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**THIRD AMENDED AND RESTATED DECLARATION OF
COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS
FOR
STAR VALLEY ESTATES
(LEGALLY RECORDED AS STAR VALLEY VILLAGE)**

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**THIRD AMENDED AND RESTATED DECLARATION OF
COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS
FOR
STAR VALLEY ESTATES
(LEGALLY RECORDED AS STAR VALLEY VILLAGE)**

THIS THIRD AMENDED AND RESTATED DECLARATION ("Declaration") is made this 16 day of March, 2000.

WITNESSETH:

WHEREAS, Title Guaranty Agency of Arizona, Inc., as Trustee under Trust 1266 (the "Trust") is the owner of all or portions of that certain property herein referred to and defined as the Properties;

WHEREAS, the properties subject to this Declaration are known and described as follows:

Lots 1 through 152 of Star Valley Village, a subdivision in Pima County, Arizona, as recorded in Book 47 of Maps and Plats at Page 26 thereof, in the Office of the Pima County Recorder, Pima County, Arizona (the "Plat").

which real property, together with any additional property annexed hereunder, shall hereinafter be referred to, collectively, as the "Properties";

WHEREAS the Trust, as the Declarant, caused to be executed and recorded that certain Declaration of Covenants, Conditions and Restrictions of Star Valley Village recorded in Docket 10066 at Page 1277, Pima County Records, and re-recorded in Docket 10175 at Page 702, Pima County Records, as amended and restated in their entirety by that certain First Amendment and Restatement of Declaration of Covenants, Conditions and Restrictions of Star Valley Village recorded in Docket 10758 at Page 981, Pima County Records, as amended by that certain Second Amendment to Declaration of Covenants, Conditions and Restrictions of Star Valley Village recorded in Docket 10894 at Page 407, Pima County Records (collectively, the "Original Declaration");

WHEREAS, U.S. Home Corporation, a Delaware corporation (hereinafter the "Developer" or "U.S. Home"), possesses certain purchase rights with respect to the Properties and owns one or more Lots therein;

WHEREAS, the Trust and the Developer mutually desire to amend and restate, in its entirety, the Original Declaration, and to establish this Declaration in lieu of the Original Declaration;

WHEREAS, Developer proposes to construct improvements upon the Properties (as hereinafter defined), and to sell and convey the same, subject to the covenants, restrictions, uses,

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limitations, obligations, easements, equitable servitudes, charges and liens hereafter set forth, each of which is for the benefit of the Properties and the subsequent owners thereof.

NOW, THEREFORE, Declarant and Developer do hereby declare that the Properties are and shall be held, conveyed, encumbered, leased and used subject to the following covenants, conditions, restrictions, uses, limitations, obligations, easements, equitable servitudes, charges and liens (hereinafter collectively referred to as the "Restrictions"), all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Properties. The Restrictions set forth herein shall run with the Properties, shall be binding upon all persons having or acquiring any interest therein, and shall inure to the benefit of, be binding upon and enforceable by all Owners, Declarant, the Developer, the Association and their successors in interest.

No provision contained herein shall be construed to prevent or limit Declarant's or Developer's right to complete development of the Properties and construction of improvements thereon, nor Declarant's nor Developer's right to maintain model homes, construction, sales or leasing offices, nearby parking areas or similar facilities on the Properties, nor Declarant's or Developer's right to post signs incidental to construction, sales or leasing, nor Declarant's or Developer's right to do anything that is reasonably necessary and proper for the full development of the Properties.

ARTICLE 1 DEFINITIONS

Unless the context otherwise specifies or requires, the following words and phrases when used herein shall have the meanings hereinafter assigned.

Section 1.1 "Articles" shall mean the Articles of Incorporation of the Association and amendments thereto which are or shall be filed in the Office of the Arizona Corporation Commission.

Section 1.2 "Association" shall mean and refer to Star Valley Estates Homeowners Association, an Arizona nonprofit corporation, its successors and assigns.

Section 1.3 "Board" or "Board of Directors" shall mean the Board of Directors of the Association.

Section 1.4 "Bylaws" shall mean the Bylaws of the Association, together with any amendments thereto.

Section 1.5 "Common Area" or "Common Areas" shall mean all real property and any improvements thereon from time to time owned by the Association, in fee or by easement, for the common use or benefit of the Owners, including Detention Basin #1 shown on the Plat, and the easement right to Detention Basin #2 shown on the Plat. It is anticipated that Common Area shall initially consist of the areas encumbered by the said detention basins, including, but not limited to, Lots 151, 152, the rear portions of Lots 77, 78 and 79, and although not shown on the Plat as a Detention Basin, Lot 61.

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Section 1.6 "Declarant" shall mean the Trust and its successors or assigns who have been designated in writing by Declarant as the successor to all or a portion of Declarant's rights hereunder and who own one or more Lots in the Properties.

Section 1.7 "Declaration" shall mean and refer to this instrument and any amendment thereto or restatement thereof.

Section 1.8 "Design Guidelines" shall mean the guidelines promulgated by the Architectural Control Committee pursuant to Section 9.2 of this Declaration.

Section 1.9 "Developer" shall mean U.S. Home Corporation, a Delaware corporation, its successors or assigns, who have been designated in writing by Developer as a successor to all or a portion of the Developer's rights hereunder. The rights of the Developer hereunder may be assigned by written instrument duly recorded.

Section 1.10 "Dwelling Unit" or "Unit" shall mean any improvements placed within the confines of any Lot.

Section 1.11 "First Mortgage" shall mean the holder of any Mortgage under which the interest of any Owner of a Lot is encumbered and which mortgage has first and paramount priority (referred to herein as a First Mortgage), subject only to the lien of general or ad valorem taxes and assessments and such other matters as are recognized in such First Mortgage as permitted exceptions.

Section 1.12 "Lot", unless otherwise indicated by the context, shall first mean and refer to any numbered parcel of real property within the Properties shown on the Plat, as may be amended, together with the Dwelling Unit, if any, thereon, and in the event of annexation shall include all additional lots annexed and shown on a plat for the annexed land. The term Lot shall also include any Lots combined to become a single lot, in which case the Lots so combined shall be considered one Lot for all purposes, including voting and assessments.

Section 1.13 "Member" shall mean and refer to every person and/or entity who holds membership in the Association pursuant to the provisions hereof.

Section 1.14 "Mortgage" shall mean any mortgage, deed of trust or other security instrument by which a Lot or any part thereof is encumbered.

Section 1.15 "Mortgagee" shall mean the holder of the beneficial interest under a Mortgage.

Section 1.16 "Owner" or "Homeowner" shall mean and refer to (1) the record Owner, whether one or more persons or entities, of equitable or beneficial title in fee simple (or legal title if same has merged) of any Lot, or (2) the purchaser of a Lot under a recorded contract for the sale of real property as set forth in Arizona Revised Statutes Section 33-741 et seq. The foregoing does not include persons or entities who hold an interest in any Lot merely as security for the performance of an obligation, or a lessee or tenant of an Owner as defined above, or a purchaser or vendee under any executory contract of sale which has not been fully consummated

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with a deed to the purchaser recorded in the office of the County Recorder of Pima County, Arizona.

Section 1.17 "Perimeter Wall" shall mean a wall, if any, lying along the exterior boundary of the Properties, or along the interior boundary of any portion of the Common Area that borders the exterior boundary of the Properties.

Section 1.18 "Person" shall mean a natural individual, corporation or other entity with the legal right to hold title to real property.

Section 1.19 "Plat" shall mean the plat or plats of the real estate that is subject to this Declaration recorded in the office of the County Recorder of Pima County, Arizona, and any amendment thereto or resubdivision thereof.

Section 1.20 "Properties" shall mean Lots 1 through 152 of Star Valley Village as shown on the plat thereof, as well as any additional property annexed hereunder.

Section 1.21 "Restrictions" shall mean the covenants, conditions, restrictions, uses, limitations, obligations, easements, equitable servitudes, charges and liens set forth in this Declaration.

Section 1.22 "Rules" shall mean any and all rules adopted by the Board pursuant to the Bylaws and Section 2.8 herein.

**ARTICLE 2
ASSOCIATION**

Section 2.1 Membership in the Association. Each Owner (including Developer and Declarant) of a Lot, by virtue of being an Owner, shall automatically be a Member of the Association. Membership in the Association shall be appurtenant to each Lot owned and shall not be transferred, pledged, or alienated in any way, except upon the transfer of ownership to a Lot, and then only to the transferee thereof. Any transfer of ownership of a Lot shall operate automatically to transfer the membership associated therewith to the new Owner thereof. Any attempted transfer of membership separate from the appurtenant Lot or Lots shall be void.

Section 2.2 Voting Rights and Classes of Membership. The Association shall have two classes of voting membership.

2.2.1 Class A: Class A Members shall be all Owners other than Declarant and Developer and each such Owner shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as the Owners may determine, but in no event shall more than one (1) vote be cast with respect to any Lot owned by a Class A Member.

2.2.2 Class B: The Class B Members shall be Declarant and Developer, who shall be entitled to three (3) memberships and three (3) votes for each Lot owned. The

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Class B membership shall cease and be converted to Class A membership on the happening of the earliest of the following events:

2.2.2.1 Ninety (90) days after such time as the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership, or

2.2.2.2 Five (5) years following the conveyance of the first Lot to an Owner, other than the Declarant or Developer.

During such time as the Class B Membership exists, provided Developer does not default in its obligation to purchase Lots from Declarant, the Declarant's voting rights shall be exercised solely by Developer. In the event Developer defaults in its obligation to purchase Lots from Declarant thereafter the Declarant's voting rights shall be exercised solely by Declarant.

Any Mortgagee who acquires title to a Lot pursuant to a judgment of foreclosure or a trustee's sale shall automatically become entitled to exercise all voting rights which the Owner of said Lot would otherwise have had.

Section 2.3 Purpose of Association. The Association is a non-profit corporation which will serve as the governing body for all Owners and Members for the protection, improvement, alteration, maintenance, repair, replacement, administration and operation of the Common Area and any other areas for which the Association is responsible under the terms of this Declaration or otherwise; the assessment of expenses; payment of losses; disposition of casualty insurance proceeds; and other matters as provided in this Declaration, the Articles, the Bylaws, the Rules and the Design Guidelines. The Association shall not be deemed to be conducting a business of any kind. All funds received by the Association shall be held and applied by it for the Owners and Members in accordance with the provisions of this Declaration, the Articles and the Bylaws.

Section 2.4 Rights and Responsibilities of Association. The Association, through the Board of Directors, unless specifically provided otherwise, shall have the right of enforcement of all of the provisions hereof. The Association shall have the right, but not the obligation, to enter upon any drainage easements shown on the Plat to landscape or maintain same and shall be responsible for the proper and efficient management and operation of the Common Area and any other areas for which it is responsible under the terms of this Declaration or for which it has assumed responsibility. The Association's responsibilities shall include:

2.4.1 maintaining, operating, and rebuilding improvements on the Common Area;

2.4.2 maintaining and landscaping property owned or controlled by the Association, including any within the Common Area;

2.4.3 maintaining the exterior portion of any Perimeter Wall which Developer, in its discretion, may build;

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2.4.4 operating, maintaining, rebuilding and insuring improvements originally constructed by Declarant or Developer or later constructed by the Association on the Common Area;

2.4.5 paying real estate taxes, assessments and other charges on the Common Area;

2.4.6 insuring all improvements which the Association is obligated to maintain against damage by casualty with such companies and in such limits as provided herein and as the Association deems appropriate;

2.4.7 hiring, firing, supervising and paying employees and independent contractors including, but not limited to, workmen, landscapers, attorneys, accountants, architects and contractors to carry out the obligations set forth herein;

2.4.8 maintaining such liability insurance as the Association deems necessary to protect the members and the Board of Directors of the Association from any liability caused by occurrences or happenings on or about the Common Area;

2.4.9 maintaining workmen's compensation insurance for the employees of the Association;

2.4.10 purchasing all goods, supplies, labor and services reasonably necessary for the performance of the obligations set forth herein;

2.4.11 establishing and maintaining such adequate cash reserves as the Association may, in its sole and absolute discretion, deem reasonably necessary for the periodic maintenance, repair and replacement of the improvements which it is responsible to maintain;

2.4.12 providing for and payment of all utility services for the Common Area if deemed appropriate by the Board;

2.4.13 entering into such agreements and taking such actions as are reasonably necessary and convenient for the accomplishment of the obligations set forth above and the operation and maintenance of the Properties as a first-class, residential development;

2.4.14 granting licenses, easements and other agreements for the use of Common Area;

2.4.15 maintaining any personal property owned by the Association; and

2.4.16 giving the notice required to be sent to any prospective purchaser pursuant to Section 12.10 and

2.4.17 such other matters as are provided for in this Declaration, the Articles of Incorporation, the Bylaws, the Rules and the Design Guidelines.

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Notwithstanding the foregoing, so long as the Common Areas consist solely of detention or retention areas, it is understood that that no Owner or Member shall be permitted to enter upon, alter or in any way impair the Common Area. Such areas shall remain under the exclusive control and jurisdiction of the Association. The Association is specifically granted a perpetual easement over and across portions of Lots 77 through 80, as shown on the Plat, for the maintenance, repair and replacement of Detention Basin #2. Furthermore, the Association shall allow the City of Tucson to install, at its sole cost, and at its sole election, a monitoring well within Detention Basin #2 shown on the Plat. This right, if not sooner exercised by the City of Tucson, shall expire March 23, 2008, or such earlier time as any well installed by the City of Tucson is abandoned or removed. Detention Basin #1 shown on the Plat, thought to be owned initially by the Association, may be used subsequently for any purpose consistent with this Declaration, including as a homesite, should the City of Tucson agree in writing that the said area is no longer necessary as a detention or retention area.

Section 2.5 Articles and Bylaws. The manner in which the Association holds meetings and attends to other corporate formalities shall be controlled by the provisions of the Bylaws, the Articles and this Declaration, which Declaration shall control in the event of conflict.

Section 2.6 Board of Directors. The Board of Directors of the Association shall be elected by majority vote of the total votes cast by both classes of the membership at a meeting attended by a quorum as called for by the Bylaws, except that so long as Declarant or Developer retains the Class B membership, Declarant and Developer reserve the exclusive right to appoint the officers and directors of the Association and may do so without calling a meeting of members. Such reserved right of the Developer and Declarant shall be exercised solely by the Developer for so long as Developer is not in default in its obligation to purchase Lots from Declarant. In the event Developer defaults in its obligation to purchase Lots from Declarant thereafter the reserved right of Developer and Declarant shall be exercised solely by Declarant.

Section 2.7 Transition to Board. Prior to the time that the operations of the Association are turned over to the Members by the Declarant, the Members shall be required by February 15 of each year to report and submit to the Association, in writing, any claims or disputes with regard to the operations of the Association by the Developer during the immediately preceding calendar year, including the maintenance of any streets, roads, sidewalks, street signs, walls, fences, landscape or other improvements originally constructed by Developer or the collection of assessments, maintenance and reserve accounts and other matters falling within the realm of responsibility of the Association.

When the operations of the Association are turned over to the Members, all corporate books and accounting records shall be delivered to the Members at the Association's offices. Upon receipt of the corporate books, accounting records and written notice of intent to turn over the operations of the Association, the Members shall notify Developer in writing within forty-five (45) days of any claims or disputes with regard to the operations of the Association by the Developer which have arisen subsequent to December 31 of the preceding year, including the maintenance of any streets, roads, sidewalks, street signs, walls, fences, landscape or any other improvements, to the extent applicable, originally constructed by Developer, or the collection of

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assessments, maintenance of reserve accounts and other matters falling within the realm of responsibility of the Association.

In the event that such claims or disputes are not presented in writing to the Developer within the time periods set forth above, such claims and disputes, whether against Developer or otherwise, shall be deemed forever waived, relinquished and abandoned.

Nothing in this section shall be construed to create any obligation or liability of Developer whatsoever for the acts of others, and Developer shall in way be responsible for construction defects, problems, shortcomings or other matters caused by or contributed to by others.

Section 2.8 Rules and Regulation of the Association. The Board shall be empowered to adopt, amend or repeal such rules and regulations (including the Design Guidelines) as it deems reasonable and appropriate (collectively the "Rules"), which shall be binding upon all persons subject to this Declaration and shall govern the use and/or occupancy of the Properties. The Rules may include the establishment of a system of fines and penalties for violation of the Rules, which shall be levied only after the offending Owner has been given notice and an opportunity to be heard in accordance with the terms of the Bylaws of the Association. The Rules shall govern such matters as the Board deems to be in furtherance of the purposes of the Association, including, without limitation, the use of the Common Area. The Rules may be amended at any special or regular meeting of the Board.

The Rules are deemed incorporated herein by this reference and shall have the same force and effect as if they were set forth in and were part of this Declaration and shall be binding upon all persons having any interest in, or making any use of, any part of the Properties, whether or not copies of the Rules are actually received by such persons. References to the covenants and restrictions contained herein shall be deemed to refer also to the Rules (except to the extent the rules are in conflict herewith). The Rules, as adopted, amended or repealed, shall be available for review at the principal office of the Association to each person reasonably entitled thereto. It shall be the responsibility of each person subject to the Rules to review and keep abreast of any changes in the provisions thereof. In the event of any conflict between any provision of the Rules and any provisions of this Declaration, or the Articles or Bylaws, the provisions of the Rules shall be deemed to be superseded by the provisions of this Declaration, the Articles or Bylaws to the extent of any such conflict.

Section 2.9 Non-Liability of Officials and Indemnification. To the fullest extent permitted by law, neither Declarant, Developer, the Board, nor any committees of the Association nor any member thereof, nor any officers, directors or employees of the Declarant, Developer or of the Association, shall be liable to any Owner or to the Association or any other person for any damage, loss or prejudice suffered or claimed on account of any decision, course of action, act, inaction, omission, error, negligence or the like made in good faith and which Declarant, Developer, the Board or such committees or officers reasonably believed to be within the scope of their respective duties or rights.

To the fullest extent permitted by law, Declarant, Developer and every director, officer or committee member of the Association, Developer and or the Declarant (to the extent a claim may

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be brought by reason of Declarant's appointment, removal or control over members of the Board or its control over the Association or any committee thereof) shall be indemnified by the Association. Every other person serving as an employee or direct agent of the Association, or otherwise acting on behalf of, and at the request of, the Association, may, in the discretion of the Board, be indemnified by the Association.

Any such indemnification shall be limited to all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed upon such person in connection with any proceeding to which such person may be a party or in which he may become involved, by reason of his being or having served in such capacity on behalf of the Association (or in the case of Declarant by reason of having appointed, removed, controlled or failed to control members of the Board, or controlled or failed to control the Association), or incurred in any settlement thereof, whether or not he is a director, officer or member of a committee or serving in such other specified capacity at the time such expenses are incurred.

Section 2.10 Managing Agent. All powers, duties and rights of the Association or the Board, as provided by law and herein, may be delegated to a managing agent under a management agreement; provided, however, that no such delegation shall relieve the Association of its obligation to perform any such delegated duty. Any agreement for professional management shall not exceed a term of one year, which term may be renewed by agreement of the parties for successive one-year periods. Any such agreement shall provide for termination by either party with or without cause and without payment of a termination fee upon ninety (90) days' written notice; provided, however, that the Association may terminate the agreement for cause upon thirty (30) days' written notice. The Association is expressly authorized to contract with Declarant or Developer or an affiliate of Declarant or Developer, to provide management services or to perform other duties of the Association or the Board.

Section 2.11 Records and Accounting. The Association shall keep, or cause to be kept, true and correct books and records of account at the sole cost and expense of the Association in accordance with generally accepted accounting principles. Such books and records, together with current copies of this Declaration, the Articles, Bylaws and Rules shall be available for inspection by all Owners and First Mortgagees of record at reasonable times during regular business hours.

ARTICLE 3 EXTERIOR MAINTENANCE

Section 3.1 Maintenance, Repair and Up-Keep.

3.1.1 Dwelling Units. Maintenance, repair, upkeep and repainting of Dwelling Units, including all other improvements on a Lot, shall be the sole responsibility of each Owner. Such responsibility shall include, without limitation, keeping all portions of a Lot, including those portions, if any, subject to bufferyards, setbacks and other similar encumbrances, free of trash and other debris.

3.1.2 Walls. Each Owner shall maintain, repair and repaint (if applicable), the interior and exterior sides of the yard walls or fences appurtenant to his Lot,

except that if such a wall or fence is a common wall or fence, an Owner shall be required to repair and repaint only that portion of the wall or fence exclusively used by that Owner, and except that the Association shall maintain and repair the exterior surface of any Perimeter Wall.

3.1.3 Plumbing. Each Owner shall be responsible for sewer blockage, repair, etc., of all Dwelling Unit plumbing as well as the house connection line from the Dwelling Unit to its connection point in the main collection sewer line in the street.

3.1.4 Exterior Lighting. Each Owner shall be responsible for the maintenance and repair, including replacement of light bulbs, of all exterior lighting fixtures located within the Owner's Lot (or located outside the Owner's Lot if the lighting is substantially or exclusively of benefit to, and is metered to, such Owner's Lot).

3.1.5 Failure to Maintain. Such maintenance, repair and repainting of a Dwelling Unit and other improvements on a Lot shall be undertaken in a manner and with such frequency as shall keep each Owner's Lot in an attractive, well-kept and maintained condition in conformity with all other Lots, and in accordance with the Owner's obligations under this Declaration, the Rules and the Design Guidelines.

Section 3.2 Maintenance of Common Area. The Association shall be responsible for maintenance, repair and upkeep of any Common Area and all Perimeter Walls, if any.

Section 3.3 Drainage and Retention/Detention Facilities.

3.3.1 Maintenance. The Association shall operate, maintain, repair and replace any drainage and retention/detention facilities installed within the Common Areas or drainage easements shown on the Plat.

3.3.2 Inspection Report, Etc. The Association shall comply with all requirements of the City of Tucson, or Pima County, as applicable, with respect to maintenance of detention and retention areas, including any regulation relating to certified inspections, use of Arizona Registered Professional Civil Engineers, and the like. The Association shall assure that the retention/detention systems within the Common Area at times satisfy the requirements of the Floodplain Regulations in the Tucson Zoning Code or Pima County Code, as applicable.

3.3.3 City Inspection and Maintenance. The City or Pima County, as applicable, shall have an easement, as set forth in Section 8.2, to periodically inspect any such drainage and retention/detention facilities within the Properties and to operate, maintain, repair or replace same if the City or Pima County, as applicable, determines that the Association's maintenance is inadequate. The Association shall reimburse the City or Pima County, as applicable, for any costs or expenses incurred by the City or Pima County, as applicable, in conducting such maintenance or repair.

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**ARTICLE 4
INSURANCE**

Section 4.1 Association's Insurance Requirements. The Association shall purchase and maintain at all times the following types of insurance, but only to the extent reasonably available and reasonably priced:

4.1.1 Commercial General Liability and Property Insurance. Commercial general liability insurance covering bodily injury and property damage liability insurance covering all Common Area maintained by the Association, if any, and all other areas under the jurisdiction or control of the Association, excluding the Lots. Such insurance policy or policies shall contain, if available, a "severability of interest" clause or endorsement which shall preclude the insurer from denying the claim of an Owner because of negligent acts of the Association or of any other Owners.

The scope of coverage of such policy or policies must include all other coverage in the kinds and amounts commonly required by private institutional mortgage investors for projects similar in construction, location and use to the Properties. Coverage shall be for at least one million dollars (\$1,000,000.00) combined single limit.

Such coverage shall include, without limitation, legal liability of the insureds for property damage, bodily injuries, and deaths of persons in connection with the operation, maintenance, or use of the Common Area maintained by the Association; legal liability arising out of lawsuits related to employment contracts of the Association; and protection against liability for non-owned and hired automobiles; such coverage may also include, if applicable, garagekeeper's liability, liability for property of others, host liquor liability, water damage liability, contractual liability, workmen's compensation insurance for employees of the Association, and such other risks as shall customarily be covered with respect to projects similar in construction, location and use.

4.1.2 Insurance of Common Area. Fire and other hazard insurance covering improvements constructed on the Common Area. Such policy or policies shall consist, at a minimum, of a multi-peril type policy covering the subject improvements, providing, as a minimum, fire and extended coverage and all other coverage in the kinds and amounts commonly required by private institutional mortgage lenders in Tucson, Arizona.

Such policies of property insurance shall contain a "Replacement Cost Endorsement" providing that any claim shall be settled on a full replacement cost basis without deduction for depreciation, an "Inflation Guard Endorsement" and an "Agreed Amount Endorsement," if possible. The Association shall also purchase a "Demolition Endorsement", an "Increased Cost of Construction Endorsement", a "Contingent Liability from Operation of Building Laws Endorsement" or the equivalent, and coverage on personal property owned by the Association.

If the Common Area or any portion thereof is located within an area identified by the Federal Emergency Management Agency as having special flood hazards, and flood insurance coverage or improvements on the Common Area has been made available under the National

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Flood Insurance Program, then such a policy of flood insurance shall, if deemed necessary by the Board, be obtained on the Common Area in an amount at least equal to the lesser of:

4.1.2.1 the maximum coverage available under the National Flood Insurance Program for all buildings and other insurable property located within a designated flood hazard area; or

4.1.2.2 one hundred percent (100%) of current replacement cost of all buildings and other insurable property located within a designated flood hazard area.

4.1.3 Worker's Compensation Insurance. Worker's Compensation insurance to the extent necessary to comply with any applicable laws.

4.1.4 Fidelity Insurance. Fidelity coverage against dishonest acts on the part of directors, officers, managers, trustees, employees, or volunteers responsible for handling funds belonging to or administered by the Association. Such fidelity bonds or insurance shall name the Association as the named insured and shall be written in an amount sufficient to provide protection, that is, in no event, less than one and one-half times the insured's estimated annual operating expenses and reserves, and provide for at least thirty (30) days notice to the Association before cancellation or substantial modification thereof. In connection with such coverage, an appropriate endorsement to the policy to cover any persons who serve without compensation shall be added, if the policy would not otherwise cover volunteers.

4.1.5 Exceptions. The foregoing insurance and endorsements shall be maintained only to the extent available and reasonably priced and, without limitation, the Board of Directors may elect to dispense with certain endorsements if, in the discretion of the Board of Directors, it is determined that the cost of such endorsements is excessive or the coverage not reasonably available.

Section 4.2 Waiver of Subrogation: Claims Against Declarant, Etc. Every policy of insurance obtained by the Association shall contain an express waiver, if available, of any and all rights of subrogation against Declarant, Developer, the Board and such other persons or entities affiliated with the Association such as a manager and its representatives, members and employees and a provision, if available, preventing any cancellation or modification thereof, except upon at least thirty (30) days' written notice to the insureds.

Liability insurance hereinabove specified shall name as separately protected insureds Declarant, Developer, the Association, the Board and such other persons or entities affiliated with the Association such as a manager and its representatives, members and employees as their interest may appear with respect to any liability arising out of the maintenance or use of any insured property.

To the extent that each such policy will not be voided or impaired thereby, the Association hereby waives and releases all claims against the Declarant, the Board, the Developer and such other persons or entities named in said insurance policies, and against the agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence or breach of any agreement by said persons, but only to the extent that insurance proceeds are received in compensation for such loss.

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Section 4.3 Association's Insurance Premiums a Common Expense. Premiums for insurance purchased or obtained by the Association shall be a common expense payable through assessments of Lots and all such insurance coverage obtained by the Board shall be written in the name of the Association.

Section 4.4 Insurance by Owner.

4.4.1 Insurance on Common Area. In addition to the aforesaid insurance required to be carried by the Association, each Owner shall, at his own expense, carry any other insurance on the common area deemed advisable; however, if available, said policy or policies shall provide that there shall be no contribution or offset between policies of the Association and policies an individual Owner may have in effect.

4.4.2 Insurance for Residences and Lots. All Owners shall at their own expense obtain insurance for their Dwelling Units and Lots, insuring against fire, accident and casualty, which insurance shall be in an amount sufficient to cover the full replacement cost of any repair or reconstruction work in the event of any such loss or losses.

4.4.3 Use of Insurance Proceeds. In the event of damage or destruction by fire or other casualty to any Dwelling Unit, Lot or other property covered by insurance written in the name of an individual Owner, said Owner shall use any insurance proceeds for the repair of the damaged property.

Section 4.5 Condemnation or Destruction of the Common Area.

4.5.1 Condemnation.

4.5.1.1 "Taking", as used in this Section, shall mean either (a) condemnation by eminent domain or (b) sale under threat of condemnation.

4.5.1.2 Authority of Board. In the event of a threatened taking of all or any portion of the Common Area, the Members hereby appoint the Board of the Association and such persons as the Board or the Association may designate to represent all of the Owners in connection with the taking. The Board shall act in its sole discretion with respect to any awards being made in connection with the taking and shall be entitled to make a voluntary sale to the condemnor in lieu of engaging in a condemnation action.

4.5.1.3 Partial Taking. In the event of a taking of less than all of the Common Area, the rules as to restoration and replacement of the Common Area and the improvements thereon shall apply as in the case of destruction of improvements upon the Common Area as provided herein.

4.5.1.4 Distribution of Proceeds. Any awards received on account of the taking shall be paid to the Association and to mortgagees of record, as their interests may appear. In the event of a total taking, the Board may retain any award in the general funds of the Association, and any distribution of the award shall be on a reasonable and equitable basis. Notwithstanding anything to the contrary in this Section, the distribution of any

award or awards for a taking of all or any portion of the Common Area shall be subject to the prior rights of mortgagees.

4.5.2 Destruction.

4.5.2.1 Duty of Association. In the event of a partial or total destruction of the Common Area or improvements thereon, except as otherwise provided herein, it shall be the duty of the Association to restore and repair the same to its former condition as promptly as is practicable and in a workmanlike manner. The proceeds of any insurance maintained pursuant hereto shall be used for such purpose, subject to the prior rights of mortgagees whose interests may be protected by said policies.

4.5.2.2 Destruction; Proceeds Exceed 80% of Reconstruction Costs. If the amount available from the proceeds of such insurance policies for such restoration and repair is at least eighty percent (80%) of the estimated costs of restoration and repair, a special assessment for reconstruction with each Owner contributing a like sum for each Lot owned, may be levied by the Association to provide the necessary funds for such reconstruction and repair, over and above the amount of any insurance proceeds available for such purpose, and such assessment shall not require the consent of any specified proportion of the Members.

4.5.2.3 Destruction; Proceeds Less Than 80% of Reconstruction Costs. If the amount available from the proceeds of such insurance policies for such restoration and repair is less than eighty percent (80%) of the estimated cost of restoration and repair, the improvements shall not be replaced or restored through application of a special assessment unless such assessment is approved by the vote or written consent of two-thirds (2/3) of each Class of Members. In the event of a determination not to replace or restore the improvements on the Common Area, the Common Area shall be cleared and landscaped as open space to be used by the Owners pursuant to the provisions hereof, and the costs thereof shall be paid for with the insurance proceeds, and any deficiency may be raised by the levy of uniform special assessment for reconstruction in an amount determined by the Board.

4.5.2.4 Use of Hazard Proceeds. Notwithstanding the foregoing, unless the Owners of at least two-thirds (2/3) of the Lots other than Declarant, and the holders of two-thirds (2/3) of the First Mortgages, have given their prior written approval, the Association shall not be entitled to use hazard proceeds for losses to any Common Area for other than the repair, replacement or reconstruction of such improvements.

Section 4.6 Mortgagee Priority. In the event of substantial damage or destruction of any part of the Common Area or a Lot, no Owner of a Lot or other party shall have priority over a First Mortgagee with respect to the distribution of any insurance proceeds.

ARTICLE 5 OWNERSHIP AND USE OF THE COMMON AREA

Section 5.1 Owner's Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with title to every Lot, subject to the provisions hereof.

Section 5.2 Damage or Destruction of Common Area. In the event any Common Area is damaged or destroyed by a willful or grossly negligent act of an Owner or any of his guests, tenants, licensees, agents, or members of his family, such Owner shall be liable therefor to the extent of liability imposed by local law and such Owner does hereby irrevocably authorize the Association to repair the damaged property, and the Association shall so repair the damaged property in good workmanlike manner in substantial conformance with the original plans and specifications. The Owner shall then repay the Association the amount actually expended for such repairs. Each Owner further agrees that these charges for repairs, if not paid within ten (10) days after completion of the work, shall be delinquent and shall become a lien upon such Owner's Lot and shall continue to be a lien until fully paid. The lien shall be subordinate to any First Mortgage or encumbrance on the subject property. Said charges shall bear interest from the date of delinquency at the rate of eighteen percent (18%) per annum (but not to exceed the maximum rate permitted by Arizona law). The amount of principal and interest owed by the Owner to the Association shall be a debt, and shall be collectible by any lawful procedure allowed by the laws of the State of Arizona.

Section 5.3 Restriction on Conveyance of Common Areas and Facilities. Except for minor portions of Common Area determined by the Board to be immaterial, of little value, or a burden to the Association, the Common Area and facilities owned by the Association may not by act or omission be abandoned, partitioned, subdivided, encumbered, sold or transferred without the prior written approval of two-thirds (2/3) of each Class of voting members of the Association, except that:

5.3.1 the Declarant and the Association shall have the right at all times to grant easements over the Common Area for the purpose of constructing, erecting, operating or maintaining thereon, therein and thereunder: a) roads, streets, walks, pathways and driveways; b) temporary overhead or permanent underground lines, cables, wires, conduits or other devices for the transmission of electricity for lights, heating, power, telephone, cable TV and other purposes; c) sewers, storm drains and pipes, drainage easements, water systems, water heating and gas lines or pipes; and d) such other improvements as may be provided for in this Declaration or be deemed advisable in the sole discretion of the Board of Directors;

5.3.2 the restriction contained in this Section shall cease to apply to Lots 61, 151 and 152 at such time as the Pima County Department of Transportation and Flood Control District agrees in writing that Lots 61, 151 and 152 are no longer necessary as a retention or detention area. It is specifically acknowledged that the Association's ownership of Lots 61, 151 and 152 will be subject to a reverter clause in the granting deed which provides that at such time as the Pima County Department of Transportation and Flood Control District agrees in writing that Lots 61, 151 and 152 are no longer necessary as a retention or detention area, such Lots shall revert to S.V.A. Corporation, an Arizona corporation ("SVA") or its shareholder, Lawrence A. Cesare ("Cesare") for any use consistent with this Declaration. The Association shall be required, within ten (10) days of written request from SVA or Cesare, to execute a Special Warranty Deed in favor of SVA or Cesare, whichever is applicable, free and clear of any encumbrances which were not encumbering Lots 61, 151 and 152 at the time same were conveyed to the Association or which have not been approved by SVA or Cesare, in favor of SVA or Cesare, whichever is applicable; and

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5.3.3 notwithstanding anything contained in the foregoing to the contrary, Lots 61, 151 and 152 may not by act or omission be abandoned, partitioned, subdivided, encumbered, sold or transferred, in whole or in part, without the prior written approval of SVA or Cesare.

Any portion of the Common Area conveyed by the Association to another party shall, after such conveyance, be free of the restrictions and easements hereunder that are peculiar to Common Area as such, but shall continue to be subject to an easement for ingress and egress to and from any residence, access to which is normally gained over such conveyed property.

ARTICLE 6 COVENANTS FOR MAINTENANCE ASSESSMENTS

Section 6.1 Creation of the Lien and Personal Obligation to Pay Assessments. Each Owner, by acceptance of a deed to any Lot, whether or not it shall be so expressed in such deed, agrees and is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, (2) special assessments for capital improvements, and (3) individual repair and maintenance assessments, such assessments to be established and collected as hereinafter provided. Any and all assessments levied against a Lot, together with interest thereon from the date of delinquency until paid, and all costs of collection which may be paid or incurred by the Association in connection therewith, including reasonable attorneys fees, shall be a continuing lien upon the Lot.

Delinquent assessments, together with interest, costs, and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment was levied. The personal obligation for delinquent assessments shall not pass to successors in title unless expressly assumed by them. The sale or transfer of a Lot shall not relieve the prior Owner thereof from personal liability to pay delinquent assessments, plus interest, costs and attorney's fees. Such obligation shall remain the personal obligation of the defaulting Owner. The new Owner, except a First Mortgagee as set forth herein, shall take title to such Lot subject to the lien of the full amount of the delinquent assessment.

Section 6.2 Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the Members and their guests, for the improvement and maintenance of the Common Area and for all purposes set forth in the Articles, Bylaws and this Declaration. The Board of the Association may provide that assessments include a reserve fund for maintenance, repairs and replacement of those elements of the Common Area owned by the Association.

Section 6.3 Annual Assessment Amount. The Board shall each year estimate the total expenses anticipated for the coming year and shall determine the necessary level of reserve balances for ordinary and unexpected expenses, and shall determine the annual assessment necessary to generate the required revenues. The annual assessment determined to be necessary in any given year may be set at any amount less than or up to the maximum annual assessment permitted for such year as set forth herein; provided that, notwithstanding any other provision hereof, the annual assessment shall not exceed the amount permitted by law.

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Section 6.4 Maximum Annual Assessment.

6.4.1 Initial Maximum Annual Assessment. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be Two Hundred Forty Dollars and No Cents (\$240.00).

6.4.2 Increases in Maximum Annual Assessment. Subject to Subsection 6.4.3 , the Board shall not, in any given year, increase the maximum annual assessment by an amount greater than (i) six percent (6%) of the amount of the preceding year's maximum annual assessment or (ii) the percentage increase in the cost of living index for "All Items, All Cities" as reflected by the Consumer Price Index published by the Bureau of Labor Statistics of the United States Department of Labor of the United States Department of Labor all Urban Consumers (hereinafter called the "Cost of Living Index Number"), whichever is greater. In the event that the Bureau of Labor Statistics should fail to publish a comparable Cost of Living Index Number during any such years, but a comparable Cost of Living Index Number shall be published by any governmental agency of the United States in place thereof, then such comparable index number shall be used for the purpose of adjusting the maximum annual assessment under the provisions of this section with the same force and effect as the Cost of Living Index of the Bureau of Labor Statistics.

6.4.3 Approval of Membership. Any increase by the Board in the annual assessment which is greater than the amount permitted under 6.4.2 hereof must be first approved by the holders of two-thirds (2/3) of the votes of the Membership who vote in person or by proxy at a meeting called for this purpose.

Section 6.5 Special Assessment for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that 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, provided that any such assessment shall have the assent of the holders of two-thirds (2/3) of the votes of the Members who vote in person or by proxy at a meeting called for this purpose.

Section 6.6 Individual Assessments. The Association may also levy and collect from each Owner individual assessments against specific Lots, and shall have a lien therefor, should the special circumstances of any Lot or Lots require special maintenance, expense or costs to be incurred by the Association for the protection of any of the Properties, Lots or Common Areas or should the Association be required to perform maintenance or repair upon a Lot or take enforcement action hereunder. Such individual assessments may be levied by action of the Board.

Section 6.7 Notice and Quorum for an Action Authorized Under 6.4 and 6.5. Written notice of any meeting called for the purpose of taking action authorized under 6.4 and 6.5 shall be sent to all Members not less than thirty (30) days nor more than fifty (50) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of the votes of the Membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice

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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 fifty (50) days following the preceding meeting.

Section 6.8 Uniform Rate of Assessment; Declarant and Developer Exempt. Both annual and special assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly basis. However, and subject to the limitations set forth herein, said uniform rate may be revised periodically to reflect revisions in the annual assessments based on actual operating costs of the Association.

Notwithstanding anything to the contrary herein, neither Declarant nor Developer shall be responsible for payment of any assessments established pursuant to this Declaration or the Articles or Bylaws, except that Declarant and Developer shall pay assessments on Completed Lots owned by Declarant or Developer. For purposes of this Section "Completed Lots" shall mean any Lot with a Dwelling Unit ready for occupancy as a home that is in the condition of any other Dwelling Unit sold to persons living in the Properties (e.g., carpet, kitchen countertops and cabinets, plumbing and lighting fixtures, etc., installed), but shall not include any Lots with improvements thereon used by Declarant or Developer as models or sales offices.

Although Declarant and Developer may contribute to the expenses of the Association and the maintenance of the Common Area, it is understood that Declarant and Developer are not and shall not be held liable for the payment of any assessments provided for in this Declaration or Bylaws by virtue of the ownership of Lots within the Properties unless such ownership is of Completed Lots as herein defined, and that their failure to pay said assessments shall not give rise to any right of imposing any lien or encumbrance upon Lots owned by either of them as security for the payment of said assessment unless Declarant or Developer has failed to pay said assessments on Completed Lots as herein defined.

Section 6.9 Date of Commencement of Annual Assessments; Due Dates. The annual assessments provided for herein shall commence as to all Lots on the first day of the month following the conveyance of the first Lot to an Owner. The first annual assessment shall be in an amount equal to or less than the maximum annual assessment as determined by the Board, and shall be adjusted according to the number of months remaining in the calendar year. The Board thereafter shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto in the event of its increase or decrease from the last annual assessment. The due dates shall be established by the Board.

The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of the assessments on a Lot is binding upon the Association as of the date of its issuance.

Section 6.10 Effect of Non-Payment of Assessments; Remedies of the Association. Each Owner agrees to the payment of interest and costs and to the collection and enforcement of the assessments in the manner herein specified.

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6.10.1 Interest and Costs. All delinquent assessments shall bear interest at twelve percent (12%) per annum (but not to exceed the maximum rate permitted by Arizona law) from and after a date that is thirty days after the date the assessment was due. Late payments shall first be credited toward unpaid principal, and then toward interest due. In the event the Association employs an attorney for collection of any assessments, whether by suit or otherwise, or to enforce compliance with or specific performance of the terms and conditions of this Declaration, or for any other purpose in connection with the breach of this Declaration, each Owner agrees to pay reasonable attorney's fees and costs thereby incurred, in addition to any other amounts due or any other relief or remedy obtained against said Owner.

6.10.2 Enforcement. In the event of a default in payment of any such assessment when due, in which case the assessment shall be deemed delinquent, and in addition to any other remedies herein or by law provided, the Association may enforce each such obligation in the manner provided by law or in equity, or without any limitation to the foregoing, by either or both of the following procedures.

6.10.2.1 Enforcement of Personal Obligation. The Board may cause a suit at law to be commenced and maintained in the name of the Association against an Owner to enforce each such assessment obligation. Any judgment rendered in any such action shall include the amount of the delinquency, together with interest thereon from the date of delinquency until paid, court costs, and reasonable attorney's fees in such amount as the Court may adjudge against the delinquent Owner or Member.

6.10.2.2 Enforcement of Lien. As provided herein above, all assessments, plus interest and costs connected therewith, shall be a continuing lien upon the Lot assessed. Such lien shall be deemed to have attached as of the date of recordation hereof and shall be senior to all matters other than tax liens for real property taxes on the Lot, assessments on the Lot in favor of any municipal or other governmental assessing unit, reservations in patents, and the lien of any First Mortgage.

6.10.2.2.1 Notice and Claim of Lien. At any time after occurrence of any default in the payment of any such assessment, the Association, or any authorized representative may, but shall not be required to, make a written demand for payment by the defaulting Owner. Said demand shall state the date and amount of delinquency. Each default shall constitute a separate basis for demand but any number of defaults may be included within a single demand. The Association may, whether or not such a written demand is first made, file and record a claim of lien on behalf of the Association against the Lot of the defaulting Owner. Such a claim of lien shall be executed and acknowledged by any officer of the Association, recorded in the office of the County Recorder of Pima County, and shall contain substantially the following information:

- (1) The name of the delinquent Owner;
- (2) The legal description of the Lot against which claim of lien is made;

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- (3) The total amount claimed to be due and owing for the amount of the delinquency, interest thereon, collection costs, and reasonable attorney's fees (with any proper offset allowed);
- (4) A statement that the claim of lien is made by the Association pursuant to this Declaration; and
- (5) A statement that a lien is claimed against said Lot in an amount equal to the amount stated; and
- (6) A statement that the claim of lien will also extend to all assessments which became due but are not paid from the date of the recording of the claim of lien to the date of payment of all amounts set forth therein (including interest thereon, reasonable attorney's fees, costs and collection), and that the claim of lien will only be deemed satisfied and released when the Owner is current in the payment of all such amounts.

6.10.2.2.2 Foreclosure of Lien. Any such lien may be foreclosed by appropriate action in court or in the manner provided by law for the foreclosure of a realty mortgage or trust deed as set forth by the laws of the State of Arizona, as the same may be changed or amended. The lien provided for herein shall be in favor of the Association and shall be for the benefit of all other Owners. The Association shall have the power to bid in at any foreclosure sale and to purchase, acquire, hold, lease, mortgage, and convey any Lot. In the event such foreclosure is by action in court, reasonable attorney's fees, court costs, title search fees, interest and all other costs and expenses shall be allowed to the extent permitted by law. Each owner hereby expressly waives any objection to the enforcement and foreclosure of this lien. Notwithstanding the foregoing, the failure by an Owner to pay assessments provided for herein shall not constitute a default under any federally insured mortgage.

Section 6.11 No Exemption of Owner. No Owner is exempt from liability for payment of assessments by waiver of the use of enjoyment of the Common Area or by abandonment of a Lot.

ARTICLE 7 MORTGAGEE PROTECTIONS

Section 7.1 Mortgage Protection. Notwithstanding and prevailing over any other provisions of this Declaration, or the Association's Articles or Bylaws, or the Rules, the provisions in this Article shall apply to and benefit each First Mortgagee of a Lot.

Section 7.2 Subordination of Assessment Lien to First Mortgages; Sale or Transfer of Lots. The lien of the assessments provided for herein, including without limitation

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any fees, costs, late charges, or interest which may be levied by the Association in connection with unpaid assessments, shall be subordinate to the lien of any First Mortgage. Sale or transfer of any Lot pursuant to foreclosure of any such First Mortgage or any proceeding in lieu thereof, including deed in lieu of foreclosure, or cancellation or forfeiture of such executory land sales contract, shall extinguish the lien of assessments or charges which became due prior to any such sale or transfer, or foreclosure, or any proceeding in lieu thereof, including deed in lieu of foreclosure, or cancellation or forfeiture of any such executory land sales contract; provided, however, that any such delinquent assessments or charges, including interest, late charges, costs, and reasonable attorneys' fees, which are extinguished as provided herein, may be reallocated and assessed to all Lots as a common expense. No such sale, transfer, foreclosure, or any proceeding in lieu thereof, including deed in lieu of foreclosure, nor cancellation or forfeiture of such executory land sales contract, shall relieve any Owner of a Lot from liability for any assessments or charges thereafter becoming due, nor from the lien thereof. In the event of foreclosure of a First Mortgage or the taking of a deed in lieu thereof, such First Mortgagee shall not be liable for unpaid assessments or other charges which accrued prior to the acquisition of title to the Lot in question by such First Mortgagee.

Section 7.3 Liability for Assessments and Other Charges.

7.3.1 First Mortgagees shall not in any case or manner prior to acquiring title to a Lot be personally liable for the payment of any assessment or charge, nor for the observance or performance of any covenant, restriction, regulation, Rule, Article or Bylaw, except for those matters which are enforceable by injunctive or other equitable actions, not requiring the payment of money, nor shall a First Mortgagee be liable for any violation of the Restrictions that occurred prior to such First Mortgagee acquiring title.

7.3.2 At such time as the First Mortgagee shall become record Owner of a Lot, said First Mortgagee shall be subject to all of the terms, conditions and Restrictions of this Declaration, including but not limited to the obligation to pay for all assessments and charges accruing thereafter, in the same manner as any Owner.

Section 7.4 Right to Exercise Rights of Owner. During the pendency of any proceeding to foreclose the First Mortgage, including any period of redemption, the First Mortgagee (or receiver appointed in such action) may, but need not, exercise any or all of the rights and privileges of the Owner of the mortgaged Lot, including but not limited to, the right to vote as a Member of the Association to the exclusion of the Owner's exercise of such rights and privileges.

Section 7.5 Right to Pay Charges on Common Area. First Mortgagees are hereby granted the right to jointly, or singly, pay taxes or other charges which are in default and which may or have become a charge against any Common Area owned by the Association, and such First Mortgagees may, jointly or singly, pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy for such Common Area and any First Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association.

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

8.6.6 Notwithstanding anything to the contrary herein contained, there shall be no impairment of the structural integrity of any common wall (other than by Developer or Declarant) without prior consent of the adjoining Owner.

8.6.7 In the event of a dispute between Owners with respect to the repair or rebuilding of a common wall or with respect to the sharing of cost thereof, then upon written request of one of such Owners delivered to the Association, the matter shall be heard and determined by the Board, except that neither the Declarant nor the Developer shall be subject to this provision. The Declarant and Developer may modify a common wall without any consent or approval whatsoever.

ARTICLE 9 ARCHITECTURAL CONTROL COMMITTEE

Section 9.1 Composition of Committee. The Architectural Control Committee shall consist of three (3) or more persons appointed by the Board of Directors of the Association; provided, however, that until all Lots have been conveyed to the first Owner thereof other than the Declarant or Developer, and so long as Developer possesses rights to purchase Lots from Declarant, Developer shall appoint the Architectural Control Committee without a meeting and without a vote of the Members, and during said period, no election of the Members of said committee shall be had unless Developer has in writing relinquished its rights of exclusive appointment. A majority of the Committee may designate a representative to act for it. In the event Developer defaults in its obligation to purchase Lots from Declarant thereafter the appointment rights and right to relinquishment provided for herein shall be exercised solely by Declarant.

Section 9.2 Design Guidelines. Subject to the written approval of the contents thereof by Developer or Declarant for so long as Developer owns at least one Lot, the Architectural Control Committee shall adopt, and may from time to time amend, supplement, and repeal, the Design Guidelines. The Design Guidelines shall interpret, implement and supplement this Declaration, and shall set forth procedures for Architectural Control Committee review and the standards for development within the Properties. The Design Guidelines may include such things as lots setbacks for building structures, patio walls and fences, and may regulate the size and location of all outbuildings or similar structures. The Design Guidelines shall have the same force and effect as the Rules. All plans and specifications submitted for approval in accordance herein shall comply with the Design Guidelines. Such reserved right of the Developer shall be exercised solely by the Developer for so long as Developer owns a single Lot or retains rights to purchase Lots from Declarant, but so long as Declarant owns at least fifteen (15) Lots, Developer's appointments shall, at Declarant's election, be subject to a requirement of reasonable consultation with Declarant. In the event Developer defaults in its

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obligation to purchase Lots from Declarant thereafter the Developer's reserved rights shall be exercised solely by Declarant.

Section 9.3 Building Envelope. All improvements within a Lot must be constructed within the building envelope within that Lot. The location and size of each building envelope shall be set or amended from time to time by the Architectural Control Committee in its sole discretion, and each Owner prior to constructing any improvements on the Owner's Lot must obtain the location and size of the applicable building envelope from the Architectural Control Committee. All portions of each Lot outside the designated building envelope shall be considered natural area which may not be disturbed without the written approval of the Architectural Control Committee. Without limitation, it is understood that the building envelope approved by the Architectural Control Committee may constitute far less than the actual lot area upon any Lot, and regardless of the location of any approved patio wall or front yard area, there shall be no alteration of natural vegetation upon any Lot, nor any disturbance outside of the approved interior yard area with the written approval of the Architectural Control Committee. It is the intent hereof to establish rear yard setbacks and non-disturbance areas (approximately 75 feet deep), with additional details to be set forth in the Design Guidelines which, by reference, are incorporated herein as if fully set forth. Further, no patio or yard wall shall be constructed or installed on or adjacent to the Lot line, and all patio and yard walls shall be subject to setbacks as more specifically set forth in the Design Guidelines.

Section 9.4 Obligation to Obtain Approval.

9.4.1 No building, fence, wall, pool, roadway, driveway, or other structure or improvement, nor any excavation, grading, or other work, shall be commenced, erected, repaired or maintained within the Properties, nor shall any exterior addition or change or alteration be made to or in any such structure or improvement, including without limitation, awnings, patio covers, antennas, exterior walls, fences, the color of any structure or improvement, or the drainage or grading on any Lot, except in compliance with plans and specifications therefor that have been submitted to and approved by the Architectural Control Committee in accordance with this Declaration and the Design Guidelines.

9.4.2 No grading or clearing other than within the building envelope for the approved improvements, including Dwelling Unit, driveway, landscaping, etc., shall be permitted on any Lot except in compliance with plans and specifications therefor that have been submitted to and approved by the Architectural Control Committee in accordance with this Declaration and the Design Guidelines.

9.4.3 No trees, bushes, shrubs, plants or other landscaping shall be planted or placed upon the Properties except in compliance with the plans and specifications therefor that have been submitted to and approved by the Architectural Control Committee in accordance with this Declaration and the Design Guidelines.

9.4.4 No material changes or deviations in or from the plans and specifications for any work to be done on the Properties, once approved by the Architectural Control Committee, shall be permitted without approval of the change or deviation.

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Section 9.5 Declarant and Developer Exemption. Notwithstanding the foregoing, neither the Declarant nor the Developer shall be required to submit any plans or specifications whatsoever to the Architectural Control Committee, nor shall any consent or approval of the Architectural Control Committee be required for the construction of any improvements by the Declarant or the Developer.

Section 9.6 Procedures. The Architectural Control Committee shall approve or disapprove all plans within thirty (30) days after submission and issuance by the Association of a receipt therefor. In the event the Architectural Control Committee fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval shall be deemed denied, except that the party submitting the plans may resubmit the plans and if no response is given for a period of thirty (30) days after a written request by certified mail for a decision, approval shall be deemed given. The Architectural Control Committee may establish its own rules amplifying or supplementing the foregoing procedures. The Architectural Control Committee may from time to time, without notice, establish, add to, delete or amend separate standards, rules and procedures, which shall not be contrary to or inconsistent with these Restrictions, providing for or otherwise relating to the submission, processing, review and approval of plans and specifications for Architectural Improvements or various portions or stages thereof.

Approval of the plans, specifications, or other complete and conforming submittal shall be evidenced, if at all, by the written endorsement of the Architectural Control Committee made on the plans and specifications, or by letter or other written approval. Construction pursuant to the approved submittal must commence within one hundred eighty (180) days of approval therefor. In the event construction has not commenced within such time period, the approval shall be deemed revoked. All decisions of the Architectural Control Committee shall be final, and no Owner or other parties shall have recourse against the Architectural Control Committee for its refusal to approve any such plans and specifications. All structural improvements must also be in conformance with any applicable building code requirements. All construction shall be prosecuted diligently from commencement until completion.

Section 9.7 Waiver. The Architectural Control Committee shall not be bound by previous standards or interpretations of its standards; and any consent or approval of a prior set of plans and specifications shall not preclude disapproval of a subsequent identical or similar set of plans and specifications.

Section 9.8 Vote. A majority vote of the Architectural Control Committee is required to approve a proposed change or improvement, unless the Committee has designated a representative to act for it, in which case the decision of the representative shall control.

Section 9.9 Liability. The Architectural Control Committee and the members thereof shall not be liable in damages to any person submitting requests for approval or to any Owner by reason of any action, failure to act, approval, disapproval or failure to approve or disapprove in regard to any matter within its jurisdiction hereunder.

Section 9.10 Variance. The Architectural Control Committee may grant reasonable variances or adjustments from any conditions and restrictions imposed by this Article

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or Article 10 hereof in order to overcome practical difficulties and prevent unnecessary hardships arising by reason of the application of the Restrictions contained in this Article or Article 10 hereof. Such variances or adjustments shall be granted only in case the granting thereof shall not be materially detrimental or injurious to the Properties and shall not militate against the general intent and purpose hereof.

Section 9.11 Nonconforming Architectural Improvements. In the event that the Architectural Improvements do not, upon the proposed date set forth in the construction schedule, conform to the plans submitted to and approved by the Architectural Control Committee, the Architectural Control Committee shall give written notice to the Owner of the property upon which such Architectural Improvements have been made. Such notice shall specify the nature of the nonconformity of the Architectural Improvements and shall grant the Owner a hearing before the Architectural Control Committee in accordance with the Bylaws.

If an Owner has not, within sixty (60) days of the mailing or delivery of the written notice, corrected the nonconformity of the Architectural Improvement, then the Architectural Control Committee shall have the right and an easement to direct its agents, employees or contractors to enter upon the said Owner's property for the purpose of making any or all of such improvements, alterations or repairs as are necessary to bring the Owner's Architectural Improvements into conformity with the plans submitted to and approved by the Architectural Control Committee.

All costs incurred by the Association in the course of the Architectural Control Committee's efforts to bring the nonconforming Architectural Improvements into conformity with the approved plans as provided above, including costs of labor, materials and all associated administrative costs reasonably incurred by the Association in connection therewith, shall be added to and become part of the assessment to which such Owner's Lot is subject and shall become a lien on such Owner's Lot and the improvements thereon, and shall be enforceable and collected as provided for herein.

Section 9.12 Color and Building Materials. Without limiting the foregoing, no color changes nor any changes in the original building structure, composition or products shall be permitted without approval of the Architectural Control Committee. No exposed, unfinished concrete block shall be permitted on the Properties. Painted concrete block shall only be permitted only in compliance with plans and specifications that have been submitted to and approved by the Architectural Control Committee in accordance with this Declaration and the Design Guidelines.

Section 9.13 Broad Discretion of Architectural Control Committee. In reviewing plans for alterations, modifications, additions or other changes to a Dwelling Unit, improvement or structure upon a Lot, the Architectural Control Committee shall exercise its discretion in deciding whether or not an alteration or modification is in harmony with the overall scheme of subdivision development. The Architectural Control Committee shall have the right to deny alterations or modifications for purely aesthetic reasons if the Architectural Control Committee considers the alteration or modification to be unattractive in relation to the overall scheme of development, or if the Architectural Control Committee considers the alteration or modification to be a nuisance or upset of design, or if the Architectural Control Committee

considers the alterations or modifications to be in contrast to or out of harmony with the style of existing structures, or if the physical views of the Properties will be disrupted by the alteration or modification. The Architectural Control Committee may elicit the opinion of other Owners, including the neighbors of the Owner submitting the plan for alteration or modification, as to the conformity and harmony of the proposed plan with the overall scheme of development, and the effect that the proposed plan might have on the physical views of other Owners. After eliciting these opinions, the Architectural Control Committee may, but need not, take them into account in making its final decision of approval or disapproval of an alteration or modification to an existing structure. While the opinion of no single Lot Owner will control a decision of the Architectural Control Committee, the Architectural Control Committee may, within its own discretion, but need not, attach whatever significance it deems sufficient to the statements of residents and/or neighbors of the Owner submitting the proposed alteration or Modifications to an existing structure.

Section 9.14 Fee. The Association may establish, and from time to time adjust, a reasonable processing fee to defer the costs of the Architectural Control Committee in considering any requests for approvals submitted to the Architectural Control Committee. The Association also may establish a fee schedule and amend such schedule from time to time, with respect to all or any portion or stage of the processing of plans and specifications as provided for in Section 9.3.

Section 9.15 Exemption. Notwithstanding the above, neither Declarant nor Developer shall be required to submit any plans to or obtain any consent whatsoever from the Architectural Control Committee for any improvements, structures or landscaping built, constructed, erected, modified or altered by Declarant or by Developer on the Properties.

ARTICLE 10 USES AND RESTRICTIONS

All the Properties shall be held, used and enjoyed, subject to the following limitations and restrictions (in addition to all other provisions hereof):

Section 10.1 Plat Notes. In addition to the Restrictions contained herein, the Properties are subject to certain easements, buffers, restrictions and other limitations set forth on the Plat, including, without limitation, height and set-back restrictions. All Bufferyard restrictions of the City of Tucson or Pima County, as applicable when platted, shall apply, and all Owners shall be responsible to comply thereof.

10.1.1 Twenty Foot (20') Bufferyard "C"—Shown on the Plat are Bufferyard C areas which encumber portions of the various Lots. The Bufferyard C areas shall be maintained in their natural and undisturbed state by the Owners of the Lots encumbered thereby, unless permitted otherwise by rule, regulation or ordinance of the City of Tucson or Pima County, as applicable, and permitted by the Architectural Control Committee.

10.1.2 Modified Twenty Foot (20') Bufferyard "C"—Shown on the Plat modified Bufferyard C areas which encumber portions of the various Lots. The modified Bufferyard C areas may have been altered from their natural state by Developer. Except as so

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modified, the Bufferyard C areas shall be maintained in the their natural and undisturbed state by the Owners of the Lots encumbered thereby, unless permitted otherwise by rule, regulation or ordinance of the City of Tucson or Pima County, as applicable, and permitted by the Architectural Control Committee.

10.1.3 Other Miscellaneous Easements and Limitations—In addition to the foregoing, reference is made to the Plat, and each Owner shall be deemed to be aware of all easements and other conditions, limitations and restrictions shown on the Plat. Without limitation, each Owner is deemed to be aware of telephone easements, public utility easements, no access, erosion setback, major streets and routes setbacks, drainage, sight visibility and all other easements and restrictions. It is specifically acknowledged that the Properties are located with designated floodplain areas and that special restrictions are applicable to the Properties on account thereof. Sight visibility restrictions, among other things, prohibit the planting of plants within certain areas, as shown on the Plat, including within Lots 1, 18, 19, 36, 37, 52, 53, 70, 90, 91, 110, 111, 120, 121, 131, and 150, unless approved pursuant to applicable ordinances and regulations.

10.1.4 Nonexclusive Nature of Drainage Retention/Detention Basins—A permanent non-exclusive easement is hereby, created, granted and reserved over, upon, across and under the detention and retention basins within Lots 61, 151 and 152 of the Common Area for the purpose of satisfying drainage and detention requirements for the present and future use and development of that certain parcel of land, being approximately forty (40) acres in size, being the Southeast Quarter of the Southwest Quarter of Section 16, Township 15 South, Range 12 East, Gila and Salt River Base and Meridian, Pima County, Arizona (hereinafter the "Adjacent Land"). Any amendment to this subparagraph affecting the said easements over and on the drainage and retention basins shall require the approval of the owner of the Adjacent Land, unless the amendment in no way adversely impacts the Adjacent Land or the easement rights herein granted. All management and operation of the detention and retention basins shall be the sole responsibility of the Association, and the owner(s) of the Adjacent Land shall not be responsible for any costs or expenses associated with the detention and retention basins. Further, in the event Lots 61, 151 and/or 152 revert to SVA or Cesare as provided for in Section 5.3.2 above, the easements over and on the detention and retention basins created by this Section 10.1.4 shall automatically expire and there shall be no requirement of any written documentation to memorialize such expiration.

Section 10.2 Private Residential Purposes. Dwelling Units and Lots shall be occupied and used by the respective Owners solely for private single family residential use of the Owner, his family, tenants and social guests and for no other purpose. No manufactured, pre-fabricated or mobile homes shall be permitted. No gainful occupation, profession, trade or other non-residential use shall be conducted on the Properties, except that (a) Declarant or Developer may maintain sales offices, construction offices and sales models on the Properties, and (b) an Owner may carry on a "Home Occupation", as provided below.

"Home Occupation" as permitted by this Section means private consultation and advice in trades and professions, and the sales or creation of art work, small wares and miscellaneous goods at a retail level, and includes consultation by professionals such as accountants, lawyers, and doctors, but no portion of the Properties nor any Dwelling Unit shall be used for the full-time

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general practice of any profession, nor as a lodge, regular club meeting place, religious institution, revivalist, cult or sect meeting place, nor may the interior of any Dwelling Unit be used for medical or surgical treatment or procedures.

An Owner or occupant residing in a Dwelling Unit may conduct a Home Occupation solely within the private confines of a Dwelling Unit so long as: a) the existence or operation of the business activity is not apparent from the outside of the Dwelling Unit, and no sound or smell from the outside of the Dwelling Unit indicating the conduct of business is detectable; b) the business activity conforms to all zoning requirements for the Properties; c) the business activity does not involve frequent or annoying traffic by persons coming on the Properties who do not reside in the Properties or door-to-door solicitation of residents of the Properties; and d) the business activity is consistent with the residential character of the Properties and does not constitute a nuisance or hazardous or offensive use, nor threaten the security or safety of other residents of the Properties.

No Home Occupation may involve heavy equipment or machinery, manufacturing, drilling, burning or conversion of any garage or carport into a business office or room.

No business conducted upon the Properties or in any Dwelling Unit by persons other than the Declarant or its successors and assigns or the Developer, may result in any change to the exterior appearance of any Dwelling Unit or Lot, and no business conducted, except by the Declarant or Developer, shall involve signs, buildings, or structures in addition to the Dwelling Unit.

The Board of Directors shall have the discretion to determine whether, in a particular case, the conduct of a Home Occupation violates the provisions hereof. If such determination is made, the Board of Directors shall have the authority to require that the Home Occupation in question cease immediately.

Sales offices, sales models and construction offices utilized by the Declarant or Developer on the Properties need not be owned by either Declarant or Developer. Further, sales models and sales offices may be utilized on the Properties as sales models and sales offices for the benefit of other subdivisions of either Declarant or Developer.

Section 10.3 Screening. Mechanical and electrical equipment to be installed by an Owner shall, within reason, be concealed from the view of any street or Lot in the subdivision. Included within this restriction are air conditioning, evaporative coolers, pool pumps, heating equipment and satellite dishes. Unless otherwise provided by Developer, no such equipment shall be permitted to remain exposed at the side or rear of any Lot unless reasonably concealed by planting, or fence, or other screening material. The Architectural Control Committee has the authority to regulate the size, location and color of all such equipment.

Section 10.4 Lights. All exterior lights must be located and maintained so as not to be directed toward or interfere with surrounding Properties or the Common Area, including streets. Outdoor lighting shall be shielded.

Section 10.5 Animals. No animals of any kind shall be raised, bred, or kept, except that a reasonable number of generally recognized house or yard pets may be kept, provided that they are not kept, bred or maintained for any commercial purpose. No animal shall be allowed to become a nuisance. A "reasonable number" as used in this Section shall ordinarily mean no more than two pets per household; provided, however, that the Architectural Control Committee may determine, in its sole and absolute discretion, whether a particular animal is a generally recognized house or yard pet or a nuisance, or whether the number of animals is reasonable.

Section 10.6 Trash Containers. No garbage or trash shall be placed or kept on any Lot within the Properties, except in covered containers of a type, size, and style which have been approved by the Architectural Control Committee, and containers shall at all times be hidden from view except on days of trash pick-up. All rubbish, trash or garbage shall be removed from the Lots and shall not be allowed to accumulate thereon. No incinerators shall be allowed.

Section 10.7 Clotheslines. No exterior clotheslines shall be erected or maintained, and there shall be no outside laundering or drying of clothes.

Section 10.8 Aerials. No television, radio, or other electronic towers, aerials, antennae, satellite dishes or device of any type for the reception or transmission of radio or television broadcasts or other means of communication shall hereafter be erected, constructed, placed or permitted to remain on any Lot or upon any improvements thereon, except that this prohibition shall not apply to those antennae specifically covered by 47 CFR Part 1, Subpart S, Section 1.4000 (or any successor provision) promulgated under the Telecommunications Act of 1996, as amended from time to time.

The Association shall be empowered to adopt rules governing the types of antennae that are permissible hereunder, and to establish reasonable, non-discriminatory restrictions relating to location and safety of antennae structures.

To the extent that reception of an acceptable signal would not be impaired, an antenna permissible pursuant to rules of the Association may only be installed in a side or rear yard location, not visible from the street or (when reasonably feasible) from neighboring property or integrated with the Dwelling Unit and surrounding landscaping to prevent or limit such visibility. Antennae shall be installed in compliance with all applicable laws and regulations.

Section 10.9 Nuisances. After completion of construction of any Dwelling Units and landscaping of Lots, no rubbish or debris of any kind shall be placed or permitted thereon so as to render any such property or any portion thereof unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. No loud or offensive noise, excessively glaring or bright lights, foul odors or other nuisance shall be permitted to exist or operate upon the Properties so as to be offensive or detrimental to its occupants. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, bells or other sound devices, except security devices used exclusively for security purposes, shall be located, used or placed on any such property without the prior

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home and off the Lot which exists at the time the overall grading of the Properties is completed, or which is shown on any plans conforming to applicable rules, regulations, ordinances, and applicable drainage criteria, including without limitation, private drainage easements shown on the Plat.

Section 10.13 Modification of Exterior Wall. Unless approved by the Architectural Control Committee, no Dwelling Unit owner shall alter or modify the exterior wall of a Dwelling Unit by cutting any opening in or placing any window of any kind in said exterior wall.

Section 10.14 Electrical Service and Telephone Lines. All electrical service and telephone lines shall be placed underground and no outside electrical lines shall be placed overhead; provided, however, that the Declarant shall not be prohibited from erecting temporary power or telephone structures incident to construction.

Section 10.15 Mailboxes. If the Architectural Control Committee has provided uniform mailbox designs in the course of original construction, then such designs, colors, lettering, and other features shall be maintained by each at all times.

Section 10.16 Temporary Structures, Mobile Homes, Etc. No manufactured, prefabricated home or mobile home shall be permitted or placed upon any Lot or anywhere else in the Properties. Except as hereinafter provided, no structure of a temporary character, including but not limited to a house trailer, tent, shack, temporary garage, or outbuilding shall be placed or erected upon any Lot, and no residence placed or erected upon any Lot shall be occupied in any manner at any time prior to its being fully completed, nor shall any residence when completed be in any manner occupied until made to comply with all requirements, conditions, and restrictions herein set forth; provided, however, that during the actual construction or alteration of a structure on any Lot, necessary temporary structures for storage of materials may be erected and maintained by the person doing such work. The work of constructing, altering, or remodeling any structure on any part of any Lot shall be prosecuted diligently from the commencement thereof until the completion thereof. The provisions of this section shall not apply to the Declarant or Developer.

Section 10.17 Lots to be Maintained. Each Lot shall at all times be kept by the Owner in a clean, sightly, and wholesome condition. No trash, litter, junk, boxes, containers, bottles, cans, implements, machinery, lumber, or other building materials shall be permitted to remain exposed upon any Lot so that the same are visible from any neighboring Lot or street, except as necessary during the period of construction.

Section 10.18 Lots Not to be Subdivided. No Lot shall be subdivided or resubdivided, except by Declarant or by Developer, or except for the purpose of combining portions of a Lot with an adjoining Lot, provided that no additional building site is created thereby. Resubdivision by Declarant or Developer may result in additional Lots at its discretion.

Section 10.19 No Hazardous Activities. No activities shall be conducted on the Properties and on improvements constructed on the Properties which are or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no

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firearms shall be discharged upon the Properties and no open fires shall be lighted or permitted on the Properties, except in a contained barbecue unit while attended and in use for cooking purposes or within a safe and well-designed interior fireplace or firepit, or except such campfires or picnic fires on property designated for such use by Declarant or Developer.

Section 10.20 Tanks. No tanks of any kind, either elevated or buried, shall be erected, placed, or permitted upon any Lot.

Section 10.21 Signs. No billboards or advertising signs of any character shall be erected, placed, permitted or maintained on any Lot or improvement thereon of this subdivision, except that in the course of selling a Dwelling Unit, one sign not to exceed five square feet in size shall be permitted in the front yard area of a Lot. The Declarant and Developer are exempt from the provisions of this Section.

Section 10.22 Derricks, Boring, Etc. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, placed or permitted upon any part of the Properties, nor shall any oil, natural gas, petroleum, asphaltum or hydrocarbon products or minerals of any kind be produced or extracted therefrom.

Section 10.23 Minimum Driveway Requirements. Driveways on all Lots shall be approved by the Architectural Control Committee.

Section 10.24 Renting. Each Owner shall have the right to lease or rent his Dwelling Unit; provided, however, that any lease agreement, including any agreement to lease the Dwelling Unit on a month to month basis, must be in writing and must provide that the failure of any lessee or tenant to comply with the Rules, Bylaws, Articles and provisions of this Declaration shall be a default under the lease. Any lease agreement shall be for a period of not less than thirty (30) days, and a copy thereof shall be delivered to the Association.

Section 10.25 Solar Devices. No solar devices, of any type, shall be placed, erected or installed on any Lot without the approval of the Board or the Architectural Control Committee.

Section 10.26 Insurance Rates. Nothing shall be done or kept on any Lot or Common Area which will increase the rate of insurance on such property nor shall anything be done or kept on or in any Dwelling Unit or Common Area which will result in the cancellation of insurance on any such property or which would be in violation of any law, unless expressly approved by the Architectural Control Committee.

Section 10.27 Soil Reports. The soils which underlie the foundation of homes within the Properties may have the potential for consolidation or swelling. No owner of all or any portion of any Lot shall maintain any kind of landscaping, irrigation or vegetation within four feet of any exterior wall or foundation of the residence built upon said Lot. Only indigenous desert plantings with a drip-type minimal water use system, shall be used in the area that is between 4 and 8 feet of any exterior wall or foundation.

No Owner of all or any portion of any Lot shall maintain or cause to be maintained upon said lot a pattern of grading and drainage other than the original drainage and grading for said Lot, as established by the builder.

No Owner of all or any portion of any Lot shall construct a swimming pool, Jacuzzi, whirlpool, or other like improvement ("Subgrade Improvements") without first making, or causing to be made, an independent determination that the soil conditions of the Lot are suitable for such improvements. Neither Declarant nor Developer have made any representation or warranties, express or implied, regarding the suitability of the soil upon any particular Lot for Subgrade Improvements, and therefore as between Declarant and Developer and the Owner, or any successor-in-interest thereto, the Owner assumes all liability and risk and shall hold harmless and indemnify Declarant and Developer for all liability and risk arising from, directly or indirectly, the construction of Subgrade Improvements upon the Lot.

Section 10.28 Right of Inspection. During reasonable hours, any member of the Board, or any authorized representative of the Board shall have the right upon reasonable notice to the Owner of a Dwelling Unit to enter upon and inspect the Lot (except the interior of Dwelling Unit), for the purpose of ascertaining whether or not the provisions of this Declaration have been or are being complied with, and such persons shall not be deemed guilty of trespass by reason of such entry.

ARTICLE 11 DISPUTE RESOLUTION

Section 11.1 Consensus for Association Action.

11.1.1 Member Approval. Except as provided in this Article, the Association may not commence a legal proceeding or action without the approval of at least two-thirds of the votes of the Members eligible to vote. A Member representing Lots owned by persons other than the Member casting the votes shall not vote in favor of bringing or prosecuting any such proceeding unless authorized to do so by a vote of Owners of two-thirds of the total number of Lots represented by the Member casting the votes. This Article shall not apply, however, to (i) actions brought by the Association to enforce governing documents (including, without limitation, the foreclosure of liens); (ii) the imposition and collection of assessments; (iii) proceedings involving challenges to ad valorem taxation; or (iv) counterclaims brought by the Association in proceedings instituted against it.

11.1.2 Right to be Heard. Prior to the Association or any Member commencing any proceeding to which Declarant or Developer is a party, including but not limited to an alleged defect of any improvement, Declarant or Developer shall have the right to be heard by the Members, or the particular Member, and to access, inspect, correct the condition of, or redesign any portion of any improvement as to which a defect is alleged or otherwise correct the alleged dispute.

Section 11.2 Alternative Method for Resolving Disputes. Declarant, its officers, directors employees and agents; the Association, its officers, directors and committee members; all Persons subject to this Declaration, including all Members of the Association; its officers,

directors employees and agents; and any person not otherwise subject to this Declaration but who agrees to submit to this Article (each such entity being referred to as a "Bound Party") agree to encourage the amicable resolution of disputes, without the emotional and financial costs of litigation. Accordingly, each Bound Party covenants and agrees to submit those claims, grievances or disputes described in Section 11.3 (singularly, "Claim," and collectively, "Claims") to the procedures set forth in 11.4.

Section 11.3 Claims.

11.3.1 Definition and Scope. Unless specifically exempted below, all claims between any of the Bound Parties regardless of how the same might have arisen or on what it might be based including but not limited to, claims (a) arising out of or relating to the interpretation, application or enforcement of the Governing Documents or the rights, obligations and duties of any Bound Party under the Governing Documents, (b) relating to the design or construction of improvements; or (c) based upon any statements, representations, promises, warranties, or other communications made by or on behalf of any Bound Party, shall be subject to the provisions of Section 11.4.

Notwithstanding the above, unless all parties thereto otherwise agree, the following shall not be Claims and shall not be subject to the provisions of Section 11.4:

11.3.1.1 any suit by the Association against any Bound Party to enforce the provisions hereof pertaining to assessments;

11.3.1.2 any suit by the Association, Declarant or Developer to obtain a temporary restraining order or injunction (or equivalent emergency equitable relief) and such other ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to act under and enforce the provisions hereof;

11.3.1.3 any suit between or among Owners, which does not include Declarant, Developer, or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Governing Documents; and

11.3.1.4 any suit in which any indispensable party is not a Bound Party.

With the consent of all parties hereto, any of the above identified in this Section may be submitted to the alternative dispute resolution procedures set forth in Section 11.4.

Section 11.4 Mandatory Procedures.

11.4.1 Notice. Any Bound Party having a Claim ("Claimant") against any other Bound Party ("Respondent") (the Claimant and the Respondent referred to herein being individually, as a "Party" or, collectively, as the "Parties") shall notify each Respondent in writing (the "Notice"), stating plainly and concisely:

11.4.1.1 the nature of the Claim, including the Persons involved and Respondent's role in the Claim;

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11.4.1.2 the legal basis of the Claim (i.e., the specific authority out of which the Claim arises);

11.4.1.3 the proposed remedy; and

11.4.1.4 the fact that Claimant will meet with Respondent to discuss in good faith ways to resolve the Claim.

11.4.2 Negotiation and Mediation.

11.4.2.1 The Parties shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the Parties in negotiation.

11.4.2.2 If the Parties do not resolve the Claim within 30 days after the date of the Notice (or within such other period as may be agreed upon by the Parties) ("Termination of Negotiations"), Claimant shall have 30 days to submit the Claim to mediation under the auspices of the American Arbitration Association ("AAA") in accordance with the AAA's Commercial or Construction Industry Mediation Rules, as appropriate.

11.4.2.3 If Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant on account of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to any Person other than the Claimant.

11.4.2.4 Any settlement of the Claim through mediation shall be documented in writing by the mediator and signed by the Parties. If the Parties do not settle the Claim within 30 days after submission of the matter to the mediation, or within such other time as determined by the mediator or agreed to by the Parties, the mediator shall, issue a notice of termination of the mediation proceedings ("Termination of Mediation"). The Termination of Mediation notice shall set forth that the Parties are at an impasse and the date that mediation was terminated.

Each Party shall bear its own costs of the mediation, including attorney's fees, and each Party shall share equally all charges rendered by the mediator. If the Parties agree to a resolution of any Claim through negotiation or mediation in accordance with the terms herein and any Party thereafter fails to abide by the terms of such agreement, then any other Party may file suit or initiate arbitration proceedings to enforce such agreement without the need to again comply with the procedures set forth herein. In such event the Party taking action to enforce the agreement shall be entitled to recover from the non-complying Party (or if more than one non-complying Party, from all such Parties pro rata) all costs incurred in enforcing such agreement, including without limitation, attorney's fees and court costs.

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11.4.3 Binding Arbitration.

11.4.3.1 Upon Termination of Mediation, Claimant shall thereafter be entitled to initiate final, binding arbitration of the Claim under the auspices of the AAA in accordance with the AAA's Commercial or Construction Industry Arbitration Rules, as appropriate. Such claims shall not be decided by or in a court of law. Any judgment upon the award rendered by the arbitrator may be entered in and enforced by any court having jurisdiction over such Claim. If the claimed amount exceeds \$250,000, the dispute shall be heard and determined by three arbitrators. Otherwise, unless mutually agreed to by the parties, there shall be one arbitrator. Arbitrators shall have expertise in the area(s) of dispute, which may include legal expertise if legal issues are involved.

11.4.3.2 Each Party shall bear its own costs and expenses and an equal share of the arbitrator's and administrative fees of arbitration. Notwithstanding the foregoing, if a Party unsuccessfully contests the validity or scope of arbitration in a court of law, the non-contesting party shall be awarded reasonable attorney's fees and expenses incurred in defending such contest. All decisions respecting the arbitrability of any Claim shall be decided by the arbitrator(s).

11.4.3.3 The award of the arbitrator(s) shall be accompanied by detailed written findings of fact and conclusions of law. Except as may be required by law or for confirmation of an award, neither a party nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.

Section 11.5 Amendment of Article. Without the express prior written consent of Declarant and Developer, this Article may not be amended for a period of twenty years from the effective date of this Declaration.

ARTICLE 12 GENERAL PROVISIONS

Section 12.1 Term. The Restrictions in this Declaration, as from time to time amended as provided below, shall remain in full force and effect for a period of twenty (20) years from the date of recordation thereof and shall thereafter be deemed to have been renewed and automatically extended for successive periods of ten (10) years each, subject to repeal at any time by the written consent of the Owners of at least seventy-five (75%) percent of the Lots.

Section 12.2 Amendments; Termination.

12.2.1 Procedure. This Declaration may be amended by an instrument in writing, signed and acknowledged by the President and Secretary of the Association, certifying that such Amendment has been approved by the vote or written consent of the then Owners, including Declarant and Developer, of not less than seventy-five percent (75%) of the Lots within the Properties. Such amendment shall be effective upon its recordation with the Pima County Recorder, Pima County, Arizona.

12.2.2 Amendments Necessary for FHA Compliance, Etc. Notwithstanding anything to the contrary contained in this Declaration, if Declarant or

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Developer shall determine that any amendments to this Declaration or any amendments to the Articles of Incorporation or Bylaws of the Association shall be necessary in order for existing or future mortgages, deeds of trust, or other security instruments to be acceptable to the Veterans Administration, the Federal Housing Administration of the U.S. Department of Housing and Urban Development, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, Declarant or Developer shall have and hereby specifically reserve the right and power to unilaterally make and execute any such amendments without obtaining the approval of any other Owners, Members, or First Mortgagees.

12.2.3 Developer Approval. In addition to the foregoing, so long as Developer possesses rights to purchase Lots from Declarant or owns any Lot within the Properties, any amendment to the provisions hereof proposed to be made by Declarant or by the Association shall require the written consent of Developer. In addition, Declarant agrees to vote in favor of any reasonable amendment proposed by Developer so long as the amendment is reasonably necessary to correct a clear ambiguity or is otherwise not adverse to the interests of Declarant.

12.2.4 Non-Uniform Amendments. No amendment shall be invalid solely because it affects property within the Properties in a non-uniform manner.

Section 12.3 Annexation. Additional property may be annexed hereunder by the Owner thereof with the approval of (a) the Owners of two-thirds (2/3) of the Lots within the Properties; or (b) Declarant so long as it owns any Lot within the Properties; or (c) Developer so long as it owns any Lot or has the right to purchase any Lot within the Properties. In addition, Declarant and Developer expressly reserve and shall have the right at any time so long as Declarant, or Developer as applicable, owns a single Lot, and without the consent or approval of any person or entity, to annex into the Properties, and under the purview hereof, any land adjacent to the Properties, provided the owner thereof consents, including the Adjacent Land, and further provided that, so long as Developer owns a single Lot, Developer's consent must be obtained for any annexation proposed by the Declarant.

Any such annexation shall be accomplished by recordation of a Declaration of Annexation in the Office of the County Recorder of Pima County, Arizona, which document shall provide for annexation to this Declaration of the property described in such document and shall be executed by all appropriate parties as set forth above.

Upon recording of any Declaration of Annexation, the annexed property shall be part of the Properties hereunder and the lots described therein shall be deemed Lots hereunder. The Declarant expressly reserves, for itself and the Developer, the right in the course of development of the annexed property to designate common areas, which the Association shall accept and hold as Common Area hereunder.

All provisions of this Declaration, including but not limited to those provisions regarding special Declarant and Developer rights, shall apply to annexed property immediately upon recording the annexation document, unless provided to the contrary in the Declaration of Annexation.

Section 12.4 Enforcement and Non-Waiver.

12.4.1 Enforcement. Except as otherwise provided herein, the Association or any Owner shall have the right to enforce by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens or charges or Rules now or hereafter imposed by provision of this Declaration.

12.4.2 Violation of Rules. If any Owner, his family or any licensee, tenant or lessee or invitee violates the restrictions of this Declaration or the Association's Rules, the Board may, in addition to any other enforcement provisions contained herein, suspend the right of such person to use the Common Area, under such conditions as the Board may specify, for a period not to exceed sixty (60) days for each violation. Each day an infraction continues is a separate violation. Before invoking any such suspension, the Board shall give such person notice of hearing before the Board.

Further, the Association shall have the authority to bring an action at law or in equity to enforce any of the provisions and Restrictions of this Declaration. Expenses of enforcement, in the event the Association is a substantially prevailing party, shall be paid to the Association by the Owner against whom enforcement action was commenced. The Association shall have the right to enter upon the Lot of any Owner for the purpose of repairing, modifying, or demolishing improvements which are not in conformance with the provisions of this Declaration and all expenses incurred in connection therewith shall be paid to the Association by the Owner in violation.

12.4.3 Violation of Law. Each and every provision of this Declaration and any amendment hereto shall be subject to all applicable governmental ordinances and subdivision regulations and any future amendments thereto. Any violation of any state, municipal or local law, ordinance or regulation pertaining to the ownership, occupation or use of any of the Properties is hereby declared to be a violation of this Declaration and subject to any or all of the enforcement procedures set forth herein or in the Bylaws.

12.4.4 Remedies Cumulative. Each remedy provided herein is cumulative and not exclusive.

12.4.5 Non-Waiver. Failure by the Declarant, the Developer, the Board, the Association, the Architectural Control Committee, or by any Owner to enforce any of the provisions hereof at any time shall not constitute a waiver of the right thereafter to enforce any of such provisions.

12.4.6 Severability. Invalidation of any one of these covenants or restrictions by judgment, court order, or waiver, shall not affect the enforceability of any other provisions which shall remain in full force and effect.

Section 12.5 Construction.

12.5.1 Interpretation. The provisions of this Declaration shall be liberally construed to effectuate the purpose of creating a uniform plan for the development and operation of the Properties. Except for judicial construction, Declarant shall have the exclusive right to

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construe and interpret this Declaration and the provisions and Restrictions herein. In the absence of any adjudication to the contrary by a court of competent jurisdiction, Declarant's construction or interpretation of the provisions and Restrictions in this Declaration shall be final, conclusive and binding upon all persons and the Properties.

12.5.2 Restrictions Severable. Notwithstanding any other provision hereof, each of the provisions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision.

12.5.3 References to Restrictions. Any and all instruments of conveyance or lease of any interest in any Lot or the Properties may contain reference to this Declaration and shall be subject to the Restrictions in this Declaration the same as if they were therein set forth in full; provided that the Restrictions herein shall be binding upon all persons affected by the same, whether express reference is made to this Declaration or not.

12.5.4 Rule Against Perpetuities. In the event the provisions hereunder are declared void by a Court of competent jurisdiction by reason of the period of time herein stated for which the same shall be effective, then in that event said periods of time shall be reduced to a period of time which shall not violate the rule against perpetuities as set forth in the laws of the State of Arizona.

12.5.5 Singular Includes Plural; Gender. Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine or neuter shall each include the masculine, feminine and neuter.

12.5.6 Captions. All captions and titles used in this Declaration are intended solely for convenience or reference purposes only and in no way define, limit or describe the true intent and meaning of the provisions hereof.

Section 12.6 Exemption of Declarant and Developer. Nothing in this Declaration shall limit the right of Developer or Declarant to complete excavation, grading and construction of improvements to any portion of the Properties, including Common Area, or to construct such additional improvements as Developer deems advisable in the course of development of the Properties so long as any Lot therein remains unsold. Further, nothing in this Article shall limit the right of a Developer or Declarant to use any structure as a sales model, sales office or construction office or parking area and to place any sign, banner, flag or similar method of advertisement to promote sales within the Properties or subdivisions of Declarant or Developer. Without limitation, the Declarant and Developer may maintain sales, administrative and construction offices on any Lot within the Properties and may maintain parking areas and parking lots on any Lot or Common Area within the Properties. The rights of Declarant or Developer hereunder or elsewhere in this Declaration may be assigned by Declarant or Developer.

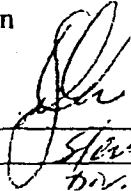
Section 12.7 Delivery of Notices and Documents. Any written notice or other documents relating to or required by this Declaration may be delivered either personally or by mail. If by mail, it shall be deemed to have been delivered seventy-two (72) hours after a copy

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Section 12.10 Resale of Lot by Owner. Each Owner shall notify the Association, not less than 10 business days prior to the closing of any sale of such Owner's Lot, of the name and address of the purchaser thereof, as well as the scheduled closing date for the sale. The Association shall, upon receipt of such information, mail or otherwise deliver to such purchaser such information as is required by the Bylaws or by applicable law.

IN WITNESS WHEREOF, Declarant has executed this Declaration the day, month and year first above written.

U.S. HOME CORPORATION, a Delaware corporation

By: 
Name: Steve Craddock
Title: Dir. Tex.

TITLE GUARANTY AGENCY OF ARIZONA, INC., an Arizona corporation, as Trustee under Trust 1266

By: _____
Name: _____
Title: _____

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Section 12.10 Resale of Lot by Owner. Each Owner shall notify the Association, not less than 10 business days prior to the closing of any sale of such Owner's Lot, of the name and address of the purchaser thereof, as well as the scheduled closing date for the sale. The Association shall, upon receipt of such information, mail or otherwise deliver to such purchaser such information as is required by the Bylaws or by applicable law.

IN WITNESS WHEREOF, Declarant has executed this Declaration the day, month and year first above written.

U.S. HOME CORPORATION, a Delaware corporation

By: _____
Name: _____
Title: _____

TITLE GUARANTY AGENCY OF ARIZONA, INC., an Arizona corporation, as Trustee under Trust 1266

By: Olivia Harvey
Name: Olivia Harvey
Title: Trust Officer

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STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

Acknowledged before me this _____ day of March, 2000, by _____, the _____ of U.S. Home Corporation, a Delaware corporation, on behalf of the corporation.

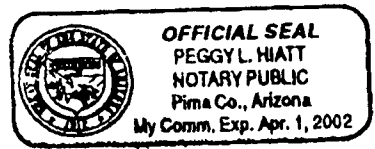
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Notary Public

My Commission Expires:

STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

Acknowledged before me this 22nd day of March, 2000, by Olivia Harvey, the Trust Officer of Title Guaranty Agency of Arizona, Inc., an Arizona corporation, as Trustee under Trust 1266, and not otherwise.



Peggy L. Hiatt

Notary Public

My Commission Expires:

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*Nation's Only 3 Time Winner
National Builder of the Year*

U.S. HOME CORPORATION
TUCSON DIVISION
STEVEN L. CRADDOCK
PRESIDENT

February 10, 2000

Residents
Star Valley Estates
RE: Parking/Vehicle Storage

Parking and storage of recreational vehicles, motorhomes, campers, trailers, boats, and similar non-commercial vehicles shall be allowed under the following conditions:

The vehicle shall be parked/stored in a minimum three-sided enclosure which is located in back of the home, not to extend past the side boundaries of the home, a minimum of 75 feet from the rear property line; and shall have the open side of the enclosure facing the home. The enclosure shall consist of a concrete pad with maximum dimensions of 15 feet by 35 feet with a block wall which matches the homes block walls and measures a minimum of five feet high.

All enclosures, including those which abide by the specifications above, will still require the pre-approval of the Architectural Control Committee.

Small commercial vehicles may be parked or stored on the lot under the guidelines above, but large semi trucks, 18-wheel truck/trailers, and similar commercial vehicles are prohibited.