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For

RIGGS RANCH MEADOWS HOMEOWNERS ASSOCIATION

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DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS

FOR

RIGGS RANCH MEADOWS

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DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR RIGGS RANCH MEADOWS

THIS DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR RIGGS RANCH MEADOWS is made on the date hereinafter set forth by COURTLAND HOMES, INC., an Arizona corporation ("Courtland"), and H&O INVESTMENTS, L.L.C., an Arizona limited liability company ("H&O"; collectively, with Courtland, "Declarant").

WITNESSETH:

WHEREAS, Declarant is the owner and developer of certain real property ("Property") located in the City of Chandler, County of Maricopa, and State of Arizona, which is more particularly described as follows:

> Lots 1 through 252, inclusive, and Tracts A through BB, inclusive of Riggs Ranch Meadows, more particularly described in the Plat (herein so called) for the Development, which Plat was recorded Feb. 10 ,2000, in the records of Maricopa County, Arizona, as Instrument No. 00-0100570, Book 524 of Maps, Page 18.

WHEREAS, Declarant desires to provide for the development on the Property of detached single family residences and associated amenities;

WHEREAS, Declarant intends to sell and convey the Property, or portions thereof, and, in doing so, desire to subject and place thereupon mutual and beneficial assurances, restrictions, covenants, conditions, reservations, easements, liens, charges and development standards under a general plan of improvement for the benefit of the Property, its owners and their successors and assigns;

WHEREAS, Declarant shall incorporate, as a nonprofit corporation, Riggs Ranch Meadows Homeowners Association for the purpose of the efficient preservation of the values and amenities of the Property and to administer the Common Area for which the Homeowners Association is responsible, and to exercise all rights and authority permitted to be exercised by a Homeowners Association. Except where the context otherwise requires, the term "Homeowners Association" as used herein shall refer to the Riggs Ranch Homeowners Association; and

WHEREAS, Courtland owns Lots 27-252 as noted on the Plat ("Courtland Lots") and H&O owns Lots 1-26 as noted on the Plat ("H&O Lots") and, until sale or transfer of all lots within the H&O Lots or the Courtland Lots, respectively, to third parties, each such group of Lots shall constitute a "Neighborhood" within the meaning of this Declaration, within which Neighborhood, until the Final Sale Date, either Courtland, as to the Courtland Lots, or H&O, as to the H&O Lots, shall have architectural control in accordance with the terms hereof.

NOW, THEREFORE, Declarant hereby declares that the Property shall be subject to the Declaration and the following reservations, easements, limitations, restrictions, servitudes, covenants, conditions, charges and liens (hereinafter sometimes collectively termed "Covenants and Restrictions") which are for the purpose of protecting the value and desirability of, and which shall

run with, the Property and be binding on all parties having any right, title or interest in Property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner thereafter.

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. The following definitions shall apply to this Declaration:

Section 1.1.1. "Architectural Committee" means the committee established by the Board pursuant to Section 3.4 of this Declaration.

Section 1.1.2. "Architectural Committee Rules" means the rules adopted by the Architectural Committee.

Section 1.1.3. "Articles" means the Articles of Incorporation of the Association which have been in the Office of the Corporation Commission of the State of Arizona, as said Articles may be amended and/or restated from time to time.

Section 1.1.4. "Assessment Lien" means the lien granted to the Association by this Declaration to secure the payment of Assessments and all other amounts payable to the Association under the Project Documents.

Section 1.1.5. "Assessments" means the annual and special assessments levied and assessed against each Lot pursuant to Article IV of the Declaration.

Section 1.1.6. "Association" or "Homeowners Association" means the Arizona nonprofit corporation organized by the Declarant to administer and enforce the Project Documents and to exercise the rights, powers and duties set forth therein, and its successors and assigns. Declarant intends to organize the Association under the name of "Riggs Ranch Meadows Homeowners Association", but if such name is not available, Declarant may organize the Association under such other name as the Declarant deems appropriate.

Section 1.1.7. "Association Rules" means the rules and regulations adopted by the Association in accordance with Section 3.3 below, as the same may be amended from time to time.

Section 1.1.8. "Board" means the Board of Directors of the Association.

Section 1.1.9. "Bylaws" means the bylaws of the Association, as such bylaws may be amended and/or restated from time to time.

Section 1.1.10. "Common Area(s)" consists of Tracts A through BB, inclusive, of "Riggs Ranch Meadows", according to the plat of record in the office of the County Recorder of Maricopa County, Arizona, recorded as Instrument #00-0100570, Book 524 of Maps, Page 18.

Section 1.1.11. "Common Expenses" means expenditures made by, or financial liabilities of, the Association, together with any allocations to reserves.

Section 1.1.12. "Declarant" shall mean Courtland Homes, Inc., an Arizona corporation, and/or H&O Properties, L.L.C., an Arizona limited liability company, and their respective successors and assigns, if such successors or assigns should acquire two or more undeveloped lots from either of said parties for the purpose of development and resale and such acquisition includes a specific written transfer of the Declarant's rights herein. No successor Declarant shall have any liability resulting from any actions or inactions of any preceding Declarant unless expressly assumed by the successor Declarant, in which event the preceding Declarant shall be released from liability. Under no circumstances shall Declarant's rights as to a Neighborhood not owned by either Courtland or H&O at the date hereof extend to any such non-owned Neighborhood, it being understood that any assignment of Declarant's rights shall, as to architectural control issues, only mean and refer to the Neighborhood to which such assignment relates and wherein the assigning party is also the owner thereof.

Section 1.1.13. "Declaration" shall mean the provisions of this document and any amendments hereto.

Section 1.1.14. "First Mortgage" means any mortgage or deed of trust encumbering a Lot which has priority over all other mortgages or deeds of trust encumbering the same Lot.

Section 1.1.15. "Final Sale Date" means the date upon which the final lot within any Neighborhood is transferred to a third party. Final Sale Date is not synonymous with a "turn-over date."

Section 1.1.16. "First Mortgagee" means the holder of any First Mortgage.

Section 1.1.17. "Governmental Regulations" means any rules, regulations, statutes or edicts of the Veterans Administration and/or the Federal Housing Administration, or their respective successors and assigns.

Section 1.1.18. "Improvement" means buildings, roads, driveways, parking areas, fences, walls, rocks, hedges, plantings, planted trees and shrubs, and all other structures or landscaping improvements of every type and kind.

Section 1.1.19. "Lot" or "lot" shall mean any lot within the Property that is reflected on any recorded subdivision plat.

Section 1.1.20. "Member" means any person, corporation, partnership, joint venture or other legal entity who or which is a member of the Association.

Section 1.1.21. "Municipality"(and the correlative adjective "Municipal") means the City of Chandler, Arizona.

Section 1.1.22. "Neighborhood" means each separately developed residential area within the Property (i.e., each group of the Courtland Lots and the H&O Lots, respectively), which have been established prior to the Final Sale Date to deal with certain initial architectural control matters more fully set forth herein.

Section 1.1.23. "Owner" or "owner" shall mean the record owner, except as provided below, whether one or more persons or entities, of fee simple title of any lot, including without limitation, one who is buying a lot under a recorded contract or deed, but excluding others having an interest merely as security for the performance of an obligation. In the case of a lot wherein the fee simple title is vested of record in a trustee pursuant to Arizona Revised Statues, Section 33-801, et seq., legal title shall be deemed to be in the trustor. In the case of a lot, the fee simple title to which is vested in a trustee pursuant to a trust agreement the beneficiary entitled to possession shall be deemed to be the Owner.

Section 1.1.24. "Person" or "person" means any natural person, corporation, partnership, joint venture or other legal entity capable of holding a real property in the State of Arizona.

Section 1.1.25. "Plat" or "plat" shall mean any recorded subdivision plat affecting any portion of the Property, including, without limitation, that certain Final Plat for Riggs Ranch Meadows, according to the Plat of record in the office of the County Recorder of Maricopa County, Arizona, recorded as Instrument # 99-________.

Section 1.1.26. "Project" or "Property" means the real property described on Exhibit A attached hereto, together with all buildings and other Improvements located thereon and all easements, rights and privileges appurtenant thereto.

Section 1.1.27. "Project Documents" means this Declaration and the Articles, Bylaws, Association Rules, and Architectural Committee Rules.

Section 1.1.28 "Purchaser" means any person other than the Declarant, who is or becomes the Owner of a Lot except: (i) an Owner who purchases a Lot and then leases it to the Declarant for use as a model in connection with the sale of other Lots, or (ii) an Owner who, in addition to purchasing a Lot, is assigned any or all of the Declarant's rights under this Declaration.

Section 1.1.29. "Residential Unit" means any building situated upon a Lot and designed and intended for independent ownership and for use and occupancy as a residence by a Single Family.

Section 1.1.30. "Single Family" shall mean an individual living alone, a group of two or more persons each related to the other by blood, marriage or legal adoption, or a group of not more than three persons not all so related, together with their domestic servants, who maintain a common household in a dwelling.

Section 1.1.31. "Single Family Residence" shall mean a building, house or dwelling unit used as a residence for a Single Family, including any appurtenant garage or storage area.

Section 1.1.32. "Single Family Residential Use" shall mean the occupation or use of a Single Family Residence in conformity with this Declaration and the requirements imposed by applicable zoning laws or other state, county or municipal rules and regulations.

Section 1.1.33. "Visible from Neighboring Property" or "visible from neighboring property" shall mean that an object is or would be visible to a person six feet (6') tall standing on a

neighboring lot or street at an elevation not greater than the elevation of the base of the object being viewed.

Capitalized terms which are not specifically defined above shall have the meanings ascribed to them in definitional parentheticals located throughout this Declaration (inclusive of the Recitals).

ARTICLE II
PLAN OF DEVELOPMENT

Section 2.1. Property Initially Subject to the Declaration. This Declaration is being recorded to establish a general plan for the development and use of the Project in order to protect and enhance the value and desirability of the Project. All of the Property within the Project including, without limitation, all Lots, shall be held, sold and conveyed subject to this Declaration. By acceptance of a deed or by acquiring any interest in any of the Property subject to this Declaration, each person or entity, for him/herself or itself, his/her heirs, personal representatives, successors, transferees and assigns, binds him/herself, his/her heirs, personal representatives, successors, transferees and assigns, to all of the provisions, restrictions, covenants, conditions, rules, and regulations now or hereafter imposed by this Declaration and any amendments thereof. In addition, each such person by so doing thereby acknowledges that this Declaration sets forth a general scheme for the development and use of the Property and hereby evidences his/her intent that all the restrictions, conditions, covenants, rules and regulations contained in this Declaration shall run with the land and be binding on all subsequent and future Owners, grantees, Purchasers, assignees, lessees and transferees thereof. Furthermore, each such person fully understands and acknowledges that this Declaration shall be mutually beneficial, prohibitive and enforceable by the Association and all Owners.

ARTICLE III
THE ASSOCIATION; RIGHTS AND DUTIES; MEMBERSHIP AND VOTING RIGHTS

Section 3.1. Rights, Powers and Duties. The Association shall be a non-profit Arizona corporation charged with the duties and invested with the powers prescribed by law and set forth in the Project Documents, together with such rights, powers and duties as may be reasonably necessary to effectuate the objectives and purposes of the Association as set forth in the Project Documents. Unless the Project Documents specifically require a vote of the Members, approvals or actions to be given or taken by the Association shall be valid if given or taken by the Board.

Section 3.2. Board of Directors and Officers. The affairs of the Association shall be conducted by a Board of Directors and such officers and committees as the Board may elect or appoint in accordance with the Articles and the Bylaws.

Section 3.3. Association Rules. The Board may, from time to time and subject to the provisions of this Declaration, adopt, amend and repeal rules and regulations. The Association Rules may restrict and govern the use of any area by any Owner, by the family of such Owner, or by any invitee, licensee or lessee of such Owner, except that the Association Rules may not discriminate among Owners and shall not be inconsistent with this Declaration, the Articles or

Bylaws or law. Upon adoption, the Association Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration.

Section 3.4. Architectural Committee. The Board shall establish an Architectural Committee consisting of not less than three (3) members to regulate the external design, appearance and use of the Property and to perform such other functions and duties as may be imposed upon it by this Declaration, the Bylaws or the Board. To the fullest extent permitted by law and/or Governmental Regulations, so long as the Declarant owns any Lot, the Declarant shall have the right to appoint and remove members of the Architectural Committee. At such time as the Declarant no longer owns any Lot, the Board shall have the right to appoint and remove members of the Architectural Committee. Notwithstanding the foregoing, the Architectural Committee shall be divided into two subcommittees. One subcommittee, consisting of the members described above, shall exercise architectural control and the rights and obligations of the Architectural Committee over and pursuant to the Courtland Lots (the "Courtland Subcommittee"). The other subcommittee shall consist of three members, one of whom shall always be named by the Designated Members (as herein defined), as more fully described in Section 5.23 below. Said subcommittee (the "H&O Subcommittee") shall exercise architectural control and the rights and obligations of the Architectural Committee over and pursuant to the H&O Lots. After the Class B Membership no longer exists, the Owners shall elect two Architectural Committee members to each subcommittee and a third committee member solely to the Courtland Subcommittee as determined by the Board from time to time. The third member of the H&O Subcommittee shall always be named by the Designated Members, unless such Members, by written instrument delivered to the Board, permanently relinquish said position.

Section 3.5. Identity of Members. Membership in the Association shall be limited to Owners of Lots. An Owner of a Lot shall automatically, upon becoming the Owner thereof, be a member of the Association and shall remain a member of the Association until such time as said Owner's ownership ceases for any reason, at which time said Owner's membership in the Association shall automatically cease.

Section 3.6. Transfer of Membership. Membership in the Association shall be appurtenant to each Lot and a membership in the Association shall not be transferred, pledged or alienated in any way, except upon the sale of a Lot and then only to the Purchaser of the Lot in question, or by intestate succession, testamentary disposition, foreclosure of encumbrance of record or other legal process. Any attempt to make a prohibited transfer shall be void and shall not be reflected upon the books and records of the Association. The Association shall have the right to charge a reasonable transfer fee to the new owner in connection with any transfer of a Lot.

Section 3.7. Classes of Members; Concerning Courtland and H&O. The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners, with the exception of the Declarant until the termination of the Class B membership. Each Class A member shall be entitled to one (1) vote for each Lot owned.

Class B. The Class B member shall be the Declarant. The Class B member shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of any of the following events, whichever occurs earlier:

(i) When seventy-five percent (75%) of the Lots in each Neighborhood have been conveyed to Purchasers; or

(ii) The 1st Day of November, 2005; or

(iii) When the Declarant notifies the Association in writing that it relinquishes its Class B membership.

It is further understood that no relinquishment by either H&O or Courtland of its Declarant's rights with respect to a Neighborhood owned by it shall affect the Declarant's rights of the other relating to any Neighborhood(s) owned by the other. In addition, the Class B membership shall be deemed vested in Courtland by virtue of its larger land holdings within the Property, but Courtland shall not unreasonably withhold, delay or condition its consent and/or judgment as respects requests made by H&O respecting Courtland's administration of the Class B membership, nor shall Courtland treat lots owned by H&O in any discriminatory manner (i.e., in a manner which is less favorable to those lots than to lots owned by Courtland).

Section 3.8. Joint Ownership. When more than one person is the Owner of any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one ballot be cast with respect to any Lot. The vote or votes for each such Lot must be cast as a unit, and fractional votes shall not be allowed. In the event that joint Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Owner casts a ballot representing a certain Lot, it will thereafter be conclusively presumed for all purposes that the Owner so casting was acting with the authority and consent of all other Owners of the same Lot. In the event more than one ballot is cast for a particular Lot, none of said votes shall be counted and said votes shall be deemed void.

Section 3.9. Corporate Ownership. In the event any Lot is owned by a corporation, partnership or other association, the corporation, partnership or association shall be a Member and shall designate in writing at the time of acquisition of the Lot an individual who shall have the power to vote said membership, and in the absence of such designation and until such designation is made, the president, general partner or chief executive officer of such corporation, partnership or association shall have the power to vote the membership.

Section 3. 10. Suspension of Voting Rights. In the event any Owner is in arrears in the payment of any Assessments under this Declaration or other amounts due under any of the provisions of the Project Documents for a period of fifteen (15) days, said Owner's right to vote as a Member of the Association shall be suspended for a period not to exceed sixty (60) days for each infraction of the Project Documents, and shall remain suspended until all payments, including accrued interest and attorneys' fees, are brought current.

Section 3.11. Termination of Contracts and Leases. A contract for any of the following, if entered into prior to the expiration of the Class B membership in the Association, may be terminated by the Association at any time after the expiration of the Class B membership on thirty (30) days written notice to the other party:

(i) Any management contract, employment contract or lease of recreational or parking areas or facilities; or

(ii) Any contract or lease, including franchises and licenses, to which the Declarant or any affiliate of the Declarant is a party.

Section 3.12. Fines. To the fullest extent permitted by law, the Association, acting through its Board of Directors, shall have the right to adopt a schedule of fines for violation of any provision of the Project Documents by any Owner or such Owner's licensees and invitees. No fine shall be imposed without first providing a written warning to the Owner describing the violation and stating that failure to terminate and correct the violation within no less than ten (10) days, or another recurrence of the same violation within six (6) months of the original violation, shall make the Owner subject to imposition of a fine. All fines shall constitute a lien on all lots owned by the Owner and shall be paid within thirty (30) days following imposition. Failure to pay any fine shall subject the Owner to the same potential penalties and enforcement as failure to pay any assessments under Article IV.

ARTICLE IV
COVENANT FOR MAINTENANCE ASSESSMENTS

Section 4.1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned by it, hereby covenants, and each Owner of a Lot, by becoming the Owner thereof, whether or not it is expressed in the deed or other instrument by which the Owner acquired ownership of the Lot, is deemed to covenant and agree, to pay to the Association annual assessments and special assessments. The annual and special assessments, together with interest, costs and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such Assessment is made. Each such Assessment, together with interest, costs, and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such Lot at the time when the Assessment became due. The personal obligation for delinquent Assessments shall not pass to the Owner's successors in title unless expressly assumed by them.

Section 4.2. Purpose of the Assessments. The Assessments levied by the Association shall be used exclusively for (i) the upkeep, maintenance and improvement of the Common Area, (ii) maintenance, repair, replacement, and operation of rights-of-way and easements within or immediately adjacent to the Project (e.g. landscaping and sidewalks within the right-of-way of adjoining streets) to the extent that such actions are required by government entities or deemed appropriate by the Association's Board of Directors, (iii) promoting the recreation, health, safety and welfare of the Owners and residents of Lots within the Property, and (iv) the performance and exercise by the Association of its rights, duties and obligations under the Project Documents.

Section 4.3. Annual Assessment.

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

(B) For each fiscal year of the Association commencing with the year in which the first Lot is conveyed to a Purchaser, the total amount of the estimated Common Expenses shall be assessed equally against each Lot by the Board; provided, however, that in no event will any such Assessment violate the provisions of this Declaration or otherwise be enacted or enforced in a manner contrary to law.

(C) An Owner other than the Declarant shall be obligated to pay only twenty-five percent (25%) of the annual assessment attributable to said Owner's Lot until the earlier of (i) the date on which a certificate of occupancy or similar permit is issued by the appropriate governmental authority, (ii) six (6) months from the date on which a building permit is issued by the appropriate governmental authority for construction of a residential unit on the Lot, or (iii) two (2) years after the Lot was conveyed to the Owner by the Declarant. If a Lot ceases to qualify for the reduced twenty-five percent (25%) rate of assessment during the period to which an annual assessment is attributable, the annual assessment shall be prorated between the applicable rates on the basis of the number of days in the assessment period that the Lot qualified for such rate.

(D) The Declarant shall be obligated to pay only twenty-five percent (25%) of the annual assessment attributable to Lots owned by the Declarant until seventy-five percent (75%) of the Lots have been conveyed to Purchasers. If a Lot ceases to qualify for the reduced twenty-five percent (25%) rate of assessment during the period to which an annual assessment is attributable, the assessment shall be prorated between the applicable rates on the basis of the number of days in the assessment period that the Lot qualified for such rate.

(E) Until seventy-five percent (75%) of the Lots have been conveyed to Purchasers, the Declarant shall pay to the Association any amounts which, in addition to the annual assessments levied by the Association, may be required by the Association in order for the Association to fully perform its duties and obligations under the Project Documents. Notwithstanding the foregoing, Declarant shall have no obligation to pay any amounts during any calendar year in excess of the amount that Declarant would have paid if its payments were made on the same basis as Purchasers of lots. Such obligations shall be pro rated between, and paid by, H&O and Courtland in a ratio of 1 : 9.

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

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

(H) The maximum annual assessment for each fiscal year of the Association shall be as follows:

(i) Until January 1 of the year immediately following the conveyance of the first Lot to a Purchaser, the maximum annual assessment for each Lot shall be as initially established by the Board of Directors of the Association and as reported in Arizona Department of Real Estate Public Reports relating to the H&O Lots and the Courtland Lots, respectively; and

(ii) From and after January 1 of the year immediately following the conveyance of the first Lot to a Purchaser, the maximum annual assessment will automatically increase during each fiscal year of the Association by the greater of (a) 5% of the maximum annual assessment for the immediately preceding fiscal year, or (b) an amount based upon the percentage increase in the Consumer Price Index for All Urban Consumers (All Items) U.S. Town Average, published by the United States Department of Labor, Bureau of Labor Statistics (1982 - 84 = 100) (the "Consumer Price Index"), which amount shall be computed in the last month of each fiscal year in accordance with following formula:

X = Consumer Price Index for September of the calendar year two years prior to the year for which the maximum annual assessment is to be determined.

Y = Consumer Price Index for September of the year immediately prior to the calendar year for which the maximum annual assessment is to be determined.

$\frac{Y-X}{X}$ multiplied by the maximum annual assessment for the then current fiscal year equals the amount by which the maximum annual assessment may be increased.

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

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

(iv) Notwithstanding the foregoing, the annual assessments shall not be increased more than twenty percent (20%) for one fiscal year to the next fiscal year without the approval of Owners owning a majority of the Lots.

Section 4.4. Special Assessments. In addition to the annual assessments authorized above, the Association may levy, in any fiscal year, a special assessment applicable to that fiscal year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement of the Common Area, including fixtures and personal Property related thereto, or for any other lawful Association purpose; provided that any such special assessment shall have the assent of Members having at least two-thirds (2/3) of the votes entitled to be cast by Members who are voting in person or by proxy at a meeting duly called for such purpose. Special assessments shall be levied at a uniform rate for all Lots.

Section 4.5. Notice and Quorum for Any Action Authorized Under Sections 4.3 or 4.4. Written notice of any meeting called for the purpose of obtaining the consent of the Members for any action for which the consent of the Members is required under Sections 4.3 and 4.4 shall be sent to all Members no less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of Members shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 4.6. Date of Commencement of Annual Assessments; Due Dates. The annual assessments shall commence as to all Lots on the first day of the month following the conveyance of the first Lot to a Purchaser. The first annual assessment shall be adjusted according to the number of months remaining in the fiscal year of the Association. The Board may require that the annual assessment be paid in installments and in such event the Board shall establish the due dates for each installment. The Association shall, upon demand, and for a reasonable charge, furnish a

certificate signed by an officer of the Association or the Association's designated agent setting forth whether the Assessments relating to a specified Lot have been paid.

Section 4.7. Effect of Non-payment of Assessments, Remedies of the Association.

(A) Any Assessment, or any installment of an Assessment, not paid within thirty (30) days after the Assessment, or the installment of the Assessment, first became due shall have added to such Assessment or installment the greater of: (i) interest from the due date at the rate of ten percent (10%) per annum, or (ii) be subject to a late charge of fifteen dollars ($15.00). Any amounts paid by a Member shall be applied first to unpaid principal and then to late charges and/or interest. Any Assessment, or any installment of an Assessment, which is delinquent shall become a continuing lien on the Lot against which such Assessment was made. The Assessment Lien shall be perfected by the recordation of a "Notice of Claim of Lien" which shall set forth (i) the name of the delinquent Owner as shown on the records of the Association, (ii) the legal description or street address of the Lot against which the claim of lien is made, (iii) the amount claimed as of the date of the recording of the notice including late charges, interest, lien recording fees, reasonable collection costs and reasonable attorneys' fees, and (iv) the name and address of the Association.

(B) The Assessment Lien shall have priority over all liens or claims created subsequent to the recordation of the Notice of Claim of Lien except for (i) tax liens for real Property taxes affecting the Lot, (ii) assessments affecting any Lot in favor of any municipal or other governmental body and (iii) the lien of any First Mortgage.

(C) Before recording a Notice of Claim of Lien against any Lot the Association shall make a written demand to the defaulting Owner for payment of the delinquent Assessments, together with late charges, interest, reasonable collection costs and reasonable attorneys' fees, if any. The demand shall state the date and amount of the delinquency. Each default shall constitute a separate basis for a demand or claim of lien but any number of defaults may be included within a single demand or claim of lien. If the delinquency is not paid within ten (10) days after delivery of the demand, the Association may proceed with recording a Notice of Claim of Lien against the Lot of the defaulting Owner. The Association shall not be obligated to release the Assessment Lien until all delinquent Assessments, late charges, interest, lien recording fees, reasonable collection costs and reasonable attorneys' fees have been paid in full, whether or not all of such amounts are set forth in the Notice of Claim of Lien.

(D) The Association shall have the right, at its option, to enforce collection of any delinquent Assessments, together with late charges, interest, lien recording fees, reasonable collection costs, reasonable attorneys' fees and any other sums due to the Association in any manner allowed by law including, but not limited to (i) bringing an action at law against the Owner personally obligated to pay the delinquent Assessment Lien securing the delinquent Assessments or (ii) bringing an action to foreclose the Assessment Lien against the Lot in the manner provided by law for the foreclosure of a realty mortgage. The Association shall have the power to bid in at any foreclosure sale and to purchase, acquire, hold, lease, mortgage and convey any and all Lots purchased at such sale.

Section 4.8. Subordination of the Lien to Mortgages; Other Mortgagee Issues. The Assessment Lien shall be subordinate to the lien of any First Mortgage. The sale or transfer of any

Lot shall not affect the Assessment Lien, except that the sale or transfer of a Lot pursuant to judicial or nonjudicial foreclosure of a First Mortgage or any proceeding in lieu thereof shall extinguish the Assessment Lien as to payments which became due prior to the sale or transfer. No sale or transfer shall relieve the Lot itself from liability for any Assessments thereafter becoming due or from the lien thereof. No First Mortgagee shall be required to collect Assessments under this Declaration. Failure to pay to Assessments does not constitute a default under a First Mortgage, unless otherwise stated in said First Mortgage.

Section 4.9. Exemption of Owner. No Owner of a Lot may be exempted from liability for Assessments levied against said Owner's Lot or for other amounts which said Owner may owe to the Association under the Project Documents by waiver and non-use of any of the Common Area and facilities or by the abandonment of the Lot.

Section 4.10. Maintenance of Reserve Fund. Out of the annual assessments, the Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements to the Common Area.

Section 4.11. No Offsets. All Assessments and other amounts payable to the Association shall be payable in accordance with the provisions of the Project Documents, and no offsets against such Assessments or other amounts shall be permitted for any reason, including, without limitation, a claim that the Association is not properly exercising its duties and powers as provided in the Project Documents.

Section 4.12. Transfer Fee. Each Purchaser of a Lot shall pay to the Association immediately upon becoming the Owner of the Lot a transfer fee in such amount as established from time to time by the Board.

ARTICLE V
USE RESTRICTIONS

Section 5.1. Residential Use. Except as otherwise provided herein, all lots shall be improved and used only for Single Family Residential Use. No gainful occupation, profession, trade or other commercial activity shall be conducted on any lot; provided, however, the Declarant may use the lots for such facilities as in its sole opinion may be reasonably required, convenient or incidental to the construction and sale of residential units, including, without limitation, a business office, storage areas, construction yards, signs, a model site or sites, and a display and sales office. Notwithstanding the foregoing, home businesses are permitted on the lots provided they are confidential in strict accordance with all applicable Municipal ordinances, rules and regulations.

Section 5.2. Building Type and Size: Except as provided immediately below, no building shall be constructed or permitted to remain on any lot other than one detached Single Family Residence not to exceed two stories in height and a private one-to-three car garage. Notwithstanding anything to the contrary herein contained, lots within the H&O Lots may also have constructed upon them in conjunction with a Single Family Residence which otherwise complies with the terms of this Declaration a guest house or similar out building, so long as the same is constructed in accordance with applicable Municipal rules and regulations. In addition, Lots within the H&O Lots may have associated with them a circular driveway and/or up to a four

car garage. All Single Family Residences within the H&O Lots shall contain at least 2,000 square feet of livable floor area under roof excluding guest houses/out buildings and garage areas. Notwithstanding anything to the contrary herein contained or contained in the Plat, Lots 94, 95, 97, 98, and 99 shall be limited to single story homes (together with architectural embellishments, if any). Unless otherwise approved in writing by the Architectural Committee, all buildings shall be of new construction and no prefabricated structure shall be placed upon any lot if Visible from Neighboring Property; storage structures and/or a sales office may be maintained upon any lot or lots by any building contractor for the purpose of erecting and selling dwellings on the Property, but such temporary structures shall be removed upon completion of construction or selling of a dwelling, whichever is later. No structure of a temporary character, trailer, basement, tent, shack, garage, barn or other out buildings shall be used on any lot at any time as a residence, either temporarily or permanently.

Section 5.3. Signs: No signs shall be displayed on any lot except the following:

(A) signs used by Declarant to advertise the lots and residences thereon for sale or lease;

(B) one temporary for sale or for rent sign with a total face area of five square feet or less;

(C) such signs as may be required by law;

(D) one residential identification sign with a total face area of eighty square inches or less; and

(E) signs approved by the Architectural Committee.

All signs must conform to applicable Municipal ordinances, rules and regulations.

Section 5.4. Noxious and Offensive Activity: No noxious or offensive activity shall be allowed on the lots, nor shall anything be done thereon which may be, or may become, an annoyance or nuisance to the neighborhood, or which shall in any way interfere with the quiet enjoyment of each of the Owners and tenants of their respective lots and residences. Without limiting the generality of the foregoing, no speakers, horns, sirens or other sound devices, except security devices used exclusively for security purposes, shall be located or used on a lot.

Section 5.5. Motor Vehicles:

(A) No truck, mobile home, travel trailer, tent trailer, trailer, camper shell, detached camper, recreational vehicle, boat trailer or other similar equipment or other motor vehicle of any kind shall be parked, kept or maintained on any Lot or on the Common Area except for (i) motor vehicles which do not exceed 228 inches in length, 84 inches in height and 84 inches in width, and (ii) motor vehicles which are owned by any guest or invitee of any Owner or tenant and which are parked on a Lot only during such time as the guest or invitee is visiting the Owner or tenant, but in no event shall such a motor vehicle be parked on a Lot for more than seven (7) days during any six (6) month period of time. No vehicle

described in this subsection shall be permitted to park in the rear or side yard of any Lot so as to be Visible from Neighboring Property or Common Area.

(B) Except for emergency vehicle repairs, no automobile, motorcycle, motorbike or other motor vehicle of any kind shall be constructed, reconstructed or repaired on any Lot or the Common Area. No inoperable vehicle or vehicle which, because of missing fenders, bumpers, hoods or other parts or because of lack of proper maintenance, is, in the sole opinion of the Architectural Committee, unsightly or detracts from the appearance of the Project shall be stored, parked or kept on any Lot or the Common Area.

(C) No motor vehicle classed by manufacturer rating as exceeding one ton, mobile home, motor home, trailer, camper shell, detached camper, boat, boat trailer, commercial vehicle or other similar equipment or vehicle may be parked or stored on any area in the Project so as to be Visible From Neighboring Property or from Common Area; provided, however, this provision shall not apply to equipment and non-commercial vehicles that are: (i) pickup trucks of less than one ton capacity with camper shells not exceeding seven (7) feet in height (from ground level) and nineteen (19) feet in length which are parked as provided in Section 5.6 below and are used on a regular and recurring basis for transportation; or (ii) used in connection with or housed in temporary construction shelters or facilities maintained during, and used exclusively in connection with, the construction of any improvement approved by the Architectural Committee. For purposes of this subsection, commercial vehicles shall mean any vehicle that:

(i) Displays the name, trade name, telephone number or other identifying information of any business (Commercial signage or insignia limited to front door panels will be allowed. Commercial signage or insignia such as "ears and tails," vehicles with full-body advertising, etc., will not be allowed.), and/or

(ii) Otherwise bears the appearance of a commercial vehicle by reason of its normal contents (e.g., trade goods, extensive tools, ladders, tool racks, etc.).

Section 5.6. Parking: All vehicles of Owners and of their lessees, employees, guests and invitees shall be kept in garages or residential driveways of the Owners wherever and whenever such facilities are sufficient to accommodate the number of vehicles on a lot; provided, however, this Section shall not be construed to permit the parking in the above-described areas of any vehicle whose parking is otherwise prohibited by this Declaration or the parking of any inoperable vehicle. In the event the garage and driveway is insufficient for parking, temporary parking shall be allowed on the street; in no event shall overnight on-street parking be allowed. Parking in the front or side yard of any Lot is prohibited.

Section 5.7. Towing of Vehicles: The Association shall have the right to have any truck, mobile home, travel trailer, tent trailer, trailer, camper shell, detached camper, recreational vehicle, boat, boat trailer or similar equipment or vehicle or any automobile, motorcycle, motorbike, or other motor vehicle parked, kept, maintained, constructed, reconstructed or repaired in violation of the Project Documents towed away at the sole cost and expense of the owner of the vehicle or equipment. Any expense incurred by the Association in connection with the towing of any vehicle or equipment shall be paid to the Association upon demand by the owner of the vehicle or

equipment. If the vehicle or equipment towed is owned by an Owner, then the cost incurred by the Association in towing the vehicle or equipment shall be assessed against the Owner and said Owner's Lot, and such cost shall be secured by the Assessment Lien.

Section 5.8. Machinery and Equipment: No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any lot, except such machinery or equipment as is usual and customary in connection with the use, maintenance or improvements constructed by the Declarant or approved by the Architectural Committee.

Section 5.9. Restrictions on Further Subdivision: No lot shall be further subdivided or separated into smaller lots or parcels by any Owner other than the Declarant, and no portion less than all or an undivided interest in all of any lot shall be conveyed or transferred by any Owner other than the Declarant. Notwithstanding the foregoing and subject to compliance with any applicable Municipal ordinances, rules and regulations, a vacant lot may be divided between the Owners of the lots adjacent to such vacant lot so that each portion of such vacant lot shall be held in common ownership with another lot which is adjacent to the relevant portion.

Section 5.10. Windows: Within thirty (30) days of occupancy, each Owner shall install permanent draperies or suitable window treatments on all windows facing streets. No reflective materials, including, but without limitation, aluminum foil, reflective screens or glass, mirrors or similar type items, shall be installed or placed upon the outside or inside of any windows.

Section 5.11. HVAC and Solar Panels: Except as initially installed by the Declarant, no heating, air conditioning, evaporative cooling or, to the fullest extent permitted by law from time to time, solar energy collecting unit or panels shall be placed, constructed or maintained upon any lot without the prior written approval of the Architectural Committee.

Section 5.12. Garages and Driveways: The interior of all garages situated on any lot shall be maintained in a neat and clean condition. Garages shall be used only for the parking of vehicles and the storage of normal household supplies and materials and shall not be used for or converted to living quarters or recreational activities without the prior written approval of the Architectural Committee. Garage doors shall be left open only as needed for ingress and egress. With regard to any H&O Lots, no driveways shall be constructed or modified to consist of granite, asphalt or gravel, without the consent of the Architectural Committee.

Section 5.13. Installation of Landscaping:

(A) Within six (6) months after becoming the Owner of a Lot, the Owner shall install landscaping and irrigation improvements in compliance with the xeriscape principles and other applicable requirements set forth in the Municipal Zoning Code in that portion of said Owner's Lot which is between the street(s) adjacent to said Owner's Lot and the exterior wall of the Residential Unit located on said Lot or any wall separating the side or back yard of the Lot from the front yard of such Lot. The landscaping and irrigation improvements shall be installed in accordance with plans approved in writing by the Architectural Committee. Prior to installation of such landscaping, the Owner shall maintain the front yard of said Owner's Lot in a weed-free condition.

(B) If any Owner fails to landscape the front yard of said Owner's Lot within the time provided for in this Section, the Association shall have the right, but not the obligation, to enter upon such Owner's Lot to install such landscaping improvements as the Association deems appropriate, and the cost of any such installation shall be paid to the Association by the Owner of such Lot, upon demand from the Association. Any amounts payable by an Owner to the Association pursuant to this Section shall be secured by the Assessment Lien, and the Association may enforce collection of such amounts in the same manner and to the same extent as provided elsewhere in this Declaration for the collection and enforcement of Assessments.

(C) Notwithstanding the foregoing, Declarant shall not be subject to any of the foregoing installation obligations and landscaping regarding Declarant Improvements (as herein defined) shall be governed by the provisions of subsection 5.23(H) below.

Section 5.14. Declarant's Exemption: Nothing contained in this Declaration shall be construed to prevent the erection or maintenance by Declarant, or its duly authorized agents, of model homes, structures, improvements or signs necessary or convenient to the construction, development, identification, or sale or lease of Lots or other Property within the Project.

Section 5.15. Leasing Restrictions: Any lease or rental agreement must be in writing and shall be subject to the Declaration. All leases must be for an entire Residential Unit and associated lot and must have a minimum term of thirty (30) days.

Section 5.16. Animals: No animals, insects, livestock, or poultry of any kind shall be raised, bred, or kept on or within any lot or structure thereon, except that dogs, cats or other common household pets may be kept on or within the lots; provided they are not kept, bred or maintained for any commercial purpose, or in unreasonable numbers, all as determined by the Architectural Committee. Notwithstanding the foregoing, no animals or fowl may be kept on any lot which results in an annoyance, or are obnoxious, to other Owners or tenants in the vicinity. All pets, except as permitted by specific law, must be kept within a fenced yard or on a leash under the control of the Owner at all times. No structure for the care, housing or confinement of any animal or fowl shall be maintained so as to be Visible from Neighboring Property.

Section 5.17. Drilling and Mining: No oil drilling, oil development operations, oil refining, quarrying, or mining operations of any kind, shall be permitted upon or in any lot, nor shall oil wells, tanks, tunnels or mineral excavations or shafts be permitted on any lot. No derrick or other structure designed for use in boring for or removing water, oil, natural gas or other minerals shall be erected, maintained or permitted upon any lot.

Section 5.18. Refuse: All refuse shall be regularly removed from the lots and shall not be allowed to accumulate thereon. Refuse containers shall be kept clean, sanitary and free of noxious odors. Refuse containers shall be maintained so as to not be Visible from Neighboring Property, except to make the same available for collection, and then only for the shortest time reasonably necessary to effect such collection.

Section 5.19. Antennas and Satellite Dishes:

(A) This Section applies to antennas, satellite television dishes, and other devices ("Receivers"), including any poles or masts ("Masts") for such Receivers, for the transmission or reception of television or radio signals or any other form of electromagnetic radiation.

(B) As of the date of recordation of this instrument, Receivers one meter or less in diameter are subject to the provisions of Title 47, Section 1.4000 of the Code of Federal Regulations, ("Federal Regulations"). "Regulated Receivers" shall mean Receivers subject to Federal Regulations, as such regulations may be amended or modified in the future or subject to any other applicable federal, state or local law, ordinance or regulation ("Other Laws") that would render the restrictions in this section on Unregulated Receivers (hereinafter defined) invalid or unenforceable as to a particular Receiver. "Unregulated Receivers" shall mean all Receivers that are not Regulated Receivers. Notwithstanding the foregoing, a Regulated Receiver having a Mast in excess of the size permitted under Federal Regulations or Other Laws for Regulated Receivers shall be treated as an Unregulated Receiver under this Section.

(C) No Unregulated Receivers shall be permitted outdoors on any Lot, whether attached to a building or structure or on any Lot, unless approved in writing by the Architectural Committee, with such screening and fencing as such Committee may require. Unregulated Receivers must be ground-mounted and not Visible from Neighboring Property.

(D) Regulated Receivers shall be subject to the following requirements:

(i) A Regulated Receiver and any required Mast shall be placed so as not to be Visible from Neighboring Property if such placement will not: (A) unreasonably delay or prevent installation, maintenance or use of the Regulated Receiver, (B) unreasonably increase the cost of installation, maintenance or use of the Regulated Receiver, or (C) preclude the reception of an acceptable quality signal.

(ii) Regulated Receivers and any required Masts shall be placed on Lots only in accordance with, and in, the following descending order of locations, with Owners required to use the first available location that does not violate the requirement of parts (A) through (C) in subsection (i) above:

1. A location in the back yard of the Lot where the Receiver will be screened from view by landscaping or other improvements;

2. An unscreened location in the backyard of the Lot;

3. On the roof, but below the roof line;

4. A location in the side yard of the Lot where the Receiver and any Mast will be screened from view by landscaping or other improvements;

5. On the roof above the roofline;

6. An unscreened location in the side yard; and

7. A location in the front yard of the Lot where the Receiver will be screened from view by landscaping or other improvements.

Notwithstanding the foregoing order of locations, if a location stated in the above list allows a Receiver to be placed so as not to be Visible from Neighboring Property, such location shall be used for the Receiver rather than any higher-listed location from which a Receiver will be Visible from Neighboring Property; provided that placement in such non-visible location will not violate the requirements of parts (A) through (C) in subsection (i) above.

(iii) Owners shall install and maintain landscaping or other improvements ("Screening") around Receivers and Masts to screen items that would otherwise be Visible from Neighboring Property unless such requirement would violate the requirements of parts (A) through (C) in subsection (i) above. If an Owner is not required to install and maintain Screening due to an unreasonable delay in installation of the Receiver that such Screening would cause, the Owner shall install such screening within thirty (30) days following installation of the Receiver and shall thereafter maintain such Screening, unless such Screening installation or maintenance will violate the provisions of parts (A) through (C) in subsection (i) above. If an Owner is not required to install Screening due to an unreasonable increase in the cost of installing the Receiver caused by the cost of such Screening, the Association shall have the right, at the option of the Association, to enter onto the Lot and install such Screening and, in such event, the Owner shall maintain the Screening following installation, unless such Screening installation or maintenance will violate the provisions of parts (A) through (C) in subsection (i) above.

The provision of this Section are severable from each other; the invalidity or unenforceability of any provision or portion of this Section shall not invalidate or render unenforceable any other provisions or portion of this Section; and all such other provision or portions shall remain valid and enforceable. The invalidity or unenforceability of any provisions or portion of this Section to a particular type of Receiver or Mast or to a particular Receiver or Mast on a particular Lot, shall not invalidate or render unenforceable such provisions or portion regarding other Receivers or Masts on other Lots.

Section 5.20. Utility Services; Provider Negotiations: All lines, wires, or other devices for the communication or transmission of electric current or power, including telephone, television, and radio signals, shall be contained in conduits or cables installed and maintained underground or concealed in, under, or on buildings or other structures approved by the Architectural Committee. Temporary power or telephone structures incident to construction activities approved by the Architectural Committee are permitted.

To the extent permitted by law and as determined by the Board from time to time, the Board may, acting as agent for the Owners, endeavor to arrange and enter into contracts, agreements or other acceptable arrangements dealing with provision of electrical, telephone, television, water, sewer or any other utility services to all Lots within the Development with a single utility provider or a series of utility providers in the discretion of the Board. It is the intention of the foregoing that, to the fullest extent permitted by law from time to time, but also as may be determined by the Board from time to time, the Board may act as agent for all of the Owners and speak for the Owners in bidding or procuring utilities services as the Board may see fit from service providers under the so-called "deregulated utility regime" in effect in Arizona from time-to-time. The Board shall be justified and protected in relying upon the reasonable advice of third party experts and consultants in assessing and/or accomplishing the foregoing and it is understood that the Board is under no obligation to investigate or procure any such services. Each Owner, by acceptance of a Deed to a Lot, agrees that the Board may so act, but further agrees and shall be deemed to agree, by such acceptance, to execute such documents as may be requested by the Board to implement any of the foregoing.

Section 5.21. Diseases and Insects: No Owner or resident shall permit any thing or condition to exist upon a lot which shall induce, breed or harbor infectious plant diseases or noxious insects.

Section 5.22. Retention and Water Usages/Discharges On and From Lot: To the extent noted on the Plat, certain Lots shall be designed to, and shall maintain, self-retention of storm water and other water run-off on the surface of such Lots. No Owner shall modify, impair, change or affect retention features on any Lot as initially designed and installed without the prior written consent of the Association. In addition, each Owner shall use best efforts to endeavor to restrict and curtail the flow of so-called "nuisance water" from such Owner's Lot into streets, sidewalks, rights-of-way and other retention facilities associated with the Development. By way of example of the foregoing, and not in limitation thereof, Owners shall periodically check and adjust sprinkler mechanisms and monitor and adjust sprinkler times, etc., so as to endeavor to minimize run-off caused by misdirected excess/watering and irrigation, over-watering and over-irrigation and the like. The Board shall have the power to establish rules and regulations dealing with the foregoing and each Owner shall comply with same. In addition, and without limiting the foregoing, no Owner shall alter existing sprinkler pattern and/or over-water or over-irrigate portions of Lots in a manner in which they were not originally designed, nor shall any Owner replace xeriscaping, desert landscaping, unlandscaped areas or the like without the consent of the Architectural Committee. The Owners acknowledge that such replacement/alteration may cause over-watering, subsidence, soil failure and the like and will take all actions necessary to avoid the foregoing.

Section 5.23. Architectural Control:

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

(B) No Improvements shall be constructed or installed on any Lot without the prior written approval of the Architectural Committee.

(C) No addition, alteration, repair, change or other work which in any way alters the exterior appearance, including, but without limitation, the exterior color scheme, of any Lot, or the Improvements located thereon, shall be made or done without the prior written approval of the Architectural Committee.

(D) Any Owner desiring approval of the Architectural Committee for the construction, installation, addition, alteration, repair, change or replacement of any Improvement which would alter the exterior appearance of the Improvement shall submit to the Architectural Committee a written request for approval specifying in detail the nature and extent of the construction, installation, addition, alteration, repair, change or replacement of any Improvement which the Owner desires to perform. Any Owner requesting the approval of the Architectural Committee shall also submit to the Architectural Committee any additional information, plans and specifications which the Architectural Committee may request. In the event that: 1) the Architectural Committee, when acting on any submission relating to any Courtland Lot, fails to approve or disapprove an application for approval within sixty (60) days; or 2) the Architectural Committee, when acting on any submission relating to any H&O Lot fails to approve or disapprove an application for approval within thirty (30) days; after the application is made in either such case, together with all supporting information, plans and specifications requested by the Architectural Committee have been submitted to it, approval will not be required and this Section will be deemed to have been complied with by the Owner who had requested approval of such plans.

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

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

(G) The approval of the Architectural Committee required by this Section shall be in addition to, and not in lieu of, any approvals, consents or permits required under the ordinances or rules and regulations of any county or municipality having jurisdiction over the Project. The approval of the Architectural Committee <u>shall not</u> be construed as, nor be deemed to be, any representation by the Architectural Committee that the Architectural Committee has reviewed soundness or fitness of the plans nor has reviewed the compliance of said plans, if any, with the aforesaid ordinances or rules and regulations.

(H) The provisions of this Section shall not apply to, and approval of the Architectural Committee shall not be required for, the construction, erection, installation,

addition, alteration, repair, change or replacement of any Improvements made by, or on behalf of, Declarant (each, a "Declarant Improvement"). The foregoing shall apply and be effective whether or not a Class B membership still exists in the Association, it being the intent of the foregoing that so long as Declarant owns any Lots within the Property (i.e., the Final Sale Date has not occurred for all Neighborhoods), Architectural Committee approval shall not apply to any Declarant Improvement made to any Lots owned by Declarant. Declarant may, in Declarant's sole discretion, assign that right and privilege to any successor in interest to Declarant in or to any of the Lots in the Property. Any such assignment as to less than all of the Lots owned by Declarant shall not, as to remaining Lots owned by Declarant (or its successors and assigns), avoid the foregoing privilege as to those remaining Lots which continue to be owned by Declarant unless specifically stated in writing by Declarant.

As used in this sub-paragraph (H), the term "Declarant" shall mean and refer to Courtland, as to the Courtland Property, and H&O, as to the H&O Property. It is the intent of the foregoing sentence that H&O shall have control over Declarant Improvements located within the H&O Property until the Final Sale Date for the H&O Property and Courtland shall have control over Declarant Improvements located within Courtland Property until the Final Sale Date of the Courtland Property.

It is provided, however, that, as to the H&O Property, William R. Olsen, Jr. and T. Dennis Barry (collectively, "Designated Members"), acting on behalf of the original seller of the H&O Property, Gilbert-Chandler Heights, L.L.C., shall have reasonable rights of control and approval over and/or relating to Declarant Improvements on or to Lots located within, and shall, until the Final Sale Date as to the H&O Lots, constitute two (2) of the three (3) members of the H&O Subcommittee for the H&O Property. However, the Designated Members shall not unreasonably withhold, delay or condition approval of any proposed Declarant Improvements to the H&O Property, and if the Designated Members do not respond to any written request of H&O for approval of any item within fifteen (15) business days after submittal thereof by H&O, such notice of disapproval to contain reasonable reasons for such disapproval, the Designated Members shall be deemed to have irrevocably and unconditionally approved any such submittal. H&O shall be entitled to rely on any transmission from one or the other Designated Member as being dispositive of the views and positions of both Designated Members and it is the responsibility of the Designated Members to coordinate their specific responses to any request by H&O. In the event the Designated Members and H&O are unable to agree upon reasonable modifications to the proposed submittal, the matter shall be submitted to arbitration with the American Arbitration Association sitting in Phoenix, Arizona under the Rules of Commercial Arbitration (real property) then applicable, before an Arbitrator experienced in arbitrating real property disputes such as the one at hand. All costs of the arbitration shall be divided equally between the parties. Each party shall bear its own attorneys' fees regarding the arbitration. The arbitration shall be a so-called "baseball" arbitration whereby the Arbitrator will be permitted to choose only approving H&O's proposed submittal or rejecting it in its entirety and the item may only be rejected if the Arbitrator determines that the Designated Members acted reasonably in rejecting the submission initially.

Notwithstanding the foregoing, the Courtland Subcommittee, as to the Courtland Lots, and the H&O Subcommittee, as to the H&O Lots, shall exercise the rights and obligations of the Architectural Committee as respects each of the foregoing groups of Lots. After the completion of all Declarant Improvements on lots within the H&O Property, the Designated Members shall select one of their number who shall, until otherwise determined by the Designated Members, sit on the H&O Subcommittee, but shall act solely as a single voting member thereof and shall not have absolute veto or approval power, the majority vote of the members of the H&O Subcommittee then being controlling.

ARTICLE VI
RESERVATION OF RIGHT TO RESUBDIVIDE AND REPLAT

Subject to the approval of any and all appropriate governmental agencies having jurisdiction, Declarant hereby reserves the right at any time, without the consent of other Owners, to resubdivide and replat any lot or lots which the Declarant then owns and has not sold.

ARTICLE VII
PARTY WALLS

Section 7.1. General Rules of Law to Apply: Each wall or fence, any part of which is placed on a dividing line between separate lots shall constitute a "party wall". Each adjoining Owner's obligation with respect to party walls shall be determined by this Declaration and, if not inconsistent, by Arizona law.

Section 7.2. Sharing Repair and Maintenance: Each Owner shall maintain the exterior surface of a party wall facing said Owner's lot. Except as provided in this Article, the cost of reasonable repair shall be shared equally by adjoining lot Owners.

Section 7.3. Damage by One Owner: If a party wall is damaged or destroyed by the act of one adjoining Owner, or said Owner's guests, tenants, licensees, agents or family members (whether or not such act is negligent or otherwise culpable), then that Owner shall immediately rebuild or repair the party wall to its prior condition without cost to the adjoining Owner(s) and shall indemnify the adjoining Owner(s) from any consequential damages, loss or liabilities.

Section 7.4. Other Damage: If a party wall is damaged or destroyed by any cause other than the act of one of the adjoining Owners, or of said Owner's agents, tenants, licensees, guests or family members (including ordinary wear and tear and deterioration from lapse of time), then the adjoining Owners shall rebuild or repair the party wall to its prior condition, equally sharing the expense; provided, however, that if a party wall is damaged or destroyed as a result of an accident or circumstances that originate or occur on a particular lot (whether or not such accident or circumstance is caused by the action or inaction of the Owner of that lot, or said Owner's agents, tenants, licensees, guests or family members), then in such event, the Owner of that particular lot shall be solely responsible for the cost of rebuilding or repairing the party wall and shall immediately repair to the same condition as such party wall formerly existed.

Section 7.5. Right of Entry: Each Owner shall permit the Owners of adjoining lots, or their representatives, to enter said Owner's lot for the purpose of installations, alteration, or repairs to a

party wall on the Property of such adjoining Owners; provided that other than for emergencies, requests for entry are made in advance and that such entry is at a time reasonably convenient to the Owner of the adjoining lot. An adjoining Owner making entry pursuant to this Section shall not be deemed guilty of trespassing by reason of such entry. Such entering Owner shall indemnify the adjoining Owner from any damages sustained by reason of such entry. The foregoing shall not be construed to give Owners the right to enter upon the Common Area for any purposes otherwise inconsistent with this Declaration except a reasonable distance from walls bounding Common Areas for replacement or repair of such wall and/or from any other Common Area boundary for work to be undertaken along said boundary. All other access to general Common Areas by Owners shall only be as otherwise permitted in this Declaration or in an emergency. No access shall be given through any walls built on or bounding Common Area under any circumstances, except for maintenance of said wall(s) by the adjoining Owner and/or the Association.

Section 7.6. Right of Contribution: The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

Section 7.7. Consent of Adjoining Owner: In addition to meeting the requirements of this Declaration and of any applicable building code and similar regulations or ordinances, any Owner proposing to modify, alter, make additions to or rebuild the party wall, shall first obtain the written consent of the adjoining Owner.

Section 7.8 Walls Adjacent to Streets or Common Area: A wall ("Common Area Wall") that is adjacent to streets or Common Area shall be treated as though such Common Area Wall is a party wall with the street or Common Area constituting a Lot owned by the Association, except that any portion of such Wall consisting of decorative work that was originally located on such Wall (or any replacement thereof) shall be the sole responsibility of the Association (subject to an Owner's liability for repairs that would be such Owner's sole responsibility under Sections 7.3 or 7.4). Notwithstanding the foregoing: (a) the provisions in Sections 7.3 and 7.4 regarding an Owner's sole liability for repair of damage caused by such Owner's guests or licensees shall not apply to damage resulting from guests or licensees of the Association and such damage shall be considered caused by unrelated third parties, and (b) the rule in Section 7.4 regarding damage arising from events occurring on a particular Owner's Lot shall not apply to damage arising from events occurring on streets or Common Areas. Notwithstanding the foregoing, any damage to a Common Area Wall that is covered by the Association's casualty insurance shall, to the extent of proceeds actually received from such insurance, be paid for by the Association.

ARTICLE VIII
MAINTENANCE BY OWNERS

Each Owner shall maintain said Owner's Residential Unit and lot in good repair. The yards and landscaping on all improved lots shall be neatly and attractively maintained, and shall be cultivated and planted to the extent required to maintain an appearance in harmony with other improved lots in the Property. During prolonged absence, an Owner shall arrange for the continued care and upkeep of said Owner's lot. In the event a lot Owner fails to maintain said Owner's lot and residence in good condition and repair or in the event an Owner fails to landscape said Owner's lot as required by Section 5.13 of Article V, the Architectural Committee may, but shall not be required to, have said lot and residence landscaped, cleaned and repaired and may charge the responsible lot Owner for said work in accordance with the provisions of said Section. An Owner shall not allow a condition to exist on said Owner's lot which will adversely affect any other lots and residences or other Owners. Any repainting or redecorating of the exterior surfaces of a residence which alters the original appearance of the Residential Unit will require the prior approval of the Architectural Committee.

ARTICLE IX
EASEMENTS

Section 9.1. Owners' Easements of Enjoyment:

(A) Every Member, and any person residing with such Member, shall have a right and easement of enjoyment in and to the Common Area, which shall by appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(i) The right of the Association to charge reasonable admission and other fees for the use of any recreational or other facility situated upon the Common Area, including, but not limited to, any recreational vehicle storage area located upon the Common Area. The Association shall also have the right to restrict the use of such recreational vehicle storage area to only those Owners, lessees or residents who do not have such a recreational vehicle storage area available to them through a Homeowners Association. The Association may permit the use of any recreational vehicle storage area situated upon the Common Area by persons who are not Members of the Association; provided the Association charges such persons a reasonable admission fee or user fee for the use of such recreational vehicle storage area.

(ii) The right of the Association to suspend the voting rights and right to the use of the recreational facilities, if any, located upon Common Area by any Member: (a) for any period during which any Assessment against said Owner's Lot or Parcel remains delinquent; (b) for a period not to exceed sixty (60) days for any other infraction of the Project Documents; and (c) for successive sixty-day (60) periods if any such infraction is not corrected during any prior sixty-day (60) suspension period.

(iii) The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Board. Unless otherwise required by zoning stipulations or agreements with Maricopa County or any municipality having jurisdiction over the Project, or any part thereof, effective prior to the date hereof or specified on a recorded subdivision Plat, no such dedication or transfer shall be effective unless an instrument signed by the Owners representing two-thirds (2/3) of the votes in each class or membership in the Association agreeing to such dedication or transfer has been recorded.

(iv) The right of the Association to regulate the use of the Common Area through the Association Rules and to prohibit or limit access to such portions of the Common Area, such as landscaped right-of-ways, not intended for use by the Owners, lessees or residents.

(B) If a Lot or Parcel is leased or rented by the Owner thereof, the lessees and the members of said lessee's family residing with such lessee pursuant to the lease shall have the right to use the Common Area during the term of the lease, and the Owner of such Lot or Parcel shall have no right to use the Common Area until the termination or expiration of such lease.

(C) The guest and invitees of any Member or other person entitled to use the Common Area pursuant to this Declaration may use any recreational facility located on the Common Area, provided they are accompanied by a Member or other person entitled to use the recreational facilities pursuant to this Declaration. The Board shall have the right to limit the number of guests and invitees who may use the recreational facilities located on the Common Area at any one time and may restrict the use of the recreational facilities by guests and invitees to certain specified times.

(D) If ingress or regress to any Residential Unit or Lot is over or through the Common Area, any conveyance of encumbrance of such portion of the Common Area is subject to the easement of ingress and egress then held by such lot owner or owners.

(E) The Common Area may not be mortgaged or conveyed without the consent of at least two thirds (2/3) of the Lot Owners (excluding Declarant).

(F) The Common Areas shall be conveyed to the Association free and clear of all monetary encumbrances (except for current taxes and assessments) before any governmental authority insures a First Mortgage in the Project.

Section 9.2. Drainage Easements: There is hereby created a blanket easement for drainage of ground water on, over and across each lot in such locations as drainage channels or structures are located. An Owner shall not at any time hereafter fill, block or obstruct any drainage easements, channels or structures on said Owner's lot and each Owner shall repair and maintain all drainage channels and drainage structures located on said Owner's lot. No structure of any kind shall be constructed and no vegetation shall be planted or allowed to grow within the drainage easements

which may impede the flow of water under, over or through the easements. All drainage areas shall be maintained by the Owner(s) of the lot(s) on which the easement area is located.

Section 9.3. Utility Easements: Except as installed by the Declarant or approved by the Architectural Committee, no lines, wires, or other devices for the communication or transmission of electric current or power, including telephone, television, cable and radio signals, shall be erected, placed or maintained anywhere in or upon any lot unless the same shall be contained in conduits or cables installed and maintained underground or concealed in, under or on buildings or other structures. No structure, landscaping or other improvements shall be placed, erected or maintained upon any area designated on the Plat as a public utility easement which may damage or interfere with the installation and maintenance of utilities. Such public utility easement areas, and all improvements thereon, shall be maintained by the Owner of the lot on which the easement area is located, unless the utility company or a county, municipality or other public authority maintains said easement area.

Section 9.4. Declarant's Easement: Easements over the lots for the installation and maintenance of electric, telephone cable, communications, water, gas, drainage and sanitary sewer or similar or other lines, pipes or facilities:

(A) as shown on the recorded Plat; or

(B) as may be hereafter required or needed to service any lot (provided, however, no utility other than a connection line to a dwelling unit served by the utility shall be installed in any area upon which a Residential Unit has been or may legally be constructed on the lot)

are hereby reserved by the Declarant, together with the right to grant and transfer the same.

Section 9.5. Encroachments: The lots shall be subject to an easement for overhangs and encroachments by walls, fences or other structures upon adjacent lots as constructed by the original builder or by Declarant or as reconstructed or repaired in accordance with the original plans and specifications or as a result of the reasonable repair, shifting, settlement or movement of any such structure.

ARTICLE X
MAINTENANCE

Section 10.1. Maintenance by the Association: The Association shall be responsible for the maintenance, repair and replacement of the Common Area and may, without any approval of the Owners being required, do any of the following:

(A) Reconstruct, repair, replace or refinish any Improvement or portion thereof upon any such area (to the extent that such work is not done by a governmental entity, if any, responsible for the maintenance and upkeep of such area);

(B) Construct, reconstruct, repair, replace or refinish any portion of the Common Area used as a road, street, walk, driveway and parking area;

(C) Replace injured and diseased trees or other vegetation in any such area, and plant trees, shrubs and ground cover to the extend that the Board deems necessary for the conservation of water and soil and for aesthetic purposes;

(D) Place and maintain upon any such area such signs as the Board may deem appropriate for the proper identification, use and regulation thereof;

(E) Construct, maintain, repair and replace landscaped areas on any portion of the Common Area;

(F) Maintain any portion of the Common Area used for drainage and retention; and

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

Section 10.2. Damage or Destruction of Common Area by Owners. No Owner shall in any way damage or destroy any Common Area or interfere with the activities of the Association in connection therewith. Any expenses incurred by the Association by reason of any such act of an Owner shall be paid by said Owner, upon demand, to the Association to the extent that the Owner is liable therefore under Arizona law, and such amounts shall be a lien on any Lots owned by said Owner and the Association may enforce collection of any such amounts in the same manner as provided elsewhere in this Declaration for the collection and enforcement of Assessments.

Absolute liability is not imposed on Lot Owners for damage to the Common Area or Lots, but any such Owner's liability shall be limited, but shall also extend, to the extent provided under Arizona law and this Declaration from time to time.

Section 10.3. Payment of Utility Charges. Each Lot shall be separately metered for water, sewer and electrical service and all charges for such services shall be the sole obligation and responsibility of the Owner of each Lot. The cost of water, sewer and electrical service to the Common Area shall be a Common Expense of the Association and shall be included in the budget of the Association.

ARTICLE XI
INSURANCE

Section 11.1. Scope of Coverage. Commencing not later than the time of the first conveyance of a Lot to a person other than a signatory to this Declaration, the Association shall maintain, to the extent reasonably available, the following insurance coverage:

(A) Property insurance on the Common Area insuring against all risk of direct physical loss, insured against in an amount equal to the maximum insurable replacement value of the Common Area, as determined by the Board; provided, however, that the total amount of insurance after application of any deductibles shall not be less than one hundred

percent (100%) of the current replacement cost of the insured property, exclusive of land, excavations, foundations and other items normally excluded from an improved real property insurance policy;

(B) Comprehensive general liability insurance, including medical payments insurance, in an amount determined by the Board, but not less than $1,000,000.00. Such insurance shall cover all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the Common Area, and shall also include hired automobile and non-owned automobile coverages with cost liability endorsements to cover liabilities of the Owners as a group to an Owner and provide coverage for any legal liability that results from lawsuits related to employment contracts in which the Association is a party;

(C) Workmen's compensation insurance to the extent necessary to meet the requirements of the laws of Arizona; and

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

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

(i) That there shall be no subrogation with respect to the Association, its agents, servants, and employees, with respect to Owners and members of their households;

(ii) No act or omission by any Owner, unless acting within the scope of said Owner's authority on behalf of the Association, will void the policy or be a condition to recovery on the policy;

(iii) That the coverage afforded by such policy shall not be brought into contribution or proration with any insurance which may be purchased by Owners or their mortgagees or beneficiaries under deeds of trust;

(iv) A "severability of interest" endorsement which shall preclude the insurer from denying the claim of an Owner because of the negligent acts of the Association or other Owners;

(v) The Association shall be named as the Insured; and

(vi) For policies of hazard insurance, a standard mortgagee clause providing that the insurance carrier shall notify the first mortgagee named in the policy at least thirty (30) days in advance of the effective date of any substantial modification, reduction or cancellation of the policy;

(F) If the Property is located in an area identified by the Secretary of Housing and Urban Development as an area having special flood hazards, a policy of flood insurance

on the Common Area must be maintained in the lesser of one hundred percent (100%) of the current replacement cost of the buildings and any other Property covered by the required form of policy or the maximum limit of coverage available under the National Insurance Act of 1968, as amended; and

(G) "Agreed Amount" and "Inflation Guard" endorsements.

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

Section 11.3. Fidelity Bonds.

(A) The Association shall maintain blanket fidelity bonds for all officers, directors, trustees and employees of the Association and all other persons handling or responsible for funds of, or administered by, the Association, including, but without limitation, officers, directors and employees of any management agent of the Association, whether or not they receive compensation for their services. The total amount of fidelity bond maintained by the Association shall be based upon the reasonable business judgment of the Board, and shall not be less than the greater of (i) the amount equal to one hundred fifty percent (150%) of the estimated annual operating expenses of the Association, (ii) the estimated maximum amount of funds, including reserve funds, in the custody of the Association or the management agent, as the case may be, at any given time during the term of each bond, or (iii) the sum equal to three (3) months assessments on all Lots, plus adequate reserve funds. Fidelity bonds obtained by the Association must also meet the following requirements:

(i) The fidelity bonds shall name the Association as an obligee;

(ii) The bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expressions; and

(iii) The bonds shall provide that they may not be canceled or substantially modified (including cancellation from non-payment of premium) without at least ten (10) days prior written notice to the Association.

(B) The Association shall require any management agent of the Association to maintain its own fidelity bond in an amount equal to or greater than the amount of the fidelity bond to be maintained by the Association pursuant to Subsection (A) of this Section. The fidelity bond maintained by the management agent shall cover funds maintained in bank accounts of the management agent and need not name the Association as an obligee.

Section 11.4. Payment of Premiums. The premiums for any insurance obtained by the Association pursuant to this Article shall be included in the budget of the Association and shall be paid by the Association.

Section 11.5. Insurance Obtained by Owners. Each Owner shall be responsible for obtaining Property insurance for said Owner's own benefit and at said Owner's own expense covering said Owner's Lot, and all Improvements and personal Property located thereon. Each Owner shall also be responsible for obtaining at said Owner's expense personal liability coverage for death, bodily injury or Property damage arising out of the use, ownership or maintenance of said Owner's Lot.

Section 11.6. Payment of Insurance Proceeds. With respect to any loss to the Common Area covered by Property insurance obtained by the Association in accordance with this Article, the loss shall be adjusted with the Association and the insurance proceeds shall be payable to the Association and not to any mortgagee or beneficiary under a deed of trust. Subject to the provisions of Section 11.7 of this Article, the proceeds shall be disbursed for the repair or restoration of the damage to Common Area.

Section 11.7. Repair and Replacement of Damaged or Destroyed Property. Any portion of the Common Area damaged or destroyed shall be repaired or replaced promptly by the Association unless (i) repair or replacement would be illegal under any state or local health or safety statue or ordinance, or (ii) Owners owning at least eighty percent (80%) of the Lots vote not to rebuild. The cost of repair or replacement in excess of insurance proceeds and reserves shall be paid by the Association. If the entire Common Area is not repaired or replaced, insurance proceeds attributable to the damaged Common Area shall be used to restore the damaged area to a condition which is not in violation of any state or local health or safety statute or ordinance and the remainder of the proceeds shall be distributed to the Owners on the basis of an equal share for each Lot.

ARTICLE XII
TERM AND ENFORCEMENT

Section 12.1. Enforcement: The Association, the Architectural Committee or any Owner shall have the right (but not the obligation) to enforce, by any proceeding at law or in equity, these Covenants and Restrictions and any amendment thereto. Failure by the Association, the Committee or any Owner to enforce these Covenants and Restrictions shall in no event be deemed a waiver of the right to do so thereafter. Deeds of conveyance of the Property may incorporate these Covenants and Restrictions by reference to this Declaration, but whether or not such reference is made in such deeds, each and all such Covenants and Restrictions shall be valued and binding upon the respective grantees. Violators of any one or more of the Covenants and Restrictions may be restrained by any court of competent jurisdiction and damages awarded against such violators; provided, however, that a violation of these Covenants and Restrictions or any one or more of them shall not affect the lien of any First Mortgage. If the Architectural Committee enforces any provision of the Project Documents, the cost of the enforcement shall be paid by the Association.

Section 12.2. Term: This Declaration shall run with and bind the land for a term of thirty (30) years from the date this Declaration is recorded, after which time this Declaration shall be

automatically extended for successive periods of ten (10) years for so long as the lots shall continue to be used for residential purposes.

Section 12.3. Amendment: The Declaration may be amended at any time and from time-to-time by an instrument signed by the Owner(s) of at least two-thirds (2/3) of the votes of each class of membership then existing and recorded with the Maricopa County Recorder. A properly executed and recorded amendment may alter the restrictions applicable to all or any portion of the Property. Any amendment which diminishes the Declarant's right hereunder shall require the approval of the Declarant. Notwithstanding the foregoing, so long as the Class B membership exists, Declarant may Amend this declaration to correct typographical or scrivener's errors or to make other non-material changes to the Declaration in order to effect the original intent and purpose of this Declaration.

ARTICLE XIII
GENERAL PROVISIONS

Section 13.1. Severability: Judicial invalidation of any part of these Covenants and Restrictions shall not affect the validity of any other provisions.

Section 13.2. Construction: The Article and Section headings have been inserted for convenience only and shall not be considered in resolving questions of interpretation or construction. All terms and words used in this Declaration regardless of the number and gender in which they are used shall be deemed and construed to include any other number, and any other gender, as the context or sense requires. It is the intention of this Declaration and of the Project Documents to comply and be in accordance, at all times, with the law and regulation of the State of Arizona. Therefore, to the extent that the law and regulation of the State of Arizona is contrary to this Declaration and/or the Project Documents, the law of the State of Arizona in effect from time to time shall control in the interpretation hereof and thereof and shall prevail over any contrary provision herein or in the Project Documents. It is further intended that this Declaration and the Project Documents shall be construed in a consistent matter and are internally consistent. Nevertheless, in the event any internal inconsistencies appear, this Declaration and the Project Documents shall be construed according to the following hierarchy, with the first listed document(s) being construed to control all the documents listed thereafter:

1. This Declaration;

2. The Article of Incorporation of the Association;

3. The Bylaws of the Association;

4. The Architectural Committee Rules; and

5. The Rules and Regulations of the Association.

Section 13.3. Notices: Any notice permitted or required to be delivered as provided herein may be delivered either personally or by mail, postage prepaid: if to an Owner, addressed to that

Owner at the address of the Owner's lot or if to the Architectural Committee, addressed to that Committee at the normal business address. If notice is sent by mail, it shall be deemed to have been delivered twenty-four (24) hours after a copy of the same has been deposited in the United States mail, postage pre-paid. If personally delivered, notice shall be effective on receipt. Notwithstanding the foregoing, any application for approval, plans, specifications and any other communication or documents shall not be deemed to have been submitted to the Architectural Committee, unless actually received by said Committee.

Section 13.4. VA/FHA Approvals: If the Project or this Declaration have been initially approved by the Veterans Administration or the Federal Housing Administration, then so long as there is a Class B membership in the Association, the following actions will, to the extent then required by applicable regulations of the Veterans Administration or the Federal Housing Administration, require the prior approval of the Veterans Administration or the Federal Housing Administration: dedications of Common Areas; any annexation of additional property to this Declaration; any amendment to the Declaration that conflicts with then-applicable requirements of the Veterans Administration or the Federal Housing Administration or any amendment which would otherwise be required to be approved by the Veterans Administration or the Federal Housing Administration under their respective Governmental Requirements existing at the time of the proposed amendment of this Declaration.

IN WITNESS WHEREOF, COURTLAND HOMES, INC., an Arizona corporation, and H&OINVESTMENTS, L.L.C., an Arizona limited liability company, collectively, as Declarant, has caused their respective entity to be signed by the undersigned persons thereunto duly authorized this 6th day of December 1999.

DECLARANT:

COURTLAND HOMES, INC.,
an Arizona corporation

By: [signature]
Alan Hamberlin, President

H&O INVESTMENTS, L.L.C., an Arizona limited liability company

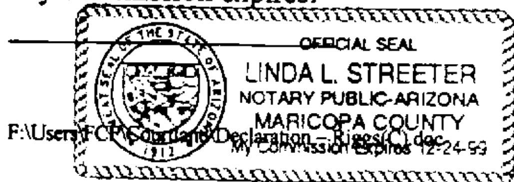
By: [signature]
Its: Member

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this, the 6th day of December 1999 before me, the undersigned Notary Public, personally appeared Alan Hamberlin, who acknowledged that he is the President of Courtland Homes, Inc., an Arizona corporation, and that he, having authority so to do, executed the foregoing instrument for the purposes herein contained, by signing the name of the corporation. In witness whereof, I hereunto set my hand and official seal.

[signature]
Notary Public

My commission expires:



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STATE OF ARIZONA)
) ss.
County of Maricopa)

On this, the 7th day of December 1999 before me, the undersigned Notary Public, personally appeared Joe Hogan, who acknowledged that he is the Member of H&O Investments, L.L.C., an Arizona limited liability company, and that he, having authority so to do, executed the foregoing instrument for the purposes herein contained, by signing the name of the company. In witness whereof, I hereunto set my hand and official seal.

Notary Public

My commission expires:
10-16-2000

AGREED TO AND ACCEPTED, and the undersigned Lender to H&O Investments, L.L.C., ratifies the foregoing instrument.

REAL ESTATE EQUITY LENDING, INC., an Arizona corporation

By: Scott O. Gould

Its: Vice President

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this, the 7th day of December 1999 before me, the undersigned Notary Public, personally appeared Scott Gould, who acknowledged that he is the Vice President of Real Estate Equity Lending, Inc., an Arizona corporation, and that he, having authority so to do, executed the foregoing instrument for the purposes herein contained, by signing the name of the company. In witness whereof, I hereunto set my hand and official seal.

Tonya Lively

Notary Public

My commission expires:
8-19-02

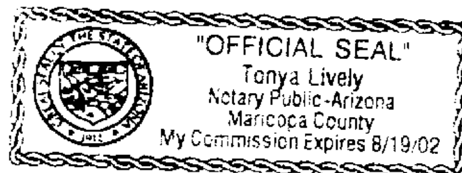

EXHIBIT "A"

Lots 1 through 252, inclusive, and Tracts A through BB, inclusive, of RIGGS RANCH MEADOWS, according to the plat of record in the office of the County Recorder of Maricopa County, Arizona, recorded as Instrument #00-0100570, Book 524 of Maps, Page 18.