to) permit the Members to assume control of the Association at any time.

3.18 Rights of Enforcement. The Board shall have the exclusive right to enforce the provisions of this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Articles, Bylaws, and Architectural Design Guidelines, 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 relating to the Property that have been executed pursuant to, or subject to, the provisions of this Declaration, or that otherwise indicate its provisions were intended to be enforced either by the Association or by Developer

for the Association. If, however, the Board fails or refuses to enforce this Declaration or any provision of the instruments listed above for an unreasonable period of time after written request to do so, then an Owner (at the Owner's expense) may enforce them on behalf of the Association by any appropriate legal action, whether at law or in equity. Notwithstanding any provision hereof concerning the rights and powers of the Board, Developer may pursue whatever rights and remedies might be available to it at law or in equity. Notwithstanding any provision of this Declaration, Developer shall have no duty to undertake any such enforcement actions and shall not be deemed a guarantor of enforcement.

3.19 *Contracts With Others For Performance of Association's Duties.* Subject to the restrictions and limitations contained in this Declaration, or in any applicable Supplemental Declaration or Neighborhood Declaration, the Board may enter into contracts and transactions with others, including Developer, any Related Party and any affiliated Persons, for the performance of the Association's duties and for other purposes consistent with this Declaration. No contract or transaction shall be invalidated or in any way affected by the fact that one or more directors or officers of the Association or members of any committee may be employed by or otherwise connected with the other party to the contract or transaction, provided that any relationship of the other party to directors or officers of the Association and members of any committee is disclosed or known to the other directors or committee members acting upon the contract or transaction, and provided further that the transaction or contract is fair and reasonable. Any director, officer, or committee member with a relationship to, or any other interest in, the other party to the contract (i) may be counted in determining the existence of a quorum at any meeting that authorizes any contract or transaction described above or that grants or denies any approval sought by the other party, and (ii) may vote there to authorize any contract, transaction or approval, as if the director or member had no relationship to the other party to the contract.

3.20 *Changes to Common Areas.* The Association, through the action of the Board, may sell, exchange, convey, abandon or change the use of any Common Areas, provided the Board has determined that the change is in the best interest of the Property, the Project and the Owners. Prior to the Transition Date, the Board may act to effect a change described in this Section 3.20 without the vote or consent of any Owner or other Person. After the Transition Date, the Board may act to effect a change described in this Section 3.20 only with the consent of Developer, so long as Developer or any related Party owns any portion of the Project in fee or beneficially.

3.21 *Purposes For Which Association's Funds may Be Used.* The Association, except as otherwise permitted in this Declaration, shall apply all funds and property collected and received by it from any source (including Assessments, fees, loan proceeds, and surplus funds) for the common good and benefit of the Property, the Owners, and Occupants by devoting these funds and property, among other things, to the Common Expenses described in Section 1.15. Notwithstanding these requirements, all funds of the Association shall be deemed to be the sole property of the Association in its corporate capacity, and not trust funds, and the Association shall not be deemed to hold any funds as trustee or in any fiduciary capacity, except as expressly provided in this Declaration, or a Supplemental Declaration or Neighborhood Declaration. The Association also may expend its funds for any purposes for which any municipality in the State of Arizona may expend its funds under the laws of the State of Arizona or the municipality's charter.

3.22 *Borrowing Power.* The Association may borrow money in such amounts, at such rates, upon such terms and security, and for such periods of time as the Board deems necessary or appropriate.

3.23 *Association's Rights in Spending Funds From Year to Year.* The Association shall not be obligated to spend in any year all the sums received by it in that year, regardless of source, unless specifically provided to the contrary in this Declaration or in a Supplemental Declaration or Neighborhood Declaration. The Association

may carry forward as additional working capital or reserves any remaining balances. The Association shall not be obligated to reduce the amount of the Regular Assessments in the succeeding year if a surplus exists from a prior year, and the Association may carry forward from year to year any surplus that the Board, in its discretion, may determine to be desirable for the greater financial security of the Association and the accomplishment of its purposes.

3.24 Special Use Fees. Subject to the provisions of this Declaration including, but not limited to, Section 17, and any applicable provisions of a Supplemental Declaration or Neighborhood Declaration, the Board is authorized to impose, bill for, sue for, collect, administer, and disburse Special Use Fees, and the payment of all Special Use Fees shall be secured by the lien established in Section 7. In establishing or adjusting the amounts of Special Use fees from time to time, the Board shall have the absolute discretion to establish reasonable classifications among Owners, Occupants, and other Persons.

3.25 Designated Service Providers. The Board shall have the authority to designate exclusive providers of services to Owners within the Property when the Board deems it necessary or desirable to do so for reasons of obtaining better rates or terms of service or for other reasons deemed reasonable by the Board. Such services may, if the Board so elects, include (but are not limited to) garbage collection, propane gas, cable TV, security services and internet services. If the Board makes such a designation, the Association may enter into an agreement with the designated service provider. The cost of services purchased by the Board from a designated service provider shall be considered a Common Expense of the Association and shall be included in the Regular Assessments payable by each Owner provided, however, that the Board may allocate such costs between improved and unimproved properties, or among Neighborhoods, as a Neighborhood Assessment, in such a manner as the Board deems equitable. Notwithstanding any designation and negotiation with a service provider, each Owner may contract separately with the designated service provider to receive services in excess of those provided to the Property pursuant to the service provider's agreement with the Association, and the cost of the additional services shall be paid separately by the Owner and shall not be an Assessment under this Declaration. Any service provider designated by the Board pursuant to this Section 3.25 shall have an easement over Common Areas to the extent necessary or convenient for the efficient delivery of the designated service.

3.26 Event Coordination. It is contemplated, but not required, that the Association will retain the services of a concierge, event coordinator, or other comparable Person to plan, coordinate, and otherwise facilitate events and experiences desired by Members, both on the Property and off of it. Such events and experiences may include, but are not limited to, live and recorded performances, trips, displays of art, cultural items and the like, and other similar opportunities sought by Members for themselves, their family members, and guests. The costs associated with any such Person retained by the Association including, but not limited to, compensation and such other items as may be typically required in the performance of the Person's duties, shall be part of the Common Expenses of the Association. The Board shall determine whether admission or participation fees should be charged to Members for any such events and opportunities or they should be provided without charge as part of the Common Expenses of the Association.

3.27 Approval of Litigation.

3.27.1 Except for any legal proceedings initiated by the Association to:

- (a) enforce the use and occupancy restrictions, the architectural and landscape controls and the obligations regarding maintenance of Lots set forth in this Declaration;

- (b) enforce any Neighborhood Declaration, any Supplemental Declaration, the Association Rules or Architectural Design Guidelines;
- (c) collect any unpaid Assessments or other charges levied pursuant to this Declaration, any Neighborhood Declaration, any Supplemental Declaration, the Association Rules or Architectural Design Guidelines; or
- (d) enforce a service or purchase contract of the Association,

the Association shall not initiate legal proceedings or join as a plaintiff in legal proceedings, without the prior approval of 75% of the Members, excluding the vote of any Owner who would be a defendant in such proceedings. Prior to seeking the approval of the Members pursuant to the foregoing sentence, the Association must provide the Members with a full and complete explanation of the legal proceedings to be initiated including, but not limited to, the nature of the legal proceedings, the basis for the legal proceedings, the potential costs of the legal proceedings, the potential recovery of the legal proceedings and the potential liability exposure of the legal proceedings (including, but not limited to, any attorneys' fees or other costs of an adverse party in the legal proceedings that may be imposed on the Association pursuant to the order of a court of competent jurisdiction). Each Owner shall notify any prospective purchaser of the Owner's Lot of such legal proceedings initiated by the Board and not included in the above exceptions.

- 3.27.2 The costs of any legal proceedings initiated by the Association which are not included in the exceptions described in Section 3.27.1 (including, but not limited to, any attorneys' fees or other costs of an adverse party in the legal proceedings that are imposed on the Association pursuant to the order of a court of competent jurisdiction) shall be financed by the Association with monies that are specifically collected for that purpose, and the Association shall not borrow money, use reserve funds or use funds collected for other Association obligations.
- 3.27.3 Nothing in this Section 3.27 shall preclude the Board from incurring expenses for legal advice in the normal course of operating the Association to (i) pursue any of the actions included in the above exceptions; (ii) comply with statutes or regulations related to the operation of the Association; (iii) amend this Declaration or other documents applicable to the Property in accordance with their terms; (iv) grant easements or convey Common Areas as provided in this Declaration, any Neighborhood Declaration or any Supplemental Declaration; or (v) perform the obligations of the Association as provided in this Declaration, any Neighborhood Declaration, any Supplemental Declaration, the Association Rules or Architectural Design Guidelines (so long as performance of those obligations does not include the commencement of litigation).

4. EASEMENTS AND ACCESS CONTROLS

4.1 Blanket Easements. There is hereby created a blanket easement upon, across, over and under the Property (including all Lots, Common Areas and Areas of Common Responsibility) for ingress and egress, installing, constructing, replacing, repairing, maintaining and operating all utilities including, but not limited to, water, sewer, telephone, electricity, television cable, alarm systems, and communication lines and systems,

and in addition thereto for the use of emergency vehicles of all types. By virtue of this easement, it shall be expressly permissible for the providing service provider to erect (including, but not limited to, underground installation) and maintain the necessary facilities, wires, circuits, conduits, cables and related appurtenances, facilities and equipment on the Property. Notwithstanding anything to the contrary in this Section, no easements shall be created nor shall any sewers, electrical lines, water lines or other facilities for utilities be installed or relocated except as initially created and approved by Developer or thereafter created or approved by the Association. This provision shall in no way affect any other recorded easements on the Property.

4.2 Use of Common Areas. Except for the use limitations provided in this Section, in Section 4.3, in any Supplemental Declaration (with respect to any portion of the Property subject to the Supplemental Declaration) and in any Neighborhood Declaration (with respect to any portion of the property subject to the Neighborhood Declaration), each Owner shall have the nonexclusive right to use the Common Areas in common with all other Owners as required for the purposes of access and ingress and egress to (and use, occupancy and enjoyment of) any Lot owned by the Owner or other Common Areas available for the use of the Owner. This right to use the Common Areas for purposes of access and ingress and egress shall, subject to the Association Rules, extend to each Owner, Occupant and the agents, servants, tenants, family members and invitees of each Owner. The right to use the Common Areas shall be perpetual and appurtenant to each Lot, but shall be subject to and governed by the provisions of this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Articles, Bylaws and Association Rules and the reasonable limitations and restrictions as are from time to time be contained therein. The Board may limit or restrict the right of Owners and other Persons to use portions of the Common Area that exist for the benefit of the Association, but which by their nature are not intended for access and ingress and egress including, but not limited to drainage, utility or similar easements or rights.

4.3 Exclusive Use Rights. Certain portions of the Common Areas may be reserved by any Supplemental Declaration, any Neighborhood Declaration, any Plat or by the Board, in its reasonable discretion, for the exclusive control, possession and use of the Owner of a Lot or the Owners of more than one but fewer than all Lots. If any portion of the Common Area serves as access to and from two or more Lots, the Owners of the affected Lots shall have joint control, possession and use of the portion of the Common Area that reasonably serves the affected Lots. The exclusive use rights created in this Section 4.3 are subject to the blanket easement, maintenance, and architectural and landscape control provisions contained in this Declaration and to any reasonable rules and regulations with respect to possession, control, use and maintenance as the Board may from time to time promulgate. Easements are hereby created in favor of and running with each Lot having an area described in the first sentence of this Section 4.3, for the exclusive control and use of the applicable portion of the Common Area. Each Owner, by accepting title to a Lot, shall be deemed to have further ratified the easements and rights to exclusive use created by this Section 4.3.

4.4 Perimeter Wall Easement. There is hereby created an affirmative easement in favor of Developer, each Related Party, the Association, and their employees and agents, upon, over and across each Lot adjacent to the perimeter boundaries of the Property (and each Lot adjacent to the perimeter boundaries of any Neighborhood) for reasonable ingress, egress, installation, replacement, maintenance and repair of any perimeter wall or fence permitted by applicable County regulations and agreements with the County (or otherwise) that is located along a perimeter boundary of the Property (or along a perimeter boundary of any Neighborhood). Maintenance and repair of any perimeter wall or fence for the Property or a Neighborhood shall be the responsibility of the Association.

4.5 Developer Easement. There is hereby created a nonexclusive easement for ingress and egress over, for the right to go over, under, and across, and for the right to enter and remain upon, all portions of the Property, including, but not limited to, Lots (except the interiors of occupied dwelling units) and Common Areas (including, but not limited to, any private Roads, and a right of access through any guard gates, key gates

or other access control points) for the purpose of enabling Developer, Related Parties, and their respective employees, agents, invitees, licensees, contractors and guests to exercise Developer's rights and obligations hereunder and to engage in activities reasonably related to the development, management, administration, operation, maintenance, advertisement and sale or rental of the portions of the Property and the Project owned by Developer or a Related Party. The easement created in this Section 4.5 shall be in favor of Developer and the Related Parties, and appurtenant to portions of the Project owned by Developer or a Related Party in fee or beneficially. The rights of access established in this Section 4.5 shall be exercised so as to reasonably minimize interference with the quiet enjoyment of a Lot by its Owner and any Occupant. The easement created in this Section 4.5 shall continue until the day upon which neither Developer nor any Related Party has any interest in any portion of the Project, including the Club Facilities.

4.6 Association Easement. There is hereby created a nonexclusive easement in favor of the Association for ingress and egress over all the Property (except the interiors of occupied dwelling units) for the purpose of enabling the Association and its contractors, employees, representatives, and agents to implement the provisions of this Declaration. The rights of access established in this Section 4.6 shall be exercised so as to reasonably minimize interference with the quiet enjoyment of a Lot by its Owner and any Occupant.

4.7 Irrigation Easement. Every Lot is also hereby subjected to a nonexclusive easement for overspray and runoff of water from any irrigation systems serving the Common Areas or any Areas of Common Responsibility. Under no circumstances will the Association or any officers, directors, employees, or agents of the Association be responsible for any property damage or personal injury resulting from any overspray or from the operation of the irrigation systems serving the Common Areas or Areas of Common Responsibility.

4.8 Easements for Drainage. All Lots and Common Areas are hereby subjected to an easement for drainage and storm water runoff from other portions of the Property; provided, however, that no Person shall be entitled to alter the drainage patterns on any portion of the Property that are set forth on drainage plans approved by the County to increase materially the drainage of storm water onto adjacent portions of the Property or Project (or materially relocate its locations) without the consent of any Owners of the affected property and the Board.

4.9 Access Control. The Association, or its duly delegated representative, may operate an access control system for the Property, any portion of the Property, or any Neighborhood in the Property.

4.9.1 Generally. Any access control (or similar) system may (but is not required to) include all or any of the following: guard gates, key gates and other access control points, both manned and unmanned, at entries to various portions of the Property or individual Neighborhoods; patrol vehicles, patrolmen and patrol supervisors; computer and/or other monitoring equipment; television monitoring devices; burglar and fire alarm devices installed in buildings located on Common Areas and Areas of Common Responsibility; communications equipment; direct line phones; and such other devices as may be deemed appropriate by the Board. The cost of any services described in this Section 4.9.1 shall be part of the Common Expenses and may be collected through a Neighborhood Assessment, if applicable.

4.9.2 Access Through Gates. For so long as Developer or a Related Party owns any portion of the Project in fee or beneficially, Developer shall have the unrestricted right of access through guard gates, key gates and other access control points and the use of all Private Roads, for itself and its successors in interest as to any other property in the Project owned in fee or

beneficially by Developer or a Related party, and for their respective employees, agents, invitees, licensees and guests. Notwithstanding anything contained in this Declaration, any Neighborhood Declaration, any Supplemental Declaration or the Association Rules to the contrary, so long as Developer or a Related Party owns any portion of the Project, no restrictions shall be imposed upon Developer or any Related Party, or their respective employees, agents, invitees, licensees, and guests, that impairs access to any portion of the Property (including, but not limited to, restrictions on construction traffic) or that eliminates or materially impairs any easements for construction purposes reserved to Developer. Subject to applicable provisions of this Declaration (including, but not limited to, the easements created in Section 4.5 and elsewhere in this Declaration), any Neighborhood Declaration, any Supplemental Declaration and the Association Rules, the Association shall have the right, from time to time, to determine who may have access through guard gates, key gates and other access control points into the Property or individual Neighborhoods and onto any Private Roads. Subject to applicable portions of this Declaration, any Neighborhood Declaration, any Supplemental Declaration and the Association Rules, the Association may, from time to time, make reasonable rules relating to the right of entry through guard gates, key gates and other access control points throughout the Property, but none restricting entry by Owners or Occupants or their tenants and guests or by prospective purchasers of homes or Lots invited by an Owner. Subject to applicable provisions of this Declaration (including, but not limited to, the easements created in Section 4.5 and elsewhere in this Declaration), any Neighborhood Declaration, any Supplemental Declaration and the Association Rules, any gate may be abandoned, or its hours of manned operation reduced to less than 24 hours per day, at the discretion of the Association. Nothing in this Section 4.9.2 shall impair the Developer's ability to grant rights associated with public and private facilities in accordance with Section 14.1.6, which right shall expressly include the right to grant unrestricted access through guard gates, key gates and other access control points.

- 4.9.3 Individual Lots. When appropriate for the efficient administration of the Property or any Neighborhood including, but not limited to, effective control over access to the Property or any Neighborhood therein, the Association may require that any Owner wishing security or similar services (including, but not limited to, patrol service and fire and burglar alarm protection) for the Owner's Lot (as distinguished from general service under Section 4.9.1) obtain the service from a Person (which may be the Association) selected by the Board to provide such services to all Owners or to all Owners in a particular Neighborhood wishing such services. The Board, however, may not require any Owner to have such services for the Owner's particular Lot. The cost of any such services to a Lot shall not be a Common Expense or included in the Regular Assessment, but, if provided by or through the Association, will be charged to the Owner requesting the service. The cost of any such services selected by the Board shall be reasonably competitive with the charges for similar services rendered by unaffiliated companies providing similar services on a contract basis to other communities and customers in comparable areas of Yavapai County.
- 4.9.4 Right of Entry. Representatives and agents of the Association including, but not limited to, patrolmen, shall have the right to enter upon all Lots, Common Areas and Areas of Common Responsibility when responding to alarms or when otherwise reasonably deemed necessary for the protection of Persons or property, and neither the Association, nor any representative of agent thereof, shall have any liability to any Person when acting in good faith pursuant to this Section 4.9.4.

- 4.9.5 Liability. Neither the Association, nor Declarant, nor Developer, nor any Related Party is or should be considered a guarantor or insurer of security in the Property, the Neighborhoods or individual Lots. Each Owner and Occupant, for themselves and on behalf of their families and invitees, acknowledges and assumes the risks that the access control system will not keep out unauthorized pedestrians and other Persons and that gated entries and other features of the access control system may restrict or delay entry into the Property or Neighborhoods within the Property by the police, fire department, ambulances and other emergency vehicles or personnel. Neither the Association, nor Declarant, nor Developer, nor any Related Party (nor any principal, committee, officer, director, agent or employee of any of them) shall be liable to any Owner, Occupant, or other Person for any claims or damages resulting, directly or indirectly, from the construction, existence, operation, failure of operation or maintenance of any gates or access control system, or for delays caused by reason of restricted access to the Property or Neighborhoods within the Property, or for the unauthorized entry of pedestrians and other Persons into the Property. Moreover, no approval of a security (or similar) system for a Lot by the Architectural Review Committee or the Board shall constitute a warranty or assurance of any kind by the Architectural Review Committee or Board that the system will function as intended, and neither the Architectural Review Committee nor the Board (nor any member or agent of either) shall have any liability by reason of any approval if any security fails to prevent or detect the risk for which is intended.
- 4.9.6 Release and Waiver. Each Owner and Occupant hereby releases the Association, Declarant, Developer and Related Parties (and their respective principals, committees, officers, agents and employees) from any and all claims, actions, suits, demands, causes of action, losses, damages, or liabilities related to or arising in connection with any nuisance, inconvenience, disturbance, injury or damage resulting, directly or indirectly, from the construction, existence, operation, failure of operation or maintenance of any gates or access control system, or for delays caused by reason of restricted access to the Property or Neighborhoods within the Property, or for the unauthorized entry of pedestrians and other Persons into the Property.

5. CLUB FACILITIES

5.1 General. The Club Facilities are not Common Areas and are not subject to this Declaration. No provision of this Declaration gives, or shall be deemed to give, any Owner or Occupant the right to use the Club Facilities. Rights to use the Club Facilities will be granted only to those Persons, and on those terms and conditions, as may be determined from time to time by the Club Owner, or by separately recorded instrument. By way of example, but not limitation, the Club Owner shall have the right to approve users and determine eligibility for use, to reserve use rights, to transfer any or all of the Club Facilities or operation thereof to anyone and on any terms, to limit availability of use privileges, and to require the payment of a purchase price, a membership contribution, an initiation fee, a membership deposit, dues, and/or use charges. Each Owner and Occupant hereby acknowledges that no right to the use or enjoyment of the Club Facilities arises from ownership or occupancy of a Lot but arises, if at all, only from a membership agreement or other similar agreement with the Club Owner, or by a separately recorded easement or other recorded instrument. The Club Owner shall have the right, from time to time in its sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of the Club Facilities including, but not limited to, eligibility for and duration of use rights, categories of use, extent of use privileges, and number of users. The Club Owner shall also have the right, in its sole and absolute discretion and without notice, to reserve use rights and to terminate use rights altogether, subject to the provisions of any outstanding membership documents and any applicable recorded easements or other instruments.

5.2 Ownership of Club Facilities. Each Owner and Occupant hereby acknowledges that no representations or warranties have been or are made by Declarant, Developer or any other Person with regard to the use of, or the nature or size of improvement to, or the continuing ownership or operation of the Club Facilities. No representation or warranty regarding the foregoing matters shall be effective unless in writing and signed by the Person to be held responsible. It is not contemplated that the Club Facilities will be annexed to the Property and thereby subjected to this Declaration.

5.3 Assumption of Risk. Each Owner and Occupant expressly assumes the risk of noise, personal injury or property damage or any other condition caused by the existence of the Club Facilities or caused by the maintenance and operation of the Club Facilities including, but not limited to: (a) noise from maintenance equipment, (b) noise caused by golfers and social events at the Club Facilities, (c) use of pesticides, herbicides, fertilizer and effluent, (d) view restrictions caused by maturation of trees and shrubbery, (e) reduction in privacy caused by golf traffic on any Golf Course or the removal or pruning of shrubbery or trees on any Golf Course, (f) design of any Golf Course, and (g) the possibility of golf balls entering the property adjacent or in proximity to the Club Facilities and causing damage to property and injury to Persons. Each Owner and Occupant acknowledges that maintenance of golf courses typically takes place around sunset or sunrise. Each Owner and Occupant agrees that neither the Association, the Club Owner, Declarant, Developer, any Related Party, the designer of any Golf Course, nor any other Person owning or managing any portion of the Club Facilities or supplying equipment, materials or services to any portion of the Club Facilities (nor any of their respective members, partners, shareholders, principals, officers, directors, employees or agents) shall be liable to any Owner or any other Person claiming any loss or damage including, but not limited to, indirect, special or consequential loss or damage arising from personal injury, destruction of property, trespass, loss of enjoyment or any other alleged wrong or entitlement to remedy based upon, due to, arising from or otherwise related to the proximity of an Owner's Lot to the Club Facilities including, but not limited to, any claim arising in whole or in part from the negligence of the Association, the Club Owner, Declarant, Developer, any Related Party, the designer of any Golf Course or any other Person owning or managing any portion of the Club Facilities or supplying equipment, materials or services to any portion of the Club Facilities (or any of their respective members, partners, shareholders, principals, officers, directors, employees or agents). Each Owner, by acceptance of a deed or other conveyance of an interest in a Lot, is deemed to agree and covenant not to make any claim or institute any action whatsoever against the Association, the Club Owner, Declarant, Developer, any Related Party, the designer of any Golf Course, or any other Person owning or managing any portion of the Club Facilities or supplying equipment, materials or services to any portion of the Club Facilities (or any of their respective members, partners, shareholders, principals, officers directors, or employees) arising from or otherwise related to the proximity of an Owner's Lot to the Club Facilities, including, but not limited to, any claim arising of resulting from any errant golf balls, any damage that may be caused thereby or the negligent design of any Golf Course or the location of any Lot in relation to any Golf Course.

5.4 Notice of Club Lien Rights. Each Owner hereby acknowledges that the membership agreement and other documents through which Owners may obtain use rights with respect to the Club Facilities may contain lien rights in favor of the Club Owner if dues or other amounts owed to the Club Owner are not paid when due. Any such lien rights in favor of the Club Owner shall be in addition to, not in lieu of, lien rights in favor of the Association provided for in this Declaration.

6. INSPECTION AND TURNOVER OF COMMON AREAS

6.1 Inspection of Common Area Improvements. Not later than each date upon which Developer conveys any Common Areas to the Association and as a condition to each such conveyance, Developer shall select experts to inspect any completed buildings, rights-of way, sidewalks or other improvements to those Common

Areas to determine whether the improvements have been constructed in substantial compliance with the plans and specifications, as modified by any change orders, and to inspect for defects in materials and workmanship and for governmental code violations. In addition, upon Developer's completion of any building, right-of-way, sidewalk, or other improvement in Common Areas previously conveyed to the Association (costing in excess of \$10,000), Developer shall select experts to inspect the completed improvements to determine whether the improvements have been constructed in substantial compliance with the plans and specifications, as modified by any change orders, and to inspect defects in materials and workmanship and for governmental code violations. The Association shall pay the cost of the inspections and the cost shall be a Common Expense. Each Owner, by acceptance of a deed or other conveyance of an interest in a Lot, is deemed to agree to the inspectors selected by Developer and the inspection process set forth in this Section and to agree to abide by the inspectors' determinations. Developer shall, at its sole cost and expense, make all repairs to the improvements which the inspectors deem necessary to cause the improvements (when they are conveyed to the Association) to comply substantially with the plans and specifications, as modified by any change orders, to be free from defects in materials and workmanship and to be in compliance with applicable governmental codes. Except as provided in Section 6.3, Developer shall have no obligation to make any additional repairs to the improvements other than the repairs which the inspectors deem necessary as provided in the preceding sentence. The Association and each Owner, by acceptance of a deed or other conveyance of an interest in a Lot, release Developer and the Related Parties from any further obligations with respect to repairs to any Common Area improvements except any repairs required to be made by Developer pursuant to Section 6.3. At such time as Developer has completed all repairs required to be made by Developer under this Section 6.1 and the inspectors selected by Developer have certified that all required repairs have been completed, the Association shall be deemed to own and to have accepted (and shall have no right to refuse to accept) the improvements. Thereafter, the Association shall have no right to require Developer or any of the Related Parties to make any further repairs to the Common Area improvements (except as provided in Section 6.3) and shall have no right to bring any claim or action against Developer or any of the Related Parties (or any of their respective employees) relating to the improvements.

6.2 Conveyance of Common Areas to Association. On or before the Transition Date, Developer shall convey the Common Areas then included in the Property to the Association by special warranty deed or other appropriate instrument as determined by Developer, subject to this Declaration and all matters of record. The Common Areas may be conveyed in phases, if Developer so elects, provided all of the Common Areas that are part of the Property have been conveyed by the Transition Date. Common Areas created within land annexed to the Property following the Transition Date shall be conveyed to the Association following substantial completion of any improvements to the new Common Areas that may be planned by Developer. The Association shall accept title to the Common Areas transferred to it by Developer. All costs and expenses of any conveyance of the Common Area by Developer to the Association shall be paid by the Association.

Subject to any repairs required under section 6.1 Or section 6.3, the Association shall accept the common areas "as is" and without any representation or warranty, express or implied, in fact or by law with respect thereto, or with respect to the improvements, including, but not limited to, representations or warranties of merchantability or fitness for the ordinary or any particular purpose, and without any representations or warranties regarding future repairs or regarding the condition, construction, accuracy, completeness, design, adequacy of the size or capacity in relation to the utilization, date of completion or the future economic performance or operations, except as set forth herein. The Association and each owner, by acceptance of a deed or other conveyance of an interest in a lot, release developer and the related parties (and their respective employees) from any claims and warrant that no claim shall be made by the association or any owner relating to the condition or completeness of the common areas or for incidental or consequential damages arising therefrom.

6.3 Turnover upon Transition Date. Prior to the Transition Date, Developer shall select experts to inspect the Common Areas and improvements constructed thereon to determine whether the improvements contain any defects in materials or workmanship and to review and evaluate the level of reserves of the Association to determine whether the Association's reserves for capital improvements are sufficient based on the age and condition of any improvements to the Common Areas. The Association shall pay the cost of the inspections and the cost shall be a Common Expense. Each Owner, by acceptance of a deed or other conveyance of an interest in a Lot, is deemed to agree to the inspectors selected by Developer and the inspection process set forth in this Section and to agree to abide by the inspectors' determinations. Developer shall, at its sole cost and expense, make all repairs to the improvements which the inspectors deem necessary to cause the improvements to be free of defects in materials and workmanship. Nothing in this Section shall require Developer to make any repairs to the Common Areas or the improvements thereto necessitated by ordinary wear and tear or changes in codes or other legal requirements. Developer shall also deposit with the Association the amount of funds, if any, determined by the inspectors to be necessary to provide the Association with sufficient reserves for capital improvements. Developer shall have no obligation to make any additional repairs to the improvements other than the repairs which the inspectors deem necessary as provided herein or to fund the Association's reserves for capital improvements. The Association and each Owner, by acceptance of a deed or other conveyance of an interest in a Lot, release Developer and the Related Parties from any further obligations to repair the Common Area improvements and to fund reserves for capital improvements. At such time as Developer has completed all repairs required to be made by Developer to the Common Area improvements, Developer has deposited with the Association any funds deemed necessary by the inspectors to provide sufficient reserves as provided herein, and the inspectors selected by Developer have certified that all required repairs have been completed and all required funds have been deposited, the Association and the Owners shall be deemed to have accepted the condition of the Common Areas and improvements thereto and the amount of the reserves for capital improvements, and, thereafter, the Owners and the Association shall have no right to require Developer or any Related Party to make any further repairs to the improvements to the Common Areas or to contribute to the reserves of the Association and shall have no right to bring any claim or action against Declarant or any Related Party (or their respective employees) relating to the condition of the Common Areas, the Common Area improvements and the level of the Association's reserves for capital improvements.

6.4 Turnover Following Transition Date. If Common Areas are conveyed to the Association following the Transition Date in connection with land being annexed to the Property, as provided in Section 6.1, inspection and acceptance of any such additional Common Areas in a manner consistent with the requirements of Section 6.3 shall occur at the time of conveyance to the Association, unless a different schedule is mutually approved by the Developer and the Board.

7. ASSESSMENTS

7.1 Creation of Lien and Personal Obligations. Each Owner, by acceptance of a deed or other conveyance of an ownership interest in a Lot, is deemed to covenant and agree to pay to the Association: Regular Assessments, Special Assessments, Capital Improvement Assessments, if applicable, Reconstruction Assessments, if applicable, Neighborhood Assessments, if applicable, and any other sums established and collected from time to time as provided in this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Association Rules and the Architectural Design Guidelines. All Assessments shall be established and collected, from time to time, as provided in this Declaration or, in the case of Neighborhood Assessment, in the applicable Neighborhood Declaration. The Assessments and charges provided for in

this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Association Rules and Architectural Design Guidelines, together with interest thereon, late charges, attorneys' fees, witness fees (including expert witness fees), costs, litigation-related expenses and other costs of collection thereof, as hereinafter provided, shall be a continuing lien upon the Owner's Lot (or combined Lots as provided in Section 13.15) against which Assessments and charges are made. Each Assessment and charge, together with interest and other costs, shall also be the personal obligation of the Owner to whom the Assessment or charge relates. The personal obligation for delinquent payments shall not pass to an Owner's successor unless expressly assumed by the Owner's successor. If more than one Person owns a Lot, all co-Owners of the Lot shall be jointly and severally liable for all Assessments and charges provided for in this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Association Rules and the Architectural Design Guidelines.

7.2 Purpose of Assessments. The Assessments levied by the Association shall be used to promote the recreation, health, safety and welfare of the Owners, to enhance the quality of life within the Property, to preserve the value of the Property, to pay the costs of administration of the Association and all other Common Expenses, to provide for obligations set forth in this Declaration, in any Supplemental Declaration or Neighborhood Declaration, and to otherwise further the interests of the Association. Where a Lot has separate electrical, sewer, cable television or other similar utility service and the services are not being provided through the Association pursuant to Section 3.25, all costs related to the services (including, but not limited to, service charges, repairs, and maintenance) shall be the personal obligation of the Owner of the Lot and shall not be part of the Common Expenses to be paid through Assessments.

7.3 Regular Assessments.

- 7.3.1 Except as otherwise specifically provided herein or in a Supplemental Declaration (for the portion of the Property subject to it), each Owner shall pay as the Owner's Regular Assessment the Owner's Proportionate Share of the Common Expenses.
- 7.3.2 Not later than 60 days prior to the beginning of each fiscal year of the Association (starting with the first full fiscal year after the sale of the first Lot to a Retail Purchaser), the Association shall make available for review by each Owner at the Association's office during reasonable times a pro forma operating statement or budget for the upcoming fiscal year, which shall, among other things, estimate the total Common Expenses to be incurred for the fiscal year. The Association shall at that time determine the amount of the Regular Assessment to be paid by each Owner and notify each Owner thereof. Each Owner shall thereafter pay to the Association the Owner's Regular Assessment at such regular intervals as may be determined by the Board, from time to time. Each installment shall be due and payable on the date set forth in the written notice sent to the Owners. The fiscal year of the Association shall be the calendar year, unless otherwise specified in the Articles or Bylaws.
- 7.3.3 If the Association determines that the total Regular Assessments for the current year are, or will become, inadequate to meet all Common Expenses for whatever reason, including Common Expenses in excess of the estimated Common Expenses used in preparation of the Association's budget for that year, the Association shall then determine the approximate amount of the inadequacy and issue a supplemental estimate of the Common Expenses and determine the revised amount of Regular Assessments to be paid by each Owner for the balance of the year, and the date or dates when due. If the estimated total Regular Assessments for the current year prove to be in excess of the Actual Common Expenses,

the Association may, at the discretion of the Board, retain the excess as additional working capital or reserves, reduce the amount of the Regular Assessments for the succeeding year, or abate collection of Regular Assessments for a period of time deemed appropriate by the Board. No reduction or abatement of Regular Assessments because of any anticipated surplus may diminish the quantity or quality of services upon which the Common Expenses for the year in question are based.

- 7.3.4 From one fiscal year to the next, in no event shall the Board increase Regular Assessments payable by Lots by more than the greater of (a) 15% or (b) the increase during the preceding year of the Consumer Price index for All Consumers - U.S. Cities Average - All Items (the "CPI") published by the United States Department of Labor, Bureau of Labor Statistics (1982-84 = 100), but in no event more than the maximum increase permitted by applicable law, without a vote or written consent by both Developer (so long as Developer owns any Lot within the Property in fee or beneficially) and also a Majority of a Quorum of Members other than Developer. In the event the Bureau of Labor Statistics ceases to publish the CPI and such information is not available from any other source, public or private, then a new formula for determining the maximum annual increase permitted without a vote or written consent of the Members shall be adopted by the Board.
- 7.4 Special Assessments. Subject to the provisions of any applicable Supplemental Declaration or any applicable Neighborhood Declaration, the Association may levy Special Assessments against particular Owners and Lots that are subject to Assessment in accordance with the following:
- 7.4.1 The Association may levy a Special Assessment to recover the cost, including overhead and administrative expenses, of providing benefits, items, or services to a Lot (or to its Owner or Occupant) that are not included in the Common Expenses payable as Regular Assessments. Special Assessments under this Section may be levied in advance and payments of the Special Assessment may be a condition of providing the benefit, item or service.
- 7.4.2 The Association may also levy a Special Assessment to cover the cost of bringing a Lot (or its Owner or Occupant) into compliance with the requirements of this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Articles, Bylaws, Association Rules and Architectural Design Guidelines including, but not limited to, increased maintenance costs to the Association caused by an Owner's use or treatment of the Owner's Lot. Before any Special Assessment is levied pursuant to this Section 7.4.2, any Owner affected by the Special Assessment shall be given notice and an opportunity to be heard by the Board (or by a committee designated for the purpose by the Board).
- 7.4.3 The Association may also levy Special Assessments for any other charge designated as a Special Assessment in this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Articles, Bylaws, Association Rules or Architectural Design Guidelines.

7.4.4 The term "Special Assessment" shall also include any fines levied or fixed by the Board or the Architectural Review Committee pursuant to this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Association Rules and Architectural Design Guidelines and attorneys' fees, witness fees (including expert witness fees), costs, litigation-related expenses, interest and other costs incurred in connection with a Special Assessment.

7.5 Capital Improvement Assessments. In addition to the Regular Assessments, the Association may levy a Capital Improvement Assessment for the purpose of defraying, in whole or in part, any action or undertaking on behalf of the Association in connection with, or the cost of, any construction or replacement of a described capital improvement upon the Common Areas, including the necessary fixtures and personal property related thereto, to the extent not covered by the provisions affecting Reconstruction Assessments in Section 9. Without the vote of a Majority of a Quorum of Members (and, if prior to the Transition Date, the written consent of Developer), the Association shall not impose a Capital Improvement Assessment in an amount that in any one year exceeds 5% of the estimated annual Common Expenses. Any reserves collected by the Association for the future maintenance and repair of the Common Areas, or any portion thereof, pursuant to Section 7.13 shall not be included in determining the foregoing limitation on any annual Capital Improvement Assessment. All amounts collected as Capital Improvement Assessments may be used only for capital improvements (including any related fixtures and personal property) and shall be deposited by the Association in a separate bank account to be held in trust for those purposes. Those amounts shall not be comingled with any other funds of the Association and shall be deemed a contribution to the capital account of the Association by the Members.

7.6 Neighborhood Assessments. If a Supplemental Declaration or Neighborhood Declaration designates certain costs as a Neighborhood Assessment or if the Association determines in the exercise of its reasonable judgment that a Neighborhood benefits in a substantial way from a particular feature, characteristic or service and other Lots outside the Neighborhood do not benefit or do not benefit as much from the feature, characteristic or service, the Association may levy a Neighborhood Assessment against each Lot within the Neighborhood to pay for the incremental cost incurred in connection with the feature, characteristic or service including, but not limited to, maintenance, repair, and replacement costs.

7.7 Uniform Assessment. The Regular Assessment and any Capital Improvement Assessment shall be uniform for all Lots subject to Assessments. Any Neighborhood Assessment shall be uniform for all Lots subject to Assessments in the affected Neighborhood.

7.8 Exempt Property. All properties dedicated to and accepted by, or otherwise owned or acquired by, a public authority shall be exempt from Assessments created herein.

7.9 Commencement of Regular Assessments and Neighborhood Assessments. Regular Assessments, as to Lots within the Property subject to Assessment, shall commence on the first day of the month following the date of conveyance of the first Lot to be conveyed to a Retail Purchaser. Regular Assessments for Lots within any Annexed Property, as to Lots within the Annexed Property subject to Assessment, shall commence upon the effective date of the annexation making them Annexed Property or such later date as may be specified in the Supplemental Declaration annexing them. Any Neighborhood Assessments, as to Lots within the applicable Neighborhood subject to Assessment, shall commence on the date specified by the Association when it determines that a Neighborhood Assessment will be imposed in accordance with Section 7.6 or on the date specified in the Supplemental Declaration or Neighborhood Declaration (as applicable), if the Neighborhood Assessment is imposed by a Supplemental Declaration or Neighborhood Declaration.

7.10 Time and Manner of Payment; Late Charges and Interest. The manner and timing of payment of Assessments shall be designated by the Board. The Board may, in its discretion, establish late fees and charge interest (including interest as the Default Rate of Interest) on any Assessment not paid by its due date. The Board may, in its discretion and without waiving the imposition of a late charge or interest in any other instance, waive the late charge and/or interest in any particular instance. A Member who is delinquent in payment of Assessments shall also be liable for attorneys' fees, witness fees (including expert witness fees), costs,

and other litigation-related expenses incurred by the Association as a result of the delinquency, and if any suit, action, or other proceeding is brought to collect any delinquent Assessment or charge, then there shall be added to the amount thereof reasonable attorneys' fees, witness fees (including expert witness fees), costs and other litigation-related expenses, to be fixed by the court and included in any judgment or award rendered thereon.

7.11 No Offsets. All Assessments shall be payable in the amount specified in the Assessment or notice of Assessment. No offsets against the specified Assessment amount shall be permitted for any reason including, but not limited to, a claim that (a) the Association, the Board, the President or Developer is not properly exercising its duties and powers as provided in this Declaration; (b) Assessments for any period exceed Common Expenses; or (c) a Member has made, and elects to make, no use of the Common Areas.

7.12 Homestead Waiver. Each Owner, to the extent permitted by law, hereby waives the benefit of any homestead or exemption laws of the State of Arizona now in effect, or in effect from time to time hereafter, to the extent of any liens created pursuant to this Declaration, whether the liens are now in existence or are created at any time in the future.

7.13 Reserves. Upon the initial transfer of record title to a Lot by Developer (or by Declarant on behalf of Developer) to a Retail Purchaser, and upon each subsequent transfer of record title, the new Owner of the Lot shall be required to make a contribution to the capital of the Association in an amount equal to one-quarter of the annual amount of the Regular Assessments for that Lot, or such lesser amount as the Board may determine from time to time, to establish reserves for the Association. Notwithstanding the foregoing, Developer shall have no obligation to contribute to the reserves of the Association. In addition, the Board may, but shall not be required to, annually prepare a reserve budget which shall take into account the number and nature of replaceable assets, the useful life of each asset and the anticipated repair and replacement cost. If the Board establishes a reserve budget, the Board shall establish a required contribution to the Reserve for Capital Improvements, in an amount sufficient to permit the Association to meet its projected needs, as shown on the reserve budget, with respect both to amount and timing of annual Assessments over the period of the budget. Any required contributions to the Reserve for Capital Improvements shall be assessed as a portion of the Regular Assessment on each Lot. Any reserves collected upon the initial sale of a Lot as described above, and any additional reserves included in the Common Expenses which are collected as part of the Regular Assessments, shall be deposited by the Association in a separate bank account to be held in trust for the purposes for which they are collected and are to be segregated from and not comingled with any other funds of the Association, except to the extent that the Association's regularly employed accountant deems it desirable to do otherwise on the basis of standard accounting principles in similar contexts or the laws, tax or otherwise, of the State of Arizona or the United States relating to nonprofit corporations or homeowners associations. All reserves shall be deemed a contribution to the capital account of the Association by the Members. The responsibility of the Board (whether while controlled by Developer or the Members) shall be only to provide for an amount of reserves as the Board in good faith deems reasonable, and neither the Board (nor any member thereof), nor Developer, nor any related Parties (nor the respective employees of Developer and the Related Parties), nor Declarant shall have any liability to any owner, to the Association, or to any other Person if the reserves prove to be inadequate.

7.14 Subordination of Liens. Any lien that arises against a Lot by reason of the failure or refusal of an Owner to make timely payment of any Assessment or other charge imposed pursuant to this Declaration shall be subordinate to the lien of a prior recorded Mortgage on the Lot, acquired in good faith and for value, except for the amount of the unpaid Assessment or charge that accrues from and after the date on which a Mortgagee comes into possession of or acquires title to the Lot, whichever occurs first (together with any reasonable attorneys' fees, witness fees (including expert witness fees), costs, litigation-related expenses, interest and any

late charges related thereto). If any lien for unpaid Assessments or other charges prior to the date the Mortgagee comes into possession of or acquires title to the Lot has not been extinguished by the process by which the Mortgagee came into possession of or acquired title to the Lot, the Mortgagee shall not be liable for unpaid Assessments or charges arising prior to the foregoing date and, upon written request to the Association by the Mortgagee, the lien shall be released in writing by the Association. Any unpaid Assessments or other charges that are extinguished as a lien pursuant to the foregoing sentence shall continue to be the personal obligation of the delinquent Owner and may also be reallocated by the Association among all Members as part of the Common Expenses.

7.15 Certificate of Payment. Any Person acquiring an interest in any Lot shall be entitled to a certificate from the Association setting forth the amount of due but unpaid Assessments relating to the Lot, if any, and that Person shall not be liable for, nor shall any lien attach to the Lot in excess of, the amount set forth in the certificate, except for Assessments that occur or become due after the date thereof and any attorneys' fees, witness fees (including expert witness fees), costs, litigation-related expenses, interest and any late charges related to those subsequent Assessments.

7.16 Enforcement of Lien. The lien provided for in this Section 7 may be foreclosed by the Board in any manner provided or permitted for the foreclosure of realty mortgages or deeds of trust in the State of Arizona. All of the provisions of this Section 7 relating to the enforcement of the lien provided for herein (including, but not limited to, the subordination provisions in Section 7.14 or the provisions of this Section 7.16) shall apply with equal force in each other instance provided for in this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Association Rules or Architectural Design Guidelines wherein it is stated that payment of a particular Assessment, charge or other sum shall be secured by the lien provided for in this Section 7. Nothing in this Section shall be construed as requiring that the Association take any action in any particular instance, and the failure of the Association to take such action at any time shall not constitute a waiver of the right to take action at a later time or in a different instance.

7.17 Pledge of Assessment Rights as Security. The Board shall have the power to pledge the Association's assessment powers and rights provided for in this Declaration as security for any obligation of the Association; provided, however; that any pledge of the Association's assessment powers and rights shall require the prior affirmative vote or written assent of both a Majority of a Quorum of Members and also Developer, so long as Developer or any Related Party owns any portion of the Project in fee or beneficially. The Board's power to pledge the Association's assessment powers shall include, but not be limited to, the ability to make an assignment of Assessments that are then payable to, or will become payable to, the Association; provided the assignment, although presently effective, allows Assessments to continue to be paid to the Association and used by the Association as set forth in this Declaration, unless and until the Association defaults on its obligations secured by the assignment.

7.18 Exemption of Unsold Lots. Notwithstanding anything in this Section 7 to the contrary, prior to the Transition Date, no Assessments shall be levied upon, or payable with respect to, any Lot owned in fee or beneficially by Developer or any Related party until the Lot has been conveyed to a non-affiliated purchaser thereof.

8. INSURANCE

8.1 Authority to Purchase. The Association shall purchase and maintain insurance including, but not limited to, the insurance described in Section 8.3. Except as otherwise specifically provided herein, policies shall be on such terms and conditions as the Board shall determine in its discretion. All policies maintained by the Association and endorsements thereon, or copies thereof, shall be deposited with the Association. Upon request,

the Association shall advise Owners of the coverage of any policies purchased by the Association in order to permit the Owners to determine which particular items are included within the coverage so that the Owners may insure themselves as they see fit if certain item are not insured by the Association. All of the Association's insurance policies and claims thereunder shall be administered by the Board.

8.2 Owner's Responsibility. Each Owner shall be responsible for providing insurance on the Owner's Lot, and any additions and improvements thereto, and any furnishings and personal property therein, the Owner's personal property stored elsewhere within Property, the Owner's personal liability to the extent not covered by the public liability insurance obtained by the Association and any other insurance the Owner desires. No Owner shall maintain any insurance, whether on the Owner's Lot or otherwise, that would limit or reduce the insurance proceeds payable under the casualty insurance maintained by the Association in the event of damage to the improvements or fixtures on the Common Areas or the Association's interest in any Areas of Common Responsibility.

8.3 Coverage. The Association shall maintain and pay for policies of insurance as follows:

- 8.3.1 A blanket property insurance policy covering "risks of direct physical loss" on a "special form" basis (or comparable coverage) covering all of the Common Areas providing, as a minimum, fire and extended coverage, and all other coverage in kinds and amounts customarily acquired or required for projects similar in construction, location and use including, but not limited to, perils normally covered by an "all-risk" policy, in and amount determined by the Board, but in all events sufficient to cover the full replacement cost of any insured improvements. If "special form" coverage is not generally available at a reasonable cost, then "broad form" coverage may be substituted.
- 8.3.2 A policy of commercial general liability insurance covering all of the Common Area and acts for which the Association might be responsible in an amount determined by the Board but not less than \$1,000,000 per occurrence, for personal injury or death and/or property damage. The scope of coverage shall include all other coverage in the kinds and amounts customarily acquired or required for projects similar in construction, location and use including, but not limited to, liability for non-owned and hired automobiles, liability for property of others, liability arising in connection with the operation, maintenance or use of the Common Areas, liability assumed by contract or contractual liability, and liability arising out of any employment contracts of the Association.
- 8.3.3 The Association shall, at the Board's election, obtain fidelity insurance coverage against dishonest acts on the part of directors, officers, managers, trustees, agents, employees or other individuals responsible for handling funds belonging to or administered by the Association. If funds of the Association are handled by a management agent, fidelity insurance coverage shall also be obtained for the officers, employees or agents thereof handling or responsible for Association funds. The fidelity insurance must name the Association as the named insured and shall be written to provide protection in an amount not less than the lesser of (a) one-half times the Association's estimated annual operating expenses and reserves, (b) a sum equal to three months' aggregate Regular Assessments plus reserves, or (c) the estimated maximum amount of funds, including reserves, in the custody of the Association (and its management agent) at any one time. In connection with the coverage, an appropriate endorsement to the policy to cover any individual who serves without compensation shall be added if the policy would not otherwise cover volunteers. Any such coverage must also name the Association as an obligee.

- 8.3.4 A worker's compensation policy, if necessary to meet the requirements of law.
- 8.3.5 A policy of "directors and officers" liability insurance, including errors and omissions coverage.
- 8.3.6 Other insurance, in amounts and on terms, as the Board may determine from time to time to be desirable. If at any time any of the foregoing types of coverage are not reasonably available, the Association shall maintain the most nearly equivalent coverages that are available.

8.4 Required Provisions. The insurance policies purchased by the Association shall, to the extent reasonable and available, contain the following provisions:

- 8.4.1 The coverage afforded by the policies purchased by the Association shall not be brought into contribution or proration with any insurance that may be purchased by any Owner or Mortgagee.
- 8.4.2 The conduct of any one or more Owners shall not constitute grounds for avoiding liability on any of the policies.
- 8.4.3 There shall be no subrogation with respect to the Association, its agents or employees, Owners or members of their households or families and employees, and each Mortgagee of all or any part of the Property or of any Lot, or the policies should name those Persons as additional insureds. Each policy must also contain a waiver of any defenses based on co-insurance or on invalidity arising from the acts of the insured.
- 8.4.4 A "severability of interest" endorsement shall be obtained which shall preclude the insurer from denying the claim of an Owner because of the conduct or negligent acts of the Association and its agents or other Owners.
- 8.4.5 Any "other insurance" clause shall exclude insurance purchased by Owners or Mortgagees.
- 8.4.6 Coverage must not be prejudiced by (a) any act or neglect of Owners when the act or neglect is not within the control of the Association or (b) any failure of the Association to comply with any warranty or condition regarding any portion of the Property over which the Association has no control.
- 8.4.7 Coverage may not be cancelled or substantially modified without at least 30 days' (or a lesser period as the Board may reasonably deem appropriate) prior written notice to the Association.
- 8.4.8 Any policy of property insurance that gives the carrier the right to elect to restore damage in lieu of a cash settlement must provide that the election is not exercisable without the prior written approval of the Board, or when in conflict with the insurance trust provisions contained herein, or any requirement of law.
- 8.4.9 A recognition of any insurance trust agreement entered into by the Association.
- 8.4.10 Each hazard insurance policy shall be written by a hazard insurance carrier which has a Best's Key Rating Guide rating of A or better and is assigned a financial size category of IX or larger as established by A. M. Best Company Inc., or if that rating service is discontinued, an equivalent rating by a successor thereto or a similar rating service.

8.4.11 Each insurance carrier must be specifically licensed or authorized by law to transact business within the State of Arizona.

8.4.12 Policies shall not be utilized where, under the terms of the carrier's charter, bylaws or policy, contributions or assessments may be required from Owners or the Association or loss payments are contingent upon action by the carrier's board of directors, policyholders, or members.

8.5 Non-Liability of Association/Board/President. Notwithstanding the duty of the Association to obtain insurance coverage as stated herein, neither the Association, the President, the members of the Board, Declarant, Developer, the Related Parties, nor any of their respective employees shall be liable to any Owner, Mortgagee or other Person if any risks or hazards are not covered by insurance or if the amount of insurance is not adequate, and it shall be the responsibility of each Owner to ascertain the coverage and protection afforded by the Association's insurance and to procure and pay for additional insurance coverage and protection as the Owner may desire.

8.6 Premiums. Premiums for insurance policies purchased by the Association shall be paid by the Association as a Common Expense, except that the amount of increase over any annual or other premium arising from the use, misuse, occupancy or abandonment of a Lot or its appurtenances, or of the Common Areas, by an Owner may be assessed against that particular Owner.

8.7 Insurance Claims. The Board, acting for the Association, is hereby irrevocably appointed and authorized, subject to the provisions contained herein, to adjust all claims arising under insurance policies purchased by the Association and to execute and deliver releases upon the payment of claims, and to do all other acts reasonably necessary to accomplish any of the foregoing. The Board has full and complete power to act for the Association in this regard and may, at its discretion, appoint an authorized representative, or enter into an insurance trust agreement wherein the trustee shall have authority, to negotiate losses under any policy purchased by the Association.

8.8 Benefit. Except as otherwise provided herein, all insurance policies purchased by the Association shall be for the benefit of, and any proceeds of insurance received by the Association or any insurance trustee shall be held and disposed of in trust for, the Association or the Owners, as their interests may appear.

9. DAMAGE AND DESTRUCTION OF COMMON AREAS

9.1 Duty of Association. In the event of partial or total destruction of all or any portion of the Common Areas or Areas of Common Responsibility, or any improvements thereon, the Association shall elect either (i) to restore and repair the destroyed areas; or (ii) to clear and landscape the destroyed area as promptly as practical pursuant to this Section 9. The proceeds of any casualty insurance maintained pursuant to this Declaration shall be used for whichever purpose is elected by the Association pursuant to the foregoing sentence, subject to the prior rights of Mortgagees whose interest may be protected by the policies.

9.2 Reconstruction Assessment Levied Without a Vote of Members. If the amount available from the proceeds of any insurance policies for restoration and repair, together with any uncommitted or unreserved capital of the Association, is at least 75% of the estimated cost of restoration and repair, the Association may levy a Restoration Assessment against each Owner for the Proportionate Share of each Lot owned by that Owner to provide any necessary funds for restoration and repair in excess of the amount of funds available for that purpose. If the Association levies a Reconstruction Assessment pursuant to this Section 9.2, the Association

shall thereupon cause the damaged or destroyed Common Areas or Areas of Common Responsibility to be restored in accordance with Section 9.1.

9.3 Reconstruction Assessment Levied With Required Vote of Members. If the amount available from the proceeds of any insurance policies for restoration and repair, together with any uncommitted or unreserved capital of the Association, is less than 75% of the estimated cost of restoration and repair, the Association may levy a Restoration Assessment against each Owner for the Proportionate Share of each Lot owned by that Owner to provide any necessary funds for restoration and repair in excess of funds available for that purpose, unless two thirds of the Members, at a special meeting held for that purpose, disapprove the restoration and repair. If the Members do not disapprove the proposed restoration and repair and the Association levies a Restoration Assessment pursuant to this Section 9.3, the Association shall thereupon cause the damaged or destroyed area to be restored and repaired in accordance with Section 9.1. If the Owners disapprove the restoration and repair of the damaged or destroyed area, the Association shall not levy a Reconstruction Assessment, and the damaged or destroyed area shall be cleared and landscaped in accordance with Section 9.1.

9.4 Excess Insurance Proceeds. In the event any excess insurance proceeds remain after any damaged or destroyed area is either restored and repaired or cleared and landscaped pursuant to Section 9.1, the Board, in its discretion, may retain those sums in the general funds of the Association or may distribute all or a portion of the excess to the Owners in their Proportionate Shares, subject to the prior rights of Mortgagees whose interests may be protected by the insurance policies carried by the Association. The rights of an Owner or the Mortgagee of a Lot to such a distribution shall be governed by the provisions of the Mortgage encumbering the Lot.

9.5 Use of Reconstruction Assessments. All amounts collected as Reconstruction Assessments shall be used only for the purposes set forth in this Section 9 and shall be deposited by the Association in a separate bank account to be held in trust for those purposes. Those amounts shall not be comingled with any other funds of the Association and shall be deemed a contribution to the capital account of the Association by the Owners. Any Reconstruction Assessment shall be secured by the lien provided for in Section 7.

9.6 Contract for Reconstruction. In the event the Association undertakes the repair and restoration of the Common Areas or Areas of Common Responsibility, the Association shall contract with a licensed contractor or contractors who may be required to post a suitable performance or completion bond. The contract with the contractor or contractors shall provide for the payment of a specified sum for completion of the work described therein and shall provide for periodic disbursements of funds, subject to the prior presentation of an architect's, or similar, certificate containing such provisions as may be appropriate in the circumstances and deemed suitable by the Association.

9.7 Insurance Proceeds Trust. Upon receipt by the Association of any insurance proceeds, the Association may cause the insurance proceeds to be paid directly to a bank, savings and loan association, or trust company located in Yavapai County, Arizona, designated by the Association to be a trustee (the "Insurance Trustee"). The insurance proceeds shall be received, held and administered by the Insurance Trustee subject to a trust agreement consistent with the provisions of this Declaration and which shall be entered into between the Insurance Trustee and the Association. Disbursements to contractors performing any repair or reconstruction upon the Property shall be made periodically as the work progresses in a manner consistent with procedures then followed by prudent lending institutions in Yavapai Count, Arizona.

10. EMINENT DOMAIN

10.1 Definition of Taking. The term "Taking," as used in this Section 10, shall mean condemnation by eminent domain or sale under threat of condemnation of all or any portion of the Common Areas.

10.2 Representation in Condemnation Proceedings. In the event of a threatened Taking of all or any portion of the Common Areas, the Owners hereby appoint the Association (through individuals designated by the Board) to represent all of the Owners in connection therewith. The Board shall act in its sole and absolute discretion with respect to any awards being made in connection with the Taking and shall be entitled to make a voluntary sale to the condemner in lieu of engaging in a condemnation action.

10.3 Award for Common Areas. Any awards received by the Association on account of the Taking of Common Areas shall be paid to the Association. The Board may, in its sole and absolute discretion, retain any award in the general funds of the Association or distribute all or any portion thereof to the Owners as their interests may appear. The rights of an Owner, and the Mortgagee of the Owner's Lot, to any distribution shall be governed by the provisions of the Mortgage encumbering the Lot.

11. MAINTENANCE, REPAIRS AND REPLACEMENTS

11.1 Maintenance of Lots.

11.1.1 Generally. Subject to the Association's obligations with respect to any Areas of Common Responsibility on Lots, each Owner shall furnish and be responsible for, at the Owner's expense, all of the maintenance, repairs and replacements within the Owner's own Lot. Without limiting the generality of the foregoing sentence, each Owner shall:

- (a) keep all shrubs, trees, hedges, grass, and plantings of every kind located on landscaped portions of the Owner's Lot neatly trimmed,
- (b) keep all natural areas of the Lot free of trash and other unsightly material, and
- (c) maintain in good condition and repair all paved, concrete and other synthetically surfaced areas including, but not limited to, driveways, roadways, and parking areas.

Among other things, each Owner shall be responsible for implementing and maintaining vegetation management standards for creating a defensible space in areas adjacent to structures in compliance with requirements set forth in the County's 1997 Urban Wildland Interface Code (as it may be amended from time to time). Subject to the Association's obligations with respect to any Areas of Common Responsibility on Lots, in the event of damage to or destruction of structures on or comprising any Lot, the Owner of the Lot shall proceed promptly either (i) to repair or reconstruct the structures in a manner consistent with the original construction or other plans and specifications approved in accordance with Section 12.4; or (ii) to clear and landscape the damaged or destroyed structures in accordance with this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration and the Architectural Design Guidelines.

11.1.2 Improper Maintenance and Use of Lots. Subject to the provisions of Section 17, if (i) any portion of any Lot is so maintained as to present a public or private nuisance or an unreasonable condition (as determined by the Board) with respect to other Owners or Occupants, or as to detract substantially from the appearance or quality of the surrounding Lots or other areas of the Property or the Project including, but not limited to, excessive growth of unsightly weeds in developable areas of the Lot before improvements are constructed; (ii) any portion of a Lot is being used in a manner that violates this Declaration,

any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Association Rules or the Architectural Design Guidelines; or (iii) the Owner of any Lot fails to perform any of the Owner's obligations under this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Association Rules or Architectural Design Guidelines, then the Board may by resolution make a finding to that effect, specifying the particular condition or conditions that exist, and pursuant thereto give notice to the offending Owner that unless corrective action is taken within a deadline reasonably established by the Board, the Board may cause corrective action to be taken at the Owner's cost. If, at the expiration of the deadline fixed by the Board, the requisite corrective action has not been taken, the Board is authorized and empowered to cause remedial action to be taken. The cost of any remedial action shall become a Special Assessment against the offending Owner and the Owner's Lot and shall be secured by the lien provided for in Section 7. Notwithstanding the foregoing, if the Board believes that immediate action is or may be necessary to avoid a risk of serious physical injuries to individuals or damage to the property, the Board shall be entitled, after giving notice to the affected Owner, to take whatever action it may believe to be minimally necessary to guard against or prevent injuries or damage without being required to wait for the period otherwise established by the Board as a deadline for action by the defaulting Owner.

11.2 Common Areas and Areas of Common Responsibility. The Association, or its duly delegated representative, shall maintain and otherwise manage all Common Areas and Areas of Common Responsibility including, but not limited to, any Private Roads, landscaping, walkways, riding paths, parking areas, drives, recreational facilities and the roofs, interiors, and exteriors of the buildings, structures and improvements located upon the Common Areas; provided, however, the Association shall not be responsible for maintaining any Common Areas or Areas of Common Responsibility that are part of Lots unless (i) the landscaping or structures are available for use by all Owners and Occupants or are within easements intended for the general benefit of the Property, and (ii) the Association assumes in writing the responsibility for the maintenance, or the Association's responsibility is set forth in a recorded instrument as provided in this Declaration (such as a Supplemental Declaration or Neighborhood Declaration).

11.2.1 Standard of Care. The Board shall use a reasonable standard of care in providing for the repair, management, and maintenance of Common Areas and Areas of Common Responsibility so that the Property will reflect a pride of ownership. In the discretion of the Board, the Association may, subject to any applicable provisions relating to Capital Improvement Assessments, perform any of the following within the Common Areas and Areas of Common Responsibility:

- (a) Construct, reconstruct, repair, replace or refinish any improvement or portion thereof;
- (b) Replace injured and distressed trees and other vegetation, and plant trees, shrubs, and ground cover to the extent the Board deems necessary for the conservation of water and soil and for aesthetic purposes;
- (c) Place and maintain such signs as the Board and Architectural Review Committee may deem appropriate for the proper identification, use, and regulation of these areas;
- (d) Do all such other and further acts that the Board deems necessary or appropriate to preserve and protect these areas and the beauty thereof, in accordance with the general purposes specified in this Declaration.

The Board shall be the sole judge of the appropriate maintenance of all Common Areas and Areas of Common Responsibility.

- 11.2.2 Board's Determination of Responsibility For Maintenance. If any Supplemental Declaration, Neighborhood Declaration, Plat, deed restriction, or this Declaration permits the Board to determine whether or not Owners of certain Lots will be responsible for maintenance of certain portions of the Common Areas, Areas of Common Responsibility, Private Roads, or public-right-of-way areas, the Board shall have the sole and absolute discretion to determine whether or not it would be in the best interest of the Owner and Occupants of the Property for the Association or an individual Owner to be responsible for this maintenance, considering cost, uniformity of appearance, location, and other factors deemed relevant by the Board.
- 11.2.3 Contracts for Maintenance. The Board may cause the Association to contract with others for the performance of the maintenance and other obligations of the Association under this Section 11.2 and, in order to promote uniformity and harmony of appearance, the Board also may cause the Association to contract to provide maintenance services to Owners of Lots having these responsibilities in exchange for the payment of such fees as the Board and the applicable Owners may agree upon. All fees that the Board and Owners agree upon pursuant to the preceding sentence shall be considered Special Assessments, and shall be levied and collected by the Board pursuant to Section 7.4.
- 11.2.4 Assessment of Certain Costs of Maintenance and Repair of Common and Public Areas. If the need for maintenance, repair, or replacement of Common Areas, Areas of Common Responsibility or any other areas maintained by the Association is caused through the willful or negligent act of any Owner or Occupant or the family, guests, or invitees of either, the cost of all required maintenance or repairs shall be a Special Assessment against the Owner and the Owner's Lot and shall be secured by the lien provided for in Section 7.
- 11.3 Right of Access. An authorized representative of the Association, and all contractors, repairmen or other agents employed or engaged by the Association, shall be entitled to reasonable access to each of the Lots as may be required in connection with maintenance, repairs or replacements of or to the Common Areas and Areas of Common Responsibility, or any equipment, facilities or fixtures affecting or serving other Lots and the Common Areas or Areas of Common Responsibility, or to perform any of the Association's duties or responsibilities hereunder.

12. ARCHITECTURAL AND LANDSCAPING CONTROL

12.1 Appointment of Architectural Review Committee. Subject to Section 12.7, the Association shall have a Architectural Review Committee consisting of not less than three nor more than five individuals, as specified from time to time by resolution of the Board. After the Transition Date or such earlier date as Developer elects to delegate the design review powers to the Architectural Review Committee, members of the Architectural Review Committee shall be appointed by the Board. Individuals appointed to the Architectural Review Committee by the Board must be Owners or satisfy any other requirements as may be designated by the Board.

12.2 Architectural Design Guidelines. The Architectural Review Committee shall establish reasonable procedural rules, regulations, restrictions, architectural standards and design guidelines (the "Architectural Design Guidelines"), which the Architectural Review Committee may, from time to time, in its sole and

absolute discretion, amend, repeal, or augment. After the Transition Date or such earlier date as Developer elects to delegate the design review powers to the Architectural Review Committee, any change in the Architectural Design Guidelines will be effective only if it is approved by Developer (so long as Developer or any Related Party, owns any property within the Project in fee or beneficially). The Architectural Design Guidelines are hereby incorporated herein and shall be deemed to be a part of this Declaration and shall be binding on all Owners and other Persons having any interest in the Property as if expressly set forth herein. A copy of the current Architectural Design Guidelines shall at all times be a part of the Association's records. The Architectural Design Guidelines may include, among other things, those restrictions and limitations set forth below:

- 12.2.1 Time limitations for the completion, within specified periods after approval, of the improvements for which approval is required pursuant to the Architectural Design Guidelines.
- 12.2.2 Designation of a "building envelope" (or similarly named area) within a Lot, thereby establishing the maximum developable area of the Lot.
- 12.2.3 Conformity of completed improvements to plans and specifications approved by the Architectural Review Committee. For purchasers and encumbrancers in good faith and for value, however, unless (a) a notice of non-completion or nonconformance identifying the violating Lot and specifying the reason for the notice, executed by the Architectural Review Committee, is recorded with the County Recorder of Yavapai County, Arizona, and (b) the notice is given to the Owner of the Lot within one year following the expiration of the time limitation described in Section 12.2.1, or, if later, within one year following completion of the improvement, or (c) legal proceedings are instituted to enforce compliance or completion within the foregoing one-year period, the completed improvements shall be deemed to be in compliance with plans and specifications approved by the Architectural Review Committee and in compliance with the architectural standards of the Association and this Declaration.
- 12.2.4 Additional limitations and restrictions that the Architectural Review Committee in its discretion may adopt including, but not limited to, the regulation of all landscaping (including, but not limited to, absolute prohibition of certain types of landscaping, trees and plants), construction, reconstruction, exterior addition, change or alteration to or maintenance of any building, structure, wall or fence (including, but not limited to, limitations on the nature, kind, shape, height, materials, exterior color, surface texture, and location of any improvements). Notwithstanding the foregoing, in no event shall any change in the Architectural Design Guidelines rescind or invalidate approvals previously given.

12.3 General Provisions.

- 12.3.1 The Architectural Review Committee may assess reasonable fees in connection with its review of plans and specifications.
- 12.3.2 The Architectural Review Committee may delegate its plan review responsibilities, except final review and approval required by the Architectural Design Guidelines, to one or more of its members or architectural consultants retained by the Architectural Review

Committee. Upon any delegation of responsibilities, the approval or disapproval of plans and specifications by the member or consultants shall be equivalent to approval or disapproval by the entire Architectural Review Committee.

- 12.3.3 The address of the Architectural Review Committee shall be the address established for giving notice to the Association, unless otherwise specified in the Architectural Design Guidelines or by written notice to Owners. That address shall be the place for the submittal of plans and specifications and the place where the current Architectural Design Guidelines shall be kept.
- 12.3.4 The establishment of the Architectural Review Committee and the procedures herein for architectural approval shall not be construed as changing any rights or restrictions upon Owners to maintain or repair their Lots otherwise specified in this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Articles, Bylaws and Association Rules.
- 12.3.5 The Architectural Review Committee shall approve or disapprove any plans or specifications submitted to it in accordance with the Architectural Design Guidelines within any period as may be specified in the Architectural Design Guidelines.
- 12.3.6 The Architectural Review Committee, in its discretion, from time to time, may waive compliance with the restrictions set forth in this Section 12 or any comparable restrictions set forth any Supplemental Declaration, any Neighborhood Declaration or the Architectural Design Guidelines; provided, however; following the Transition Date, any such waiver shall require the prior written approval of Developer, so long as Developer or any Related Party owns property within the Project in fee or beneficially.

12.4 Approval and Conformity of Plans. No building, fence, wall or other structure or improvement of whatever type shall be commenced, erected or maintained upon the Property, nor shall there be any addition to a change to the exterior of any residence or other structure or improvement upon a Lot or the landscaping, grading or drainage thereof, including, but not limited to, the painting (other than painting with the same color of paint as previously existed) of exterior walls, patio covers and fences, except in compliance with plans and specifications therefor which have been submitted to and approved by the Architectural Committee in accordance with the Architectural Design Guidelines as to harmony of external design and location in relation to surrounding structures and topography. It is understood and agreed by each Person having or acquiring an interest in the Property that the Architectural Review Committee will include aesthetic judgment in the decision-making process and approval of submitted plans will not be required simply because the plans satisfy stated objective requirements.

12.5 Non-Liability for Approval of Plans. Plans and specifications shall be approved by the Architectural Review Committee as to style, exterior design, appearance and location, and are not approved for engineering design or for compliance with zoning and building ordinances (or other governmental requirements). By approving plans and specifications neither the Architectural Review Committee, the members thereof, Declarant, Developer, any Related Party, the Association, any Owner, the President nor the Board (nor any committee, officer, director, employee or agent of any of the foregoing) assumes any liability or responsibility therefor, or for any defect in any structure constructed from the plans and specifications. Neither the Architectural Review Committee, any member thereof, Declarant, Developer, any Related Party, the Association, the President nor the Board (nor any committee, officer, director, employee or agent of any of the

foregoing) shall be liable to any Owner or other Person for any damage, loss or prejudice suffered or claimed on account of (a) the approval or disapproval of any plans, drawings and specifications, whether or not defective, (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications, (c) the development, or manner of development of any property within the Project, or (d) the execution and filing of an estoppel certificate pursuant to the Architectural Design Guidelines, whether or not the facts therein are correct; provided, however, that the action, with the actual knowledge possessed by the Person executing and filing the estoppel certificate, was taken in good faith. Approval of plans and specifications by the Architectural Review Committee is not, and shall not be deemed to be, a representation or warranty that the plans or specifications comply with applicable governmental ordinances or regulations including, but not limited to, zoning ordinances and building codes.

12.6 Inspection and Recording of Approval. Any member or authorized consultant of the Architectural Review Committee, or any authorized officer, director, employee or agent of the Association, may at any reasonable time enter, without being guilty of trespass, upon any Lot after reasonable notice as provided herein to the Owner in order to inspect the improvements constructed or being constructed on the Lot to ascertain that the improvements have been or are being built in compliance with the Architectural Design Guidelines and this Declaration. The Architectural Review Committee shall cause an inspection to be undertaken within 30 days of a request from any Owner concerning the Owner's Lot, and if the inspection reveals that the improvements located on the Lot have been completed in compliance with this Section 12, the Architectural Design Guidelines, any applicable provisions of an applicable Supplemental Declaration, and any applicable provisions of an applicable Neighborhood Declaration, the Architectural Review Committee shall provide Owner a notice of approval in recordable form which, when recorded, shall be conclusive evidence of compliance with the provisions of this Section 12 and the Architectural Design Guidelines as to the improvements described in the recorded notice, but as to the described improvements only.

12.7 Developer Review. Each Owner acknowledges that Developer, as the developer of the Property, has a substantial interest in ensuring that the improvements within the Property enhance the reputation of Developer and Related Parties as a community developer and do not impair Developer's ability to market, sell or lease its property. Notwithstanding anything contained in this Declaration to the contrary, until the Transition Date, Developer, shall have all of the rights granted in this Declaration, any Supplemental Declaration and any Neighborhood Declaration to the Architectural Review Committee, and shall exercise all of the powers granted in this Declaration, any Supplemental Declaration and any Neighborhood Declaration to the Architectural Review Committee through individuals appointed by Developer including, but not limited to, establishment of the Architectural Design Guidelines. Until the Transition Date or such earlier time as Developer delegates all or a portion of its design review powers to the Architectural Review Committee, the Association shall have no jurisdiction over architectural or design review matters. If Developer delegates all or a portion of its design review powers to the Architectural Review Committee prior to the Transition Date, Developer shall give the Association at least 30 days prior written notice of delegation. Upon the expiration or relinquishment of Developer's rights under this Section, the Association, acting through the Architectural Review Committee, shall assume jurisdiction over architectural and design review matters. In exercising its powers under this Section 12.7, Developer shall be acting in its own interest as developer of the Project.

12.8 Reconstruction of Common Areas. The reconstruction of any Common Areas or Areas of Common Responsibility after destruction by casualty or otherwise that is accomplished in substantial compliance with "as built" plans for the Common Areas or Areas of Common Responsibility, as applicable, shall not require compliance with the provisions of this Section 12 or the Architectural Design Guidelines.

12.9 Additional Powers of the Architectural Review Committee. The Architectural Review Committee may promulgate as a part of the Architectural Design Guidelines additional architectural and landscape standards,

rules and regulations as it deems appropriate; provided the standards, rules and regulations are not in conflict with this Declaration or the architectural and landscape standards, rules and regulations promulgated by Developer in the exercise of its powers under Section 12.7.

Without limiting the generality of the preceding sentence, the architectural review committee may fix a fine of up to \$10,000 against any owner and any lot subject to this declaration for failure to obtain required approval from the architectural review committee or for failure to comply with any approval of the architectural review committee and may require security deposits to assure compliance with applicable requirements.

13. USE AND OCCUPANCY RESTRICTIONS

13.1 Residential Use.

- 13.1.1 Each Lot may be used only for residential purposes and none other. No business or commercial building may be erected on any Lot and no business or commercial enterprise or other non-residential use may be conducted on any part thereof. No temporary buildings, structures or trailers may be erected, placed or maintained on any Lot except as expressly permitted by, and in compliance with, the Architectural Design Guidelines.
- 13.1.2 Nothing herein contained shall be deemed to limit Developer's rights as set forth in Section 17.
- 13.1.3 The restriction on use of any Lot for business or commercial enterprises shall not prohibit an activity if it meets all of the following requirements: (a) is not apparent or detectable by sight, sound or smell from outside the Lot on which it occurs, (b) does not involve individuals coming onto the Lot who do not reside on the Lot or solicitation of residents of the Property by anyone, whether or not a resident, and (c) is consistent with the residential character of the Lot and the Property and not a nuisance, or a hazardous or offensive use, as may be determined in the sole and absolute discretion of the Board. By way of illustration, but not limitation, activities conducted from within a residence solely by telephone, facsimile, or computer, without the use of employees other than those who reside on the Lot, to outside parties off of the Property (or wholly without communication to outside parties) are not considered prohibited but the activity shall be prohibited if it involves or requires visits to the Lot by actual or prospective customers, clients, or patients, or by others (excluding once a day document delivery services such as Federal Express), as a result of business activities by the Owner or Occupant of a Lot. Similarly, the fact that family members or other occupants of a residence are employed in business affairs within the Lot will not make such employment a prohibited business use of the Lot but visits to the Lot by employees who do not reside there shall be prohibited if the individuals are employed for business purposes of the Owner or Occupant of the Lot. However, garage sales and similar publicly-visible activities are prohibited.
- 13.1.4 The scope of the types of activities that are prohibited by this Section may be clarified, supplemented and interpreted by the Board (or by Developer, prior to the Transition Date) from time to time, as it may choose in its sole and absolute discretion, so long as not materially inconsistent with the terms set forth above.

13.2 Violation of Law or Insurance. No Owner or Occupant shall permit anything to be done or kept in the Owner's Lot or in or upon any Common Area that will result in the cancellation, increase in premiums or reduction in coverage of insurance maintained by the Association or that would be in violation of any law or other applicable requirement of governmental authorities.

13.3 Signs. No sign of any kind shall be displayed to the public view or from any Lot or any Common Areas without the approval of the Association or the Architectural Review Committee, except:

- 13.3.1 signs used by Developer or any Related Party in connection with development and sale of Lots in the Property;
- 13.3.2 signs required by legal proceedings, or the prohibition of which is precluded by law;
- 13.3.3 signs required for traffic control and regulation of Common Areas; and
- 13.3.4 signs approved by the Architectural Review Committee for Lots being developed by a Preferred Builder.

No "For Sale" or "For Rent" sign, or security or alarm sign, may be posted on any Lot; provided, however, an Owner may, in accordance with applicable provisions of the Association Rules, be permitted to post or keep on record one "For Sale" or "For Rent" notice in a form approved by the Board in a location specified for that purpose by the Board, which may be in a Common Area, at the entrance gate to the Property or any Neighborhood or any other location specified by the Board, rather than on the Owner's Lot.

13.4 Animals.

- 13.4.1 Subject to the provisions of Section 13.4.2, no animals, including horses or other domestic farm animals, fowl or poisonous reptiles of any kind may be kept, bred or maintained in any Lot or in or upon any Common Area, except a reasonable number of commonly accepted household pets in accordance with the Association Rules. No animal shall be kept, bred or raised within the Property for commercial purposes. In no event shall any domestic pet be allowed to run free away from its owner's Lot without a leash, or conduct itself so as to create a nuisance. No dogs, regardless of whether they are restrained by a leash, shall be allowed on the Club Facilities including, but not limited to, any Golf Course. Owners, Occupants or other Persons shall immediately clean up their animals' waste from Common Areas and other portions of the Property. All domestic pets must be registered with the Association and must have proof of proper immunization presented with their registration.
- 13.4.2 Notwithstanding the preceding provisions of Section 13.4.1 or anything to the contrary in this Declaration, Developer (in a Supplemental Declaration, Neighborhood Declaration or otherwise) may designate certain Lots and other areas of the Property and the Annexed Property as "equestrian" with such horse privileges (including, but not limited to, the operation of equestrian boarding and other facilities) and subject to such rules and regulations as Developer may provide; provided, however, Developer shall have no rights to designate Lots and other areas shown on a Plat as "equestrian" after any portion of the real property on that Plat has been sold to a Retail Purchaser. In addition, Developer may designate equestrian trails in Common Areas subject to such rules and regulations as Developer may provide.

13.5 Nuisances. No Owner or Occupant shall permit or suffer anything to be done or kept about or within the Owner's Lot, or on or about the Property, that will unreasonably obstruct or interfere with the rights of other Owners, Occupants or other individuals holding the right to use and enjoy the Common Areas, or annoy them by unreasonable noises or otherwise. No Owner or Occupant shall commit or permit any nuisance or commit or suffer any illegal act to be committed on or about the Property. Each Owner and Occupant shall comply with the Association Rules, the requirements of all health authorities and other governmental authorities having jurisdiction over the Property. Normal construction activities and parking in connection with the building of improvements on a Lot shall not be considered a nuisance or otherwise prohibited by this Declaration, provided they are in compliance with the Architectural Design Guidelines and requirements of the Architectural Review Committee and Board. Lots, Common Areas and Areas of Common Responsibility 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 Architectural Review Committee or Board. In addition, any construction equipment and building materials stored or kept on the Property during construction of improvements may be kept only in areas approved by the Architectural Review Committee or Board, which also may require screening of the storage areas. The Board, in its sole and absolute discretion (but subject to the provisions of this Declaration including, but not limited to, Section 17), shall have the right to determine the existence of any unreasonable annoyance or nuisance under this Declaration.

13.6 Boats and Motor Vehicles. Except as specifically permitted by the Association Rules:

- 13.6.1 no boats, trailers, buses, motor homes, campers or other vehicles shall be parked or stored in or upon the Common Areas or upon a Lot except within an enclosed garage or as permitted by the Architectural Design Guidelines;
- 13.6.2 no vehicle shall be repaired or rebuilt in any Lot or upon the Common Areas; and
- 13.6.3 nothing shall be parked on any Private Roads except in parking areas designated by the Board.

The Board may remove, or cause to be removed, any unauthorized vehicle at the expense of the owner of the vehicle in any manner consistent with law. Notwithstanding the preceding provisions of this Section 13.6 or anything to the contrary in this Declaration, Developer may designate certain Lots and other areas of the Property and the Annexed Property on which horse trailers and related equipment shall be permitted, and Developer may designate and maintain certain Common Areas and other areas within the Property and the Annexed Property on which motor homes and recreational vehicles may be parked and stored; provided, however, Developer shall have no right to designate Lots or other areas shown on a Plat as having the foregoing privileges after any portion of the real property on that Plat has been sold to a Retail Purchaser.

13.7 Lights. No spotlights, flood lights or other high intensity lighting shall be placed or utilized upon any Lot, which in any manner will allow light to be directed or reflected on the Common Areas, the Club Facilities, or any other Lot, or any portion of any of the foregoing, except as may be expressly permitted by the Association Rules or the Architectural Design Guidelines. No tennis courts may be lighted, except in accordance with the Architectural Design Guidelines and any rules and regulations by the Architectural Review Committee.

13.8 Antennas/Cable TV. The Board may adopt reasonable rules, restrictions and requirements from time to time regulating the placement, appearance, size, operation, and other aspects of any antennas, satellite dishes, and other similar structures and devices allowed for use on Lots, within the constraints of any applicable

law. Any such rules, restrictions and requirements shall take into account aesthetic considerations, available technology, cost, feasible alternatives, and the effect (if any) of applicable laws and other requirements of governmental authorities. The Board shall have the authority under Section 3.25 (but no obligation) to enter into contracts providing for the availability of cable television and related services to the Property, or to such portions as the Board deems appropriate, on such terms as the Board may elect. If the Board elects to enter into such contracts, the costs of any such service shall be a Common Expense payable by those properties to which service is available (whether or not the Owner elects to receive the service), but the Board may allocate the costs of such service between improved and unimproved properties that are subject to Assessment in such proportions as the Board deems equitable.

13.9 Garbage. No garbage or trash shall be kept, maintained or contained in any Lot so as to be visible from another Lot or the Common Areas except on the day of pick up for the minimum period reasonably required and in containers approved by Association Rules or Architectural Design Guidelines. No incinerators shall be kept or maintained in any Lot. No refuse pile, garbage or unsightly objects shall be allowed to be placed, accumulated or suffered to remain anywhere on a Lot.

13.10 Mining; Wells. No portion of the Property shall be used in any manner to drill or maintain a well for potable or irrigation water purposes or to explore for or remove any water, oil or other hydrocarbons or minerals of any kind or earth substance of any kind. Notwithstanding the foregoing or anything to the contrary in this Declaration, Developer shall have the right to place and maintain within the Property and elsewhere in the Project (a) wells and related facilities for potable or irrigation water purposes, and (b) sewage treatment facilities to accommodate residential, recreational, support services and public uses in the Project.

13.11 Safe Conditions. Without limiting any other provision in this Section 13, but subject to any responsibility of the Association for Areas of Common Responsibility, each Owner shall maintain and keep the Owner's Lot at all times in a safe, sound and sanitary condition and repair and shall correct any condition or refrain from any activity that might interfere with the reasonable enjoyment by other Owners and Occupants of their respective Lots or the Common Areas.

13.12 Fires. Other than properly constructed barbeque pits or grills and fire pits in compliance with the Association Rules and the Architectural Design Guidelines, or as otherwise expressly permitted in the Association Rules, no open fires shall be permitted on the Lots nor shall any other similar activity or condition be permitted that would tend to increase the insurance rates for the Common Area, or for other Owners.

13.13 Propane Tanks. Any tank for propane gas installed or located on a Lot must be placed underground. The location of any such tank and its characteristics and installation shall be subject to such requirements as may be imposed from time to time in the Architectural Design Guidelines or otherwise by the Architectural Review Committee.

13.14 Clothes Drying Area. No exterior portion of any Lot shall be used as a drying or hanging area for laundry of any kind. All laundry facilities shall be provided within the buildings to be constructed on each Lot.

13.15 No Further Subdivision; Residential Compounds.

13.15.1 No Lot shall be divided or subdivided. An Owner may own more than one Lot which, if contiguous, may be combined into a single home site with the consent of the County and the Architectural Review Committee; provided, however, that any combination of Lots shall not reduce or alter the voting rights obtained by ownership of each Lot nor shall it reduce or

otherwise alter the amount which would have been assessed against the Owner of the Lots pursuant to the terms hereof in the absence of combination. The Owner of any combined Lots will be entitled to the rights of membership of one Membership for such Lot. The Assessments attributable to each Lot shall be a lien, as provided in Section 7, upon the entire combination of Lots held by the Owner.

13.15.2 Notwithstanding anything herein to the contrary, the Owners of two or more contiguous Lots may, with the consent of the County and the Architectural Review Committee, replat the Owners' Lots as a Residential Compound. A Residential Compound may include and provide for the construction of common recreational facilities on the Lots, including, for example, a tennis court or swimming pool, in accordance with the Architectural Design Guidelines. The lien provided in Section 7 as to each replatted Lot shall also extend to the Owner's interest in any common facilities constructed on the Lots. If one Owner wishes to combine Lots, or if two or more Owners wish to replat Lots as a Residential Compound, in such manner that it eliminates the need for a portion of the Common Areas owned by the Association (for example, where a cul-de-sac is no longer necessary), and if the combination or Residential Compound and abandonment of Common Areas is approved by the Architectural Review Committee and the County, then that portion of the Common Areas may be deeded by the Association to the Owner or Owners as the Association (and the County, if its consent is required) may specify, in its discretion.

13.15.3 Notwithstanding the foregoing, Declarant and Developer may amend any Plat prior to the date when any Lot within the Plat has been sold by Developer (or by Declarant on behalf of Developer) and may adjust the Lot boundaries on any Plat (even after a Lot within the Plat has been sold) for any Lots not yet sold, provided the adjustment does not materially affect the total number of Lots on the affected Plat.

13.16 No Obstructions to Drainage. No Owner shall erect, construct, maintain, permit or allow any fence or other improvement or other obstruction that would interrupt the normal drainage of the land or within any area designated on a Plat, or other binding document, as a "drainage easement" or similar designation, except that, with prior consent of applicable governmental authorities and the Architectural Review Committee, non-permanent structures, including fences, may be erected in those areas that contain only underground closed conduit storm drainage facilities.

13.17 Use of Lots. Each Owner shall be responsible for assuring compliance by any Occupants of the Owner's Lot including, but not limited to, any lessee or other Person who the Owner allows to use the Owner's Lot with all of the provisions of this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Articles, Bylaws, Association Rules or Architectural Design Guidelines, all as amended and supplemented from time to time. Each such Owner shall be jointly and severally responsible for any violations of this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Articles, Bylaws, Association Rules or Architectural Design Guidelines by the lessee or other Person.

13.18 Golf Carts. The use of golf carts and similar vehicles is prohibited on any Private Roads (other than incidentally crossing any Private Roads in the course of play on a Golf Course).

13.19 Enforcement. The Association and its authorized agents may enter any Lot in which a violation of these restrictions exists and may correct the violation at the expense of the Owner of the Lot. Any expense, and any fines imposed pursuant to this Declaration, any Supplemental Declaration, any Neighborhood Declaration,

the Articles, Bylaws, Association Rules or Architectural Design Guidelines, shall be a Special Assessment secured by alien upon the Lot enforceable in accordance with the provisions of Section 7. All remedies described in Section 19 and all other rights and remedies available at law or equity shall be available in the event of any breach by the Owner, Occupant or other Person of any provision of this Section 13.

13.20 Recycling Programs. The Board may establish a recycling program and recycling center within the Property. The Association may, but shall have no obligation to, purchase recyclable materials in order to encourage participation in the recycling program and any income received by the Association as a result of the recycling efforts shall be used to reduce Common Expenses.

13.21 Diseases and Insects. No Owner shall cause or permit any thing or condition to exist upon the Property that induces, breeds, or harbors infectious plant disease or noxious insects.

13.22 Repair of Structures. No building, structure, or improvement on the Property shall be permitted to fall into disrepair, and (subject to any provisions of this Declaration, a Supplemental Declaration or a Neighborhood Declaration expressly imposing maintenance and repair obligations on the Association or other Persons) each building, structure and improvement on a Lot shall at all times be kept by the Owner of that Lot in good condition and repair and adequately painted or otherwise finished.

13.23 Utility Service. No lines, wires, or other services for the communication or transmission of electric current or power or electromagnetic impulses, including telephone, television, and radio signals, shall be erected, placed, or maintained anywhere in or upon the Property unless they are contained in conduits or cables installed and maintained underground or concealed in, under, or on buildings or other structures approved by the Architectural Review Committee. Notwithstanding the foregoing, but subject to any applicable requirements of governmental authorities, the Architectural Review Committee may authorize the erection of microwave towers and similar structures on Common Areas for centralized reception, transmission, and retransmission of microwave and similar signals. No provision of this Declaration shall be deemed to forbid the erection of temporary power or telephone structures incident to the construction of buildings, structures, or improvements approved by the Architectural Review Committee.

13.24 Private Golf Nets and Other Barriers. Subject to Section 17, no golf nets or other barriers intended to prevent, interrupt or redirect golf balls shall be erected or maintained on any portion of the Property.

13.25 Health, Safety and Welfare. If any uses, activities, and facilities are deemed by the Board to be an unreasonable annoyance or a nuisance, or to unreasonably affect the health, safety, or welfare of Owners or Occupants, the Board may make any such rules restricting or regulating their presence on the Property as part of the Association Rules or may direct the Architectural Review Committee to make the rules governing their presence on Lots as part of the Architectural Design Guidelines. Any rules promulgated pursuant to this Section 13.25 shall be consistent with the provisions of this Declaration including, but not limited to, Section 17.

13.26 Implementation and Variances. Subject to Section 17, the Board may implement the restrictions set forth in this Section 13, or otherwise restrict and regulate the use and occupancy of the Property and the Lots by reasonable rules and regulations adopted by the Board from time to time that shall be incorporated into the Association Rules. Subject to Section 17, the Board may, in its discretion, modify or waive the restrictions set forth in this Section 13; provided, however, following the Transition Date, any such waiver or variance shall require the prior written approval of Developer, so long as Developer or any Related Party owns any property within the Project in fee or beneficially.

14. PRIVATE AND PUBLIC FACILITIES; CULTURAL RESOURCES

14.1 Private and Public Facilities Within Project But Not Part of the Property.

- 14.1.1 Possible Uses Excluded from Declaration. Portions of the Property may, from time to time, be developed with uses allowed under applicable law without being annexed to the Property or subjected to this Declaration. These uses may include (but are not limited to) private facilities that are available to Owners, Occupants and the agents, servants, tenants, family members and invitees of Owners, private facilities owned by the State or Federal government, or agencies thereof, and available to limited members of the public, and public facilities that are available for the enjoyment and benefit of the general public.
- 14.1.2 Club Facilities. This Section 14.1 shall not apply to the Club Facilities, which are more particularly addressed in Section 5.
- 14.1.3 Disclaimer. Notwithstanding anything to the contrary in this Section 14.1, this Declaration shall not impose upon Declarant or Developer any obligation to dedicate, construct or cause the construction of any of the facilities discussed in this Section 14.1. Rather, this Section 14.1 is included to address the possible future location of certain public and private facilities within the Project and not to guarantee that such facilities will be constructed.
- 14.1.4 Private Facilities. The private facilities that may be developed within the Project without being annexed to the Property or subjected to this Declaration may include, but are not limited to, equestrian boarding and other facilities, entertainment facilities available for private parties and similar functions, one or more restaurants or similar food and/or beverage facilities, one or more swimming and/or tennis clubs (with or without membership requirements) and ranch cottages or villas. Any of these private facilities shall have easements over the Common Areas for ingress and egress, utilities, drainage and such other purposes as may be reasonably necessary or convenient to the establishment, operation, maintenance and repair of the private facilities. If the exercise of any of these easement rights imposes wear and tear upon the Common Areas or other similar costs upon the Association, the owner of the private facility being served by the easements and imposing the wear and tear or other costs shall be obligated to pay the Association such sums as may reasonably be required to reimburse the Association for the costs occasioned by the exercise of the easement rights, but any such payment obligation shall be collected by the Association through periodic billings and not through admission fees or similar charges imposed or collected at the time Common Areas are being used. In no event shall the Association exercise its authority over the Common Areas (including, but not limited to, any guard gates, key gates or other access control points) in such a manner as to materially frustrate the rights described in this Section or impede access to such portions of the Project over any Private Roads and other Common Areas.
- 14.1.5 Disposition of Private Facilities. Although it is initially anticipated that the private facilities addressed in Section 14.1.4 will not be annexed to this Declaration and will be operated apart from the Club Facilities and the Common Areas, it is possible that some or all of these private facilities might be (i) annexed to this Declaration and included in the Common Areas, (ii) conveyed to the Club Owner and operated as part of the Club Facilities, or (iii) otherwise disposed of at the option of Developer (and the owner of any affected private facilities, if Developer is not the owner thereof). Without limiting the generality of the foregoing provisions, Developer may elect, in its sole and absolute discretion (but with the

consent of the owner of any affected private facilities, if the Developer is not the owner of the affected private facilities), to annex all or any of the private facilities addressed in Section 14.1.4 to the Property as Common Areas and to convey any of those private facilities to the Association at any time prior to the Transition Date. If the private facilities are to be annexed to the Property as Common Areas, the provisions of Section 6 of this Declaration, relating to turnover and inspection of Common Areas, shall apply. Alternatively, without limiting the generality of the foregoing provisions, Developer may elect, in its sole and absolute discretion (but with the consent of the Club Owner and the owner of the affected private facilities, if Developer is not the owner thereof) to transfer all or any of the private facilities addressed in Section 14.1.4 to the Club Owner or otherwise provide for the private facilities to be operated as part of the Club Facilities, in which case, Section 5 and the other provisions of this Agreement related to the Club Facilities would apply to these private facilities.

- 14.1.6 **Public or Quasi-Public Facilities.** Due to the cultural significance and topography of portions of the Project, it is anticipated that some portions of the Project (such as perimeter trails) will be available for the enjoyment and benefit of the public, while other portions of the project (such as “Inscription Canyon” described below) may be held by governmental or other third parties for access to limited portions of the public. Although these public and quasi-public facilities will not be annexed to the Property or subjected to the Declaration, Developer desires to provide for the harmonious operation of these facilities with the remainder of the Project. The public facilities that may be developed within the Project without being annexed to the Property or subjected to this Declaration are expected to include, but are not limited to, (i) a public trail network for hiking, bicycling, equestrian and other non-motorized travel; (ii) a public trailhead site for day parking of motorized vehicles and horse trailers; and (iii) one or more public facilities sites that may be used for public safety, education and recreation facilities. The quasi-public facilities that may be developed within the Project are expected to include a prehistoric/cultural resource site expected to be known as “Inscription Canyon,” for the preservation of prehistoric Native American inscriptions and for educational purposes related thereto, which is anticipated to be held by the Federal government but administered by Native American authorities. Developer shall have the right to grant easements, licenses and other rights over and with respect to the Common Areas for ingress and egress, utilities, drainage and such other purposes as may be reasonably necessary or convenient to the establishment, operation, maintenance and repair of any public and quasi-public facilities. Developer also shall have the right to enter into maintenance and other agreements with respect to the public and quasi-public facilities and their integration into and relationship with the remainder of the Project including, but not limited to, the Property.
- 14.1.7 **Association Responsibility for Public Facilities.** Notwithstanding the foregoing, the Association shall have responsibility for maintenance and repair of the public trail being established adjacent to Williamson Valley Road, and may assume responsibility for maintenance and repair of other public areas within the Project to assure levels of appearance consistent with those within the Property. The costs of any such maintenance and repair shall be included in the Common Expenses of the Association. In no event may the Association exercise its authority over the Common Areas (including, but not limited to, any guard gates, key gates or other access control points) in such a manner as to materially frustrate the rights described in this Section for public and quasi-public areas within the Project, and those entitled to visit and use such areas.

14.1.8 Acknowledgment Regarding Public Facilities. Each Owner, Occupant and other Person with an interest in the Property, by acceptance of a deed or other conveyance of an interest in a Lot, is deemed to acknowledge that certain property within the Project is expected to be available for public and quasi-public use including, but not limited to, those uses described in Section 14.1.6. The location of public and quasi-public facilities within the Project, including, but not limited to, the public trail network, may result in increased public access to, and diminished privacy within, areas throughout the Property. Each Owner, Occupant, and other Person acquiring any interest in the Property, by acceptance of a deed or other conveyance of an interest, acknowledges and accepts that certain property within the Project will be available to the public and is further deemed to agree and covenant not to make any claims or institute any action whatsoever against Declarant, Developer, any Related Parties, the Association, the members of the Board, or any of their respective employees, arising or resulting from the development or use of public and quasi-public facilities throughout the Project.

14.2 Petroglyphs, Artifacts and Cultural Resources. Portions of the Property, including some Lots and Common Areas, may include petroglyphs, artifacts and other cultural resources. Due to the cultural significance of these petroglyphs, artifacts and other cultural resources, no Owner or other Person shall remove, sell, relocate, destroy, deface or otherwise alter any petroglyphs, artifacts or other cultural resources located on the Property including, but not limited to, petroglyphs, artifacts or other cultural resources located on the Owner's Lot. Notwithstanding the foregoing, if permitted by applicable law, an Owner may relocate or otherwise alter petroglyphs, artifacts and other cultural resources located on the Owner's Lot to the extent such objects interfere with the construction of improvements on the Owner's Lot, with the prior written consent of the Architectural Review Committee in accordance with the Architectural Design Guidelines. Nothing set forth in this Section 14.2 shall be deemed to limit

Developer's rights as set forth in Section 17. In addition to the above restrictions, petroglyphs, artifacts and other cultural resources located on the Property may be subject to protection under federal, state or local laws, rules, regulations or ordinances from time to time, including, but not limited to 16 U.S.C. § 470(f).

15. RIGHTS OF MORTGAGEES

15.1 General Provisions. Notwithstanding and prevailing over any other provisions of this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Articles, Bylaws, Association Rules and Architectural Design Guidelines, the following provisions shall apply to and benefit each holder of a Mortgage upon a Lot.

15.2 Liability for Assessments. A Mortgagee who comes into possession or becomes record Owner of a mortgaged Lot by virtue of foreclosure of the Mortgage, or through any equivalent proceedings such as, but not limited to, the taking of a deed or assignment in lieu of foreclosure or acquiring title at a trustee's sale under a first deed of trust, and any third-party purchaser at a foreclosure sale or trustee's sale (a "Successor Owner"), will not be liable for the Lot's unpaid Assessments or other charges (including, but not limited to, special use fees, fines, collection costs, attorneys' fees, litigation-related expenses including expert and other witness fees, and interest) that accrued prior to the time the Successor Owner came into possession of the Lot or became record Owner of the Lot, whichever occurred first. In addition, a Successor Owner shall acquire title free and clear of any lien authorized by or arising out of the provisions of this Declaration that secures the payment of any charges or Assessments accrued prior to the time the Successor owner either came into possession of the Lot or became record Owner of the Lot. Any unpaid Assessments or other charges (including, but not

limited to, special use fees, fines, collection costs, attorneys' fees, litigation-related expenses including expert and other witness fees, and interest) against the foreclosed Lot shall be deemed to be a Common Expense charged proratably against all of the Owners. Nevertheless, in the event the Owner against whom the original Assessments or other charges were made is the purchaser or redemptionor, the lien shall continue in effect and may be enforced by the Board, for the Lot's Assessments and other charges that were due prior to the final conclusion of the foreclosure or equivalent proceedings. Further, any unpaid Assessments and other charges shall continue to exist as the personal obligation of the defaulting Owner of the Lot, and the Board may use reasonable efforts to collect unpaid Assessments and other charges from the Owner even after the Owner is no longer the Owner of the Lot.

15.3 No Personal Liability. A Mortgagee shall not in any case or manner be personally liable for the payment of any Assessment or other charge (including, but not limited to, special use fees, fines, collection costs, attorneys' fees, litigation-related expenses including expert or other witness fees, and interest), nor the observance or performance of any covenant, restriction, or rule and regulation of the Association, or any provision of the Articles or Bylaws, or any management agreement, except for those matters that are enforceable by injunctive or other equitable actions, not requiring the payment of money, except as specifically provided in this Section 15.

15.4 Enforcement After Foreclosure Sale. An action to abate breach of any of these covenants, conditions, restrictions, and reservations may be brought against any purchaser who has acquired title through foreclosure of a Mortgage and the subsequent foreclosure or trustee's sale (or through any equivalent proceedings), and the successors in interest to the purchaser, even though the breach existed prior to the time the purchaser acquired an interest in the Lot.

15.5 Exercise of Owner's Rights. During the pendency of any proceedings to foreclose a Mortgage (including any period of redemption) or from time to time a trustee under a deed of trust has given notice of sale pursuant to power of sale conferred under the deed of trust and pursuant to law, the Mortgagee, or a receiver appointed in such an action, may but need not exercise any or all of the rights and privileges of the Owner in default including, but not limited to, the right to vote as a member of the Association in the place and stead of the defaulting Owner.

15.6 Subject to Declaration. At such time as Mortgagee comes into possession of or becomes record Owner of a Lot, the Mortgagee shall be subject to all of the terms and conditions of this Declaration applicable to Owners including, but not limited to, the obligation to pay all Assessments and charges accruing thereafter in the same manner as any other Owner.

16. ANNEXATION OF ADDITIONAL PROPERTY

Additional real property, including, but not limited to, the Annexable Property, may be annexed to and become subject to this Declaration as hereinafter set forth in this Section 16.

16.1 Development of the Project. Developer intends to develop the Project sequentially on a phased basis. Developer may, however, elect not to develop all or any part of the additional real property anticipated to be included within the Project (including, but not limited to, the Annexable Property), to annex and develop property other than the Annexable Property in accordance with this Section 16, to annex the Annexable property or other real property to this Declaration in increments of any size whatsoever, or to develop more than one such increment at any given time and in any given order. Moreover, Developer reserves the right to subject all or any portion of the Project (including, but not limited to, the Annexable Property) to the plan

of this Declaration or to one or more separate declarations of covenants, conditions and restrictions which subject that property to the jurisdiction and powers of a homeowner association or other entity with powers and obligations similar to the Association and which is not subject to the provisions of this Declaration. Although Developer shall have the ability to annex additional property as provided in this Section 16, Developer shall not be obligated to annex all or any portion of the Annexable Property or any other real property presently contemplated or intended to be included within the Project, and such property shall not become subject to this Declaration except as provided in this Section 16.

16.2 Supplemental Declarations. A Supplemental Declaration shall be in writing in recordable form that annexes additional real property to the plan of this Declaration and that incorporates by reference all of the covenants, conditions, restrictions, easements and other provisions of this Declaration. Supplemental Declarations 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 materially inconsistent with the plan of this Declaration. In no event, however, shall any Supplemental Declaration revoke, modify or add to the covenants established by this Declaration with respect to any portions of the Property already subject to this Declaration. The recordation of a Supplemental Declaration shall constitute and effectuate the annexation of the Annexed Property described therein, making the Annexed Property subject to this Declaration and subject to the functions, powers and jurisdiction of the Association. After annexation, the Annexed Property shall be part of the Property for all intents and purposes of this Declaration, and all of the Owners of Lots in the Annexed Property shall automatically be Owners and Members in accordance with Section 3.

16.3 Annexation Without Approval. Developer shall have the sole right to annex all or any portion of the Annexable Property (in such increments and at such times as Developer may elect, in its sole and absolute discretion) to this Declaration as provided in this Section 16, without the approval, assent or vote of the Association or its Members, or by any other Person (other than the holder of title to the land being annexed if title is not then held by Developer), by recording a Supplemental Declaration covering the applicable portions of the Annexable Property.

16.4 Annexation With Approval. Developer shall have the sole right (with the consent of the other owner(s) of the additional property if Declarant does not own the additional property) to annex additional property to this Declaration that is not part of the Annexable Property, with the approval of a Majority of a Quorum of Members, by recording a Supplemental Declaration covering the property to be annexed.

17. EXEMPTIONS FROM RESTRICTIONS

Notwithstanding anything contained in this Declaration to the contrary, none of the restrictions contained in this Declaration shall be construed or deemed to limit or prohibit any act of Developer, any Related Party or their respective employees, agents and subcontractors, or parties designated by them in connection with the construction, completion, sale or leasing of the Lots, Common Areas, the Property or other property owned in fee or beneficially by Developer or any Related party (whether or not annexed to this Declaration). Without limiting the generality of this Section 17 in any way and notwithstanding anything to the contrary in this Declaration, (a) Developer is expressly exempted from the provisions of this Declaration requiring submittals to or authorizations by the Architectural Review Committee including, but not limited to, Section 12.4, (b) Developer shall have the right to erect, operate and maintain one or more administrative and sales offices on any portion of the Property owned beneficially or in fee, or leased, by Developer or any Related Party (including, but not limited to, Lots), and (c) neither the provisions of Section 12, nor the Architectural Design Guidelines, nor any comparable provisions in any Supplemental Declaration or any Neighborhood Declaration

shall apply to buildings and other structures or improvements constructed by Developer, any Related Parties or their respective agents or employees. Buildings and other structures by Developer or Related Parties may have an architectural style and present general aesthetics that are quite different from the architectural style and aesthetics elsewhere in the Property or the Project.

18. NEIGHBORHOOD DECLARATIONS AND NEIGHBORHOOD ASSOCIATIONS

18.1 Neighborhood Declarations.

18.1.1 Developer shall have the right to record "Neighborhood Declarations" against individual areas within the Property which may include complementary additions and modifications of the covenants, conditions and restrictions contained in this Declaration including, but not limited to, any complementary additions and modifications that may be necessary to reflect the different character, if any, of the individual Neighborhoods and that are not materially inconsistent with the plan of this Declaration. Each Neighborhood Declaration shall be executed by Developer and by the owner of the land subject to it (if the owner is other than Developer). A Neighborhood Declaration and a Supplemental Declaration may be combined into a single instrument. Among other things, a Neighborhood Declaration may (a) designate Areas of Common Responsibility and Common Areas, (b) reserve or grant easements to such Persons and for such purposes as Developer may deem appropriate, (c) impose such additional covenants, conditions and restrictions as Developer may deem appropriate for the land subject to the Neighborhood Declaration, (d) determine Neighborhood Assessments (that will be payable in addition to Regular Assessments payable by all Owners) and the allocation of Neighborhood Assessments among the Lots or other properties subject to the Neighborhood Assessment, and (e) provide for Assessments appropriate to the land subject to the Neighborhood Declaration. A Neighborhood Declaration shall not be materially inconsistent with the plan of this Declaration and shall not revoke or modify the covenants established by this Declaration (or by any previous Declaration) with respect to any other portion of the Property.

18.1.2 Following the Transition Date, the Board shall have the right to record Neighborhood Declarations against individual areas within the Property for all or any of the purposes set forth in Section 18.1.1, but any such Neighborhood Declaration by the Board must have been approved both by a vote of a Majority of the Owners who own Lots that will be subject to the Neighborhood Declaration, and also by the Developer so long as Developer or any Related Party owns any Lot that will be subject to the Neighborhood Declaration.

18.2 Neighborhood Associations. Prior to the Transition Date, Developer shall have the right to form homeowners' and similar associations for individual Neighborhoods or other portions of the Property. If any homeowners' or similar association is formed with respect to a Neighborhood or any other portion of the Property (other than associations formed by the Developer pursuant to the foregoing sentence), the association's governing documents (including, but not limited to, any declaration of restrictive or similar covenants) shall be void and of no force or effect unless: (i) the Board has granted its written approval of each governing document; and (ii) each governing document, the property within the Neighborhood, the association, and the association's members are subject and subordinate to this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Articles and Bylaws provided for herein, the Architectural Review

Committee, the Architectural Design Guidelines, and all other rules and regulations of the Association. The Board may, but is not obligated to, delegate to any such association the responsibility for billing and collecting for some of all of the Assessments or other charges payable pursuant to this Declaration. In the event that any such association is formed, the provisions of Section 3.27 shall apply to it.

19. REMEDIES

19.1 General Remedies. In the event of any default by any Owner, Occupant or other Person under the provisions of this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Articles, Bylaws, Association Rules or Architectural Design Guidelines, the Association, and its successors or assigns, and its agents, and Developer, shall have each and all of the rights and remedies that may be provided for in this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Articles, Bylaws, Association Rules or Architectural Design Guidelines, or that may be available at law or equity, and may prosecute any action or other proceedings against the defaulting Owner, Occupant or other Persons for a an injunction, whether affirmative or negative, or for enforcement or foreclosure of the lien herein provided and the appointment of a receiver for the Lot, or for damages, or specific performance, or for judgment for payment of money and collection thereof, or the right to take possession of the Lot and to rent the Lot and apply the rents received to payment of unpaid Assessments and interest accrued thereon, and to sell the Lot as provided in this Section 19.1, or for any combination of remedies or for any other relief, all without notice and without regard to the value of the Lot or the solvency of the Owner. The proceeds of any such rental or sale shall first be paid to discharge litigation costs, including, but not limited to, reasonable attorneys' fees, witness fees (including expert witness fees), costs, litigation-related expenses and all other expenses of the proceeding and sale, and all such items shall be taxed against the defaulting Owner in a final judgment. Any balance of proceeds after satisfaction of charges and any unpaid Assessments hereunder or any liens shall be paid to the Owner. Upon the confirmation of the sale, the purchasers thereupon shall be entitled to a deed to the Lot and to immediate possession of the Lot, and it shall be a condition of any such sale, and the judgment shall so provide, that the purchaser shall take the interest in the property sold subject to this Declaration.

19.2 Expenses of Enforcement. All expenses, if any, of the Association and Developer in connection with any action or proceeding described or permitted by this Section 19, including reasonable attorneys' fees, witness fees (including expert witness fees), costs and other litigation-related expenses, and all damages, liquidated or otherwise, together with interest thereon until paid at the Default Rate of Interest, shall be charged to and assessed against the defaulting Owner and shall be a Special Assessment against such Owner, and the Association shall have a lien as provided in Section 7 therefor. In the event of any such default by any Owner, the Association, and the manager or managing agent of the Association, if so authorized by the Board, and Developer, shall have the authority to correct the default and to do whatever may be necessary to correct the default, and all expenses in connection therewith shall be charged to and assessed against such defaulting Owner as a Special Assessment, which shall constitute a lien against the defaulting Owner's Lot as provided in Section 7. Any and all such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by the Association and Developer.

19.3 Legal Action. In addition to any other remedies available under this Section 19, if any Owner (either by the Owner's conduct or by the conduct of any Occupant of the Owners Lot or family member, guest, invitee or agent) violates any provisions of this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Articles, Bylaws, Association Rules or Architectural Design Guidelines, as then in effect, the Association and Developer shall have the power to file an action against the defaulting Owner or Member for a judgment or injunction against the Owner requiring the defaulting Owner to comply with

the provisions of this Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Articles, Bylaws, Association Rules and Architectural Design Guidelines, and granting other appropriate relief, including money damages.

19.4 Effect on Mortgage. Notwithstanding anything to the contrary herein, any breach of any of the covenants, restrictions, reservations, conditions and servitudes provided for in this Declaration, or any right of re-entry by reason thereof, shall not defeat or adversely affect the lien of any Mortgage upon any Lot but, except as herein specifically provided, each and all of said covenants, restrictions, reservations, conditions and servitudes shall be binding upon and effective against any lessee or Owner of a Lot whose title thereto is acquired by foreclosure, trustee's sale, sale, deed in lieu of foreclosure or otherwise.

19.5 Limitation on Liability. Notwithstanding anything to the contrary in this Declaration, each Owner, by accepting title to any portion of the Property and becoming an Owner, and each other Person acquiring an interest in the Property (including, but not limited to, any Mortgagee), acknowledges and agrees that Declarant, Developer (including but not limited to, any assignee of the interest of Developer hereunder and any member of that assignee), and any Related Party shall have no personal liability to the Association, or any Owner, Member, Mortgagee or other Person, arising under, in connection with, or resulting from (including but not limited to, resulting from action or failure to act with respect to) this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Association Rules, the Architectural Design Guidelines, the Association, or the Architectural Review Committee, except to the extent of that Person's interest in the Property, and, in the case of a Related Party (or, in the case of a member in an assignee of the interest), that Person's interest in Developer (or such assignee), and, in the event of a judgment against any of the foregoing Persons, no execution or other action shall be sought or brought thereon against any other assets, nor be a lien upon the other assets, of the judgment debtor.

20. AMENDMENT

20.1 Amendment to Declaration. Amendments to this Declaration shall be made by an instrument in writing entitled "Amendment to Declaration" (or some comparable title) which sets forth the entire amendment. Except as otherwise specifically provide for in this Declaration, any proposed amendment must be approved by a majority of the Board prior to its adoption by the Members. Amendments may be adopted at a meeting of the Members upon the approval thereof of two-thirds of the Members (excluding Developer) or without any meeting if all members have been duly notified and if two-thirds of the Members (excluding Developer) consent in writing to the amendment. In all events, the amendment when adopted shall bear the signature of the President and shall be attested by the secretary, who shall verify that the amendment was properly adopted, and shall be acknowledged by them as officers of the Association. Amendments once properly adopted shall be effective upon recording in the Yavapai County Recorder's office or at such later date as may be specified in the amendment.

20.2 Effect of Amendment. It is specifically covenanted and agreed that any amendment to this Declaration that is properly adopted will be completely effective to amend any and all of the covenants, conditions and restrictions contained herein which may be affected and any and all clauses of this Declaration, unless otherwise specifically provided in the Section being amended or the amendment itself.

20.3 Required Approvals. Notwithstanding the provisions of the foregoing sections of this Section 20:

- (a) If this Declaration or any applicable provision of law requires the consent or agreement of all Members and/or all Owners and/or all lienholders and all trustees and/or beneficiaries

under trust deeds, or a specified percentage thereof, for any action specified in this Declaration, then any instrument changing, modifying or rescinding any provision of this Declaration with respect to the action shall be approved by all of the Members and/or all Owners and/or all lienholders and trustees and/or beneficiaries under trust deeds, or the specified percentage thereof, as required by this Declaration or by law.

- (b) Until the Transition Date, this Declaration may not be amended by the Members pursuant to Section 20.1 without the prior written consent of Developer, which may be withheld for any or no reason.
- (c) The following provisions of this Declaration may not be amended at any time without the prior written consent of Developer: Sections 1.1, 1.20, 1.22, 3.11, 3.12, 3.27, 4.5, 4.9.2, 6, 14, 16.3, 17, 19.5, this 20.3(c), 20.4. and 23.

20.4 Developer's Right to Amend. Notwithstanding any other provision of this Section 20, until the Transition Date, Developer reserves the right to amend this Declaration without the approval of the Board or the Members, or any other Person, except as specifically set forth in this Section 20.4. After the conveyance of the first Lot to an Owner, Developer may not amend the following provisions of this Declaration without the approval of the Members as provided in Section 20.1: Sections 3.2 (to change the number of Memberships attributable to each Lot or to change the number of votes for each Lot or Membership), Section 7.3.4 (to increase the cap on increases in Regular Assessments), the second sentence of Section 7.5 (to increase the amount of a Capital Improvement Assessment that may be collected without a vote of a Majority of a Quorum of Members), and this Section 20.4 (to delete any references to Sections that require the approval of the Members to amend).

21. TERM; TERMINATION

21.1 Term. 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 until January 1, 2100. Thereafter, this Declaration shall continue (as amended from time to time) for consecutive periods of 25 years each, unless there is an affirmative vote, not more than 360 days prior to the date otherwise scheduled for commencement of the next extension of the term of this Declaration, to terminate this Declaration by a vote of 90% of the Members at a duly held meeting of the Members, or without any meeting if all Members have been duly notified and if at least 90% of the Members consent in writing to the termination within the 360-day period.

21.2 Withdrawal by Developer. This Declaration may be terminated by Developer without the approval or consent of any other Person if the action is taken before any sale to a Retail Purchaser. Any Plat may be withdrawn by Developer, without the approval or consent of any other Person (other than the owner of the land subject to the Plat, if the owner is other than Developer), if the action is taken before the sale of any real property shown on the Plat to a Retail Purchaser.

21.3 Termination. After the first sale to a Retail Purchaser, this Declaration may be terminated at any time upon a vote in favor of termination by 90% of the Members and with the consent of Developer (so long as Developer or a Related Party owns any property within the Project in fee or beneficially). Developer may, but shall not be obligated to, release its consent rights by recorded instrument. If the necessary votes and consents are obtained, the Board shall cause to be recorded with the Yavapai County Recorder's office a Certificate of Termination, duly signed by the President or a vice president of the Association and attested by the secretary or

an assistant secretary of the Association, with their signatures acknowledged. Thereupon, this Declaration shall have no further force and effect, as of the date of recordation of the Certificate of Termination (or such later date as may be specified in the Certificate of Termination), and the Association shall be dissolved.

22. GENERAL PROVISIONS

22.1 Notices. Notices provided for in this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Articles, Bylaws, Association Rules or Architectural Design Guidelines, shall be in writing and shall be addressed to the Association at the address specified in the Bylaws. The Association may designate a different address or addresses for notice by giving written notice of change of address to all Owners. All notice to Owners shall be to their respective Lots or to the last address shown on the records of the Association. Notices addressed as above shall be deemed delivered when mailed by United States mail, or when delivered in person with written acknowledgment of the receipt thereof.

22.2 Captions and Exhibits; Construction. Captions given to various Sections herein, and the Table of Contents for this Declaration, are for convenience only and are not intended to modify or affect the meaning of any of the respective provisions hereof. The various exhibits referred to herein are incorporated as though fully set forth where such reference is made. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of the Property as hereinabove set forth.

22.3 Severability. If any provisions of this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Articles, Bylaws, Association Rules or Architectural Design Guidelines, or any section, clause, sentence, phrase or word, or the application thereof in any circumstance, is held invalid, the validity of the remainder of this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Articles, Bylaws, Association Rules or Architectural Design Guidelines, and of the application of any such provision, section, sentence, clause, phrase or word in any other circumstances, shall not be affected thereby, and the remainder of this Declaration, any Supplemental Declaration, any Neighborhood Declaration, the Articles, Bylaws, Association Rules or Architectural Design Guidelines shall be construed as if the invalid part were never included therein.

22.4 Rule Against Perpetuities. If any of the options, privileges, covenants or rights created by this Declaration is unlawful, void or voidable for violation of the rule against perpetuities, then the provision shall continue until 21 years after the death of the survivor of the now living descendants of President George W. Bush, United States John McCain, and United States Senator Jon Kyl.

22.5 Mortgage of Lots. Each Owner shall have the right, subject to the provisions hereof, to make separate Mortgages for the Owner's respective Lot.

22.6 Power of Attorney. Whenever the Association is granted rights, privileges or duties in this Declaration, the Board shall have the authority to act for the Association. Further, unless otherwise specifically restricted by the provisions of this Declaration, whenever the Association is empowered to take any action or do any act including, but not limited to, actions in connection with the Common Areas or sale thereof, which may at any time be deemed to require the act of an Owner, each Owner hereby constitutes and appoints the Association as their attorney-in-fact, as may be appropriate, for the purpose of taking such action or doing such acts including, but not limited to, executing, acknowledging and delivering any instruments or documents necessary, appropriate or helpful for such purposes. It is acknowledged that this power of attorney is irrevocable

and coupled with an interest and by the acceptance of a deed for a Lot or by signing a contract for purchase of a Lot or by succeeding in any other manner to the ownership of a Lot, or any interest therein, each Owner and Member shall be deemed and construed to have ratified and expressly granted the above power of attorney.

23. DISCLAIMER OF REPRESENTATIONS; NO COVENANTS OR RESTRICTIONS; ZONING AND PLAN

23.1 Disclaimer of Responsibility. Notwithstanding anything to the contrary in this Declaration, Declarant and Developer make no warranties or representations whatsoever that the plans presently envisioned for the complete development of the Project can or will be carried out, or that any land now owned or hereafter acquired by Developer or any Related Party is or will be subjected to this Declaration, or that any 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 any land is once used for a particular use, the use will continue in effect.

23.2 No Express or Implied Covenants or Restrictions. Nothing in this Declaration shall create, or be deemed to create, any express or implied covenants or restrictions with respect to any real property that has not been subjected to this Declaration.

23.3 Zoning and Plan. Each Owner, by accepting title to a Lot and becoming an Owner, and each other Person, by acquiring any interest in the Property, acknowledges awareness that the development of the Project is likely to extend over many years, and agrees, so long as the Owner owns the Lot, or holds any other interest in the Property, not to protest or otherwise object to (a) zoning or changes in zoning or to uses of, or changes in density of, the property in the Project, or (b) changes in any conceptual or master plan for property in the Project; provided, in either case, the zoning, use, density, or conceptual, development, or plan revision is or would be lawful (including, but not limited to, lawful by special use permit, variance, or the like) and is not inconsistent with what is permitted by this Declaration (as amended from time to time). Notwithstanding anything to the contrary in this Section 23.3, the provisions of this Section 23.3 shall be enforceable only to the extent not in violation of any applicable provision of law.

24. RIGHTS AND OBLIGATIONS

Each grantee of Developer, or of Declarant acting on behalf of Developer, by the acceptance of a deed of conveyance, and each purchaser under any contract for a deed of conveyance, and each purchaser under any agreement of sale, and the heirs, successors and assigns of the foregoing Persons, accepts the grant, conveyance or agreement subject to all restrictions, conditions, covenants, reservations, liens and charges, and the jurisdiction, rights and powers created or reserved by this Declaration, and all rights, benefits and privileges of every character hereby granted, created, reserved or declared. Further, all impositions and obligations imposed by this Declaration shall be deemed and taken to be covenants running with the land and equitable servitudes, and shall bind any Person having at any time any interest or estate in the Property, and shall inure to the benefit of any such Person in like manner as though the provisions of this Declaration were recited and stipulated at length in each and every deed of conveyance, purchase contract or instrument evidencing such an interest.

The original, executed and acknowledged DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR TALKING ROCK RANCH was recorded in the Yavapai County Recorder's office on August 31, 2001, in Book 3859 at page 676.

To obtain a photocopy of the actual recorded Declaration that includes signature and acknowledgment pages and includes as attachments EXHIBIT "A" (Legal Description of Parcel: Phase One-A Containing 183.407 Acres, more or less; and Phase One-B Containing 47.345 Acres, more or less) and EXHIBIT "B" (Description of Annexable Property), please contact, or have your agent contact, the Talking Rock Ranch Sales Office.



TALKING ROCK™

AMENDMENTS TO DECLARATION
of
COVENANTS, CONDITIONS & RESTRICTIONS
for
TALKING ROCK RANCH

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**FIRST AMENDMENT TO
DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS
FOR
TALKING ROCK RANCH**

This First Amendment to Declaration of Covenants, Conditions and Restrictions for Talking Rock Ranch (the "First Amendment") is made and entered into as of the 16th day of April, 2004, by Talking Rock Land, L.L.C., an Arizona limited Liability company (the "Company").

RECITALS

- A. The Company is the "Developer" named in that certain "Declaration of Covenants, Conditions and Restrictions for Talking Rock Ranch" recorded on August 31, 2001, in Book 3859 at page 676 of the official records of Yavapai County, Arizona (the "Declaration").
- B. The Declaration subjects the "Property" described on "Exhibit "A" attached thereto to the covenants, conditions and restrictions contained in the Declaration.
- C. The Declaration provides that the named Developer may subject the real property described on Exhibit "B" attached thereto and defined as the "Annexable Property" to the covenants, conditions and restrictions contained in the Declaration.
- D. Section 20.4 of the Declaration allows the named Developer to amend the Declaration without the approval of the Board of the owners' association, the members of the owners' association, "or any other Person" prior to the "Transition Date" provided for in the Declaration.
- E. The Transition Date has not occurred and the Company desires to exercise its amendment powers as the named Developer under the Declaration to amend the legal description of the Annexable Property to remove a small portion of property from the legal description, as provided herein.

DECLARATIONS

Now, therefore, the Company hereby exercises the amendment powers provided under Section 20.4 of the Declaration as follows:

- 1. Defined terms appear in this First Amendment with the first letter in each word of the term capitalized. If not otherwise expressly provided in this First Amendment, defined terms shall have the meanings given to them in the Declaration.

2. The Declaration is hereby amended by deleting Exhibit "B" attached thereto and replacing it with the legal description of the "Amended Annexable Property" attached hereto as Exhibit "B-Amended." All references in the Declaration to the Annexable Property or Exhibit "B" shall be interpreted to refer to the Amended Annexable Property or Exhibit "B-Amended" attached hereto, as applicable.
3. Except as expressly amended by this First Amendment, the Declaration remains in full force and effect.
4. This First Amendment shall be effective upon recording in the official records of Yavapai County, Arizona.

IN WITNESS WHEREOF, the Company (acting as the Developer under the Declaration) has caused this First Amendment to be executed as of the date set forth above.

The original executed and acknowledged First Amendment to Declaration of Covenants, Conditions and Restrictions For Talking Rock Ranch was recorded in the Yavapai County Recorder's office on April 21, 2004, in Book 4139 at page 717.

To obtain a photocopy of the actual recorded First Amendment that includes signatures and acknowledgment and includes as an attachment Exhibit "B-Amended" (Legal Description of the Amended Annexable Property), please contact, or have your agent contact, the Talking Rock Ranch Sales Office.

**SECOND AMENDMENT TO
DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS
FOR
TALKING ROCK RANCH**

This Second Amendment to Declaration of Covenants Conditions and Restrictions for Talking Rock Ranch (the "Second Amendment") is made and entered into as of the 16th day of February, 2006, by Talking Rock Land, L.L.C., an Arizona limited liability company (the "Company").

RECITALS

- A. The Company is the "Developer" named in that certain "Declaration of Covenants, Conditions and Restrictions for Talking Rock Ranch" recorded on August 31, 2001, in Book 3859 at page 676 of the official records of Yavapai County, Arizona and as amended by First Amendment to Declaration of Covenants, Conditions and Restrictions for Talking Rock Ranch recorded on April 21, 2004, in Book 4139 at page 717 of the official records of Yavapai County, Arizona (the "Declaration").
- B. The Declaration subjects the "Property" described on Exhibit "A" attached thereto to the covenants, conditions and restrictions contained in the Declaration.
- C. The Declaration provides that the named Developer may subject the real property described on Exhibit "B" attached thereto and defined as the "Annexable Property" to the covenants, conditions and restrictions contained in the Declaration.
- D. Section 20.4 of the Declaration allows the named Developer to amend the Declaration without the approval of the Board of the owners' association, the members of the owners' association, "or any other Person" prior to the "Transition Date" provided for in the Declaration.
- E. The Transition Date has not occurred and the Company desires to exercise its amendment powers as the named Developer under the Declaration to amend the legal description of the Annexable Property to remove a small portion from the legal description, as provided herein.

DECLARATIONS

Now, therefore, the Company hereby exercises the amendment powers provided under Section 20.4 of the Declaration as follows:

- 1. Defined terms appear in this Second Amendment with the first letter in each word of the term capitalized. If not otherwise expressly provided in this Second Amendment, defined terms shall have the meanings given to them in the Declaration.

2. The Declaration is hereby amended by deleting Exhibit "B" attached thereto and replacing it with the legal description of the "Amended Annexable Property" attached hereto as Exhibit "B-Amended". All references in the Declaration to the Annexable Property or Exhibit "B" shall be interpreted to refer to the Amended Annexable Property or Exhibit "B-Amended" attached hereto, as applicable.
3. Except as expressly amended by this Second Amendment, the Declaration remains in full force and effect.
4. This Second Amendment shall be effective upon recording in the official records of Yavapai County, Arizona.

IN WITNESS WHEREOF, the Company (acting as the Developer under the Declaration) has caused this Second Amendment to be executed as of the date set forth above.

The original executed and acknowledged Second Amendment to Declaration of Covenants, Conditions and Restrictions For Talking Rock Ranch was recorded in the Yavapai County Recorder's office on February 23, 2006, in Book 4367 at page 308.

To obtain a photocopy of the actual recorded Second Amendment that includes signatures and acknowledgment and includes as an attachment Exhibit "B-Amended" (Legal Description of the Amended Annexable Property), please contact, or have your agent contact, the Talking Rock Ranch Sales Office.

**THIRD AMENDMENT TO
DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS
FOR
TALKING ROCK RANCH**

This Third Amendment to Declaration of Covenants, Conditions and Restrictions for Talking Rock Ranch (the "Third Amendment") is made and entered into as of the 9th day of October, 2006, by Talking Rock Land, L.L.C., an Arizona limited liability company (the "Company").

RECITALS

A. The Company is the "Developer" named in that certain "Declaration of Covenants, Conditions and Restrictions for Talking Rock Ranch" recorded on August 31, 2001, in Book 3859 at page 676 of the official records of Yavapai County, Arizona, as amended by that certain First Amendment to Declaration of Covenants, Conditions and Restrictions for Talking Rock Ranch recorded on April 21, 2004, in Book 4139 at page 717 of the official records of Yavapai County, Arizona, and as further amended by that certain Second Amendment to Declaration of Covenants, Conditions and Restrictions for Talking Rock Ranch recorded on February 23, 2006, in Book 4367 at page 308 of the official records of Yavapai County, Arizona (as amended, the "Declaration").

B. Section 20.4 of the Declaration allows the named Developer to amend the Declaration without the approval of the Board, the Members, "or any other Person" prior to the "Transition Date" provided for in the Declaration.

C. The Transition Date has not occurred and the Company desires to exercise its amendment powers as the named Developer under the Declaration to amend the use and occupancy restrictions set forth in Section 13 of the Declaration, as provided herein.

DECLARATIONS

Now, therefore, the Company hereby exercises the amendment powers provided under Section 20.4 of the Declaration as follows:

1. Defined Terms. Defined terms appear in this Third Amendment with the first letter in each word of the term capitalized. If not otherwise expressly provided in this Third Amendment, defined terms shall have the meanings given to them in the Declaration.
2. Section 13 of the Declaration is hereby amended to add the following subsection:

13.27 Rental of Lots.

13.27.1 An Owner who leases or otherwise grants occupancy rights to his Lot to any Person (a "Lease") shall be responsible for assuring compliance by the Occupant with all of the provisions of the Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Articles, Bylaws, Association Rules and Architectural Design Guidelines and shall be jointly and severally responsible for any violations by the Occupant thereof. All leases shall be in writing and shall not be for less than the entire residence located on the Lot. Upon the execution of a Lease, the Owner shall provide a copy thereof to the Association. If, by separate membership agreement, an owner has acquired the right to use all or any portion of the Club Facilities, the Owner may not, by virtue of leasing the Owner's Lot, confer upon the lessee any use privileges with respect to the Club Facilities. Such privileges, if any, are available only pursuant to the rules, policies and procedures of the club governing bona fide guests of club members.

13.27.2 To retain the ambiance and character appropriate to the Project, the minimum rental period allowed for a Lease shall be 6 months.

3. Except as expressly amended by this Third Amendment, the Declaration remains in full force and effect.
4. This Third Amendment shall be effective upon the recording in the official records of Yavapai County, Arizona.

IN WITNESS WHEREOF, the Company (acting as the Developer under the Declaration) has caused this Third Amendment to be executed as of the date set forth above.

The original executed and acknowledged Third Amendment to Declaration of Covenants, Conditions and Restrictions For Talking Rock Ranch was recorded in the Yavapai County Recorder's office on October 10, 2006, in Book 4443 at page 780.

To obtain a photocopy of the actual recorded Third Amendment that includes signatures and acknowledgment and includes as an attachment Exhibit "B-Amended" (Legal Description of the Amended Annexable Property), please contact, or have your agent contact, the Talking Rock Ranch Sales Office.

**FOURTH AMENDMENT TO
DECLARATION OF COVENANTS, CONDITIONS &
RESTRICTIONS
FOR
TALKING ROCK RANCH**

This Fourth Amendment to Declaration of Covenants, Conditions and Restrictions for Talking Rock Ranch (the "Fourth Amendment") is made and entered into as of the 22nd day of April, 2008, by Talking Rock Land, L.L.C., an Arizona limited liability company (the "Company").

RECITALS

- A. The Company is the "Developer" named in that certain "Declaration of Covenants, Conditions and Restrictions for Talking Rock Ranch" recorded on August 31, 2001, in Book 3859 at page 676 of the official records of Yavapai County, Arizona, as amended by that certain First Amendment to Declaration of Covenants, Conditions and Restrictions for Talking Rock Ranch recorded on April 21, 2004, in Book 4139 at page 717 of the official records of Yavapai County, Arizona, as further amended by that certain Second Amendment to Declaration of Covenants, Conditions and Restrictions for Talking Rock Ranch recorded on February 23, 2006, in Book 4367 at page 308 of the official records of Yavapai County, Arizona, and as further amended by that certain Third Amendment to Declaration of Covenants, Conditions and Restrictions for Talking Rock Ranch recorded on October 10, 2006, in Book 4443 at page 780 of the official records of Yavapai County, Arizona (as amended, the "Declaration").
- B. Section 20.4 of the Declaration allows the named Developer to amend the Declaration without the approval of the Board, the Members, "or any other Person" prior to the "Transition Date" provided for in the Declaration.
- C. The Transition Date has not occurred and the Company desires to exercise its amendment powers as the named Developer under the Declaration to amend the use and occupancy restrictions set forth in Section 13 of the Declaration, as provided herein.

DECLARATIONS

Now, therefore, the Company hereby exercises the amendment powers provided under Section 20.4 of the Declaration as follows:

- 1. Defined Terms. Defined terms appear in this Fourth Amendment with the first letter in each word of the term capitalized. If not otherwise expressly provided in this Fourth Amendment, defined terms shall have the meanings given to them in the Declaration.

2. Leasing Restrictions. Section 13.27 of the Declaration is hereby deleted and replaced with the following:

13.27 Rental of Lots.

- 13.27.1 No owner may lease or otherwise grant occupancy rights to his Lot to any Person (a "Lease") for less than the Owner's entire Lot. All Leases must be in writing and must provide that the terms of the Lease are subject to the provisions of the Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Articles, Bylaws, Association Rules and Architectural Design Guidelines, and that any violation of such documents by the lessee or other Occupant shall be a default under the Lease. A copy of such documents shall be provided to the lessee. There shall be no subletting of any Lots or assignments of Leases.
- 13.27.2 No Lot may be leased to a Person who is not already an Owner within the Project for a term of less than 180 days. A Lease to an Owner may be for any period the parties to the Lease elect.
- 13.27.3 At least 10 days before the commencement of the Lease term when the tenant is not an Owner, the lessor must provide a copy of the Lease to the Association, along with the following information, if not set forth in the Lease: (i) the commencement date and expiration date of the Lease term; (ii) the name of each lessee and other Occupant who will reside on the Lot during the Lease term; (iii) the address and telephone number at which the Owner of the Ranch Cottage can be contacted by the Association during the Lease term; and (iv) the name, address and telephone number of an individual who the Association can contact in the event of an emergency involving the Lot.
- 13.27.4 If the lessee is an Owner, the lessor shall be required to provide a copy of the Lease to the Association at least 10 days before the commencement of the Lease term, but shall not be obligated to provide any of the additional information described in Section 13.27.3.
- 13.27.5 For all Leases, the Owner of the Lot being leased shall be responsible for assuring compliance with, and shall be liable for, any violation of the Declaration, any applicable Supplemental Declaration, any applicable Neighborhood Declaration, the Articles, Bylaws, Association Rules or Architectural Design Guidelines by the lessee or other Occupants, or their guests or invitees. In the event of any such violation, the Owner of the Lot being leased shall upon demand by the Association, immediately take all necessary action to correct the violation.
- 13.27.6 If, by separate membership agreement, an Owner has acquired the right to use all or any portion of the Club Facilities, the Owner may not, by virtue of leasing the Owner's Lot, confer upon the lessee any use privileges with respect to the Club Facilities. Such privileges, if any, are available only pursuant to the rules, policies and procedures of the club governing bona fide guests of club members.
- 13.27.7 The provisions of this Section 13.27 shall not apply to Developer or any Lot owned in fee or beneficially by Developer or any Related Party.
3. Effect of Amendment. Except as expressly amended by this Fourth Amendment, the Declaration remains in full force and effect.

4. Effective Date. This Fourth Amendment shall be effective upon recording in the official records of Yavapai County, Arizona.

IN WITNESS WHEREOF, the Company (acting as the Developer under the Declaration) has caused this Fourth Amendment to be executed as of the date set forth above.

The original executed and acknowledged Fourth Amendment to Declaration of Covenants, Conditions and Restrictions For Talking Rock Ranch was recorded in the Yavapai County Recorder's office on April 24, 2006, in Book 4591 at page 132.

To obtain a photocopy of the actual recorded Fourth Amendment that includes signatures and acknowledgment and includes as an attachment Exhibit "B-Amended" (Legal Description of the Amended Annexable Property), please contact, or have your agent contact, the Talking Rock Ranch Sales Office.

**AMENDED AND RESTATED
BYLAWS OF
TALKING ROCK RANCH ASSOCIATION FOR
COMMUNITY PRESERVATION**

**ARTICLE I
GENERAL**

1. Application of Declaration. These Amended and Restated Bylaws (“Bylaws”) are the Bylaws of Talking Rock Ranch Association for Community Preservation, an Arizona nonprofit corporation (the “Association”), formed pursuant to that certain “Declaration of Covenants, Conditions and Restrictions for Talking Rock Ranch”, as amended from time to time, recorded in the official records of the Yavapai County Recorder on August 31, 2001, in Docket 3859, Page 676 (the “Declaration”).

2. Defined Terms. Unless otherwise defined herein, capitalized terms or phrases used herein shall have the meaning given those terms or phrases in the Declaration or the Amended and Restated Articles of Incorporation (the “Articles”).

3. Nonprofit Corporation. The Association is an Arizona nonprofit corporation, and is organized and existing under and by virtue of the laws of the State of Arizona. The office of the Association shall be located at 7600 East Doubletree Ranch Road, Suite 220, Scottsdale, Arizona 85258.

**ARTICLE II
MEMBERSHIP; MEETINGS**

1. Membership. The members of the Association shall be referred to in these Bylaws as “Site Stewards.” The voting rights of the Site Stewards shall be as provided in the Declaration. It is hereby acknowledged that the Declaration may be amended from time to time to change the qualifications and requirements of the Site Stewards and their voting rights.

2. Location of Meetings. Meetings of the Site Stewards shall be held at such place as may be designated by the Board and stated in the notice of meeting.

3. Annual Meeting. An annual meeting of the Site Stewards shall be held on such date and at such time as shall be designated from time to time by the Board and stated in the notice of the meeting for the purpose of electing the Board and transacting other business authorized to be transacted by the Site Stewards.

4. Special Meetings. Special Meetings of the Site Stewards may be called by the President, the Board, or by the written demand of the holders of not less than twenty-five percent (25%) of the Site Stewards of the Association for any purpose or purposes.

5. Notice of Quorums. Unless otherwise provided in the Declaration, written notice of any annual or special meeting shall be sent to all Site Stewards not less than (10) days nor more than sixty (60) days in advance of the meeting and shall specify the time and place of the meeting. Any notice of a special meeting shall also specify the purpose for which it is called. Unless otherwise provided in the Declaration, at any meeting, the presence of twenty-five percent (25%) of the Site Stewards in person or by proxy shall constitute a quorum. If the required quorum is not present, a majority of those present may adjourn the meeting from time to time. At any adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice. Unless the vote of a greater number is required by the Declaration, the Articles, these Bylaws or applicable law, the affirmative vote of a "Majority of a Quorum of Site Stewards" (as defined in the Declaration) shall be binding as the act of the Site Stewards. Written notice of each meeting shall be given by, or at the direction of, the Secretary or person authorized to call the meeting. Notice shall be given by mailing a copy of the notice, postage prepaid, to each Site Steward entitled to vote at the meeting, addressed to the Site Steward at the address last appearing on the books of the Association or supplied by the Site Steward for the purpose of notice.

6. Proxies. At all meetings of Site Stewards, each Site Steward entitled to vote may vote in person or by proxy. All proxies must be in writing and must be filed with the Secretary before or at the time of the meeting. The Board may, from time to time, specify a specific form of proxy to be used in connection with a particular meeting. Every proxy shall be revocable and shall automatically terminate (a) as of the date the Site Steward giving he proxy ceases to be a Site Steward, or (b) eleven (11) months from the date of its execution, unless otherwise provided in the proxy. Site Stewardship held by a legal personal representative or by a court appointed receiver may be voted, in person or by proxy, by the representative or receiver without the transfer (except as required under a valid voting trust agreement) of membership into the name of the trustee or receiver.

7. Informal Action. Any action required or permitted to be taken at a meeting of the Site Stewards may be taken without a meeting if a consent in writing, setting forth the action taken, is signed by the greater of (a) the percentage required under Arizona law, or (b) the percentage required under the Declaration, the Articles or these Bylaws.

8. Irregularities. All information and/or irregularities in calls, notices of meetings and in the manner of voting, form of proxies, credentials and method of ascertaining those present, shall be deemed waived if not objection is made at the meeting or if waived in writing.

9. Record Date. For the purpose of determining Site Stewards entitled to notice of (or to vote at) any meeting of Site Stewards, or in order to make a determination of Site Stewards for any other purpose, the Board may direct the membership books to be closed for a stated period, not to exceed fifteen (15) days prior to the event concerned.

ARTICLE III

GOVERNING BOARD

1. Number and Term of Office. The board of directors of the Association shall be known as the "Governing Board" and may be referred to herein as the "Board". The Governing Board shall consist of not less than one (1) nor more than seven (7) individuals. The qualifications of the members of the Governing Board shall be as provide in the Declaration. Until the Transition Date, Developer shall have the absolute power and right to appoint and remove the members of the Board. The Governing Board shall initially consist of three (3) individuals. At the first annual meeting after the Transition Date, the Site Stewards shall elect one (1) Board member for a term of three (3) years, (1) Board member for a term of two (2) years, and (1) Board member for a term of one (1) year. At each annual meeting thereafter, the Site Stewards shall appoint or elect, as the case may be, the number of Board members as is appropriate to replace those Board members whose terms have expired and to maintain staggered terms for the Board members for a term of three (3) years each. If

the number of Board Members is increased above three (3) after the Transition Date, the additional Board members shall be elected to serve such terms so that, to the extent possible, a proportionate number of Board members are serving in staggered terms.

2. Powers and Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Association, and may do all such acts and things as are not prohibited by law or otherwise directed to be exercised and done by the Site Stewards. The powers of the Board shall include, but not be limited to, all of the rights, powers, privileges, duties and obligations assigned to the Board in the Declaration, the Articles and these Bylaws.

3. Organizational Meeting. The organizational meeting of the Board and annual meetings thereafter shall be held at such place and at such time as shall be determined by the Board.

4. Vacancies; Removal of Board Members. If the office of any Board member becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, disability or otherwise, such Board member will cease to be a Board member, and the Board member's place on the Board shall be deemed vacant. Vacancies on the Board shall be filled by vote of the remaining Board members. The person selected to fill any vacancy shall serve the remainder of the unexpired term. A Board member may be removed from the Board with or without cause in the same manner as such Board Member was appointed or elected to the Board.

5. Disqualification and Resignation of Board Members. Any Board member may resign at any time by sending written notice of resignation to the Secretary of the Association. Unless otherwise specified therein, any resignation shall take effect upon receipt by the Secretary. Except in the case of injury, illness or similar circumstances, more than three (3) consecutive absences from regular meetings of the Board by any Board member may be cause for immediate removal, effective as of the conclusion of the last missed meeting.

6. Regular Meetings. The Board shall establish a schedule of regular meetings to be held at such time and place as the Board may designate. Notice of regular meetings shall nevertheless be given to each Board member personally, or by mail, telephone or facsimile, at least five (5) days prior to the day named for the meeting.

7. Special Meetings. Special meetings of the Board may be called by the President of the Association, or by any two (2) Board members, after not less than three (3) days notice to each Board member, given personally or by mail, telephone or facsimile. Notice shall state the time, place and purpose of the meeting. Any member of the Board may participate in any regular or special meeting of the Board by means of a conference telephone or similar communications equipment whereby all members participating in the meeting can hear one another. Participation by conference telephone or similar equipment shall constitute attendance in person, unless stated otherwise in Section 8 of this Article III.

8. Waiver of Notice. Before or at any meeting of the Board, any Board member may, in writing, waive the requirement of prior notice of the meeting. Waiver of notice shall be deemed equivalent to the receipt of required notice. Attendance by a Board member at any meeting of the Board shall be a waiver of notice by such Board member, except when a Board member attends for the express purpose of objecting to lack of notice. If all the Board members are present at any meeting of the Board, no notice shall be required, and any business may be transacted at the meeting.

9. Quorum. At all meetings of the Board, a majority of the Board members shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Board members present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board. If there is less than a quorum present at any meeting of the Board, the majority of those present may adjourn the meeting from time to time. At any adjourned meeting, any business that might have been transacted at the original meeting may be transacted without further notice.

10. Informal Action. Any action required to be taken at a meeting of the Board members, or any other action that may be taken at such meeting, may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all the Board members.

ARTICLE IV

OFFICERS

1. Enumeration and Election of Officers. The principal officers of the Association shall be a president, a vice president, a secretary and a treasurer. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Site Stewards.

2. Term. The Board shall elect the officers of the Association annually and each officer shall hold office for one (1) year unless such officer shall sooner resign, be removed or otherwise disqualified to serve. If the office or any officer becomes vacant for any reason, the vacancy shall be filled by the Board. The officer appointed to fill a vacancy shall serve for the remainder of the term of the officer replaced.

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

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

5. The President. The president shall be the chief executive officer of the Association; shall preside at all meetings of the Site Stewards and of the Board; shall have executive powers and general supervision over the affairs of the Association; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all promissory notes.

6. The Vice President. The vice president shall perform all of the duties of the president in the President's absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required from time to time by the Board.

7. The Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Site Stewards; serve notice of meetings of the Board and of the Site Stewards; keep appropriate current records showing the Site Stewards of the Association together with their addresses, and shall perform such other duties as required by the Board.

8. The Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all funds of the Association and shall disburse such funds as directed by resolution of the Board; shall co-sign all promissory notes of the Association; shall keep proper books of account; shall cause audits of the Association books to be made from time to time as directed by resolution of the Board; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular meeting, and deliver a copy to each of the Site Stewards. The treasurer shall be allowed to delegate the collection, deposit and disbursement of funds by establishing a reasonable method of accounting that shall be periodically reviewed by the Board.

ARTICLE V
FISCAL MANAGEMENT

1. Depositories. The funds of the Association shall be deposited in such banks and depositories as may be determined by the Board from time to time, upon resolutions approved by the Board, and shall be withdrawn only upon checks and demands for money signed by an officer or officers of the Association or persons or entities delegated such authority by resolution of the Board.

2. Records and Statements of Account. The Board, under the direction of the treasurer, shall cause detailed and accurate records to be kept, in accordance with generally accepted accounting practice. To the extent required under the Declaration and Arizona law, the records of the Association shall be available for examination by the Site Stewards at convenient hours designated by the Board.

3. Contracts. Unless otherwise provided by the Board, all contracts shall be executed on behalf of the Association by either the president or vice president.

ARTICLE VI
CONSTRUCTION

In the case of any conflict between these Bylaws and the Articles, the Articles shall control. In the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. If any provision of these Bylaws is less restrictive than the Declaration or the Articles when dealing with the same subject, the more restrictive provisions of the Declaration or Articles (as the case may be) shall be applicable in the same manner as if included in the provisions of these Bylaws.

ARTICLE VII
AMENDMENTS OF THE BYLAWS

These Bylaws may be amended by the affirmative vote of a majority of the Board. These Bylaws shall not be amended to contain any provision that would be contrary to or inconsistent with the Declaration or the Articles, and any provisions or purported amendment or modification to these Bylaws that is contrary to or inconsistent with the Declaration or the Articles shall be void to the extent of the inconsistency.

ARTICLE VIII
LIABILITY SURVIVES TERMINATION OF MEMBERSHIP

The termination of ownership of a Lot shall not relieve or release any former Owner or Site Steward from any liabilities or obligations incurred under or in any way connected with the Property and/or Association, during the period of ownership and membership, or impair any rights or remedies which the Association may have against the former Owner and/or Site Steward arising out of or in any way connected with ownership and membership, and the duties and obligations incident thereto.

Certificate of Adoption

The undersigned secretary does hereby certify that the Governing Board of Talking Rock Ranch Association for Community Preservation adopted the foregoing Amended and Restated Bylaws, pursuant to a written consent of the Board members dated _____, 2001.

By: _____ /ss/*

Kathe Astrom, Secretary

**To obtain a photocopy of the document bearing the Secretary's certification signature, please contact, or have your agent contact, the Talking Rock Ranch Sales Office.*

**AMENDED AND RESTATED
ARTICLES OF INCORPORATION OF
TALKING ROCK RANCH COMMUNITY ASSOCIATION, INC.**

Pursuant to the provisions of A.R.S. §§1010-11006 and 10-11007, Talking Rock Community Association, Inc., an Arizona nonprofit corporation, hereby adopts the following Amended and Restated Articles of Incorporation and certifies as follows:

FIRST: The name of the corporation is Talking Rock Community Association, Inc. (the "Company").

SECOND: The Articles of Incorporation are amended and restated as set forth in Exhibit A attached hereto and incorporated herein by this reference.

THIRD: The restatement does not contain an amendment to the Articles of Incorporation that requires the approval of any person other than the directors of the Company, and the board of directors has adopted the restatement.

DATED: September 5, 2001.

Talking Rock Community Association, Inc.

An Arizona nonprofit corporation

By: _____ /ss/*

Douglas Zuber, President

**To obtain a photocopy of the executed document please contact, or have your agent contact, the Talking Rock Ranch Sales Office.*

EXHIBIT A

AMENDED AND RESTATED

ARTICLES OF INCORPORATION OF

TALKING ROCK RANCH ASSOCIATION FOR COMMUNITY

PRESERVATION

ARTICLE I

NAME

The name of the corporation is Talking Rock Ranch Association for Community Preservation (hereinafter called the "Association").

ARTICLE II

DEFINITIONS

Unless otherwise specifically provided herein, capitalized terms and phrases used herein shall have the same meanings given those terms in that certain "Declaration of Covenants, Conditions and Restrictions for Talking Rock Ranch", as amended from time to time (the "Declaration"), which was first recorded in the records of the County Recorder of Yavapai County, Arizona on August 31, 2001, at Docket 3859, Page 676.

ARTICLE III

INITIAL BUSINESS

The character of business that the Association initially intends to conduct in Arizona is the fulfillment of all its duties and responsibilities and the exercise of all its rights, powers, privileges and prerogatives under the Declaration.

ARTICLE IV
GOVERNING BOARD

The affairs of the Association shall be managed by a board of directors, which shall be known as the Governing Board, and that shall possess all of the rights, powers, privileges, duties and obligations assigned to the Board in the Declaration. The Governing Board shall consist of three (3) individuals. The names and addresses of the individuals who are currently serving as board members are as follows:

NAME	ADDRESS
Douglas Zuber	7600 East Doubletree Ranch Road, Suite 220 Scottsdale, Arizona 85258
Kathe Astrom	7600 East Doubletree Ranch Road, Suite 220 Scottsdale, Arizona 85258
Craig Krumwiede	7600 East Doubletree Ranch Road, Suite 220 Scottsdale, Arizona 85258

ARTICLE V
STATUTORY AGENT

Douglas Zuber, 7600 East Doubletree Ranch Road, Suite 220, Scottsdale, Arizona 85258, is hereby appointed statutory agent of the Association upon whom all notices and process, including summons, may be served. The Board may revoke the appointment of the agent at any time and shall have the power to fill any vacancy.

ARTICLE VI
KNOWN PLACE OF BUSINESS

The street address of the Association's known place of business is 7600 East Doubletree Ranch Road, Suite 220, Scottsdale, Arizona 85258.

ARTICLE VII
MEMBERSHIP

The Association shall have members and the member's rights and obligations shall be as provided in the Declaration. It is hereby acknowledged that the Declaration may be amended from time to time to change the qualifications and requirements of members and their respective rights and obligations.

ARTICLE VIII
ELIMINATION OF BOARD MEMBER LIABILITY;
INDEMNIFICATION

To the fullest extent permitted by the Arizona Revised Statutes as the same exist or may be hereafter amended, no member of the Governing Board of the Association shall be liable to the Association or its members for monetary damages for any action taken or any failure to take any action as a Board member. No repeal, amendment or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any act or failure to act of a Board member of the corporation occurring prior to such repeal, amendment or modification. To the fullest extent permitted by the Arizona Revised Statutes as the same exist or may be hereafter amended, the Association shall indemnify and advance expenses to any person who incurs expenses or liabilities by reason of the fact he or she is or was an officer or member of the Board of the Association or is or was serving at the request of the Association as a Board member, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other entity. The foregoing indemnification and advancement of expenses shall be mandatory in all circumstances in which the same are permitted by law. No repeal, amendment or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any matter giving rise to indemnification and advancement of expenses occurring prior to such repeal, amendment or modification.

ARTICLE IX
CONFLICT WITH DECLARATION

The Association is formed and shall exist pursuant to and for the purpose of effectuating the provisions of the Declaration. In the event of any inconsistency between the terms of the Declaration, as amended from time to time, and the terms of these Amended and Restated Articles, as amended from time to time, the terms of the Declaration shall control.

ARTICLE X
AMENDMENTS

These Amended and Restated Articles may be amended in accordance with the same procedures required to amend the Declaration.

IN WITNESS WHEREOF, the undersigned incorporator has executed these Amended and Restated Articles this 5th day of September, 2001.

By: _____ /ss/*

Douglas Zuber, President

**To obtain a photocopy of the executed document please contact, or have your agent contact, the Talking Rock Ranch Sales Office.*

**AMENDED AND RESTATED
BYLAWS OF
TALKING ROCK RANCH ASSOCIATION FOR
COMMUNITY PRESERVATION**

**ARTICLE I
GENERAL**

1. Application of Declaration. These Amended and Restated Bylaws (“Bylaws”) are the Bylaws of Talking Rock Ranch Association for Community Preservation, an Arizona nonprofit corporation (the “Association”), formed pursuant to that certain “Declaration of Covenants, Conditions and restrictions for Talking Rock Ranch”, as amended from time to time, recorded in the official records of Yavapai County Recorder on August 31, 2001, in Docket 3859, page 676 (the “Declaration”).

2. Defined Terms. Unless otherwise defined herein, capitalized terms or phrases used herein shall have the meaning given those terms or phrases in the Declaration or the Amended and Restated Article of Incorporation (the “Articles”).

3. Nonprofit Corporation. The Association is an Arizona nonprofit corporation, and is organized and existing under and by virtue of the laws of the State of Arizona. The offices of the Association shall be located at 7600 East Doubletree Ranch Road, Suite 220 Scottsdale, Arizona 85258.

**ARTICLE II
MEMBERSHIP; MEETINGS**

1. Membership. The members of the Association shall be referred to in these Bylaws as “Site Stewards.” The voting rights of the Site Stewards shall be as provided in the Declaration. It is hereby acknowledged that the Declaration may be amended from time to time to change the qualifications and requirements of the Site Stewards and their voting rights.

2. Location of Meetings. Meetings of the Site Stewards shall be held at such place as may be deigned by the Board and stated i the notice of meeting.

3. Annual Meeting. An annual meeting of the Site Stewards shall be held on such date and at such time as shall be designed from time to time by the Board and stated in the notice of the meeting for the purpose of electing the Board and transacting other business authorized to be transacted by the Site Stewards.

4. Special Meetings. Special Meetings of the Site Stewards may be called by the President, the Board, or by the written demand of the holders of not less than twenty-five percent (25%) of the Site Stewards of the Association for any purpose or purposes.

5. Notice of Quorums. Unless otherwise provided in the Declaration, written notice or any annual or special

meeting shall be sent to all Site Stewards not less than (10) days nor more than Sixty (60) days in advance of the meeting and shall specify the time and place of the meeting. Any notice of a special meeting shall also specify the purpose for which it is called. Unless otherwise provided in the declaration, at any meeting, the presence of twenty-five percent (25%) of the Site Stewards in person or by proxy shall constitute a quorum. If the required quorum is not present, a majority of those present may adjourn the meeting from time to time. At Any Adjourned meeting, any business that might have been transacted at the meetings originally called may be transacted without further notice. Unless the vote of a greater number is required by the Declaration, the Articles, these Bylaws or applicable law, the affirmative vote of a "Majority of a Quorum of Site Stewards" (as defined in the Declaration) shall be binding as the Site Stewards. Written notice of each meeting shall be given by, or at the direction of, the Secretary or person authorized to call the meeting. Notice shall be given by mailing a copy of the notice, postage prepaid, to each Site Steward entitled to vote at the meeting, addressed to the Site Steward at the address last appearing on the books of the Association or supplied by the Site Steward for the purpose of notice.

6. Proxies. At all meetings of Site Stewards, each Site Steward entitled to vote may vote in person or by proxy. All proxies must be in writing and must be filed with Secretary before or at the time of the meeting. The Board may, from time to time, specify a specific form of proxy to be used in connection with a particular meeting. Every Proxy shall be revocable and shall automatically terminate (a) as of the date the Site Steward giving the proxy ceases to be a Site Steward or (b) eleven (11) months from the date of its execution, unless otherwise provided in the proxy. Site Stewardship held by a legal personal representative or by court appointed receiver may be voted, in person or by proxy, by the representative or receiver without the transfer (except as required under a valid voting trust agreement) of membership into the name of the trustee or receiver.

7. Informal Action. Any action required or permitted to be taken at a meeting of the Site Stewards may be taken without a meeting if a consent in writing, setting forth the Action taken, is signed by the greater of (a) the percentage required under Arizona law, or (b) the percentage required under the Declaration, the Articles or these Bylaws.

8. Irregularities. All information and/or irregularities in calls, notice of meetings and in the manner of voting, form of proxies, credentials and method of ascertaining those present, shall be deemed waived if no objection is made at the meeting or if waived in writing. 9. Record Date. For the purpose of determining Site Stewards entitled to notice of (or to vote at) any meeting of Site Stewards, or in order to make a determination of Site Stewards for any other purpose, the Board may direct the membership books to be closed for a stated period, not to exceed fifteen (15) days prior to the event concerned.

ARTICLE III

GOVERNING BOARD

1. Number and Term of Office. The board of directors of the Association shall be known as the "Governing Board" and may be referred to herein as the "Board". The Governing Board shall consist of not less than one (1) nor more than seven (7) individuals. The qualifications of the members of the Governing Board shall be as provided in the Declaration. Until the Transition Date, Developer shall have absolute power and right to appoint and remove the members of The Board. The Governing Board shall initially consist of three (3) individuals. At the first annual meeting after the Transition date, the Site Stewards shall elect one (1) Board member for a term three (3) years, one (1) Board member for a term of two (2) years, and one (1) Board member for a term of one (1) year. At each annual meeting thereafter, The Site Stewards shall appoint or elect, as the case may be, the number of Board members as is appropriate to replace those Board members whose terms have expired and to maintain staggered terms for the Board members for a term of three (3) years each. If the number of Board Members is increased above three (3) after the Transition Date, the Board members shall be elected to serve such terms so that, to the extent possible, a proportionate number of board members are serving in staggered terms.

2. Power and Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Association, and may do all such acts and things as are not prohibited by law or otherwise directed to be exercised and done by the Site Stewards. The powers of the Board shall include, but not be limited to, all of the rights, powers, privileges, duties and obligations assigned to the Board in the declaration, the Articles and these Bylaws.

3. Organizational Meeting. the organizational meeting of the Board and annual meetings thereafter shall be held at such place and such time as shall be determined by the Board.

4. Vacancies; Removal of Board Members. If the office of any Board member becomes vacant by reason of death, reassignment, retirement, disqualification, removal from office, Disability or otherwise, such Board member will cease to be a Board member, and the Board member's place on the board shall be deemed vacant. Vacancies on the Board shall be filled by vote of remaining Board members. The person selected to fill any vacancy shall serve the remainder of the unexpired term. A Board member may be removed from the Board with or without cause in the same manner as such Board Member was appointed or elected the Board.

5. Disqualification and Resignation of Board Members. Any Board member may resign at any time by sending written notice of resignation to the Secretary of the Association. Unless otherwise specified therein, any resignation shall take effect upon receipt of the Secretary. except in the case of injury, illness or similar circumstances, more than three (3) consecutive absences from regular meetings of the Board by any Board member may be cause for immediate removal, effective as of the conclusion of the last missed meeting.

6. Regular Meeting. The Board shall establish a schedule of regular meetings to be held at such time and place as the Board may designate. Notice of regular meetings shall nevertheless be given to each Board member personally, or by mail, Telephone or facsimile, at least five (5) days Prior to the day named for the meeting.

7. Special Meetings. Special meetings the Board may be called by the President of the Association or by any two (2) Board members, after not less than three (3) days notice to each Board member, given personally or by mail, telephone or facsimile. Notice shall state the time, place and purpose of the meeting. Any member of the Board may participate in any regular or special meeting of the Board by means of a conference telephone or similar communications equipment Whereby all members participating in the meeting can hear one another. Participation by conference telephone or similar equipment shall constitute attendance in person unless stated otherwise in Section 8 of this Article III.

8. Waiver of Notice. Before or at any meeting of the Board, any Board, any Board member may, in writing, waive the requirement of prior notice of the meeting Waiver of notice shall be deemed equivalent to the recipe of required notice. Attendance by a Board member at any meeting of the Board shall be a waiver of notice by such Board member, except when a Board member attends for the express purpose of objecting to lack of notice. if all the Board members are present at any meeting of the Board, no notice shall be required, and any business may be transacted at the meeting.

9. quorum, At all meetings of the Board, a majority of the Board members shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Board members present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board. If there is less than quorum present at any meeting of the Board, the majority of those present may adjourn the Meeting from time to time. At any adjourned meeting, any business that might have been transacted at the original meeting may be transacted without further notice.

10. Informational Action. Any action required to be taken at a meeting of the board of members, or any other action that may be taken at such meeting, may be taken without a meeting if a content in writing, setting forth the action so taken, is signed by all the Board members.

ARTICLE IV

OFFICERS

1. Enumeration and Election of Officers. The principal officers of the Association shall be a president, a secretary and a treasurer. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Site Stewards.

2. Term. The Board shall elect the officers of the Association annually and each officer shall not hold office for one (1) year unless such officer shall sooner resign, be removed or otherwise disqualified to serve. If the office or any officer becomes vacant for any reason the vacancy shall be filled by the Board. The officer appointed to fill a vacancy shall serve for the remainder of the term of the officer replaced.

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

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

5. The President. The president shall be the chief executive officer of the Association; shall preside at all meetings of the Site Stewards and of the Board; Shall have executive powers and general supervision over the affairs of the Association; Shall see that orders and resolutions the Board are carried out; shall sign all leases, mortgages, deeds and the written instruments and shall co-sign all promissory notes.

6. The Vice President. The vice president shall perform all of the duties of the president in the President's absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required from time to time.

7. The Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Site Stewards; serve notice of meetings of the Board and of the Site Stewards; keep appropriate current records showing the Site Stewards of the Association together with their addresses, and shall perform such other duties as required by the Board.

8. The Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all funds of the Association and shall disburse such funds as directed by the Board; shall co-sign all promissory notes of the Association; Shall keep proper books of accounts; shall cause audits of the Association books to be made from time to times directed by resolution of the Board; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular meeting, and deliver a copy to each of the Site Stewards. The treasurer shall be allowed to delegate the collection, deposit and disbursement of funds by establishing a reasonable method of accounting that shall be periodically reviewed by the Board.

ARTICLE V
FISCAL MANAGEMENT

1. Depositories. The funds of the Association shall be deposited in such banks and depositories as may be determined by the Board from time to time, upon resolutions approved by the Board, and shall be withdrawn only upon checks and demands for money signed by an officer or officers of the Association or persons or entities delegated such authority by resolution of the Board.

2. Records and Statements of Account. The Board, under the direction of the treasurer, shall cause detailed and accurate records to be kept, in accordance with generally accepted accounting practice. To the extent required under the Declaration and Arizona law, the records of the Association shall be available for examination by the Site Stewards at convenient hours designated by the Board.

3. Contracts. Unless otherwise provided by the Board, all contracts shall be executed on behalf of the Association by either the president or vice president.

ARTICLE VI
CONSTRUCTION

In case of any conflict between these Bylaws and the Articles, the Articles shall control. In the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. If any provision of these Bylaws is less restrictive than the Declaration or the Articles when dealing with the same subject, the more restrictive provisions of the Declaration or Articles (as the case may be) shall be applicable in the same manner as if included in the provisions of these Bylaws.

ARTICLE VII
AMENDMENTS OF THE BYLAWS

These Bylaws may be amended by the affirmative vote of a majority of the Board. These Bylaws shall not be amended to contain any provision that would be contrary to or inconsistent with the Declaration or the Articles, and any provisions or purported amendments or modification to these Bylaws that is contrary to or inconsistent with the Declaration or the Articles shall be void to the extent of the inconsistency.

ARTICLE VIII
LIABILITY SURVIVES TERMINATION OF MEMBERSHIP

The termination of ownership of a Lot shall not relieve or release any former Owner or Site Steward from any liabilities or obligations incurred under or in any way connected with the Property and/or Association, during the period of ownership and membership, or impair any rights or remedies which the Association may have against the former Owner and/or Site Steward arising out of any way connected with ownership and membership, and the duties and obligations incited thereto.

Certificate of Adoption

The undersigned secretary does hereby certify that the Governing Board of Talking Rock Ranch Association for Community Preservation adopted the foregoing Amended and Restated Bylaws, pursuant to a written consent of the Board members dated _____, 2001.

By: _____ /ss/*

Kathe Astrom, Secretary

**To obtain a photocopy of the document bearing the Secretary's certification signature, please contact, or have your agent contact, the Talking Rock Ranch Sales Office.*

IN WITNESS WHEREOF, Declarant and Developer have caused the Declaration to be duly executed as of the date set forth above

DEVELOPER:

*TALKING ROCK LAND, L.L.C.,
an Arizona limited liability company*

*By: HARVARD SIMON I, L.L.C.,
an Arizona limited liability company
Its: Manager*

*By: HARVARD TALKING ROCK, L.L.C.,
an Arizona limited liability company
Its: Operating Manager*

*By: HARVARD INVESTMENTS, INC
a Nevada Corporation
Its: Manager*

DECLARANT:

*FIRST AMERICAN TITLE INSURANCE AGENCY OF YAVAPI, INC.
an Arizona Corporation
as Trustee under Trust No. 4750*

By: _____ /ss/*

Roger A. Yendinak, Trust Officer

**To obtain a photocopy of the executed document please contact, or have your agent contact, the Talking Rock Ranch Sales Office.*

SUPPLEMENTAL DECLARATIONS
FOR
TALKING ROCK RANCH

SUPPLEMENTAL DECLARATION

This Supplemental Declaration is made and entered into as of this 14th day of November, 2002 by TALKING ROCK LAND, L.L.C., an Arizona limited liability company (“Developer”).

RECITALS:

A. Developer is the “Developer” pursuant to that Declaration of Covenants, Conditions and Restrictions for Talking Rock Ranch, dated and recorded on August 31, 2001, in Book 3859, Page 676 of the Official Records of Yavapai County, Arizona (as amended, the “Declaration”).

B. Pursuant to the terms of the Declaration, and specifically Section 16 thereof, Developer has the express authority, and desires, to submit and subject the property described on Exhibit “A” hereto to the provisions of the Declaration as Annexable Property, as defined therein.

AMENDMENT:

NOW THEREFORE, Developer hereby declares that effective as of the date of the recording of this document, the property described on Exhibit “A” hereto shall be held, transferred, sold, conveyed, leased, occupied and used, subject to the Declaration for all intents and purposes, to the same extent as the Property (as defined therein) which is presently subject to the Declaration.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

The foregoing represents the typical body of an annexation of Annexable Property to the Declaration and thereby making it a part of the Project. In the following table that tracks in chronological order the twenty (20) Supplemental Declarations to date, only the text of number 5 in the chronology differs slightly, because it was a “CORRECTED SUPPLEMENTAL DECLARATION.”

All declarations were recorded in the official records of Yavapai County, Arizona.

To obtain a photocopy of the actual recorded instrument respecting any or all of the enumerated following declarations, please contact, or have your agent contact, the Talking Rock Ranch Sales Office.

**CHRONOLOGY OF RECORDED SUPPLEMENTAL
DECLARATIONS
FOR TALKING ROCK RANCH**

1. DATE OF EXECUTION: November 14, 2002
RECORDATION: November 19, 2002, in Book 3977 at Page 759
RATIFICATION AND CONSENT: Nationwide Homes, Inc.
LEGAL DESCRIPTION:

Lots 1 thru 10 and Tracts A, B, C, & D, of TALKING ROCK RANCH, PHASE FOUR-A, according to the plat of record in the office of the County Recorder of Yavapai County, Arizona, recorded in Book 45 Maps, Pages 82-83.

2. DATE OF EXECUTION: June 3, 2003
RECORDATION: June 4, 2003, in Book 4038 at Page 258
LEGAL DESCRIPTION:

Lots 1-14, inclusive, and 60-68, inclusive and Tract A of TALKING ROCK RANCH, PHASE TWO-A, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 47 of Maps and Plats, pages 77-78, inclusive.

3. DATE OF EXECUTION: July 10, 2003
RECORDATION: July 11, 2003, in Book 4050 at Page 690
LEGAL DESCRIPTION:

Lots 1-13, 60 and 61 and Tract A of TALKING ROCK RANCH, PHASE THREE-A, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 47 of Maps and Plats, pages 30-32, inclusive.

4. DATE OF EXECUTION: July 10, 2003
RECORDATION: July 11, 2003, in Book 4050 at Page 691
LEGAL DESCRIPTION:

Lots 1-4 and 5-30, and Tracts A, B and C of TALKING ROCK RANCH, PHASE FIVE-A, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 47 of Maps and Plats, pages 33-35, inclusive.

5. CORRECTED SUPPLEMENTAL DECLARATION:

To correct legal description attached to Supplemental Declaration dated December 2, 2003 and recorded on December 8, 2003 in Book 4100, Page 607 of the Official Records of Yavapai County, Arizona.

DATE OF EXECUTION: January 21, 2004
RECORDATION: January 22, 2004, in Book 4112 at Page 587
LEGAL DESCRIPTION:

Lots 15 – 22, inclusive, and Lots 43 – 59, inclusive, and Tracts A, B, and C, of TALKING ROCK RANCH,

PHASE TWO-B, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 48 of Maps and Plats, Pages 96 and 97, inclusive.

6. DATE OF EXECUTION: February 9, 2004
RECORDATION: February 20, 2004, in Book 4120 at Page 690
LEGAL DESCRIPTION:

Lots 23 - 42, inclusive, Tracts A and B, of TALKING ROCK RANCH, PHASE TWO-C, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 49 of Maps and Plats, Pages 64 and 65, inclusive.

7. DATE OF EXECUTION: March 30, 2004
RECORDATION: _____, 2004, in Book 4133 at Page 347
LEGAL DESCRIPTION:

Lots 1 - 38, inclusive, Tracts A, B, C, D, E, F, G, H, I, J, and K, of TALKING ROCK RANCH, PHASE TWENTY-SEVEN, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 49 of Maps and Plats, Pages 98 and 99, inclusive.

8. DATE OF EXECUTION: June 21, 2004
RECORDATION: June 24, 2004, in Book 4160 at Page 845
LEGAL DESCRIPTION:

Lots 1 through 22, inclusive, and Lots 36, 37, 47 through 54, inclusive, and Tracts A, B, C, and D, of TALKING ROCK RANCH, PHASE EIGHT - A, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 50 of Maps and Plats, Pages 44 through 46, inclusive.

9. DATE OF EXECUTION: August 25, 2004
RECORDATION: August 26, 2004, in Book 4180 at Page 995
LEGAL DESCRIPTION:

Lots 55 through 80, inclusive, and Tracts A, B, and C, of TALKING ROCK RANCH, PHASE EIGHT - C, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 50 of Maps and Plats, Pages 97 through 99, inclusive.

10. DATE OF EXECUTION: February 14, 2005
RECORDATION: February 16, 2005, in Book 4234 at Page 222
LEGAL DESCRIPTION:

Lots 31 through 40, inclusive, Lots 64 and 66, Lots 68 through 79, inclusive, and Tracts A, B, and C, of TALKING ROCK RANCH, PHASE NINE - B, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 52 of Maps and Plats, Pages 57 through 59, inclusive.

11. DATE OF EXECUTION: February 14, 2005
RECORDATION: February 16, 2005, in Book 4234 at Page 223
LEGAL DESCRIPTION:

Lots 41 through 63, inclusive, Lots 65 and 67, and Tracts A and B, of TALKING ROCK RANCH, PHASE NINE

- A, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 52 of Maps and Plats, Pages 55 through 56, inclusive.

12. DATE OF EXECUTION: May 4, 2005
RECORDATION: May 5, 2005, in Book 4260 at Page 992
LEGAL DESCRIPTION:

Lots 141 through 198, inclusive, and Tracts A, B, C, and D, of TALKING ROCK RANCH, PHASE ONE - C, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 53 of Maps and Plats, Pages 19 through 21, inclusive.

13. DATE OF EXECUTION: May 4, 2005
RECORDATION: May 5, 2005, in Book 4260 at Page 993
LEGAL DESCRIPTION:

Lots 23 through 35, inclusive, and Lots 38 through 46, inclusive, and Tracts A, B, C, and D, of TALKING ROCK RANCH, PHASE EIGHT - B, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 53 of Maps and Plats, Pages 22 through 25, inclusive.

14. DATE OF EXECUTION: August 11, 2005
RECORDATION: August 15, 2005, in Book 4298 at Page 838
LEGAL DESCRIPTION:

Lots 8 through 30, inclusive, Lots 80 through 91, inclusive, and Tracts A, B, and C of TALKING ROCK RANCH, PHASE NINE - C, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 54 of Maps and Plats, Pages 8 through 9, inclusive.

15. DATE OF EXECUTION: August 11, 2005
RECORDATION: August 15, 2005, in Book 4298 at Page 839
LEGAL DESCRIPTION:

Lots 1 through 7, inclusive, Lots 92 through 107, inclusive, and Tracts A and B, of TALKING ROCK RANCH, PHASE NINE - D, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 54 of Maps and Plats, Pages 10 through 11, inclusive.

16. DATE OF EXECUTION: August 16, 2005
RECORDATION: August 29, 2005, in Book 4304 at Page 889
LEGAL DESCRIPTION:

Lots 14 through 23, inclusive, Lot 33, and Tract A, of TALKING ROCK RANCH, PHASE THREE - B, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 54 of Maps and Plats, Pages 4 through 5, inclusive.

17. DATE OF EXECUTION: August 16, 2005
RECORDATION: August 29, 2005, in Book 4304 at Page 890
LEGAL DESCRIPTION:

Lots 24 through 32, inclusive, Lots 34 and 37, inclusive, and Tract A, of TALKING ROCK RANCH, PHASE

THREE - C, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 54 of Maps and Plats, Pages 6,7.

18. DATE OF EXECUTION: August 16, 2005
RECORDATION: August 29, 2005, in Book 4304 at Page 891
LEGAL DESCRIPTION:

Lots 38 through 59, inclusive, and Tract A, of TALKING ROCK RANCH, PHASE THREE - D, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 54 of Maps and Plats, Pages 12 through 13, inclusive.

19. DATE OF EXECUTION: March 28, 2006
RECORDATION: April 5, 2006, in Book 4381 at Page 768
LEGAL DESCRIPTION:

Lots 1 through 117, inclusive, and Tracts A, B, C, D, E, F, and G of TALKING ROCK RANCH, PHASE TEN, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 56 of Maps and Plats, Pages 76 through 80, inclusive.

20. DATE OF EXECUTION: May 16, 2006
RECORDATION: June 2, 2006, in Book 4402 at Page 529
LEGAL DESCRIPTION:

Lots 31 - 50, inclusive, Tracts A and B, of TALKING ROCK RANCH, PHASE FIVE-B, according to the plat of record in the Official Records of Yavapai County, Arizona, recorded in Book 57 of Maps and Plats, Pages 20 – 21.