

Dony Andrez

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Law Offices of Phyllis H. Parise, P.C.
 5125 N. 16th Street, Ste. B223
 Phoenix, Arizona 85016

FEE # 050727548
 OFFICIAL RECORDS
 COCHISE COUNTY
 DATE 07/29/05 HOUR 11
 REQUEST OF
 FIRST AMERICAN TITLE INS CO
 CHRISTINE RHODES-RECORDER
 FEE : 10.00 PAGES : 4

**CERTIFICATE OF FIRST AMENDMENT TO DECLARATION OF
 COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS
 FOR
 RANCHO PERILLA ESTATES**

THIS CERTIFICATE OF FIRST AMENDMENT to Declaration of Covenants, Conditions, Restrictions and Easements for Rancho Perilla Estates (this "Amendment") is made and entered into this 26th day of May, 2005 by FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation as Trustee under Trust No. 8589, and not in its corporate capacity ("Declarant") and by the Rancho Perilla Estates Master Association, an Arizona non-profit corporation ("Master Association") and is as follows:

RECITALS:

- A. Declarant caused that certain Declaration of Covenants, Conditions, Restrictions and Easements for Rancho Perilla Estates to be Recorded at Fee No. 031140950 on November 12, 2003, in the Official Records of the Cochise County, Arizona Recorder (the "Declaration").
- B. The Declaration affects certain real property legally described as:

Parcel One:

Lots 1-72, inclusive, and Tracts A and B, Rancho Perilla Estates-Block 1 Final Plat, according to the Plat of record in Book 14 of Maps, pages 95 and 95A, Cochise County, Arizona.

Parcel Two:

Lots 1-77, inclusive, and Tract A, Rancho Perilla Estates-Block 2 Final Plat, according to the Plat of record in Book 14 of Maps, pages 96, 96A and 96B, Cochise County, Arizona.

Parcel Three:

Lots 1-53, inclusive, and Tract A, Rancho Perilla Estates-Block 3 Final Plat, according to the Plat of record in Book 14 of Maps, pages 97 and 97A, Cochise County, Arizona.

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Parcel Four:

Lots 1-29, inclusive, and Tract A, 1 ...ho Perilis Estates-Block 4 Final Plat, according to the Plat of record in Book 14 of Maps, pages 98 and 98A, Cochise County, Arizona.

Parcels One Through Four, inclusive, are referred to as the "Property."

- C.** Pursuant to Section 15.2.1 of the Declaration, Declarant and the Master Association have hereby caused this Amendment to be Recorded and confirm that Declarant, as the Owner holding in excess of 75% of the votes in the Master Association, has given its written consent in favor of the following amendment to Declaration set forth below.
- D.** Capitalized terms used in this Amendment without definition shall have the meanings given to such terms in the Declaration.

NOW, THEREFORE, the Declaration is amended as follows:

- 1.** Amendment. New Section 4.4.41 is hereby added to the Declaration:

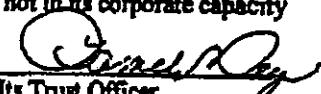
"4.4.41 Completion of Improvements after Issuance of Certificate of Occupancy. If the City issues a certificate of occupancy for any Dwelling Unit prior to the completion of the landscaping, walls or fences (including Party Walls or Party Fences) on the Lot or Parcel containing the Dwelling Unit, the Owner thereof covenants to the City to complete such Improvements within sixty (60) days after the certificate of occupancy is issued."

- 2.** Interpretation and Ratification. Except as specifically amended or provided herein, all of the terms and provisions of the Declaration, shall remain in full force and effect. In the event of a conflict between the terms and provisions of the Declaration and the terms and provisions of this Amendment, the terms and provisions of this Amendment shall prevail. In all other respects, the terms and provisions of this Amendment and those in the Declaration shall be construed and interpreted so as to be consistent to the fullest extent possible.

IN WITNESS WHEREOF, Declarant and the Master Association have made and entered into this Amendment to be effective as of the date first set forth above with the consent of the City.

DECLARANT:

FIRST AMERICAN TITLE INSURANCE COMPANY,
a California corporation as Trustee under Trust No. 8589,
and not in its corporate capacity

By 
Its Trust Officer

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MASTER ASSOCIATION:

RANCHO PERILLA ESTATES MASTER ASSOCIATION,
an Arizona non-profit corporation

By Ray A. Mehan
Ray A. Mehan, Its President

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

On this 29 day of April, 2005, before me, the undersigned notary public, in
and for said county and state, personally appeared James D. O'Byrne the Trust Officer of
First American Title Insurance Company, a California corporation, as Trustee under Trust No.
8589, and not in its corporate capacity, personally known (or proved) to me to be the person
whose name is subscribed to the above instrument and who acknowledged that s/he executed the
above instrument for and on behalf of the Trust, in her/his capacity as the Trust Officer thereof.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Elaine M. Gill

Notary Public



My Commission Expires:

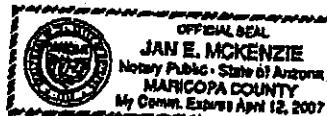
STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

This instrument was acknowledged before me, the undersigned notary public in and for
said county and state, this 26th day of May, 2005 by RAY A. MEHAN, the President
of RANCHO PERILLA ESTATES MASTER ASSOCIATION, an Arizona non-profit
corporation, for and on behalf of said non-profit corporation.

IN WITNESS WHEREOF, I hereunto place my hand and official seal.

Jan E. McKenzie

Notary Public



My Commission Expires: 04-12-07

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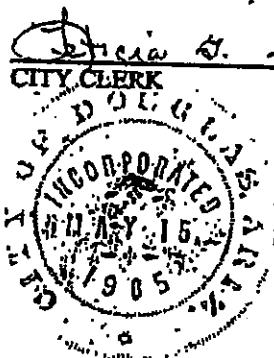
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CERTIFICATION

I hereby certify that the Mayor and Council of the City of Douglas, Arizona approved the foregoing Certificate of First Amendment to Declaration of Covenants, Conditions, Restrictions and Easements for Rancho Perilla Estates by Resolution No. 05-101 at a duly called and held meeting on the 13th day of July, 2005, at which a quorum was present.

Dated this 13th day of July, 2005 by Leticia G. Rodriguez City Clerk.

-SEAL-



Leticia G. Rodriguez
CITY CLERK

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FEE # 031140950

OFFICIAL RECORDS

COCHISE COUNTY

DATE HOUR

11/12/03 4

REQUEST OF
FIDELITY NATIONAL TITLE
CHRISTINE RHODES RECORDER
FEE: 82.00 PAGES 78

When recorded, return to:

Phyllis H. Parise, Esq.
LAW OFFICES OF PHYLLIS H. PARISE, P.C.
5125 N. 16th Street, Ste. B223
Phoenix, Arizona 85016

DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS
FOR
RANCHO PERILLA ESTATES

COCHISE COUNTY, ARIZONA

031140950

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DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS
FOR
RANCHO PERILLA ESTATES

This Declaration of Covenants, Conditions, Restrictions and Easements for Rancho Perilla Estates is made this 27th day of October, 2003, by Fidelity National Title Agency, Inc., an Arizona corporation, as Trustee under Trust No. 60095, and not in its corporate capacity, as "Declarant."

RECITALS

A. Declarant is the owner of legal title under Trust to that certain parcel of real property situated within the City of Douglas, Cochise County, Arizona, more particularly described on Exhibit A attached hereto and incorporated herein by this reference (the "Property").

B. The Trust's beneficiary and holder of equitable title to the Property, A & R Homes, L.L.C., an Arizona limited liability company, desires to create a master planned residential community to be developed in stages or phases which will include common facilities for the benefit of the community.

C. When fully developed, it is intended, without obligation, that Rancho Perilla Estates will establish a resort like setting with open spaces, walkways, public and private roads, landscaped areas, entry improvements and a private clubhouse with recreational amenities, all in immediate proximity to a municipal golf course currently owned and operated by the City of Douglas, Arizona.

D. As part of the various stages of development of Rancho Perilla Estates, Declarant intends, without obligation, to record various subdivision plats, site plans, or tract declarations, restricting portions of Rancho Perilla Estates for drainage and flood control, and to establish Land Use Classifications and to dedicate, transfer or convey the common facilities to a membership organization owning and operating the same.

E. In conjunction with such intent, the Trust beneficiary has directed Declarant to submit and subject the Property, together with all improvements and all easements, rights, appurtenances and privileges belonging to or in any way pertaining thereto, and including from time to time all real property subsequently annexed thereto pursuant to Article 13 of this Declaration, to the covenants, conditions and restrictions herein set forth.

F. Declarant desires to establish for its own benefit and the benefit of the Trust beneficiary and for the mutual benefit of all future Owners and Residents of the Property and every part thereof, certain easements and rights in, over and upon the Property and certain mutually

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beneficial restrictions and obligations with respect to the proper use, conduct and maintenance thereof.

G. Declarant desires and intends that the Owners and all other Persons acquiring any interest in the Project, including, without limitation, First Mortgagees, shall at all times enjoy the benefits of, and shall hold their interests subject to, the rights, easements, privileges, covenants and restrictions hereinafter set forth, all of which shall run with the land and be binding upon the Property and all Persons having or acquiring any right, title or interest in or to the Property, or any part thereof, and shall inure to the benefit of each holder of an interest therein, and all of which are declared to be in furtherance of a plan to promote and protect the Project and are established for the purpose of enhancing and perfecting the value, desirability, attractiveness of the Property.

H. NOTICE: As further provided in Section 1.1(RR) below, the City of Douglas, Arizona has not presently approved a Master Plan for Rancho Perilla Estates and, until such time as the City approves such Master Plan or otherwise authorizes the recording of additional plats, tract declarations and/or approves an amendment to the zoning to establish new Land Use Classifications for Additional Property to be added to Rancho Perilla Estates, Rancho Perilla Estates shall consist of the Property described on Exhibit A attached hereto and incorporated herein by this reference.

ARTICLE 1. DEFINITIONS

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

1.1 Defined Terms.

(A) **Additional Property** shall mean real property located in the City in the general vicinity of Rancho Perilla Estates. For purposes of the foregoing, real property shall be deemed to be in the general vicinity of Rancho Perilla Estates if it is located within a two mile radius from any boundary of the Property established at the date of Recording of this Declaration. In addition, the Additional Property shall be deemed to include the real property shown on the Master Plan as residential real property the Declarant intends, but is not obligated to annex to Rancho Perilla Estates at some future date pursuant to Article 13 of this Declaration, and having a Townhouse (Multi-Family), Recreational Vehicle (RV)/Travel Trailer/Mobile Home Use, or Single Family Residential Use.

(B) **Annual Assessment** shall mean the charge levied and assessed each year against each Membership pursuant to Section 7.2 hereof.

(C) **Articles** shall mean the Articles of Incorporation of the Master Association as the same may from time to time be amended or supplemented.

(D) "Assessable Property" shall mean any Lot or Parcel within Rancho Perilla Estates, except: (i) such part or parts thereof as may from time to time constitute Exempt Property, (ii) any Parcel against which no Tract Declaration has been recorded (other than the Lots described on Exhibit "A" attached hereto and incorporated herein by this reference for which no Tract Declaration shall be Recorded; and (iii) any Lot or Parcel (or portion thereof) owned by Declarant.

(E) "Assessment" shall mean an Annual Assessment, Special Service Area Assessment, Special Assessment, Enforcement Assessment and/or Maintenance Charges.

(F) "Assessment Lien" shall mean the lien created and imposed by Article 7 and Section 33-1801 et seq.

(G) "Assessment Period" shall mean the period for which the Annual Assessment is to be levied, which shall be a calendar year; provided, however, the Board may, from time to time, in its sole discretion, change the Assessment Period and provided, further, however, that the initial Assessment Period may be less than a calendar year.

(H) "Assessment Unit" shall mean the numerical factor that is used to determine the particular assessment obligation and voting rights of a particular Lot or Parcel relative to all other Lots and Parcels.

(I) "Board" or "Board of Directors" shall mean the Board of Directors of the Master Association.

(J) "Bylaws" shall mean the Bylaws of the Master Association, as the same may, from time to time, be amended or supplemented.

(K) "Capital Contribution" shall mean the non-refundable financial contribution to the working capital of the Master Association made by certain purchasers or Owners of Lots pursuant to Section 6.8 below.

(L) "City" shall mean the City of Douglas, Arizona.

(M) "Collection Costs" shall mean all costs, fees, charges and expenditures (including, without limitation, attorneys' fees, court costs, filing fees, recording fees, title report fees, and fees and costs charged by any collection agent), monetary penalties, late charges, or interest incurred or lawfully charged by the Association in collecting and/or enforcing payment of Assessments or other charges payable to the Master Association or incurred by the Master Association in enforcing the Master Association Documents, without regard to whether a law suit is filed or legal action otherwise undertaken by or on behalf of the Master Association.

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

(O) "Community Enhancement Fee" shall mean the fee levied upon property transfers for purposes the Master Association deems beneficial to the common good and general welfare of Rancho Perilla Estates, as provided for in Section 7.17.

(P) "Community Recreation Facilities" shall mean the land and the improvements constructed thereon, comprising the Rancho Perilla Estates community and recreational facilities, as identified on the Master Plan and any additional land and improvements designated as part of the Community Recreation Facilities by the Declarant or the Master Association, and conveyed to the Master Association as such. It is presently intended that the Community Recreation Facilities located in Rancho Perilla Estates shall include a clubhouse, a swimming pool (capable of being heated), a spa, picnic and barbecue areas and parking areas; provided further that Declarant shall not construct a clubhouse until Declarant has conveyed at least two hundred (200) Lots with a Single Family Residential Land Use Classification to Developers, Production Developers or other Owners, except as Declarant otherwise determines in its sole discretion. The Community Recreation Facilities shall be available for the use and enjoyment of Owners of all Parcels and Lots, and such other Persons as the Declarant or the Master Association may designate from time to time. Without limitation, in the Tract Declaration creating an RV or Mobile Home Park on any Parcel, Declarant may designate the use rights of any Community Recreation Facilities appurtenant to any Owner of such a Parcel to any Lessees and/or invitees to the Parcel (RV occupants and temporary visitors and guests).

(Q) "Condominium Development" shall mean a condominium established under the laws of the State of Arizona with respect to a Parcel which is limited by the Tract Declaration therefor to residential use.

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

(S) "County" shall mean the County of Cochise, Arizona.

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

(U) "Declarant" shall mean and refer to the above-recited Declarant or any Person or Persons to whom any part or all of Declarant's rights reserved to the Declarant hereunder are assigned. The Declarant's rights shall only be assigned by a written, Recorded instrument expressly assigning those rights. Notwithstanding the foregoing, for purposes of this Declaration, including, without limitation, the exercise of all construction easements and the limitation on assessment obligations, the term "Declarant" shall also mean and be deemed to include either or both A & R Homes, L.L.C., an Arizona limited liability company and Mehan Construction, Inc., an Arizona corporation.

(V) "Declaration" shall mean this Declaration of Covenants, Conditions, Restrictions and Easements for Rancho Perilla Estates, as amended or supplemented from time to time.

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(W) "Deed" shall mean a deed or other instrument conveying the fee simple title in a Lot or Parcel.

(X) "Design Guidelines" shall mean the Design Guidelines initially adopted by Declarant pursuant to Section 11.1 below, and as the same may be amended from time to time by the Design Review Committee.

(Y) "Design Review Committee" shall mean the committee of the Master Association to be created pursuant to Section 11.1 hereof.

(Z) "Developer" shall mean any Person who purchases one or more Lots from the Declarant for the purpose of constructing Dwelling Units thereon and then offering such Lot(s) for sale to the general public.

(AA) "Dwelling Unit" shall mean any building or portion of a building situated upon a Lot or Parcel designed and intended for independent ownership and for use and occupancy as a permanent residence.

(BB) "Enforcement Assessment" means an Assessment levied pursuant to Section 7.16 of this Declaration.

(CC) "Exempt Property" shall mean the following parts of Rancho Perilla Estates: (i) all land and improvements owned by or dedicated to and accepted by the United States of America, the State of Arizona, the County, the City, or any other political subdivision, for as long as such entity or political subdivision is the owner thereof or for so long as said dedication remains effective; (ii) all Master Association Land, for as long as the Master Association is the owner thereof; and (iii) any portion of a Lot or Parcel owned and maintained by a Satellite Association.

(DD) "First Mortgage" means any mortgage or deed of trust on a Lot which has priority over all other mortgages and deeds of trust on the same Lot.

(EE) "First Mortgagee" means the holder or beneficiary of any First Mortgage.

(FF) "Golf Course" shall mean the golf course directly adjacent to Lots and Parcels within Rancho Perilla Estates and presently owned and operated as a municipal public golf course by the City as further provided in Article 14 below.

(GG) "Golf Course Lots" shall mean those Lots with a Land Use Classification of Single Family Residential Use whose Private Yards directly adjoin and share a common boundary with the Golf Course.

(HH) "Improvements" shall mean and include all buildings, structures, walls, landscaping and other improvements of any nature whatsoever.

(II) "Invitee" means any Person whose temporary or periodic presence within Rancho Perilla Estates, including within any Dwelling Unit, has been solicited, approved by or arranged for by a particular Owner, Lessee, or Resident, including without limitation, his guests, employees, business invitees, contractors and agents.

(JJ) "Land Use Classification" shall mean the classification to be established by the Declarant pursuant to Section 4.1 hereof, which designates the type of improvements which may be constructed on a Lot or Parcel or Master Association Land and the purposes for which such Improvements and surrounding land may be utilized. Notwithstanding the foregoing and the provisions of Section 4.1 below, Declarant need not record a Tract Declaration for the real property initially subject to this Declaration on the date of Recording hereof and described on Exhibit "A". The land within Rancho Perilla Estates on the date of Recording of this Declaration shall have a Land Use Classification of Single Family Residential and shall consist of platted Lots to be conveyed to Developers or to third party purchasers upon completion of construction of a Dwelling Unit thereon and Master Common Area Tracts or Parcels to be deeded to the Master Association upon completion of the private streets or other Improvements designated on the plat therefor.

(KK) "Lessee" shall mean the lessee under a lease pertaining to any property within Rancho Perilla Estates, including an assignee of a lease, but excluding any Person who has assigned all of his interest in a lease.

(LL) "Lot" shall mean: (i) any area of real property within Rancho Perilla Estates designated as a Lot on any Recorded subdivision plat and limited by this Declaration or a Tract Declaration to either Single Family Residential Use or Cluster Residential Use; and (ii) any Condominium Unit within Rancho Perilla Estates which is limited by a Tract Declaration to residential use.

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

(NN) "Master Association" shall mean the Rancho Perilla Estates Master Association, an Arizona non-profit corporation, or its successors and assigns, which has been organized to administer and enforce the Covenants and to exercise the rights, powers and duties set forth in this Declaration and the other Master Association Documents.

(OO) "Master Association Documents" shall mean this Declaration, the Articles, Bylaws, Rancho Perilla Estates Rules, Design Guidelines and any Tract Declarations, as any of the foregoing may be amended from time to time.

(PP) "Master Association Land" shall mean such part or parts of Rancho Perilla Estates (including, without limitation, the Community Recreation Facilities), together with the Improvements thereon, and other real property which the Master Association may at any time own in fee or in which the Master Association may at any time have a leasehold interest, for as long as the Master Association is the Owner of the fee or leasehold interest. Without limiting the foregoing, Declarant, or any subsequent Developer(s) of the Single Family Residential Use

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Parcels described on Exhibit "A", attached to this Declaration, shall deed the private street Common Area Tracts within such Parcels to the Master Association upon completion of the improvements thereon or satisfactory bonding or escrowing of sufficient funds to complete the same.

(QQ) **"Master Common Area"** shall mean (i) all Master Association Land; and (ii) all land within Rancho Perilla Estates which the Declarant, by this Declaration, a Tract Declaration or other Recorded instrument signed by Declarant, designates as "Master Common Area."

(RR) **"Master Plan"** shall mean any Rancho Perilla Estates development plan as may hereafter be approved by the City, or other applicable governmental agencies, and as the same may be from time to time amended, a copy of which shall be on file at all times in the office of the Master Association. The identification of property and proposed Land Use Classifications for such property on the Master Plan shall not, under any circumstances, obligate the Declarant to subject such property to this Declaration or develop such property in the manner described. Omission of property from the Master Plan shall not prevent its later submission by the Declarant to the terms of this Declaration or its development as part of Rancho Perilla Estates if approved by the City. Amendments to the Master Plan shall not require the amendment of this Declaration, nor notice to any Owner or Resident, except as may be required by City laws or ordinances.

(SS) **"Member"** shall mean any Person holding a Membership in the Master Association pursuant to this Declaration.

(TT) **"Membership"** shall mean a Membership in the Master Association and the rights granted to the Owners pursuant to Article 6 hereof to participate in the Master Association.

(UU) **"Owner"** shall mean (when so capitalized) the record holder, whether one or more Persons, of beneficial or equitable title (and legal title if the same has merged with the beneficial or equitable title) to the fee simple title interest of a Lot or Parcel. An Owner shall include a purchaser under a contract for the conveyance of real property, subject to the provisions of A.R.S. §33-741 *et seq.* An Owner shall not include: (i) Persons having an interest in a Lot or Parcel merely as security for the performance of an obligation or a Lessee or (ii) a purchaser under a purchase contract and receipt, escrow instructions or similar executory contract which are intended to control the rights and obligations of the parties to the executory contract pending the closing of a sale or purchase transaction. In the case of Lots or Parcels the fee simple title to which is vested in a trustee pursuant to A.R.S. §33-801 *et seq.*, the trustor shall be deemed to be the Owner. In the case of Lots or Parcels the fee simple title to which is vested in a trustee pursuant to a subdivision trust agreement or similar agreement, the beneficiary of any such trust who is entitled to possession of the trust property shall be deemed to be the Owner.

(VV) **"Parcel"** shall mean all contiguous area of real property within Rancho Perilla Estates, other than Lots, which is owned by the same Person.

(WW) "Party Fence" and "Party Wall" shall mean a fence or wall constructed on, or immediately adjacent to (i) the common boundary of Lots, (ii) the common boundary of Master Common Areas with a Lot or Parcel; (iii) the common boundary of two Parcels, or (iv) the common boundary of a Lot and a Parcel.

(XX) "Person" means a natural person, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, government, governmental subdivision or agency, or other legal or commercial entity.

(YY) "Production Developer" shall mean any Developer who purchases six (6) or more Lots from the Declarant or any Developer who is designated as a Production Developer in the Recorded Deed from Declarant.

(ZZ) "Property" or "Rancho Perilla Estates" shall mean the property situated in the City, as described on Exhibit "A" attached to this Declaration, and such additions or annexations of the Additional Property thereto, if any, as may hereafter become subject to this Declaration and be brought within the jurisdiction of the Master Association pursuant to the provisions of Article 13 of this Declaration.

(AAA) "Rancho Perilla Estates Rules" shall mean the rules for Rancho Perilla Estates adopted by the Board pursuant to Section 5.3, as the same may be amended or modified from time to time.

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

(CCC) "Reserve Contribution" shall mean the non-refundable financial contribution to the reserves of the Master Association made by certain purchasers or Owners of Lots pursuant to Section 6.9 below.

(DDD) "Resident" shall mean: (i) each Lessee actually residing or conducting a business on any part of the Assessable Property; and (ii) Members of the immediate family of each Owner or Lessee actually living in the same household with such Owner or Lessee.

Subject to the Rancho Perilla Estates Rules (including any imposition of special non-Resident fees for use of the Master Association Land, if any), the term "Resident" shall also include guests or invitees of any such Owner or Lessee, if and to the extent the Board in its absolute discretion so directs.

(EEE) "Satellite Association" shall mean any homeowners association or similar association formed by a Developer (other than Declarant) of a Parcel as referenced in Section 5.6 of the Declaration.

(FFF) "Special Assessment" shall mean any Assessment levied and assessed pursuant to Section 7.6 hereof.

(GGG) "Special Service Area" shall mean any part of Rancho Perilla Estates designated in this Declaration or in a Tract Declaration Recorded subdivision plat approved and signed by Declarant or the Master Association, or in any other Recorded instrument approved and signed by Declarant or the Master Association, as an area within which certain services are to be provided by the Master Association for the sole or primary benefit of the Owners of less than all of the Lots and Parcels in Rancho Perilla Estates.

(HHH) "Special Service Area Assessment" shall mean an Assessment levied against less than all of the Lots and Parcels in Rancho Perilla Estates pursuant to Section 7.5 of this Declaration. Each Lot and Parcel shall be subject to a separate Special Service Area Assessment for each Special Service Area within which such Lot or Parcel is located.

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

(JJJ) "Special Use Fees" shall mean special fees authorized by this Declaration which an Owner, Lessee, Resident or other Person is obligated to pay to the Master Association over, above, and in addition to any Annual Assessments, Special Service Area Assessment, Special Assessments, Maintenance Charges, Reserve Contributions or Community Enhancement Fees imposed or payable hereunder.

(KKK) "Tract Declaration" shall mean a declaration Recorded pursuant to Section 4.1 of this Declaration.

(LLL) "Visible From Neighboring Property" shall mean with respect to any given object, that such object is, or would be visible to a person six (6) feet tall, standing on the same plane as the object being viewed at a distance of one hundred feet (100') or less from the nearest boundary of the property being viewed, or otherwise visible so as to materially impair (as determined by the Design Review Committee) the available view of surrounding areas by Residents of adjacent Dwelling Units provided, however, that an object shall not be considered as being Visible From Neighboring Property if the object is visible only through a wrought iron fence or gate and would not be Visible From Neighboring Property if the wrought iron fence or gate were a solid fence or gate.

(MMM) "Yard" shall mean the portion of a Lot devoted to improvements other than the Residential Dwelling. "Private Yard" shall mean that portion of a Yard which is enclosed or shielded from view by walls, fences, hedges or the like so that it is not generally Visible from Neighboring Property and accessible only by Resident of a Dwelling Unit and/or his Invitees.

"Public Yard" shall mean that portion of a Yard which is generally Visible from Neighboring Property, whether or not it is located in front of, beside, or behind the Dwelling Unit.

ARTICLE 2 PLAN FOR RANCHO PERILLA ESTATES

2.1 Project General Plan; Binding Effect. Declarant intends to develop Rancho Perilla Estates by subdivision into various Parcels and Lots and to sell and convey such Parcels and Lots. As portions of Rancho Perilla Estates are developed, Declarant intends to Record one or more Tract Declarations covering Lots or Parcels, which Tract Declarations, among other things, may designate Master Common Areas and shall incorporate this Declaration by reference. The Tract Declarations may establish such additional covenants, conditions and restrictions as may be appropriate for the Lots or Parcels covered by the applicable Tract Declaration. Declarant hereby declares that all of the real property within Rancho Perilla Estates is, and shall be, held, conveyed, hypothecated, encumbered, leased, occupied, built upon or otherwise used, improved, or transferred, in whole or in part, subject to this Declaration and any Recorded Tract Declaration applicable thereto, as amended or modified from time to time; provided, however, that such portions of the Property as are dedicated to the public or a governmental entity for public purposes shall not be subject to this Declaration and the Covenants herein contained while owned by the public or the governmental entity, although any restrictions imposed in this Declaration upon the Owners, Lessees or Residents concerning the use and maintenance of such portion or portions of the Property shall, at all times, apply to the Owners, Lessees and Residents. This Declaration and the Tract Declarations are declared and agreed to be in furtherance of a general plan for the subdivision, improvement and sale of Rancho Perilla Estates, and are established for the purpose of enhancing and protecting the value, desirability and attractiveness of Rancho Perilla Estates and every part thereof. All of this Declaration shall run with all Parcels and Lots for all purposes and shall be binding upon and inure to the benefit of Declarant, the Master Association, all Owners, Lessees and Residents and their successors in interest. Nothing in this Declaration shall be construed to prevent the Declarant from modifying the Master Plan or any portions thereof.

2.2 Master Association Bound. The Covenants shall be binding upon and shall benefit the Master Association.

2.3 Satellite Associations Bound. Any and all Satellite Associations shall be bound by and to the extent specifically set forth in this Declaration or the applicable Tract Declaration, benefited by the Covenants.

ARTICLE 3 EASEMENTS

3.1 Easements of Enjoyment in Master Common Area. Declarant and every Owner, Lessee and Resident shall, except as otherwise provided in Section 3.2 below, have a right and easement of enjoyment in and to the Master Common Area, which shall be appurtenant to, and shall pass with, the title to every Parcel and Lot, subject to the following provisions:

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3.1.1 The right of the Master Association to suspend the voting rights and right to use of the Community Recreation Facilities and other Master Common Area (other than the right of an Owner and such Owner's family, Lessees and Invitees to use any streets which are part of the Master Common Area for ingress or egress to the Owner's Lot or Parcel) by any Member (i) for any period during which any Assessment or any other fee or charge payable hereunder against his Parcel or Lot remains delinquent; (ii) for a period not to exceed sixty (60) days for any infraction of the Master Association Documents, and (iii) for successive 60-day periods, if any such infraction is not corrected during any prior 60-day suspension period.

3.1.2 The right of the Master Association to adopt and enforce the Rancho Perilla Estates Rules regulating the use of the Master Common Area, including limiting the number of Invitees who may use the Master Common Area and restricting or prohibiting access to any portion of the Master Common Area, such as specified landscaping areas not intended for use by Owners, Lessees, or Residents. The Rancho Perilla Estates Rules shall be intended, in the absolute discretion of the Board, to enhance the preservation of the Master Common Area for the safety and convenience of the users thereof, and otherwise shall serve to promote the best interests of the Owners, Lessees, and Residents.

3.1.3 The right of the Master Association to dedicate, convey, transfer, lease or encumber all or any part of the Master Common Area; provided, however, that if access to a Lot is over any part of the Master Common Area, any conveyance, lease or encumbrance of such Master Common Area shall be subject to an easement for ingress and egress in favor of the Owner and Residents of the Lot and their Invitees.

3.1.4 The right of the Master Association to change the use of the Master Common Area in accordance with this Declaration as may be allowed by City plans, ordinances, and codes, and the right of the Master Association to add or delete improvements and other amenities to or from the Common Recreation Facilities.

3.1.5 The right of the Master Association to change the size, shape or location of the Master Common Area, to exchange any part of the Master Common Area for other lands or interests therein which become Master Common Area and to abandon or otherwise transfer Master Common Area, as may be allowed by City plans, ordinances and codes, so long as, in each case, either (i) the Board determines that the Members are not materially or adversely affected, or (ii) Declarant, or if Declarant no longer possesses a Class B Membership, the President of the Master Association, after obtaining the affirmative vote or written consent of two-thirds (2/3) of the total of all Class A Members, agrees to such change in size, shape or location, exchange, abandonment or transfer, as may be allowed by City plans, ordinances, and codes.

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

3.1.7 The right of the Board to charge reasonable admission or other use, consumption or membership fees for the use of any recreational facility or amenity situated on the Master Common Area, including, without limitation, the Community Recreation Facilities.

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

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

3.1.10 The rights and easements granted to the Golf Course and/or Golf Course Owner as further provided in Section 14.3 below.

3.2 Easement of Enjoyment in Community Recreation Facilities. Each Owner of a Lot or Parcel the use of which is restricted to Single Family Residential Use, Residential Condominium Development Use, and Cluster Residential Use, and each Owner of a Parcel the use of which is restricted to Recreational Vehicle (RV)/Travel Trailer/Mobile Home Park Use, for the benefit of the tenants of such RV/Mobile Home Park, shall have a right and non-exclusive easement to use and enjoy the Community Recreation Facilities, subject to the Board's ability to charge use or consumption fees for such use and to adopt and enforce reasonable Rancho Perilla Estates Rules governing such use.

3.3 Delegation of Use. Any Member may, in accordance with this Declaration and the Rancho Perilla Estates Rules and the limitations therein contained, delegate his right of enjoyment in the Master Common Area to the members of his family, Lessees or Residents, subject to any Rancho Perilla Estates Rules governing use by Invitees, including limitations on the number of guests permitted, or applicable guest fees, as the Board may adopt in its discretion.

3.4 Utility and Development Easements. Declarant hereby reserves for itself, so long as Declarant owns any Lot or Parcel within Rancho Perilla Estates, and grants to the Master Association and all public utility providers providing services within Rancho Perilla Estates, a non-exclusive, perpetual blanket easement over and through all of Rancho Perilla Estates (excluding any structure situated thereon), to the extent reasonably necessary for purposes of: (i) installing or constructing in accordance with plans and specifications approved by Declarant, the City or the County any infrastructure improvements and equipment used to provide any utilities to any portion of Rancho Perilla Estates, or adjacent land, including, without limitation, water, sewer, drainage, gas, electricity, telephone, telephone service and communication lines and systems, whether public or private; (ii) ingress and egress to install, construct, operate, maintain, repair, replace and inspect such infrastructure improvements and utility equipment in accordance with plans and specifications approved by Declarant, the City or the County; and (iii) storm water management and storm water drainage, as necessary or desirable for the orderly development of Rancho Perilla Estates in accordance with plans and specifications approved by Declarant, the City or the County. Subject to the provisions of this Section 3.4, Declarant also

reserves for itself the non-exclusive right and power to grant and Record such specific easements as may be necessary, in the reasonable discretion of Declarant, in connection with the orderly development of Rancho Perilla Estates. The Owner of any property to be burdened by any easement granted pursuant to the foregoing shall be given written notice in advance of the grant. The location of the easement shall be subject to the prior written approval of the Owner of the burdened property, which approval shall not be unreasonably withheld, conditioned or delayed. Any pipes, conduits, lines, wires, transformers, equipment and any other apparatus necessary for the provision or metering of any utility may be installed or relocated pursuant to this Section 3.4 only where permitted by the Declarant, where contemplated by any site plan approved by Declarant, where approved by resolution of the Board or where depicted or contemplated by any improvement plans approved by the City for any portion of Rancho Perilla Estates. Notwithstanding the foregoing, following Recordation of a subdivision plat or map of dedication with respect to any portion of Rancho Perilla Estates, any pipes, conduits, lines, wires, transformers, equipment and any other apparatus necessary for the provision or metering of any utility that is to be installed or relocated within such portion of Rancho Perilla Estates pursuant to this Section 3.4 may be installed or relocated only within such public roads and public utility easements as may be identified on the applicable subdivision plat or map of dedication. Equipment used to provide or meter such utilities or services may be installed above ground during periods of construction if approved by the Declarant.

3.4.1 All work associated with the exercise of the easements described in this Section 3.4 shall be performed as promptly and expeditiously as possible, and in such manner as to minimize interference with the use and enjoyment of any Lot or Parcel burdened by the easement and, except in an emergency, entry onto any Lot or Parcel shall be made only after reasonable notice to the Owner or occupant of the Lot or Parcel. All Owners shall cooperate to allow Declarant and any Person designated by Declarant to install, extend and connect to any utility improvements installed pursuant to the foregoing. Pursuant to this easement, a providing utility or service company may install and maintain facilities and equipment on the Property and affix and maintain wires, circuits and conduits on, in and under the roofs and exterior walls of buildings on the Lots and Parcels. Upon completion of the work, the Person providing a service or installing a utility pursuant to this easement shall restore the surface of the Property and the surrounding vegetation and improvements, to the extent reasonably possible, to their condition prior to the commencement of the work as soon as possible.

3.4.2 Any Person exercising any rights under this Section 3.4 shall indemnify, defend and hold harmless Declarant and the Owner of the portion of the Property affected by the exercise of the easement for, from and against any and all claims, actions, demands, liabilities, damages, costs and expenses (including, without limitation, reasonable attorneys' fees, any mechanics' or materialmen's liens or claims of liens) which may be suffered, incurred, claimed or asserted against Declarant or the Owner of the affected portion of the Property in connection with, arising out of, or in any way related to the exercise of the easement rights granted pursuant to this Section 3.4.

3.5 Conveyance, Lease or Encumbrance of Master Common Area. Except as provided in this Section 3.5 or Section 3.1 above, the Master Common Area shall not be mortgaged, transferred, dedicated or encumbered without the prior written consent or affirmative

vote of the Class B Member of the Master Association and the affirmative vote or written consent of the Owners representing at least two-thirds (2/3) of the votes entitled to be cast by Class A Members of the Master Association. Notwithstanding the foregoing, the Master Association shall have authority to dedicate parts of the Master Common Area to any public agency, authority or utility for such purposes and subject to such conditions as the Board may determine to be in the best interests of the Master Association. The Master Association may grant permits, licenses and easements on, over, under and through the Master Common Area for utilities, roads and other purposes reasonably necessary or useful for the proper maintenance and operation of the Property and which do not have any substantial adverse effect on the enjoyment of the Master Common Area by the Members. The Master Association may lease all or any part of the Master Common Area on a long term basis for such purposes and on such terms and conditions as are approved by the Members entitled to cast more than fifty percent (50%) of the votes represented in person or by proxy at an annual or special meeting of the Members at which the lease is submitted to the Members for approval. Further, the Master Association may convey portions of the Master Common Area for the purpose of adjusting the boundary lines between the Master Common Area and adjoining Lots or Parcels or dedicated rights-of-way.

3.6 Other Third Parties. The Master Common Area is private property and, in general, is not available for use by Persons other than Owners, Lessees and Residents. However, in the Board's discretion, and pursuant to any Rancho Perilla Estates Rules as the Board may adopt, the Master Association may provide services to or permit Master Common Area facilities use by other third parties, including the general public. The Master Association may, but is not required to, charge and collect use and consumption fees from third parties as provided for in Section 3.1.7 above and Section 7.7 below. Such services and fees may vary among such parties. The Master Association may also enter into agreements with third parties to provide such facilities and services in exchange for financial or other consideration.

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

3.8 Easements for Drainage. There is hereby created a perpetual, non-exclusive blanket easement upon, across, over and under each Lot and Parcel for ingress to, egress from and the installation, replacing, repairing, maintaining and inspecting of all drainage Improvements and related appurtenances required to be installed pursuant to the City approved master drainage plan for Rancho Perilla Estates, or any part thereof, or, as reflected on any improvement plans for any portion of Rancho Perilla Estates approved by the City. All work associated with the exercise of any easement described in this Section 3.8 shall be performed in such a manner as to minimize interference with the use and enjoyment of the portion of the Property affected by the exercise of the easement. Upon completion of the work, the Person exercising the easement shall restore the surface of the Property and the surrounding vegetation and Improvements, to the extent and as soon as reasonably possible, to their condition prior to

the commencement of the work. The exercise of any such easement shall not extend to permitting entry into the structures on any Lot or Parcel, and, except in an emergency, entry onto any Lot or Parcel shall be made only after reasonable notice to the Owner or occupant of the Lot or Parcel. No Dwelling Unit or other Improvement shall be constructed, installed, placed or maintained in any manner that would obstruct, interfere with or change the direction or flow of water in accordance with the City approved master drainage plan for Rancho Perilla Estates, or any part thereof, or for any Lot or Parcel as shown on any applicable drainage plan on file with the City.

ARTICLE 4 LAND USE CLASSIFICATIONS, PERMITTED USES AND RESTRICTIONS

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

4.1.1 Single Family Residential Use.

4.1.2 Condominium Development Use.

4.1.3 Cluster Residential Use, which shall consist of Lots with Dwelling Units intended for single family occupancy and may include those types of residential housing arrangements commonly known as townhouses, clustered housing, zero-lot line housing and similar arrangements, together with related areas intended for use and enjoyment of the Owners and Residents of the Lots in the cluster development.

4.1.4 Recreational Vehicle (RV) Travel Trailer/Mobile Home Park Use, including, without limitation any Use that is subject to the Arizona Mobile Home Parks Residential Landlord and Tenant Act, A.R.S. §33-1401 et seq. and the Recreational Vehicle Long-Term Rental Space Act, A.R.S. 33-2101 et seq.

4.1.5 General Master Association Use.

4.1.6 General Public Use.

4.1.7 Public-Private Recreation

4.1.8 Park(s)

4.1.9 Community Recreation Facilities and Master Common Areas.

4.1.10 Wet Site Use.

4.1.11 Telecommunications Use Site.

Unless otherwise specifically provided in this Declaration, the definitions and characteristics of such Land Use Classification, and specific permitted and prohibited uses in such classifications, shall be determined in a Tract Declaration. Declarant may not record a Tract Declaration establishing a Land Use Classification unless such Land Use Classification is consistent with the Master Plan, if any, approved by the City and/or is consistent with a zoning case, variance or other special use permit approved by the City for the applicable Lot(s) or Parcel subject to the proposed Tract Declaration. Only the Single Family Residential Land Use Classification for the initial Rancho Perilla Estates has been approved by the City at the time of the Recording of this Declaration.

4.2 Declarant's Right to Change Land Use Classifications. Declarant shall have the right to change any Land Use Classification shown on the Master Plan or otherwise approved by the City in writing with the express written consent of the City. Unless the applicable Tract Declaration provides to the contrary and subject to the approval of the City as provided herein, for so long as Class B Membership exists, Declarant (if Declarant is the Owner of said Lot or Parcel) or Declarant and the Owner(s) of said Lot or Parcel (if Declarant is not the Owner or sole Owner of said Lot or Parcel), without the approval of the Board or any other Owner, shall have the right to change the Land Use Classification of a Lot or Parcel as established in a Recorded Tract Declaration by Recordation of an amendment to the applicable Tract Declaration executed by Declarant and, if applicable, the Owner(s) of said Lot or Parcel.

4.3 Architectural Control. All Parcels and Lots within Rancho Perilla Estates are subject to architectural control by the Design Review Committee. Notwithstanding the foregoing, the approval of the Design Review Committee required hereby shall be in addition to, and not in lieu of, any approvals, consents or permits required under the ordinances, rules or regulations of the City or County. Except as otherwise provided in this Declaration, no improvements, alterations, repairs, excavation, grading, landscaping or other work which in any way alters any Lot or Parcel within Rancho Perilla Estates or the exterior appearance of improvements located thereon, from its natural or improved state existing on a date a Tract Declaration for such property was first Recorded shall be made or done without the prior approval written of the Design Review Committee, as applicable. The exterior of any building, fence, wall, residence or other structure shall not be commenced, erected, maintained, improved, altered or made without the prior written approval of the Design Review Committee. All subsequent additions to or changes or alterations in any building, fence, wall or other structure, including exterior color scheme, and any changes in the grade of Lots or Parcels shall be subject to the prior written approval of the Design Review Committee. No changes or deviations in or from the plans or specifications once approved in writing by the Design Review Committee, shall be made without the prior written approval of the Design Review Committee.

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This Section 4.3 does not apply to Improvements, alterations, repairs, excavation, grading, landscaping or other work performed by or on behalf of Declarant.

4.4 Covenants, Conditions, Restrictions and Easements Applicable to Lots and Parcels. The following covenants, conditions, restrictions and reservations of easements and rights shall apply to all Parcels and Lots, and the Owners, Lessees and Residents thereof, regardless of Land Use Classification, except as specifically limited to certain Parcels or Lots as expressly indicated in this Section 4.4 or as indicated by context.

4.4.1 Restriction on Further Subdivision, Property Restrictions and Rezoning. No Lot or Parcel subject to this Declaration on the date of its Recording or subject to a Recorded Tract Declaration shall be further subdivided or separated into smaller Lots or Parcels by any Owner and no portion less than all of any such Lot or Parcel, nor any easement or other interest therein, shall be conveyed or transferred by any Owner, without the prior written approval of the Board and of Declarant (so long as Declarant is the Owner of any Lot or Parcel), which approval must be evidenced on the Recorded plat or other Recorded instrument creating the subdivision, easement or other interest. No further covenants, conditions, restrictions or easements shall be Recorded by any Person against any Lot or Parcel (other than Declarant) without the provisions thereof having first been approved by the Board, and any covenants, conditions, restrictions or easements Recorded without such approval being evidenced thereon shall be null and void. Except as set forth in Section 4.2 above, no application for rezoning, variances or use permits pertaining to any Lot or Parcel covered by a Tract Declaration shall be filed with any governmental authority by any Person other than Declarant or the Board, unless the application has been approved by the Board and the proposed use otherwise complies with this Declaration. For so long as Declarant owns any Lot or Parcel within Rancho Perilla Estates, this Section 4.4.1 shall not be applicable to or binding upon Declarant with respect to any such Lot or Parcel.

4.4.2 Health, Safety and Welfare. If additional uses, activities and facilities are deemed by the Board to be a nuisance or to adversely affect the health, safety or welfare of Owners, Lessees or Residents, Declarant, so long as Declarant owns any portion of Rancho Perilla Estates, or the Board may adopt Rancho Perilla Estates Rules restricting or regulating their presence within the Property or may direct the Design Review Committee to make rules governing their presence on Lots or Parcels as part of the Design Guidelines.

4.4.3 Model Homes. The provisions of this Declaration and of any Tract Declaration which prohibit non-Residential use of Parcels and regulate parking of vehicles shall not prohibit the construction and maintenance of model homes by Production Developers and parking incidental to the visiting of such model homes so long as the location of such model homes are approved by the Design Review Committee, and the construction, operation and maintenance of such model homes otherwise comply with all of the provisions of this Master Association Documents. The Design Review Committee may also permit other areas to be used for parking in connection with the showing of model homes, provided such parking and parking areas are in compliance with City and County agency ordinances and regulations and any or Rancho Perilla Estates Rules.

4.4.4 Residential Use. Except for construction, maintenance and other activities related to the model homes as provided in Section 4.4.3 above, the Lots and Parcels within Rancho Perilla Estates having a Single Family Residential Use, Cluster Residential Use, or Condominium Development Use Land Use Classification shall be used, improved and devoted exclusively to residential use and no trade or business may be conducted on any Lot or in or from any Dwelling Unit on any Lot or Parcel having the foregoing Land Use Classifications, except that an Owner or other Resident of a Lot may conduct a legal business activity within a Dwelling Unit (but not including any garage area) on a Lot so long as: (a) the existence of the operation of the business activity is not detectable by sight, sound or smell from outside the Dwelling Unit on the Lot; (b) the business activity conforms to all applicable zoning ordinances or requirements for the Lot; (c) the business activity does not involve persons coming onto the Lot other than on an infrequent basis nor does it involve the door-to-door solicitation of Owners or other Residents within the Parcel; (d) the business activity is consistent with the residential characteristic of the Parcel and does not constitute a nuisance or a hazardous or offensive use or threaten the security or safety of other Residents within the Parcel, as may be determined from time to time in the sole discretion of the Board. The terms "business" or "trade" as used in this Section 4.4.4 shall be construed to have ordinary, generally accepted meanings, and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation or other form of consideration, regardless of whether: (i) such activity is engaged in full or part time; (ii) such activity is intended to or does generate a profit; or (iii) a license is required for such activity.

The leasing of a Dwelling Unit by the Owner thereof shall not be considered a trade or business within the meaning of this Section 4.4.4 and the Owner of a Lot shall have the absolute right to lease his Lot and Dwelling Unit thereon, provided that the lease is in writing and all Residents occupying the Residential Dwelling under the Lease, including the Lessee, are specifically made subject to the covenants, conditions, restrictions, easements, limitations and uses contained in this Declaration, the Bylaws and any Rancho Perilla Estates Rules and provided further that the lease shall not be for a period of less than ninety (90) days. Home exchange programs and foreign student exchange programs shall not be construed as leasing as long as there is no or nominal consideration passing between the parties to such transaction and the Residents otherwise abide by the Project Documents. For purposes of Section 7.16 below, a lease shall be deemed a "transfer" and subject to the Transfer Fee, which shall be paid concurrently with the delivery of the lease to the Association as provided above. Nothing contained in this Declaration shall be construed as limiting or in any way affecting any leasing program operated by Declarant with respect to any Lots or Parcels it owns in Rancho Perilla Estates.

4.4.5 Maintenance of Lawns and Plantings. Except as provided in Section 10.4 below, each Owner of a Lot or Parcel shall keep all shrubs, trees, hedges, grass and plantings of every kind located on (i) his Lot or Parcel (including set back areas), (ii) planted public right-of-way areas between sidewalks (or bike paths) and the street curb in front of his property if any, (iii) any other public right-of-way or easement area which abuts the Owner's Lot or Parcel and which is located between the boundary line of his Lot or Parcel and the paved area of any street, sidewalk, bike path or similar area, and (iv) any non-street public right-of-way, neatly trimmed and shall keep all such areas properly cultivated and free of trash, weeds

and other unsightly material; provided, however, that such Owner shall not be responsible for maintenance of any area (a) which is Master Common Area, (b) which is maintained by the Master Association pursuant to Section 10.4 below, or (c) over which the City, County, or any other public agency assumes responsibility, for so long as said political entity or agency assumes or has responsibility therefor. Notwithstanding the foregoing, the Design Review Committee having jurisdiction, or Declarant, may require the Owner of any Lot or Parcel adjacent to the areas described in items (i), (ii), and (iv) above to install and maintain landscaping in such areas on such terms and conditions established by the Design Review Committee or Declarant, as the case may be. The Board may impose such conditions as may be determined to be reasonably necessary (including, without limitation, the requirement that certain improvements be constructed or installed within certain time periods or that any landscaping be installed and maintained by the Owner for a sufficient grow-in period) prior to accepting any portion of a Lot or Parcel intended to be dedicated for use as Master Common Area or prior to accepting any maintenance responsibility.

4.4.6 Incidental Uses. The Board may approve uses of property within a Land Use Classification, which are incidental to the full enjoyment by the Owners of the property within that Land Use Classification. Such approval may be subject to such regulations, limitations and restrictions, including termination of the use, as the Board may wish to impose, in its sole discretion, for the benefit of Rancho Perilla Estates as a whole. By way of example and not of limitation, the uses which the Board may permit are private roadways and streets within an area having a Land Use Classification of Cluster Residential Use or Condominium Development Use, recreation facilities intended primarily for the benefit of all or certain Owners and Residents within an area having a Land Use Classification of Cluster Residential Use or Condominium Development Use, recreational facilities intended for usage by the Owners or Residents of more than a single Parcel within any area classified for residential use, and a sales, information and marketing center operated by Declarant.

4.4.7 Nuisances, Construction Activities. No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot or Parcel and no odors shall be permitted to arise or emit therefrom so as to render any such Lot or Parcel or any portion thereof, or activity thereon, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to the occupants of such other property. No other nuisance shall be permitted to exist or operate upon any Lot or Parcel so as to be offensive or detrimental to any other property in the vicinity thereof or to the occupants of such other property. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, firecrackers, bells, or other sound devices, except security devices used exclusively for security purposes, shall be located, used or placed on any such Lot or Parcel; provided, however, that the foregoing shall not be construed to prohibit the installation of a reasonable number of exterior speakers in the Private Yard of a Lot so long as the volume level of sound emitted therefrom does not create a nuisance to any other property in the vicinity thereof or to the occupants of such other property, as determined by the Board, in its sole discretion. Normal construction activities and parking in connection with the building of improvements on a Lot or Parcel shall not be considered a nuisance or otherwise prohibited by this Declaration, but the Board may adopt Rancho Perilla Estates Rules limiting the hours and or days construction may take place and Lots or Parcels shall be kept in a neat and tidy condition during construction periods, trash and debris

shall not be permitted to accumulate and supplies of brick, block, lumber and other building materials shall be piled only in such areas as may be approved by the Design Review Committee or Declarant, as applicable. In addition, any construction equipment and building materials stored or kept on any Lot or Parcel during construction of Improvements may be kept only in areas approved by the Design Review Committee. The Design Review Committee may also require screening of said storage areas. The Board, in its sole discretion, shall have the right to determine the existence of any such nuisance.

4.4.8 Repair of Buildings. No building or structure on any Lot or Parcel shall be permitted to fall into disrepair and each building and structure shall at all times be kept in good condition and repair and adequately painted or otherwise finished. If any building or structure is destroyed, then, subject to the approvals required by Section 4.3 above, such building or structure shall be immediately repaired or rebuilt or shall be demolished.

4.4.9 Signs. No signs whatsoever (including, but not limited to, commercial, political and similar signs) which are Visible From Neighboring Property shall be erected or maintained on any Lot or Parcel or any portion of the Master Common Area except such signs which have been approved in advance and in writing by Declarant or the Design Review Committee, and which are in conformance with the applicable requirements of the City or County and other applicable governmental agencies.

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

4.4.11 Right of Entry. During reasonable hours and upon reasonable notice to the Owner or other Resident of a Lot or Parcel, Declarant, any member of the Design Review Committee, any member of the Board, or any authorized representative of any of them, shall have the right to enter upon and inspect any Lot or Parcel, and the Improvements thereon, except for the interior portions of any completed Dwelling Unit, for the purpose of ascertaining whether or not the provisions of this Declaration have been or are being complied with, and such Persons shall not be deemed guilty of trespass by reason of such entry.

4.4.12 Animals. No animal, bird, or reptile other than a reasonable number of generally recognized house or yard pets, shall be maintained on any Lot or Parcel, and then only if they are kept, bred or raised thereon solely as domestic pets and not for commercial purposes. No animal, bird, or reptile shall be allowed to make any unreasonable amount of noise or to become a nuisance. No animal that has a propensity to attack other Persons or animals, without

provocation, or otherwise endanger the safety of Persons and other animals within Rancho Perilla Estates, or that has been determined to be vicious, shall be permitted or maintained on any Lot or Parcel. No structure for the care, housing or confinement of any animal, bird, or reptile shall be maintained so as to be unsightly or visible From Neighboring Property. Upon the written request of any Member or Resident, the Board shall conclusively determine, in its sole and absolute discretion, whether, for the purpose of this Section 4.4.12, a particular animal, bird, fowl, poultry, reptile or livestock is a generally house or yard pet, whether such pet is a nuisance or is vicious, or whether the number of animals, birds, fowl, poultry reptiles or livestock on any such property is reasonable, or whether any structure for the care, housing, or confinement of any animal, bird, or reptile is unsightly. Any decision rendered by the Board shall be enforceable in the same manner as other Covenants contained herein. The Board may include a limit on the number of pets that may be kept on any Lot or Parcel in the Rancho Perilla Estates Rules. Nothing contained in this Section 4.4.12 shall be construed as permitting any animal within Rancho Perilla Estates that is otherwise precluded or prohibited from being kept on any real property located in the City by its applicable laws or ordinances.

4.4.13 Temporary Occupancy and Temporary Buildings. No trailer, basement of an incomplete building, tent, shack, garage or barn, and no temporary buildings or structures of any kind shall be used at any time as a Dwelling Unit, either temporarily or permanently. Temporary structures used during the construction of approved Dwelling Units or other Improvements shall be removed immediately after the completion of construction. In no event shall any such buildings, trailer or other structures be maintained or kept on any Lot or Parcel (other than a Lot or Parcel owned by Declarant) for a period in excess of twelve months without the prior written approval of the Board.

4.4.14 Diseases and Insects. No Owner shall permit any thing or condition to exist upon any Lot or Parcel which shall induce, breed or harbor infectious plant or animal diseases or noxious insects.

4.4.15 Antennas. To the extent permitted by applicable law, the installation of any antenna, aerial, satellite dish or other device for the transmission or reception of television or radio signals or other form of electromagnetic radiation shall be subject to the prior written approval of the Design Review Committee. Therefore, no antenna, satellite or microwave dish or other device for the transmission or reception of television or radio signals or any other form of electromagnetic radiation shall be constructed, installed, erected, used or maintained on any Lot or Parcel without the prior written approval of the Design Review Committee, as applicable, unless applicable law prohibits the Design Review Committee from requiring such approval. Even if applicable law prohibits the Design Review Committee from requiring prior approval for the installation of certain devices, such devices must still be installed in accordance with all Design Guidelines that do not interfere with the reception of a satisfactory signal. By way of illustration and not of limitation, the Design Guidelines may require such devices to be ground-mounted.

4.4.16 Mineral Exploration. No Lot or Parcel shall be used in any manner to explore for or to remove any water, oil or other hydrocarbons, minerals of any kind, gravel, earth or any earth substance of any kind, except for grading and excavation work and the removal of

fill material including, but without limitation, gravel, rock and sand, in connection with the construction of Dwelling Units or other Improvements which have been approved in writing by the Design Review Committee and, except for grading, excavation and removal work being performed by, or on behalf of Declarant.

4.4.17 Trash Containers and Collection. No garbage or trash shall be placed or kept on any Lot or Parcel, except in covered containers of a type, size and style which are approved in writing by the Design Review Committee. In no event shall such containers be maintained so as to be unsightly or Visible From Neighboring Property except to make the same available for collection and then only for the shortest time reasonably necessary to effect such collection at designated collection points within Rancho Perilla Estates. All rubbish, trash or garbage shall be regularly removed from the Lots and Parcels and shall not be allowed to accumulate thereon. No indoor or outdoor incinerators shall be kept or maintained on any Lot or Parcel.

4.4.18 Clothes Drying Facilities. No outside clotheslines or other outside facilities for drying or airing clothes shall be erected, placed or maintained on any Lot or Parcel with a Land Use Classification of Single Family Residential Use, Cluster Residential Use or Condominium Development Use, so as to be Visible From Neighboring Property.

4.4.19 Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot or Parcel, except: (i) such machinery or equipment as is usual and customary in connection with the use, maintenance or construction (during the period of construction) of a building, structures, Dwelling Units, or other Improvements; or (ii) such machinery or equipment which Declarant or the Master Association may require for the operation and maintenance of Rancho Perilla Estates.

4.4.20 Maintenance of Party Walls. Except as hereinafter provided, the rights and duties of Owners with respect to Party Walls or Party Fences between Lots and/or Parcels shall be as follows:

4.4.20.1 The Owners of contiguous Lots or Parcels, who have a Party Wall or Party Fence shall both equally have the right to use such wall or fence, provided that such use by one of the Owners does not interfere with the use and enjoyment of the same by the other Owner.

4.4.20.2 If any Party Wall or Party Fence is damaged or destroyed through the act of an Owner or his Lessees or their Residents or Invitees (whether or not such act is negligent or otherwise culpable, and, including, without limitation, any damage or destruction caused by or related to construction and use of a planter along any Party Wall or Party Fence), it shall be the obligation of such Owner to rebuild and repair the Party Wall or Party Fence without cost to the Owner of the adjoining Lot or Parcel. Any dispute over any Owner's liability for such damage shall be resolved as provided in Section 4.4.20.5 below, but any liability imposed on an Owner hereunder shall not prevent the Owner from seeking indemnity therefor from the Persons causing such damage.

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4.4.20.3 If any Party Wall or Party Fence is destroyed or damaged (including deterioration from ordinary wear and tear and lapse of time), other than by act of an adjoining Owner, his Lessees, or their Residents or Invitees, it shall be the obligation of all Owners whose Lots or Parcels adjoin such Party Wall or Party Fence to rebuild and repair such wall or fence at their joint expense; with such expense to be allocated among the Owners in accordance with the frontage of their Lots or Parcels on the Party Wall or Party Fence.

4.4.20.4 Notwithstanding anything to the contrary herein contained, there shall be no modification of any Party Wall or Party Fence or impairment of the structural integrity of any Party Wall or Party Fence without the prior consent of all Owners of any interest therein, whether by way of easement or in fee.

4.4.20.5 If a dispute occurs between Owners with respect to the construction, repair or rebuilding of a Party Wall or Party Fence, or with respect to the sharing of the cost thereof, such adjoining Owners shall submit the dispute to the Board, the decision of which shall be binding.

4.4.20.6 Anything in the foregoing to the contrary notwithstanding:

(i) In the case of Party Walls or Party Fences (a) between Master Common Area and Lots or Parcels, or (b) constructed by Declarant or the Master Association on Master Common Area, the Master Association, only following its approval of the construction of such Party Wall or Party Fence and acceptance of the maintenance thereof, shall be responsible for all maintenance thereof, subject to the provisions of Section 10.2 and Section 10.4 below, except that each Owner of a Lot or Parcel shall be responsible for painting the portion of the Party Wall or Party Fence facing his Lot or Parcel or the portion thereof which is not a portion of the Master Common Area, and each Owner shall be responsible for any repairs, replacements and maintenance resulting from the improper or defective construction of such Party Wall or Party Fence constructed by the Owner.

(ii) The provisions of this Section 4.4.20.6 shall not apply to any Party Wall which separates the interiors of two Dwelling Units and the rights of the Owners of such Dwelling Units with respect to Party Walls shall be governed by plats and any covenants, conditions and restrictions to be Recorded by the Developer of the Dwelling Units on the real property on which the Dwelling Units are located.

(iii) If any portion of a Party Wall or Party Fence, the length of which is situated in its entirety either on, immediately adjacent to or over the common boundary of Lots or Parcels, or on the common boundary of Master Common Area and Lots or Parcels, encroaches onto a Lot or Parcel, or encroaches onto any Master Common Area, then: (a) the Owner of the property onto which the Party Wall or Party Fence encroaches (the "Burdened Property") shall be deemed to have granted an easement of access and enjoyment to the Owner of the adjacent Lot or Parcel (the "Benefitted Property") over that portion of the Burdened Property lying on the same side of the Party Wall or Party Fence as the Benefitted Property (the "Easement Area"), and (b) the Owner of the Benefitted Property shall be

responsible for maintenance of the Easement Area in accordance with all maintenance standards applicable to the adjacent portion of the Benefitted Property.

4.4.21 Maintenance of Walls Other Than Party Walls or Party Fences.

4.4.21.1 Unless otherwise provided in a Tract Declaration, walls (other than Party Walls or Party Fences governed by Section 4.4.20 above or walls governed by Sections 4.4.21.2 and 4.4.21.3 below) located on a Lot or Parcel shall be maintained, repaired and replaced by the Owner of the Lot or Parcel.

4.4.21.2 Any wall which consists of masonry columns and/or masonry base and wrought iron fencing which separates a Golf Course Lot and the Golf Course shall be located only on the Golf Course Lot and may not be permitted to encroach upon the Golf Course and no prescriptive easement for any such encroachment may be obtained at any time against the Golf Course Owner. Such wall shall be maintained, repaired and replaced by the Owner of the Lot or Parcel, except that the Master Association shall be responsible for the painting, repair, maintenance and replacement of (i) the top of the masonry wall or columns, (ii) the side(s) of the masonry walls or columns which are visible from the Master Common Area, and (iii) all portions of any wrought iron fencing. The Owner of the Lot or Parcel shall be responsible for reimbursing the Master Association for one-half (1/2) of the costs incurred by the Master Association in painting, repairing and/or replacing any such wrought iron fencing. Any reimbursement due to the Master Association from an Owner pursuant to this Section 4.4.21.2 shall be paid by the Owner to the Master Association within fifteen (15) days after receipt of a bill, invoice or other demand from the Master Association for such reimbursement amount, and shall be deemed to be a Maintenance Charge and shall be secured by the Assessment Lien.

4.4.21.3 If the Master Association deems it necessary to trim, cut or remove vines, plants, trees, bushes, shrubs or other landscaping planted on a Lot or Parcel for the Master Association to be able to perform its maintenance responsibilities under this Section 4.4.21, the Master Association shall give notice to the Owner of the applicable Lot or Parcel identifying the work which must be done for the Master Association to be able to perform its maintenance responsibilities and the date by which such work must be completed. If the Owner does not perform the work identified in the notice within the time period set forth in the notice, then the Master Association shall have the right to perform the necessary work and charge the Owner for all costs incurred by the Master Association in the performance of the work. Any such amounts which become payable by an Owner to the Master Association pursuant to this Section 4.4.21 shall be paid by the Owner within fifteen (15) days after receipt of a billing, invoice or other demand from the Master Association for payment of such amount and shall be deemed to be a Maintenance Charge and shall be secured by the Assessment Lien. The Master Association shall not be liable to the Owner of a Lot or Parcel or to any other Person for any loss or damage to the landscaping, or for any change in appearance of a Lot or Parcel as a result of any work performed by the Master Association on a Lot or Parcel pursuant to this Section 4.4.21.3. The Master Association shall be liable to the Owner of a Lot or Parcel for any damage to a wall caused by the Master Association in the exercise of the Master Association's rights under this Section 4.4.21.

4.4.21.4 Any wall which is placed on the boundary line between a Lot or Parcel and public rights-of-way shall be maintained, repaired and replaced by the Master Association except that the Owner of the Lot or Parcel shall be responsible for the repair and replacement of the surface of the wall which faces the Lot or Parcel.

4.4.22 Height and Construction Requirements for Exterior Walls and Fences Including Party Walls and Fences. No exterior or boundary wall or fence (including any Party Wall or Party Fence), any theme wall or fence, and any fence on or adjacent to the boundary with the Golf Course and located on any part of a Lot or Parcel shall exceed six (6) feet in height. All walls or fences located on or immediately adjacent to a boundary line with the Golf Course shall contain at least four (4) feet of decorative wrought iron so as to encourage the visual effect of natural open space; provided, however, that in no event may the Declarant, any Developer, Production Developer, or the Owner of a Golf Course Lot or any Parcel adjoining the Golf Course install, erect or maintain a wall or fence adjoining or adjacent to the Golf Course that contains any gate, fence, or opening leading or providing access to the Golf Course through such opening or aperture. All Party Walls and Party Fences shall be of block construction or such other materials as may be approved by the City in writing for use within Rancho Perilla Estates.

4.4.23 Gated Community/Community Privacy Measures. As of the date of Recording of this Declaration, all streets and roads within Rancho Perilla Estates are publicly dedicated. However, Declarant intends to apply to the City to establish a system of privately maintained roads with the maintenance thereof assumed by the Master Association as Master Common Area. If Declarant effects such a change, then Declarant, intends, without obligation, for Rancho Perilla Estates to be a gated community. In addition, individual Parcels within Rancho Perilla Estates may be gated for additional privacy as the Owner of such Parcel may elect and as may be approved by the Design Review Committee and the City. Each Owner understands and agrees that neither the Master Association nor any Satellite Association (nor its officers, directors, employees, and agents) nor Declarant (nor its officers, directors, employees and agents) is responsible for the acts and omissions of any third parties or of any other Owner or Owner's family members, guests, tenants and invitees resulting in damages or injury to person or property. If, and to the extent, any common privacy measures, including any electronic privacy gates, are installed, undertaken or adopted by Declarant or the Master Association, the cost of installation and maintenance of such features or facilities will be paid by the Master Association as a Common Expense and included within the budget for the Annual Assessment. Each Owner understands that any privacy measures on Master Common Area and/or maintained by the Master Association that are in effect at the time he becomes an Owner may be abandoned, removed and/or modified by a majority vote of the Board. The commencement of any such devices, features, measures or controls shall not be deemed to be an assumption of any duty on the part of the Master Association or Declarant with respect to Rancho Perilla Estates or any Parcel or Lot or Owner therein and neither the City, Declarant, the Board (nor any committee thereof) make any representation or warranty concerning the efficacy of such devices relating to security or the ease of entry or response time of fire, police or other emergency personnel onto or within Rancho Perilla Estates.

4.4.24 Overhead Encroachments. No tree, shrub, or planting of any kind on any Lot or Parcel shall be allowed to overhang or otherwise to encroach upon any sidewalk, street, pedestrian way or other area from ground level to a height of eight (8) feet without the prior written approval of the Board.

4.4.25 Trucks, Trailers, Campers and Boats. No Vehicle may be left upon any portion within Rancho Perilla Estates except in a garage, driveway, parking lot, or other area designated by the Board. Notwithstanding the foregoing, for all Lots or Parcels with a Land Use Classification of Single Family Residential Use, Cluster Residential Use or Condominium Development Use, commercial vehicles, recreational vehicles, mobile homes, trailers, campers, boats or other watercraft, stored vehicles, and unlicensed vehicles or inoperable vehicles shall not be parked on such Lots or Parcels other than within an enclosed garage located thereon; provided, however, that one (1) boat may be temporarily kept or stored completely on the driveway of a Lot adjacent to a garage of a Dwelling Unit for not more than four (4) nights in any calendar month. This Section 4.4.25 shall not apply to emergency vehicle repairs. The term "Vehicle" shall mean and include, without limitation, an automobile, bus, truck, boat, trailer, travel trailer, motor home, mobile home, motorcycle, camper, van and/or recreational vehicles.

4.4.26 Motor Vehicles. No Vehicle shall be constructed, reconstructed or repaired upon any Lot, Parcel, Master Common Area or street within Rancho Perilla Estates, and no inoperable Vehicle or other mechanical equipment may be stored or parked on any such Lot, Parcel or street so as to be Visible From Neighboring Property or to be visible from Master Common Area or streets; provided, however, that the provisions of this Section 4.4.26 shall not apply to emergency vehicle repairs or temporary construction shelters or facilities maintained during, and used exclusively in connection with, the construction of any Improvement approved in writing by Declarant, so long as Declarant owns any portion of Rancho Perilla Estates, or the Design Review Committee. Without limiting the foregoing, a Vehicle or other equipment shall be deemed to be stored and/or inoperable if it is has a flat tire that is not immediately replaced and/or is not driven or moved under its own power on a weekly basis.

4.4.27 Parking. For all Lots or Parcels with a Land Use Classification of Single Family Residential Use, Cluster Residential Use or Condominium Development Use, Vehicles of all Owners, Lessees and Residents, and of their Invitees, are to be kept in garages, carports, residential driveways of the Owner, or other designated parking areas within a Parcel; provided, however, this Section 4.4.27 shall not be construed to permit the parking in the above described areas of any Vehicle whose parking within Rancho Perilla Estates is otherwise prohibited or the parking of any inoperable Vehicle. There shall be no on-street parking on any private roads or tracts within a Parcel deeded or to be deeded to the Master Association as Master Common Area.

4.4.28 Towing of Vehicles. The Board shall have the right to have any Vehicle which is parked, kept, maintained, constructed, reconstructed or repaired in violation of the Master Association Documents towed away at the sole cost and expense of the owner of the Vehicle. Any expense incurred by the Board or the Master Association in connection with the towing of any Vehicle shall be paid to the Master Association upon demand by the owner of the Vehicle as an Enforcement Assessment. If the Vehicle is owned by an Owner, any amounts payable to the Master Association shall be secured by the Assessment Lien, and the Master

Association may enforce collection of such amounts in the manner provided in this Declaration for the collection of Enforcement Assessments.

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

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

4.4.31 Basketball Poles and Backboards/Flagpoles and Display of the American Flag. No basketball pole and/or backboard or similar sports equipment that will be located in a Public Yard of a Lot or visible from adjacent streets may be installed without the prior written consent of the Design Review Committee, which consent may be withheld in its sole and absolute discretion. As further provided in A.R.S. §33-1808, a Member may display an American flag on his Lot consistent with the federal flag display laws codified in the United States Code. The Association shall adopt Rancho Perilla Estate Rules regarding the display of the American flag, including regulating the size and location of flagpoles, as long as such Rules do not result in the prohibition of the installation of the flagpole or unduly limit displaying the American flag. In no event may a flagpole be installed on a Lot until the height and location of the pole and the flag to be display thereon have been approved by the Board.

4.4.32 Soil Condition and Drainage. In no event is Declarant responsible to any Owner for the condition of the soils or subsurface condition, soils preparation, drainage, construction of the building pad (collectively, the "Soils Condition"), or any effect such matters have on any Dwelling Unit or other Improvements constructed on any Lot or Parcel, including, without limitation, any landscaping on any part of a Lot or Parcel. Each Owner hereby acknowledges that Declarant is making no representation or warranty regarding such matters except that any Dwelling Units or other Improvements designed to be occupied and constructed by Declarant shall be certified as being constructed one foot above the designated flood plain. Each Developer or other builder of Improvements within Rancho Perilla Estates is responsible for constructing all Improvements in accordance with soils and geotechnical reports and studies and ensuring that the Improvements do not impede the drainage on the Lot or Parcel as contemplated by the drainage plans approved by the City or County. Each Developer or other builder of Improvements shall defend, indemnify and hold Declarant harmless from, of, for and against any claims, damages, obligations, liabilities, losses, expenses or fees (including attorneys' fees) arising from any Soils Condition on the Lots or Parcels owned or developed by the Developer or other builder or the failure of a Developer or other builder to properly construct any Improvements, including, without limitation, any appurtenant structures, driveways, landscaping or otherwise on such Lots or Parcels. Each Owner hereby acknowledges that proper drainage is necessary for the maintenance of the Lots and Parcels and, accordingly agrees

that such Owner shall not install any sprinklers or water system, construct ponds, wells, retention basins, make or remove modifications to any Improvements or otherwise alter the surface of the Lot or Parcel so as to improperly impede or impair the drainage of the Lot or Parcel. In addition, each Owner hereby agrees that all discharges of water (for example, discharges of swimming pool backwash) shall remain on the Lot or Parcel and shall not be permitted to flow off the Lot or Parcel onto adjacent Lots, streets, Parcels, or Master Common Area (including washes or channels). Each Owner shall defend, indemnify and hold Declarant, the Master Association and all other Owners harmless from, of, for and against any claims, damages, obligations, liabilities, losses, expenses or fees (including attorneys' fees) arising from or related to any impermissible off-site discharge from said Owner's Lot or Parcel.

4.4.33 Environmental Protection. No Lot or Parcel, nor any facilities on the Lot or Parcel shall be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Substances or solid waste in violation of any Environmental Laws. As used in this Section 4.4.33, "Hazardous Substance" means any substances, water, pollutants, contaminants or materials which pose a risk of injury or threat to health or the environment or becomes regulated under any Environmental Law, including without limitation, petroleum and petroleum derivatives and asbestos; "Environmental Law" means any federal, state or local law, including statutes, ordinances, rules, common law and guidelines now in effect and/or hereinafter modified or enacted, pertaining to the health, industry, hygiene or the environment including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Superfund Reauthorization Act, the Clean Air Act, the Clean Water Act, the Safe Water Drinking Act and Solid Waste Disposal Act.

4.4.34 Maximum Height of Dwelling Units. No Dwelling Unit with a Single Family Residential Land Use Classification may exceed two-stories above ground level or a maximum of twenty-eight (28) feet above ground level. The maximum height shall be measured starting from the highest point of the stem wall of the Dwelling Unit.

4.4.35 Permitted Roof Materials for Dwelling Units. Sloped roofs of all Dwelling Units on Lots or Parcels with a Land Use Classification of Single Family Residential Use, Cluster Residential Use and Condominium Development Use shall be constructed of tile material or such other material as is expressly approved in writing by the City for use within Rancho Perilla Estates.

4.4.36 Color Palette and Exterior Finishes of Improvements. As further provided in Section 4.3 above, the color palette and exterior finishes of all Dwelling Units, buildings, structures and improvements as originally installed, erected and constructed or as hereafter modified, improved, renovated or reinstalled, shall be reviewed and approved by the Design Review Committee in accordance with the Design Guidelines. No Owner may use a color or exterior finish that is not permitted under the Design Guidelines established for Rancho Perilla Estates, it being understood that the City, Declarant and the Master Association desire to establish a uniform color and finish scheme to maintain the aesthetic harmony of the Property.

4.4.37 Storage Buildings. No storage buildings, structures or Improvements shall be permitted on any Lot within a Lot having a Land Use Classification of Single Family Residential Use, Cluster Residential Use or Coudominium Development Use,

4.4.38 Waivers. The Board, may, at its option and in extenuating circumstances, grant waivers from the restrictions set forth in this Section 4.4 if the Board determines in its discretion that: (i) a restriction would create an unreasonable hardship or burden on an Owner or Resident or a change of circumstances since the Recording of this Declaration has rendered such restriction obsolete and (ii) the activity permitted under the waiver will not have any substantial adverse effect on the Owners or Residents of the Parcel. Such waivers must be evidenced in writing and must be signed by a majority of the Board. If such waiver is granted, no violation of the covenants, conditions and restrictions contained in this Declaration shall be deemed to have occurred with respect to the specific matter for which the waiver was granted. The granting of such a waiver shall not operate to waive any of the terms and provisions of this Declaration for any purpose except as to the particular provision hereof covered by the waiver, and only for so long as the special circumstances warranting the waiver exist, nor shall it affect in any way the Owner's and/or Resident's obligation to comply with all governmental laws and regulations affecting the use of his Lot or Parcel. The Board shall have the right to condition the granting of a waiver as it may determine in the Board's sole discretion, including, without limitation, making a waiver temporary or permanent; or requiring the removal or replacement of a non-permanent or semi-permanent structure upon the sale or other conveyance of a Lot or Parcel. Moreover, because of the unique facts and circumstances surrounding each waiver request, the granting of a waiver in one instance or under certain circumstances, terms and conditions does not mandate the granting of a waiver under similar or related circumstances, terms or conditions if the experiences of the Master Association and Rancho Perilla Estates as a whole or the differences in circumstances (however slight) of a waiver request from a previously approved waiver lead the Board, in good faith, to disapprove a waiver request in such instance. In no event, may the Board grant any waiver that would create or cause the Master Association to be in violation of any insurance policy limitation or restriction issued in favor of the Master Association and its Members. Nothing contained in this Section 4.4.38 shall be construed as binding the City to any waiver granted by the Board under this Declaration for any action or failure to act that would also require the consent of the City under its then current applicable laws and ordinances.

4.4.39 Obligation to Build. Any Person, including, without limitation a Developer and/or Production Developer acquiring a Lot from Declarant with a Single Family Residential Use Classification, shall construct and complete a Dwelling Unit thereon no later than five (5) years after the Deed for the Lot from Declarant to such Person is Recorded.

4.4.40 Declarant's Exemption. Nothing contained in this Declaration shall be construed to prevent the erection or maintenance by Declarant, or its duly authorized agents, of structures, Improvements or signs necessary or convenient to the development or sale of Lots and Parcels within Rancho Perilla Estates.

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ARTICLE 5 THE ASSOCIATION

5.1 Formation of Master Association. The Master Association shall be a non-profit Arizona corporation charged with the duties and invested with the powers prescribed by law and set forth in the Articles, Bylaws and this Declaration. Neither the Articles nor Bylaws shall, for any reason, be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration.

5.2 Board of Directors and Officers. The affairs of the Master Association shall be conducted by the Board and such officers as the Board may elect or appoint in accordance with the Articles and the Bylaws as the same may be amended from time to time. The Board may also appoint various committees and may appoint a manager who shall, subject to the direction of the Board, be responsible for the day-to-day operation of the Master Association. The Board shall determine the compensation to be paid to the manager or any other employee of the Master Association.

5.3 Rancho Perilla Estates Rules. By a majority vote of the Board, the Master Association may, from time to time, and subject to the provisions of this Declaration, adopt, amend and repeal rules and regulations to be known as the Rancho Perilla Estates Rules. The Rancho Perilla Estates Rules may, for example, establish certain fees for violations of the provisions of this Declaration or any Design Guidelines promulgated hereunder, or restrict and govern the use of any Master Common Area by any Member, Lessee or Resident; provided, however, that the Rancho Perilla Estates shall not be inconsistent with this Declaration, the Articles, Bylaws or any applicable Tract Declaration. The Rancho Perilla Estates Rules and fees may be different for different Land Classifications or classification of users, including employees or affiliates of Declarant, guests or social invitees, or otherwise. The posting of the Rancho Perilla Estates Rules and fees in a conspicuous manner and location within Rancho Perilla Estates shall be deemed sufficient notice to all permitted users. The Board, in its discretion, may provide notice of the Rancho Perilla Estates Rules and fees by other means or methods. Upon adoption, the Rancho Perilla Estates Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration.

5.4 No Personal Liability. No member of the Board or of any committee of the Master Association, no officer of the Association, no member of the Design Review Committee, and no managing agent, representative or employee of the Master Association shall be personally liable to any Member, or to any other Person, including the Master Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error, or negligence of the Master Association, the Board, a manager, any representative or employee of the Association, or any committee, committee member or officer of the Association; provided, however, the limitations set forth in this Section 5.4 shall not apply to any Person who has failed to act in good faith or has engaged in willful or intentional misconduct.

5.5 Implied Rights. The Master Association may exercise any right or privilege given to the Association expressly by the Master Association Documents and every other right or privilege reasonably to be implied from the existence of any right or privilege given to the

Master Association by the Master Association Documents or reasonably necessary to effectuate any such right or privilege.

5.6 Satellite Associations. If any homeowners or similar association is to be formed by a Developer (other than the Declarant) of a Parcel or number of Lots, the articles of incorporation and bylaws or other governing documents for such Satellite Association shall not be effective unless the contents thereof have been approved by the Board and the governing documents specify that such Satellite Association and the rights of its members are subject and subordinate to the Master Association Documents.

ARTICLE 6 MEMBERSHIPS AND VOTING

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

6.2 Declarant. Declarant shall be a Member of the Master Association for so long as Declarant is the Owner of any Lot or Parcel within Rancho Perilla Estates.

6.3 Voting.

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

6.3.1.1 Class A. Class A Memberships shall be all Memberships, except the Class B Membership, which are appurtenant to Lots or Parcels, and each Owner of a Lot or Parcel shall be entitled to such number of votes as is equal to the number of Assessment Units assigned to each Lot and Parcel owned by such Owner, as described in Section 7.3 below, subject to the authority of the Board to suspend the voting rights of the Owner for violations of this Declaration in accordance with the provisions hereof or any applicable Tract Declaration.

6.3.1.2 Class B. Until converted to Class A Memberships as provided below, the Membership owned by Declarant shall be a Class B Membership. At the time of any vote by the Members of the Master Association, the Class B Membership shall be entitled to the number of votes equal to two thousand eight hundred twenty four (2,824) minus the total number of outstanding votes held at the time by the Owners who have Class A Memberships. The initial proposed Master Plan (not yet approved by the City) currently contemplates proposed uses of the Property that would result in approximately five hundred sixty five (565) votes attributable to Class A Memberships at final build-out. If, and to the extent, the Master Plan is approved, by the City, Declarant may amend this Section 6.3.1.2 to adjust the number of votes in the Class B Membership to a number that is five times the number of Assessments Units established by all of the Land Use Classifications in the approved Master Plans (less any Assessment Units

attributable to Class A Memberships as provided in this Declaration). The Class B Membership shall cease and be converted to either Class A Memberships, as applicable, on the first to occur of the following:

- (i) The date when the total votes outstanding in the Class A Memberships held by Owners subject to full assessment equal the total votes outstanding in the Class B Membership; or;
- (ii) The date Declarant notifies the Board that Declarant is terminating its Class B Membership.

6.3.2 Satellite Associations. Declarant expressly reserves the right to require the establishment, in accordance with the applicable terms of this Declaration, of a Satellite Association for one or more Parcels or Lots. Declarant further reserves the right to require, through the terms of the applicable Tract Declaration, that the votes of all Memberships held by Owners of Parcels or Lots be cast only by the Satellite Association, designated in the applicable Tract Declaration as entitled to cast the votes of the Members. In such event, the Satellite Association's board of directors shall cast such votes in accordance with the Tract Declaration and the Satellite Association's articles of incorporation and bylaws.

6.3.3 Declarant Retention of Voting Rights. Notwithstanding anything contained in this Article 6 or elsewhere in this Declaration, until such time as any Owner (other than Declarant) is required to pay a full Assessment, such Owner shall not possess any voting rights in the Master Association and Declarant shall be entitled to exercise any and all voting rights otherwise entitled to be cast by such Owner as a result of its ownership of such Lot or Parcel or portion thereof.

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

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

6.6 Transfer of Membership. The rights and obligations of the Owner of a Class A Membership in the Master Association shall not be assigned, transferred, pledged, conveyed or

alienated in any way except upon transfer of ownership to an Owner's Lot or Parcel and then only to the transferee of ownership to the Lot or Parcel. A transfer of ownership to a Lot or Parcel may be effectuated by Deed, intestate succession, testamentary disposition, foreclosure of a mortgagee or deed of trust of record or such other legal process as is now in effect or as may hereafter be established under or pursuant to the laws of the State of Arizona. Any attempt to make a prohibited transfer shall be void. Any transfer of ownership to a Lot or Parcel shall operate to transfer the Membership(s) appurtenant to said Lot or Parcel to the new Owner thereof. The Master Association may require the new Owner of a Lot or Parcel to pay to the Master Association, or its designated representative a "Transfer Fee" as further provided in Section 7.16 below in an amount to be set by the Board, and payment of the Transfer Fee shall be secured by the Assessment Lien.

6.7 Suspension of Voting Rights. If any Owner is delinquent in the payment of any Assessments or other amounts due hereunder or is otherwise in default under any of the provisions of this Declaration and such violation is not cured before any meeting of the Members where votes are to be taken, the Owner's right to vote as a Member of the Master Association shall not be exercisable for such meeting and shall remain suspended until all payments, including accrued interest, penalties and attorneys' fees as set forth below, are brought current, and until any other infractions or violations of this Declaration are cured.

6.8 Capital Contribution. Each purchaser of a Lot from Declarant (other than a Developer), and each purchaser of a Lot from a Developer or a Production Developer, shall pay to the Master Association immediately upon becoming the Owner of a Lot a sum equal to one-sixth (1/6) of the then current Annual Assessment for a Lot (the "Capital Contribution"). Funds paid to the Master Association pursuant to this Section 6.8 may be used by the Master Association for payment of operating or capital expenses or for any other purpose permitted under the Master Association Documents. Payments made pursuant to this Section 6.8 shall be nonrefundable and shall not be considered as an advance payment of any Assessments levied by the Master Association pursuant to this Declaration. Payments made pursuant to this Section 6.8 shall be deemed a contribution to the working capital of the Master Association.

6.9 Contribution to Reserves.

6.9.1 Except as otherwise provided in Section 6.9.2 below, each Person who purchases a Lot from Declarant or a Developer or Production Developer or who otherwise acquires or becomes the Owner of a Lot through Declarant or a Developer or Production Developer shall pay to the Master Association immediately upon becoming the Owner of a Lot a sum equal to one-sixth (1/6) of the then current Annual Assessment for a Lot (the "Reserve Contribution") as a non-refundable contribution to the Master Association's reserves for the construction of additional community recreation facilities or amenities, the expansion or addition to existing community recreation facilities and amenities or the future periodic maintenance, repair, or replacement of the Master Common Area. The Reserve Contribution shall be in addition to, and not in lieu of, any other Assessments or amounts payable to the Master Association by the Owner making the Reserve Contribution, and the Reserve Contribution shall be secured by the Assessment Lien. The Reserve Contribution shall be deemed a contribution to the reserve funds of the Master Association.

ARTICLE 7 COVENANT FOR ASSESSMENTS AND CREATION OF LIEN

7.1 Creation of Lien and Personal Obligation of Assessments and Maintenance Charges. Declarant, for each Lot or Parcel now or hereafter established within Rancho Perilla Estates, hereby covenants and agrees, and each Owner by acceptance of a Deed therefor (whether or not it shall be so expressed in such Deed) is deemed to covenant and agree to pay to the Master Association the following Assessments and charges: (i) Annual Assessments established by this Article 7; (ii) applicable Special Service Area Assessments established by this Article 7; (iii) Special Assessments for capital improvements or other extraordinary expenses or costs established by this Article 7; (iv) Maintenance Charges established by Article 10 below; and (v) Special Use Fees (including, without limitation, any System Fees established by Article 16), with all such Assessments and charges to be established and collected as hereinafter provided. The Annual Assessments, Special Service Area Assessments, Special Assessments, Maintenance Charges, Special Use Fees, Capital Contributions, Reserve Contributions, and Enforcement Assessments, shall be a charge, continuing servitude and lien upon the Lot or Parcel against which each such Assessment or other fee or charge is made, which lien (the "Assessment Lien") shall be for the benefit of and enforceable by, the Master Association. The Annual Assessments, Special Service Area Assessments and Special Assessments assessed against each Lot or Parcel shall be based upon the number of Assessment Units assigned to the Lot or Parcel. Each Assessment, Special Use Fee, Capital Contribution and Reserve Contribution shall also be the personal obligation of the Person who was the Owner of the Lot or Parcel at the time the Assessment, Special Use Fee, Capital Contribution or Reserve Contribution was due. The personal obligation for delinquent Assessments, Special Use Fees and Capital or Reserve Contributions shall not pass to the successors in title of the Owner unless expressly assumed by such successors.

7.2 Annual Assessments. To provide for the uses and purposes specified in Article 9 below, including the establishment of replacement and maintenance reserves, the Board shall assess against each Membership an Annual Assessment. The amount of the Annual Assessment shall be determined with the objective of fulfilling the Master Association's obligations under this Declaration to provide for the source of funds to pay the Common Expenses. At least forty-five (45) days before the beginning of each fiscal year, the Board shall prepare a budget of the estimated Common Expenses for the coming year, including Reserve Contributions made pursuant to Section 7.17 below. The budget shall reflect sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than Assessments (e.g. Community Enhancement Fees, Special Use Fees, subsidies etc.), and the amount to be generated through Assessments authorized in this Declaration. Subject to Section 7.5 below, any costs associated with the maintenance and operation of the Master Common Area shall be included in the budget of Common Expenses and allocated as part of the Annual Assessment. Within thirty (30) days after the Board adopts a final budget, it shall send a copy to each Owner of a Lot or Parcel, along with a notice of the amount of the Annual Assessment and a summary of the allocations. The budget and Assessment shall become effective upon the Board's adoption; provided, however, the Board may not exceed the limit imposed by Section 7.4 below without the affirmative vote or written consent of Owners as further provided in Section 7.4. The Board may, during any Assessment Period, revise the amount of the Annual Assessment to meet expenses which exceed the amounts

anticipated by the Master Association and collect such increased Annual Assessment in accordance with procedures established pursuant to Section 7.11 below. The Annual Assessment shall be assessed against each Member commencing with the year the first Lot in Rancho Perilla Estates is conveyed to an Owner other than Declarant (including to any Developer or Production Developer); provided, however, that if fulfillment of the purposes of the Master Association does not require the imposition of an Annual Assessment at that time, the Board may delay the initial imposition of the Annual Assessment against each Member until such time as the fulfillment of the purposes of the Master Association requires such imposition. Notwithstanding the foregoing, or anything herein to the contrary, in no event shall the initial Assessment Period commence prior to March 31, 2004.

7.3 Rate of Assessment; Shortfall. Except for Lots and Parcels owned by Declarant which are exempt from Assessment under Section 7.3.3 below and, except as otherwise may be set forth in the applicable Tract Declaration, the amount of any Annual Assessment or Special Assessment, as the case may be, to be levied against each Lot and Parcel shall be determined on the basis of the Assessment Units assigned to each Lot and Parcel.

7.3.1 The assignment of Assessment Units shall be made based upon the Land Use Classification of the particular Lot or Parcel as set forth below. An Owner shall be assessed a reduced amount of the uniform amount established pursuant to Section 7.8 below multiplied by the number of Assessment Units attributable to his Lot or Parcel until the occurrence of specified events, as follows:

7.3.1.1 Each Owner of a Lot the use of which is limited by a Recorded Tract Declaration to Single Family Residential Use shall have one (1) Assessment Unit for each Lot owned by such Owner. If, but only if and for as long as, the Owner of a Lot is a Production Developer, then such Owner shall be assessed a reduced amount until the earlier of: (i) the completion of a Dwelling Unit on the Lot, or (ii) two (2) years from the date the title to the Lot is first transferred from Declarant to the Production Developer. The applicable reduced amount shall be determined by the Board from time to time in its sole discretion, but, in no event shall the reduced amount be greater than one-half (1/2) of the uniform amount (i.e. at least a 1/2 reduction). Following the first to occur of the foregoing events, such Production Developer Owner thereafter shall be assessed one hundred percent (100%) of the uniform amount. For the purposes of this Section 7.3.1.1, a Dwelling Unit shall be deemed completed when the City has issued a certificate of occupancy for the Dwelling Unit.

7.3.1.2 Each Owner of a Lot the use of which is limited by a Recorded Tract Declaration to Cluster Residential Use or Condominium Development Use shall have one-half (1/2) Assessment Unit for each Lot owned by such Owner. If, but only if and for as long as, the Owner of a Lot is a Production Developer, then such Owner shall be assessed a reduced amount until the earlier of: (i) the completion of a Dwelling Unit on the Lot, or (ii) two (2) years from the date the title to the Lot is first transferred from Declarant to the Production Developer. The applicable reduced amount shall be determined by the Board from time to time in its sole discretion, but, in no event, shall the reduced amount be greater than one-half (1/2) of the uniform amount (i.e., at least a 1/2 reduction). Following the first to occur of the foregoing events, such Production Developer Owner thereafter shall be assessed one hundred percent

(100%) of the uniform amount. For the purposes of this Section 7.3.1.2, a Dwelling Unit (including any Condominium Unit treated as Lot herein) shall be deemed completed when the City has issued a certificate of occupancy for the Dwelling Unit or Condominium Unit.

7.3.1.3 Unless otherwise provided in the applicable Recorded Tract Declaration, each Owner of a Parcel having a Land Use Classification of Recreational Vehicle (RV)/Travel Trailer/Mobile Home Park Use, shall have one (1) Assessment Unit for each ten RV/Travel Trailer parking spaces shown on the approved Site Plan or indicated in a Tract Declaration for any Parcel with such a Land Use Classification. The Owner of such a Parcel shall be assessed a reduced amount equal to one-third (1/3) of the uniform amount multiplied by the number of Assessment Units attributable to the Parcel until such time as a certificate of occupancy or equivalent permit is issued for any building located on the Parcel. Such Owner thereafter shall be assessed one hundred percent (100%) of the uniform amount.

7.3.1.4 Dedication of portions of a Parcel for public rights-of-way or similar purposes shall not result in the reduction of the number of Assessment Units attributable to the Parcel.

7.3.1.5 Each Owner of a Parcel the use of which is limited by a Recorded Tract Declaration to Single Family Residential Use, Condominium Development Use, or Cluster Residential Use and for which a Recorded subdivision plat has not yet been Recorded, shall have such number of Assessment Units for each Lot permitted upon the Parcel by the applicable Tract Declaration. At such time as a subdivision plat or other instrument creating Lots is Recorded covering all or part of the Parcel, the Assessment Units attributable to the Lots shall be determined as set forth above, and the number of Assessment Units held by the Owner as the Owner of the remainder of the unplatted portion of the Parcel, if any, shall be equal to the number of Lots permitted by the Tract Declaration minus the number of Lots included within the Recorded plat. All Assessment Units attributable to the Parcel (as opposed to the Lots) shall cease when the land area ceases to be a Parcel because all of the area in the Parcel has been platted as Lots, Master Common Area, common area to be deeded to a Satellite Association, or otherwise dedicated to the public. If the Owner of an unplatted portion of a Parcel having the foregoing Land Use Classifications is a Production Developer, then such Owner shall be assessed one-half of the uniform amount established pursuant to Section 7.8 below multiplied by the number of Assessment Units attributable to such undeveloped portion of the Parcel. Following Recordation of a subdivision plat or the expiration of two (2) years after the Recording of a Tract Declaration with respect to such a Parcel, the Owner shall be assessed as provided in Section 7.3.1.1 or Section 7.3.1.2 above, as applicable.

7.3.1.6 If the classification for a particular Lot or Parcel is not apparent, or if any question or conflict arises regarding the classification for a particular Lot or Parcel, the determination of the Declarant, so long as Declarant owns any portion of Rancho Perilla Estates, and thereafter the Board, as to the applicable Land Use Classification shall be controlling.

7.3.2 If approved by the Board, in its sole discretion, reduced Assessments referred to in Section 7.3.1 above may be continued for unimproved portions of Parcels when

Improvements are to be phased. The portions of the Assessments affected by the phasing shall be determined by the Board.

7.3.3 So long as there is a Class B Membership, Lots and Parcels owned by the Declarant shall not be subject to Assessment, but Declarant shall be required to pay to the Master Association the difference between the cost of operating and administering the Master Association and the income from all Assessments and other fees payable to the Master Association as provided herein. When Class B Membership ceases in accordance with Section 6.3 above, Declarant no longer shall be required to subsidize the cost of operating and administering the Master Association.

7.3.4 If the rate of Assessment for a Parcel or Lot increases during the period to which an Annual Assessment (or any Special Assessment) is attributable, the Assessment shall be prorated between the applicable rates on the basis of the number of day in the period that the Owner qualified for each rate.

7.4 Increase to Annual Assessments. The increase to the Annual Assessment established by the Board shall be subject to the following:

7.4.1 The Annual Assessment may be increased by an amount that is not greater than twenty percent (20%), or such greater percentage as may be allowed by law, including under the Arizona Planned Communities Act, greater than the Annual Assessment for the immediately preceding fiscal year, except as provided in Section 7.4.2 below, and except for increases necessary for emergency situations as described below.

7.4.2 The Annual Assessment may be increased above the amount determined under Section 7.4.1 above by a vote of fifty-one percent (51%) of each class of eligible Members then entitled to vote who are voting in person or by proxy at a meeting duly called for such purpose.

7.4.3 An emergency situation is any one of the following:

7.4.3.1 an extraordinary expense required by an order of a court having jurisdiction over Rancho Perilla Estates or the Master Association;

7.4.3.2 an extraordinary expense necessary to repair or maintain Rancho Perilla Estates or any part thereof for which the Master Association is responsible where a threat to personal safety is discovered; or

7.4.3.3 an extraordinary expense necessary to repair or maintain Rancho Perilla Estates or any part thereof for which the Master Association is responsible which could not have been reasonably foreseen by the Board in preparing a budget for the fiscal year. However, prior to the imposition or collection of such an Assessment, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. Such resolution shall be distributed to the Members with the notice of such Assessment.

7.5 Special Service Area Assessments.

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

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

7.5.3 If a Tract Declaration or Recorded subdivision plat approved and signed by Declarant designates any Special Service Areas, such Tract Declaration or Recorded

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

7.5.4 The Private Yards of Golf Course Lots shall constitute a Special Service Area as set forth in Section 10.4.2 below.

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

7.7 **Special Use Fees.** All costs in connection with any Telecommunication System (as defined in Article 16 below) shall be funded by Special Use Fees payable by each Owner as further set forth in Article 16. In addition, the Master Association shall be authorized to charge Special Use Fees for such other or additional services or facilities that may from time to time be provided or made available by the Master Association. All Special Use Fees shall be subject to

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

7.8 Uniform Amount of Assessment. Except as hereinafter specifically set forth in this Article 7, the amount of any Annual Assessment, Special Service Area Assessment or Special Assessment shall be fixed by the Board at a uniform amount per Assessment Unit. The Annual Assessments and Special Service Area Assessment may be collected on a monthly, quarterly, semi-annual or annual basis as determined by the Board and Special Assessments may be collected as specified by the Board unless otherwise determined by the resolution of the Members of the Master Association approving the Special Assessment.

7.9 Notice and Quorum for Any Action Authorized Under Section 7.5.2. Written notice of any meeting of the Members called for the purpose of taking any action authorized under Section 7.5.2 shall be sent to all Members subject to the particular Special Service Area Assessment in question no less than thirty (30) days nor more than fifty (50) days in advance of the meeting. At the first such meeting called, the presence of Members subject to such Special Service Area Assessment or of proxies entitled to cast sixty percent (60%) of all the votes of those Members subject to such Special Service Area Assessment (exclusive of suspended voting rights) shall constitute a quorum. If the required quorum is not present, another meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

7.10 Notice and Quorum for Any Action Authorized Under Section 7.4.2 or Section 7.6. Written notice of any meeting of the Members called for the purpose of taking any action authorized under Section 7.4.2 or Section 7.6 shall be sent to all Members subject to an Annual Assessment or Special Assessment no less than thirty (30) days nor more than fifty (50) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of the Members (exclusive of suspended voting rights) shall constitute a quorum. If the required quorum is not present, another meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

7.11 Rules Regarding Billing and Collection Procedures. The Board shall have the right to adopt Rancho Perilla Estates Rules setting forth procedures for the purpose of making the Assessments provided herein and for the billing and collection of the Assessments, provided that said procedures are not inconsistent with the provisions hereof. The failure of the Master Association to send a bill to a Member shall not relieve any Member of his liability for any Assessment or charge under this Declaration, but the Assessment Lien therefor shall not be foreclosed or otherwise enforced until the Member has been given not less than thirty (30) days' written notice, prior to such foreclosure or enforcement at the address of the Member on the records of the Master Association, that the Assessment or any installment thereof is, or will be, due, and of the amount owing. Such notice may be given at any time prior to or after delinquency of such payment. The Master Association shall be under no duty to refund any payments received by it even though the ownership of a Membership changes during an Assessment Period. Successor Owners of Lots or Parcels shall be given credit on a prorated basis for prepayments made by prior Owners. If a Member becomes liable for payment of an increased sum pursuant to this Article 7 during the Assessment Period, he shall notify the Master Association, but his failure to notify the Master Association shall not relieve him of the liability for such amounts. The amount of the Annual Assessment against Members who become such during an Assessment Period upon the Recording of a Tract Declaration shall be prorated and such new Members shall not be liable for any previously levied Special Assessment. Declarant expressly reserves the right to provide in the applicable Tract Declaration that it shall have the right to assess a Satellite Association for all Assessments attributable to Members whose Lots or Parcels are located within the Satellite Association.

7.12 Enforcement Assessments. The Association may assess against a Lot an Enforcement Assessment of any of the following expenses: (i) any Collection Costs incurred by the Association in attempting to collect Assessments or other amounts payable to the Association by the Owner of the Lot; (ii) any Collection Costs, including attorneys' fees (whether or not a law suit is filed), incurred by the Association with respect to any violation of the Master Association Documents by the Owner, his Lessee or any other Resident of his Lot and their respective Invitees; (iii) any monetary penalties levied against the Owner for infractions of the Master Association Documents in accordance with procedures set forth in the Bylaws or the Rancho Perilla Estates Rules; or (iv) late charges which become due and payable to the Association by the Owner, his Lessee or any other Resident of his Lot pursuant to the Master Association Documents. For purposes of this Section 7.12, the Association shall be deemed to automatically have assessed any late charges and delinquent interest charges accruing against a specific Lot or Parcel for non-payment of Assessments as provided for in this Declaration and/or adopted by Rancho Perilla Estates Rules as an Enforcement Assessment without the requirement of a hearing or a formal Board resolution or assessment against the applicable Lot or Parcel Owner.

7.13 Collection Costs and Interest on Delinquent Assessments. Any Assessment or installment thereof not paid within fifteen (15) days after its due date (or such longer period as may be required by Arizona law) shall be deemed delinquent and shall bear interest at a rate established by the Board, and, in addition, a late fee, the amount of which shall be determined by the Board and which shall not exceed the maximum permitted under Arizona law and the Arizona Planned Communities Act, may be assessed for each late occurrence, and the Member whose Assessment is delinquent shall be liable for all costs, including attorneys' fees, which

may be incurred by the Master Association in collecting the same. The Board also may, but is not obligated to, Record a notice of delinquent assessment against any Lot or Parcel as to which an Assessment is delinquent and constitutes a lien and may establish a fixed fee to reimburse the Master Association for the Master Association's cost in Recording such notice, processing the delinquency and Recording a notice of payment, which fixed fee shall be treated as a collection cost of the Master Association secured by the Assessment Lien.

7.14 Evidence of Payment of Assessments. Upon receipt of a written request: (i) from a Member or any other interested Person, the Master Association, within a reasonable period of time thereafter, shall issue, or cause an appropriate officer to issue, to such Member or other interested Person a written certificate setting forth whether or not (a) all Assessments have been paid with respect to any specified Lot or Parcel as of the date of such certificate, or (b) if all Assessments have not been paid, the amount of such Assessments (including costs and attorneys' fees, if any) due and payable as of such date; and (ii) from a lienholder, Member or Person designated by a Member, the Master Association shall issue, or cause an appropriate officer to issue, a statement setting forth the amount of any unpaid Assessment against the specified Lot or Parcel, such statement to be furnished within fifteen (15) days after receipt of the request. The Master Association may make a reasonable charge for the issuance of such certificates or statements, which charge must be paid at the time the request for any such certificate or statement is made and which charge, if applicable, may include an allowance for any amount charged to the Master Association by its management company for the issuance of such certificate or statement on behalf of the Master Association. Any such certificate or statement, when duly issued as herein provided, shall be conclusive and binding with respect to any matter therein stated as against any bona fide purchaser of, or lender on, the Lot or Parcel in question if the certificate or statement is requested by an escrow agency that is licensed pursuant to Arizona law.

7.15 Property Exempted from the Annual, Special Service Area and Special Assessments. Exempt Property and all other property that is not Assessable Property shall be exempted from the Annual Assessments, Special Service Area Assessments and Special Assessments.

7.16 Transfer Fee. Each Person who transfers a Lot or Parcel (other than Declarant, a Developer or a Production Developer) shall pay to the Master Association and/or any management company employed by the Master Association immediately upon becoming the Owner of the Lot or Parcel a Transfer Fee in such amount as is established from time to time by the Board and/or such management company. Such Transfer Fee shall be payable at the closing of the transfer and shall be secured by the Assessment Lien.

7.17 Community Enhancement Fee. As an additional funding source, the Master Association may establish and collect a Community Enhancement Fee upon each transfer of title to a Lot or Parcel. Such fee shall be charged to the grantor of the Lot or Parcel, shall be payable to the Master Association at the closing of the transfer, and shall be secured by the Assessment Lien. Each Owner transferring a Lot or Parcel shall notify the Master Association at least seven (7) days prior to the scheduled transfer. Such notice shall include the name of the buyer, the date of title transfer, and other information the Board may reasonably require.

7.17.1 Fee Limit. The Board shall have the sole discretion to specify the amount and method of determining the Community Enhancement Fee; provided, the Community Enhancement Fee shall not exceed one-quarter percent (.25%) of the Gross Selling Price (as defined below) of the property. The Community Enhancement Fee may be based upon a sliding scale which varies in accordance with the "Gross Selling Price" of the property. For purposes of this Section 7.17, the term "Gross Selling Price" shall be the total cost to the purchaser of the property within Rancho Perilla Estates, excluding transfer taxes and title fees imposed by the City, County, or other governmental authority.

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

7.17.2.1 preservation and maintenance of natural areas, wildlife preserves, or similar conservation areas, and sponsorship of educational programs and activities which contribute to the overall understanding, appreciation, and preservation of the natural environment within and surrounding Rancho Perilla Estates;

7.17.2.2 programs, services and activities which serve to promote a sense of community within Rancho Perilla Estates, such as recreation leagues, cultural programs, educational programs, festivals and holiday celebrations and activities, and a community computer network;

7.17.2.3 social services, community outreach programs and other charitable causes;

7.17.2.4 Master Association and Satellite Association reserve accounts;

7.17.2.5 operating and maintenance costs;

7.17.3 Exempt Transfers. Notwithstanding the above, no Community Enhancement Fee may be levied upon transfer of title to property:

7.17.3.1 by or to Declarant;

7.17.3.2 by or to a Developer or Production Developer holding title solely for purposes of development and resale to a third-party user;

7.17.3.3 to any Person for the purpose of allowing the grantor to immediately lease back the Lot from the grantee;

7.17.3.4 by a co-Owner to any Person who was a co-Owner immediately prior to such transfer;

7.17.3.5 to the Owner's estate, surviving spouse or heirs at law upon the death of the Owner;

7.17.3.6 to an entity in which the grantor owns a majority interest unless the Board determines, in its discretion, that a material purpose of the transfer or conveyance was to avoid payment of the Community Enhancement Fee;

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

7.17.3.8 to an institutional lender as security for the performance of an obligation pursuant to a mortgage or deed of trust; or

7.17.3.9 as a result of a trustee's sale under a deed of trust, the foreclosure of a realty mortgage or the forfeiture or foreclosure of a purchaser's interest under a recorded contract for the conveyance of real property pursuant to A.R.S. §33-741 et seq.

7.18 Budgeting for Reserves. In addition to the Reserve Contribution provided for in Article 6 above, the Board may, in its discretion, include in the budget amounts for capital and operating reserves. Reserve calculations shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. Reserves shall be funded as the Board, in the exercise of its business judgment, deems appropriate. The Board may enter into agreements with the Declarant, on negotiated terms, under which the Declarant may obligate itself (by bond, contract etc.) to provide reserve funds as needed on a "cash basis" in lieu of the Master Association funding reserves on an accrual basis. So long as the Board exercises business judgment in determining an adequate amount of reserves, the amount of the reserve fund, if any, shall be considered adequate.

ARTICLE 8 ENFORCEMENT OF ASSESSMENT LIEN AND PAYMENT OF ASSESSMENTS AND OTHER CHARGES

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

8.2 Master Association's Remedies to Enforce Payment of Assessments and Other Fees and Charges. If any Member fails to pay the Annual Assessments, Special Service Area Assessments, Special Assessments, Enforcement Assessments, Special Use Fees, Capital

Contribution, Reserve Contribution or Community Enhancement Fees, or any installments thereof when due, or to pay Maintenance Charges assessed pursuant to Article 10 below, the Master Association may enforce the payment of such Assessments and other fees and charges and/or the Assessment Lien by taking either or both of the following actions, concurrently or separately (and, by exercising either of the remedies hereinafter set forth, the Master Association does not prejudice or waive its right to exercise the other remedy):

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

8.2.2 Foreclose the Assessment Lien against the Lot or Parcel in accordance with the then prevailing law relating to the foreclosure of realty mortgages (including, where applicable, the right to recover any deficiency) and, if foreclosed, the Lot or Parcel may be redeemed after foreclosure sale as provided by law.

8.3 Subordination of Assessment Lien to First Mortgage or Deed of Trust: Priority of Lien. The Assessment Lien provided for herein shall be subordinate to: (a) liens and encumbrances Recorded prior to the Recordation of this Declaration; (b) any Recorded First Mortgage lien held by a lender who has lent funds with the Lot or Parcel as security, or held by the lender's successors and assigns, and the seller's interest in a first contract for sale on a Lot Recorded prior to the Assessment Lien; and (c) liens for real estate taxes and other public charges which, by applicable law, are expressly made superior. Except as above provided, the Assessment Lien shall be superior to any and all charges, liens or encumbrances which hereafter in any manner may arise or be imposed upon each Lot or Parcel, specifically including, but not limited to, the assessment lien of any Satellite Association. The sale or transfer of any Lot or Parcel shall not affect the Assessment Lien; provided, however, that if the sale or transfer is pursuant to a mortgage or deed of trust to which the Assessment Lien is subordinate, or pursuant to any sale or proceeding in lieu thereof, the purchaser at the mortgage foreclosure or deed of trust sale, or any grantee taking by deed in lieu of foreclosure, shall take the Lot or Parcel free of the Assessment Lien for all Assessments, Special Use Fees, Capital Contributions, Reserve Contributions and Community Enhancement Fees that have accrued up to the date of issuance of a sheriff's or trustee's deed or deed in lieu of foreclosure; but upon the date of issuance of a sheriff's or trustee's deed or deed in lieu of foreclosure, the Assessment Lien immediately shall become and remain superior to any and all other charges, liens or encumbrances (except such prior liens and encumbrances, liens for taxes or other public charges which, by applicable law, are expressly made superior) and such mortgage or deed of trust foreclosure sale purchaser or grantee shall take subject to all Assessments, Special Use Fees, Capital Contributions, Reserve Contributions and Community Enhancement Fees and the Assessment Lien thereof accruing subsequent to the date of issuance of a sheriff's or trustee's deed or deed given in lieu of foreclosure.

8.4 Costs to be Borne by Member in Connection with Enforcement of Payment. In any action taken pursuant to Section 8.2 above, the Member shall be personally liable for, and the Assessment Lien shall be deemed to secure the amount of, the Annual Assessments, Special Service Area Assessments, Special Assessments, Enforcement Assessments, Maintenance

Charges, Special Use Fees, Capital Contributions, Reserve Contributions and Community Enhancement Fees, together with the Master Association's Collection Costs, including those fees and costs specified in Section 7.12 and Section 7.13 above.

ARTICLE 9 USE OF FUNDS; BORROWING POWER

9.1 Purposes for which Master Association Funds May be Used. The Master Association shall apply all funds and property collected and received by it (including all Assessments, fees, loan proceeds, surplus funds and property from any other source) for the common good and benefit of Rancho Perilla Estates and the Members and Residents. In furtherance of such purposes, the Master Association may use said funds and property, among other things, for discharging and performing the Master Association's duties and obligations under the Master Association Documents; exercising the rights and powers granted to the Master Association by the Master Association Documents; to the acquisition, construction, alteration, maintenance, provision and operation, by any manner or method whatsoever, of any and all land, properties, Improvements, facilities, services, projects, programs, studies and systems, within or without Rancho Perilla Estates, which may be necessary, desirable or beneficial to the general common interests of Rancho Perilla Estates, the Members and Residents. The following are some, but not all, of the areas in which the Association may seek to aid, promote and provide for such common benefit: maintenance of landscaping on Master Common Areas and maintenance of public rights-of-way, private roadways and drainage areas within Rancho Perilla Estates, obtaining of liability insurance, supplying of utilities and other public services, providing for communication and transportation within and dissemination of information about Rancho Perilla Estates, indemnification of and insurance for the benefit of officers and directors of the Master Association and generally protecting the health, safety and welfare of the Members and Residents. The Master Association may also expend its funds for any purpose for which a nonprofit corporation may expend funds under the laws of the State of Arizona.

9.2 Borrowing Power. The Master Association may borrow money in such amounts, at such rates, upon such terms and security, and for such period of time as in the determination of the Board is necessary or appropriate, subject only to such limitations if any, as may be stated in the Bylaws.

9.3 Master Association's Rights in Spending Funds From Year to Year. The Master Association shall not be obligated to spend in any year all the sums received by it in such year (whether by way of Assessment or otherwise) or to reduce the amount of the Annual Assessment in any succeeding year by reason of such surplus. The Master Association may carry forward from year to year such surplus as the Board, in its discretion, may determine to be desirable for the greater financial security of the Master Association and the accomplishment of its purposes.

9.4 Administration of Special Use Fees. The Master Association is authorized to bill for, sue for, collect, administer and disburse all Special Use Fees and the payment thereof shall be secured for the Assessment Lien; provided, however, that all Special Use Fees collected shall, if imposed in connection with a particular Improvement, be separately accounted for as to

each separate Improvement pertaining to which they are collected and shall be expended on the particular Improvement as to which they pertain.

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

ARTICLE 10 MAINTENANCE

10.1 Master Common Area. The Master Association, or its duly delegated representative, shall operate, maintain and otherwise manage, all Master Common Area, including, without limitation, the Community Recreation Facilities, and all other areas which the Board, pursuant to the authority contained in this Declaration, has the right and elects to maintain, and such other areas required to be maintained by the Master Association as identified in a Recorded document or instrument signed by the Declarant or the Master Association. The Board shall use a reasonably high standard of care in providing for the repair, management and maintenance of the Master Common Area so that Rancho Perilla Estates will reflect a high pride of ownership. In that regard, the Master Association shall from time to time in the discretion of the Board:

10.1.1 Reconstruct, repair, replace or refinish any Improvement or portion hereof upon any Master Common Area;

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

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

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

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

If any Recorded subdivision plat, Tract Declaration, deed restriction or this Declaration permits the Board to determine whether Owners of certain Lots or Parcels will be responsible for maintenance of certain Master Common Area or public rights-of-way, the Board shall have the sole discretion to determine whether or not it would be in the best interests of the Owners, Lessees and Residents of Rancho Perilla Estates for the Master Association or an individual Owner to be responsible for such maintenance, considering cost, uniformity of appearance,

location and other factors deemed relevant by the Board. The Board may cause the Master Association to contract with others for the performance of the maintenance and other obligations of the Master Association under this Article 10, and, in order to promote uniformity and harmony of appearance, the Board may also cause the Master Association to contract to provide maintenance services to Owners of Lots and Parcels having such responsibilities in exchange for the payment of such fees as the Master Association and Owner may agree upon. Fees for the above provided maintenance services are secured by the Assessment Lien.

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

10.3 Maintenance of Lots and Parcels by Owners. Each Owner of a Lot or Parcel shall be responsible for the maintenance of his Lot or Parcel, and all buildings, Dwelling Units or other Improvements situated thereon, except for any portion of the Lot or Parcel, or any other Improvement situated thereon, which is: (i) Master Common Area, (ii) the responsibility of a Satellite Association, (iii) a Public Yard of a Lot with a completed Dwelling Unit thereon and having a Single Family Residential Land Use Classification, or (iv) in a Special Service Area. All buildings, Dwelling Units and other Improvements on a Lot or Parcel shall at all times be kept in good condition and repair. No yard equipment, wood piles or storage areas may be maintained so as to be visible from Neighboring Property or streets. All Lots or Parcels upon which there is no Dwelling Unit or Improvement yet constructed shall be maintained in a weed free and attractive manner.

10.4 Maintenance of Lawns and Plantings.

10.4.1 Public Yards. The Master Association shall maintain the Public Yards of any Lot having a Single Family Residential Use Land Use Classification and shall keep all shrubs, trees, hedges, grass and plantings of every kind located on (i) the Lot (including set back areas), (ii) planted public right-of-way areas between sidewalks (or bike paths) and the street curb in front of his property, if any, (iii) any other public right-of-way or easement area which abuts the Owner's Lot and which is located between the boundary line of the Lot and the paved area of any street, sidewalk, bike path or similar area.

10.4.2 Private Yards of Golf Course Lots/Special Service Area. The Master Association shall maintain the Private Yards of any Golf Course Lot and the same is hereby designated as a Special Service Area subject to Special Service Area Assessments for the cost of maintenance of the Private Yards of such Golf Course Lots. Each Owner shall abide by all Rancho Perilla Estate Rules relating to Golf Course Lot Private Yard maintenance including

providing access to the Master Association and its designated landscaping contractors and agents for purposes of performing such maintenance work.

10.5 Improper Maintenance and Use of Lots or Parcels. If any portion of any Lot or Parcel is so maintained as to present a public or private nuisance, or as to substantially detract from the appearance or quality of the surrounding Lots or Parcels or other areas within Rancho Perilla Estates which are substantially affected thereby or related thereto, or, if any portion of a Lot or Parcel is being used in a manner which violates this Declaration or any Tract Declaration applicable thereto, or, if the Owner of any Lot or Parcel is failing to perform any of its obligations under this Declaration, any Tract Declaration or the Design Guidelines of either the Design Review Committee or Declarant, as applicable, the Board may, by resolution, make a finding to such effect, specifying the particular condition or conditions which exist, and, pursuant thereto, give notice thereof to the offending Owner that, unless corrective action is taken within fourteen (14) days, the Board may cause such action to be taken at said Owner's cost. If, at the expiration of said 14-day period of time, the requisite corrective action has not been taken, the Board shall be authorized and empowered, but shall not be required, to enter the Lot or Parcel and cause such action to be taken and the cost thereof (together with a fee determined by the Board in its sole discretion on a case-by-case basis to compensate the Master Association for its overhead and supervision relating to such action) shall be deemed a Maintenance Charge and shall be added to, and become a part of, the Assessment to which the offending Owner and the Owner's Lot or Parcel is subject to, and shall be secured by, the Assessment Lien.

10.6 Improper Maintenance by Satellite Association. If any Satellite Association is failing to perform any of its obligations under this Declaration, any Tract Declaration or the Design Guidelines of the Design Review Committee with respect to the maintenance of any common area owned by such Satellite Association, the Board may, by resolution, make a finding to such effect, specifying the particular condition or conditions which exist, and, pursuant thereto, give notice to the offending Satellite Association that, unless corrective action is taken within fourteen (14) days, the Board may cause such action to be taken at said Satellite Association's cost. If, at the expiration of said 14-day period of time, the requisite corrective action has not been taken, the Board shall be authorized and empowered, but shall not be required, to enter the Lot or Parcel under the jurisdiction of the Satellite Association, to cause such action to be taken and the cost thereof (together with a fee determined by the Board in its sole discretion on a case-by-case basis to compensate the Master Association for its overhead and supervision relating to such action) shall be prorated among, added to, and become part of the Assessment against the Lots included within the Parcel for such Satellite Association, and shall be secured by the Assessment Lien.

ARTICLE 11 DESIGN REVIEW COMMITTEE

11.1 Establishment. Declarant shall establish a Design Review Committee, which shall exercise all powers of the Design Review Committee with regard to all Lots and Parcels. Declarant shall establish and adopt Design Guidelines (including procedural rules and regulations to direct the Design Review Committee in the performance of its duties). The Design Review Committee shall consist of no less than three (3) regular members and an alternate

member, each appointed by Declarant. The appointees need not be Owners, Lessees or Residents and need not possess any special qualifications, except such as Declarant may, in its discretion, require. Declarant may replace any member of the Design Review Committee at any time, with or without cause. If any member of the Design Review Committee dies or resigns, Declarant shall replace said member within ninety (90) days following such death or resignation. Pending the replacement of such deceased or resigned member, the remaining member or members of the Design Review Committee shall have full authority to act under, and in accordance with, this Declaration. Declarant's right to appoint members of the Design Review Committee shall cease upon the earliest to occur of the following: (i) at such time as Declarant no longer owns any Lot or Parcel within Rancho Perilla Estates; or (ii) when such rights are expressly relinquished in writing by Declarant to the Board. Once the Declarant's right to appoint members to the Design Review Committee ceases, the Board shall be vested with that right and with all rights of Declarant pertaining to the Design Review Committee.

11.2 Purpose. The purpose of the Design Review Committee is to maintain uniformity of architectural and landscaping standards throughout Rancho Perilla Estates and thereby enhance the aesthetic and economic value of Rancho Perilla Estates. The Design Review Committee is hereby empowered to supplement and amend the Design Guidelines and its procedural rules and regulations to the extent and with the frequency it deems necessary; provided, however, that such modifications are in general conformity with the standards set forth in this Declaration and the applicable Tract Declarations.

11.3 View Preservation. Declarant desires to ensure that development occurs in a fashion that is sensitive to the need to preserve available views of the adjacent Golf Course, mountains and scenic areas, and, as such, the Design Guidelines may impose restrictions on the construction and installation of improvements that could, as determined by Declarant, in its sole and absolute discretion, impair any such views.

11.4 Operation/Authority. It shall be the duty of the Design Review Committee to consider and act upon all proposals and plans submitted to it pursuant to this Declaration. The Design Review Committee shall hold regular meetings in accordance with its procedural rules and regulations. A quorum for such meetings shall consist of a majority of the members and an affirmative vote of a majority of the quorum shall be necessary for any decision. A duly appointed alternate member may participate in any meeting in which there is not a quorum of regular members present, may constitute a quorum by his presence and shall have all the authority of a regular member while so participating. The Design Review Committee shall review all complete applications submitted to it and shall furnish a written decision to the applicant setting forth the reasons for its decision and the nature of any objections. If the Design Review Committee fails to furnish a written decision within forty-five (45) calendar days after a complete application has been submitted or resubmitted to it, then the application as submitted or resubmitted, as the case may be, shall be deemed approved. The Design Review Committee may require the submission of such additional information as deemed reasonably necessary by the Design Review Committee to consider any application. In reviewing each submission, the Design Review Committee may consider any factors it deems relevant. Decisions may be based on purely aesthetic considerations. Each Owner acknowledges that determinations as to such matters are purely subjective and opinions may vary as to the desirability and/or attractiveness of

particular Improvements. Subject to the provisions of Section 11.6 below, the Design Review Committee shall have the sole discretion to make final, conclusive and binding determinations on matters of aesthetic judgment and such determinations shall not be subject to review so long as they are made in good faith and in accordance with procedures set forth herein. The Design Review Committee shall have broad discretionary powers in determining whether to approve an application, including, without limitation, the authority to deny approval to any application, notwithstanding compliance by the applicant with the Design Guidelines and to grant approval to any application notwithstanding failure by the applicant to comply fully with the Design Guidelines. In addition, the Design Review Committee may disapprove any application, if it, in its discretion, believes the applicant has not supplied sufficient or accurate information for the Design Review Committee to exercise the judgment required by this Declaration. The Design Review Committee shall keep complete written records of all applications for approval submitted to it (including one set of all preliminary sketches and all architectural plans) in connection with all actions taken by it under the provisions of the Design Guidelines. All such records shall be maintained for a minimum of three years after approval or disapproval.

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

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

11.7 Limited Liability of Design Review Committee Approval. All plans, drawings and specifications approved by the Design Review Committee are not approved for engineering, design or architectural competence. Through approval of such plans, drawings and specifications, the Design Review Committee does not assume liability or responsibility therefor or for any defect in any structure constructed pursuant to such plans, drawings and specifications. Declarant, members of the Design Review Committee and members of the Board shall not be liable to the Master Association, any Owner or to any other Person for any damage, loss or prejudice suffered or claimed because of: (i) the approval or disapproval of any plans, drawings or specifications, whether or not defective; or (ii) the construction or performance of any work, whether or not pursuant to approved plans, drawings or specifications.

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

11.9 Nonapplicability to Declarant. The provisions of this Article 11 are not to apply to any Lots and Parcels owned by Declarant or by any Person affiliated with Declarant.

11.10 Additional Governmental Approvals. The approval of the Design Review Committee contemplated by this Article 11 and required by Section 4.3 shall be in addition to, and not in lieu of, any approvals, consents or permits required under the ordinance or rules of the County or City or any other governmental agency having jurisdiction over Rancho Perilla Estates.

ARTICLE 12 RIGHTS AND POWERS OF THE MASTER ASSOCIATION

12.1 Master Association's Rights and Powers as Set Forth in Articles and Bylaws. The Master Association, as the agent and representative of the Owners and Lessees, shall have the non-exclusive right to enforce the Covenants set forth in this Declaration, any Tract Declaration, and/or any and all covenants, restrictions, reservations, charges, servitudes, assessments, conditions, liens or easements provided for in any contract, deed, declaration or other instrument which (i) shall have been executed pursuant to, or subject to, the provisions of this Declaration, or (ii) otherwise shall indicate that the provisions of such instrument were intended to be enforced by the Master Association or by Declarant. Notwithstanding the foregoing, Declarant expressly intends that neither the foregoing nor anything else in this Declaration or Tract Declaration shall obligate or be construed to obligate Declarant or the Master Association, or their respective agents, representatives or employees, to undertake any affirmative action to enforce the provisions of this Declaration, any Tract Declaration, or any provision hereof or thereof, or to undertake any remedial or corrective action with respect to any actual or asserted violation hereof or thereof.

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

contract or transaction described above or grant or deny any approval sought by the Declarant, its affiliated companies or any competitor thereof and may vote thereat to authorize any such contract, transaction or approval with like force and effect as if he were not so interested.

12.3 Reservation of Trade Name. Declarant hereby reserves all right, title and interest in the name "Rancho Perilla Estates" for the uses set forth herein and any other use as Declarant may choose. No Person shall use the name "Rancho Perilla Estates" or any derivative of such name in any printed or promotional material without Declarant's prior written consent, in its sole and absolute discretion. This restriction shall be enforceable only by Declarant or any other Person designated by Declarant in a Recorded instrument as Declarant's assignee of the prior approval and enforcement rights reserved hereby, and may be enforced by any remedy available at law or in equity, including, without limitation, the right to injunctive relief and to specific performance hereof.

ARTICLE 13 ANNEXATION AND DEANNEXATION

13.1 Annexation Without Approval. The Additional Property may be annexed to the Property and become subject to this Declaration and subject to the jurisdiction of the Master Association without the approval, assent or vote of the Master Association or its Members, provided that a Tract Declaration covering the portion of the Additional Property sought to be annexed shall be executed and Recorded by Declarant or its successors and assigns (and by the fee title holder(s) of the portion of the Additional Property sought to be annexed, if Declarant and/or its successors and assigns do not hold fee title to all of said property), provided, however, that no Tract Declaration shall be so executed and Recorded pursuant to this Section 13.1 more than: (i) fifteen (15) years subsequent to the Recording of this Declaration or (ii) seven (7) years subsequent to the last Recording of a Tract Declaration, whichever of (i) or (ii) shall have later occurred. Such execution and Recording of a Tract Declaration shall constitute and effectuate the annexation of said portion of the Additional Property described therein, making said real property subject to this Declaration and subject to the functions, powers and jurisdiction of the Master Association, and, thereafter, the Additional Property so annexed shall be a part of the Property and all of the Owners of Parcels and Lots in the Additional Property so annexed shall automatically be Members of the Master Association. Although Declarant, its successors and assigns, shall have the ability to so annex all or any portion of the Additional Property, neither Declarant, nor its successors and assigns, shall be obligated to annex all or any portion of the Additional Property, and such Additional Property shall not become subject to this Declaration unless and until a Tract Declaration annexing such Additional Property shall have been so executed and Recorded.

13.2 Deannexation Without Approval. A portion or portions of the Property may be deannexed from Rancho Perilla Estates and may be withdrawn from this Declaration and the jurisdiction of the Master Association without the approval, vote or assent of the Master Association or its Members, provided that a Certificate of Deannexation covering the portion of the Property sought to be deannexed shall be executed and Recorded by Declarant and/or its successors and assigns and the portion of the Property covered by such Certificate of Deannexation, is owned by Declarant or its successors and assigns. No Certificate of

Deannexation shall be so executed and Recorded pursuant to this Section 13.2 more than fifteen (15) years subsequent to the Recording of this Declaration in the case of portions of Rancho Perilla Estates originally subject to this Declaration as of the date of its Recording or more than seven (7) years after the Recording of a Tract Declaration that added the portion of the Property to be so deannexed to Rancho Perilla Estates.

13.3 Supplementary Declarations and Certificates of Deannexation. The annexations and deannexations authorized under this Article 13 shall be made by Recording a Tract Declaration of Covenants, Conditions and Restrictions, or similar instrument with respect to the Additional Property which shall extend the plan of this Declaration to such portion of the Property or a Certificate of Deannexation which shall remove the portion of the Property covered thereby from the plan of this Declaration. The Tract Declarations contemplated above may contain such complementary additions and modifications of the Covenants contained in this Declaration as may be necessary to reflect the different character, if any, of the annexed property and as are not inconsistent with the plan of this Declaration. In no event, however, shall any such Tract Declaration, revoke, modify or add to the covenants established by this Declaration within the existing Property.

ARTICLE 14 GOLF COURSE

14.1 Definitions. The term "Golf Course Owner" shall mean the fee owner from time to time of the Golf Course. For purposes of any indemnity or release of liability set forth in this Article 14, the term "Golf Course Owner" shall also mean and refer to any Person retained by the Golf Course Owner to operate and maintain the Golf Course and any and all sponsors and promoters of tournaments or other activities on the Golf Course.

14.2 Disclaimers. The Golf Course is not subject to this Declaration in any manner and is not Master Common Area. Any walls built by Declarant, a Developer, the Master Association or a Satellite Association and separating any part of Rancho Perilla Estates from the Golf Course shall be built entirely within the Lots or Parcels of Rancho Perilla Estates and shall not be a Party Wall with the Golf Course, shall not contain any openings, gates or fences leading or providing access to the Golf Course, and shall be maintained at the sole expense of the Owner. Master Association or Satellite Association as provided in this Declaration or any Tract Declaration. Neither membership in the Master Association or any Satellite Association nor ownership or occupancy of any Lot or Parcel shall confer any ownership in, right to use, preferential tee times, discounted fee rights, or membership in the Golf Course. The Golf Course is presently owned and operated by the City as a municipal public course separate and apart from Declarant and the Master Association. Neither the Declarant nor the Master Association has any right to own, control or maintain the Golf Course or to regulate the use, configuration or continued existence of the Golf Course. All Persons, including without limitation, all Owners, are hereby advised that no representations, warranties or commitments have been made by Declarant or any other Person associated or affiliated with Declarant, with regard to the present or future ownership, operation or configuration of, or right to use, the Golf Course or whether the Golf Course will operate in the future as a golf course or recreational facility. No Owner or Resident or their invitees or pets may enter the Golf Course without the express permission of the Golf Course.

Owner and, if such permission is granted, then only subject to the rules of operation of the Golf Course.

14.3 Golf Balls, Disturbances, Nuisances and Easements. Each Owner and Resident understands and agrees that his Lot or Parcel is or may be directly adjacent to or near the Golf Course and that Golf Course related activities, including, without limitation, regular course play and tournaments and social events, may be held adjacent to or near his Lot or Parcel. Each Owner and Resident acknowledges that the location of his Lot or Parcel within Rancho Perilla Estates may result in nuisances or hazards to person and property in or on such Lot or Parcel as a result of normal golf and private club operations or as a result of such other related activities. Each Owner and Resident covenants for himself, and for all invitees, that they assume all risks associated with such location, including, but not limited to: (i) the risk of property damage or personal injury arising from stray golf balls or actions incidental to such golf-course related activities; (ii) the risk and/or adverse effects of loud music or sound emanating from public address systems being used in connection with the Golf Course; (iii) the risk presented by unfenced and unguarded bodies of water and naturally occurring and man-made topological features, such as washes and gullies located on the Golf Course; and (iv) the risk presented by and odor connected with irrigation, water spraying, seeding, effluent, pesticide, and fertilizer use and operations on the Golf Course, and like hazards, nuisances and risks and shall indemnify and hold harmless Declarant, each Developer, the Master Association, and any Satellite Association, the Board, the Design Review Committee and any committee members, and the Golf Course Owner from and against any liability, claims or expenses, including attorneys' fees and court costs, arising from such property damage or personal injury. Each Owner and Resident further covenants that the Golf Course Owner shall have the right and an easement, to subject all or any portion of Rancho Perilla Estates to nuisances incidental to the maintenance, operation or use of the Golf Course, and to the carrying out of such Golf Course related activities, including, without limitation, tournament play and social events. In addition, there is hereby granted an ingress and egress easement over all publicly dedicated streets and privately maintained Master Common Area roads for pedestrian and motor vehicle access to the Golf Course and an easement over the Master Common Area to retrieve errant golf balls; provided, further, however, that nothing in this Section 14.3 shall permit a golfer to "play through" or to strike a golf ball when he is not situated on the Golf Course at the time of striking the ball and nothing shall preclude the Master Association from adopting reasonable safety Rancho Perilla Estates Rules for the operation of golf carts or other motor vehicles on Master Common Area. This right and easement shall run with and bind the title to all land within Rancho Perilla Estates.

14.4 Golf Course Operation. Each Owner acknowledges that the operation and maintenance of the Golf Course may require that maintenance personnel and other workers will perform work relating to the operation and maintenance of the Golf Course as early as 4:00 a.m. and as late as 10 p.m. on a daily basis and at other times during tournament play or major social events. In connection therewith, each Owner and Resident agrees that Declarant, Developers, the Master Association, any Satellite Association, the Design Review Committee, and the Golf Course Owner shall not be responsible for, and shall be held harmless from and against, any claims, causes of action, loss or liability arising in connection with or associated with any noise or inconvenience normally associated with such operation and maintenance activities.

14.5 Special Provisions Governing Golf Course Lots. Each Owner of a Golf Course Lots acknowledges that certain provisions of this Declaration, including, without limitation, Section 4.4.21, Section 7.5.4, and Section 10.4.2 above, contain special restrictions, obligations or limitations pertaining to such Lots by virtue of their immediate proximity to the Golf Course.

14.6 Amendment. In recognition of the fact that the provisions of this Article 14 are primarily for the benefit of the Golf Course, no amendment to this Article 14 or elsewhere in elsewhere to this Declaration that purport to supersede or replace all or any part of this Article 14, may be made without the written approval of all Persons having a fee ownership interest in the Golf Course, which must be evidenced in a Recording.

ARTICLE 15 TERM; AMENDMENTS; TERMINATION

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

15.2 Amendments.

15.2.1 Amendments to this Declaration. This Declaration may be amended by Recording with the County Recorder of the County, a Certificate of Amendment, duly signed and acknowledged. The Certificate of Amendment shall set forth in full the amendment adopted, and, except as provided in Section 15.3 and 15.4 below, shall certify that the amendment has been approved by the affirmative vote, or written consent, or any combination thereof, of the Owners casting at least seventy-five percent (75%) of the votes then entitled to be cast and with the consent of Declarant during the initial thirty (30) year Term of this Declaration if Declarant then owns any Lots or Parcels within Rancho Perilla Estates at the time the amendment is Recorded.

15.2.2 Amendment to Tract Declarations. Unless the applicable Tract Declaration provided otherwise, or as otherwise set forth in Section 4.2 above, Tract Declarations may be amended by approval of the Board and the Owners of all Lots and Parcels subject to the Tract Declaration. As long as the Declarant owns any Lot or Parcel within Rancho Perilla Estates, Declarant's approval is also required for any amendment to a Tract Declaration.

15.2.3 Amendment to Article 17 of this Declaration. No amendment to Article 17 of the Declaration shall be effective at any time unless Declarant approves the amendment in writing, regardless of whether Declarant owns any Lots or Parcels at the time such amendment is Recorded; provided, further, that if Declarant is deemed by any court of applicable jurisdiction not to have such an interest, then, in no event may Article 17 of this Declaration be amended without the consent of one hundred percent (100%) of the then Owners within Rancho Perilla Estates.

15.3 Right of Amendment if Requested by Governmental Agency or Lending Institutions. Anything in this Article 15 to the contrary notwithstanding, Declarant reserves the right, but shall not be obligated, to amend all or any part of this Declaration to such an extent and with such language as may be requested by the FHA, VA, Fannie Mae or Freddie Mac and to the extent required by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of this Declaration, or by any federally or state chartered lending institution as a condition precedent to lending funds upon the security of any Lot(s) or Parcel(s) or any portions thereof. Any such amendment shall be effected by Declarant's Recording a Certificate of Amendment duly signed by an authorized representative of Declarant, with his signature acknowledged, specifying the federal, state or local governmental agency or the federally or state chartered lending institution requesting the amendment and setting forth the amendatory language requested by such agency or lending institution. The Recording of such a Certificate of Amendment shall be deemed conclusive proof of the agency's or institution's request for such an amendment, and such Certificate of Amendment, when Recorded, shall be binding upon all of Rancho Perilla Estates and all Persons having an interest therein. It is the desire of Declarant to retain control of the Master Association and its activities during the anticipated period of planning and development. If any amendment requested pursuant to the provisions of this Section 15.3 alone deletes, diminishes or alters such control, Declarant shall have the right to prepare, provide for and adopt as an amendment thereto, other and different control provisions. Except as provided in this Section 15.3 and in Section 15.4 below, Declarant shall not have any right to amend this Declaration otherwise than in accordance with and pursuant to the provisions of Section 15.2 above.

15.4 Declarant's Unilateral Right of Amendment. Notwithstanding anything in this Article 15 to the contrary, Declarant shall, for so long as it possesses a Class B Membership, be entitled to unilaterally amend this Declaration to correct minor errors and omissions.

ARTICLE 16 TELECOMMUNICATIONS SERVICES

16.1 Establishment and Management. As a means of encouraging and facilitating the ability of the Owners and Residents within Rancho Perilla Estates to take advantage of the

increasing telecommunications technology, opportunities and services, Declarant, on behalf of itself and the Board, hereby reserves the right, but not the obligation, to design, create and implement a telecommunications system that may serve as a universal network connecting and benefiting all or portions of Rancho Perilla Estates, and that may be extended, reduced, terminated, enhanced, modified, redesigned or replaced from time to time as determined by Declarant and/or the Board, including when new information and communication technology and services becomes available that Declarant or the Board determines would be appropriate or beneficial. Such telecommunications system(s) is hereinafter referred to as the "Telecommunications Systems." The Board reserves the authority to implement such Rancho Perilla Estates Rules concerning all aspects of the use of the Telecommunications Systems as the Board may deem desirable or appropriate in its sole and absolute discretion.

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

16.1.2 Disclaimer. Neither Declarant, the Board nor the Master Association make any representation or warranty as to the quality, fitness or performance of the Telecommunications Systems, as to the quality, fitness or performance of any of the System Components, or that any particular System Component will be utilized for the Telecommunications Systems, or that any Telecommunications System will be provided or, once

provided, will continue to be provided to Rancho Perilla Estates or any portion thereof or to all Owners, Lessees or Residents.

16.2 System Connections; Additional Services.

16.2.1 Required Connections. From time to time, the Board, in its sole and absolute discretion, may require each Lot to have at least one connection to the Telecommunications Systems.

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

16.3 Governmental Regulations. The Telecommunications Systems, and the providers, managers and operators of the Telecommunications Systems, may be subject (currently or in the future) to federal, state or municipal regulations, law or ordinances, which may have a significant impact on certain aspects of the Telecommunications Systems, including, but not limited to, the fees charged, the method of delivery, and the rights of the users, providers, managers or operators of the Telecommunications Systems, which regulations, laws and ordinances, and their impact, are beyond the control of Declarant, the Board and the Master Association. The Board may, at any time, impose additional obligations on Owners and Lessees within Rancho Perilla Estates (in addition to those contained in this Article 16 or any contracts pursuant to Section 16.1 and Section 16.2 as well as any other rules and regulations that may be adopted by the Board), if the Board determines that such additional obligations are necessary or appropriate due to such regulations, laws or ordinances.

16.4 Special Telecommunications Fee.

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

discretion, establish Rancho Perilla Estates Rules whereby all or a portion of the System Fees are waived for certain Owners.

16.4.2 Obligation of All Owners. Each Owner shall be obligated to pay the System Fees for each Telecommunications System connection that is installed at its property, or, if greater, for each connection required to be included pursuant to Section 16.2 above. The levying of the Connection Fee shall occur, and the levying of the Periodic Fee shall commence, upon the later to occur of: (x) the commencement of operation of the Telecommunications Systems or (y) issuance of a certificate of occupancy (or equivalent governmental approval) for the relevant Dwelling Unit.

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

16.4.4 System Fees are Not Assessments. Declarant expressly intends that the System Fees are not "regular assessments" as that term is used in A.R.S. §33-1801 et seq., as amended from time to time, and that the System Fees are not subject to the twenty percent (20%) maximum annual increase limitations set forth in said Arizona Planned Communities Act.

16.4.5 Collection. System Fees shall be paid in such manner and on such dates as the Board may establish, which may include discounts for early payment or similar time/price differentials. The Board may require advance payment of the System Fees at the closing of the transfer of title to a Lot or Parcel and may impose special requirements for Owners with a history of delinquent payment. Subject to any governmental regulations and/or contract provisions, the Master Association may collect the System Fees (directly or through any other Person designated by the Board) or the Master Association may cause a third party provider, manager or operator of the Telecommunications Systems to collect the Systems Fees (directly or through any other Person designated by such third party provider, manager or operator). In the collection of System Fees, the Master Association shall have all of the rights and remedies available to the Master Association for the collection of Assessments and Special Use Fees provided in this Declaration or under Arizona law, including, but not limited to, all lien rights hereunder. To the extent permitted under any applicable governmental regulations and any applicable contract provisions with any third party provider, manager or operator of the Telecommunications Systems, in addition to any other action it may take, the Master Association may act as the agent for any third party provider, manager or operator of the Telecommunications Systems, for the purpose of collecting any unpaid System Fees, and, in such capacity, the Master Association may utilize all methods of enforcement available by law or contract to such third party provider, manager or operator, and, if any third party provider, manager or operator seeks to collect unpaid fees on its own behalf, or engages the services of another Person for the purpose of collection, the Master Association shall have the authority for this purpose to assign the enforcement rights under this Declaration (including, but not limited to, its lien rights) to such third party provider, manager or operator, or such other agent.

ARTICLE 17 CONSTRUCTION DEFECT CLAIMS PROCEDURES

17.1 Construction Defect Dispute Notification and Resolution Procedure. All actions or claims (i) by the Master Association or any Satellite Association against any one or more of Declarant, a Production Developer or their general contractors or brokers or their agents, employees or representatives (collectively, the "Declarant Parties"), (ii) by any Owner(s) against any one or more of the Declarant Parties, or (iii) by both the Master Association and/or Satellite Association and any Owner(s) against any one or more of the Declarant Parties, relating to or arising out of Rancho Perilla Estates, including, but not limited to, this Declaration or construction of or any condition on or affecting Rancho Perilla Estates including, but not limited to, construction defects, surveys, soils conditions, grading, specifications, installation of improvements (including, but not limited to, Dwelling Units) or disputes which allege negligence or other tortious conduct, breach of contract or breach of implied or express warranties as to the condition of Rancho Perilla Estates or any improvements therein (collectively, "Dispute[s]") shall be subject to the provisions of this Article 17. Declarant and each Unit Owner acknowledge that the provisions set forth in this Article 17 shall be binding upon current and future Owners and upon the Master Association and any Satellite Association, whether acting for itself or on behalf of any Owner(s).

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

17.3 Right to Inspect and Right to Corrective Action. Within a reasonable period after receipt of the Claim Notice, which period shall not exceed sixty (60) days, the Declarant Parties and the claimant shall meet at a mutually acceptable place within Rancho Perilla Estates to discuss the claim. At such meeting or at such other mutually agreeable time, the Declarant Parties and their representatives shall have full access to the property that is the subject of the claim and shall have the right to conduct inspections, testing and/or destructive or invasive testing of the same in a manner deemed appropriate by the Declarant Parties (provided Declarant shall repair or replace any property damaged or destroyed during such inspection or testing), which rights shall continue until such time as the Dispute is resolved as provided in this Article 17. The parties shall negotiate in good faith in an attempt to resolve the claim. If the Declarant Parties elect to take any corrective action, the Declarant Parties and their representatives and agents shall be provided full access as necessary to Rancho Perilla Estates and the property which is the subject of the Claim Notice to take and complete corrective action.

17.4 No Additional Obligations; Irrevocability and Waiver of Right. Nothing set forth in this Article 17 shall be construed to impose any obligation on any Declarant Party to inspect, test, repair or replace any item of Rancho Perilla Estates for which such Declarant Party is not otherwise obligated under applicable law or any limited warranty provided by such Declarant Party in connection with the sale of the Lot, Parcel and/or the Improvements and Dwelling Units constructed thereon. The right of the Declarant Parties to enter, inspect, test, repair and/or replace reserved hereby shall be irrevocable and may not be waived or otherwise terminated except by a writing, in recordable form executed and Recorded by Declarant.

17.5 Mediation. If the parties to the Dispute cannot resolve the Claim pursuant to the procedures described in Section 17.3 above, the matter shall be submitted to mediation pursuant to the mediation procedures adopted by the American Arbitration Association (except as such procedures are modified by the provisions of this Article 17) or any successor thereto or to any other entity offering mediation services that is acceptable to the parties. No person shall serve as a mediator in any dispute in which the person has any financial or personal interest in the result of the mediation, except by the written consent of all parties. Prior to accepting any appointment, the prospective mediator shall disclose any circumstances likely to create a presumption of bias or to prevent a prompt commencement of the mediation process. No litigation or other action shall be commenced against any Declarant Party without complying with the procedures described in this Section 17.5.

17.6 Position Memoranda; Pre-Mediation Conference. Within ten (10) days of the selection of the mediator, each party shall submit a brief memorandum setting forth its position with regard to the issues that need to be resolved. The mediator shall have the right to schedule a pre-mediation conference and all parties shall attend unless otherwise agreed. The mediation shall be commenced within ten (10) days following the submittal of the memoranda and shall be concluded within fifteen (15) days from the commencement of the mediation unless the parties mutually agree to extend the mediation period. The mediation shall be held in the County of Declarant's place of business, Maricopa County, Arizona, or such other place as is mutually acceptable to the parties.

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

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

17.9 Parties Permitted at Sessions. Persons other than the parties, the authorized representatives of such parties (including their attorneys), and the mediator may attend mediation sessions only with the permission of both parties or by witnesses in the course of the mediator while serving in such capacity shall be confidential. There shall be no stenographic record of the mediation process.

17.10 Expenses. The expenses of witnesses for either side shall be paid by the party producing such witnesses. All other expenses of the mediation, including, but limited to, the fees and costs charged by the mediator and the expenses of any witnesses or the cost of any proof or expert advice produced at the direct request of the mediator, shall be borne equally by the parties unless they agree otherwise. Each party to the mediation shall bear its own attorney's fees and costs in connection with such mediation.

17.11 Arbitration. Should mediation pursuant to Section 17.5 above not be successful in resolving any Dispute which is the subject of a Claim Notice, such Dispute shall be resolved by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association as modified or as otherwise provided in this Article 17. The parties shall cooperate in good faith to attempt to cause all necessary and appropriate parties to be included in the arbitration proceeding. Subject to the limitations imposed in this Article 17, the arbitrator shall have the authority to try all issues, whether of fact or law.

17.12 Place. The arbitration proceedings shall be heard in the County of Declarant's place of business, Maricopa County, Arizona, or such other location as is mutually acceptable to the parties.

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

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

17.15 Pre-hearing Conferences. The arbitrator may require one or more pre-hearing conferences.

17.16 Discovery. The parties shall be entitled only to limited discovery, consisting of the exchange between the parties of only the following matters: (i) witness lists; (ii) expert witness designations; (iii) expert witness reports; (iv) exhibits; (v) reports of testing or inspections of the property subject to the Dispute, including but not limited to, destructive or invasive testing; and (vi) trial briefs. The parties shall also be entitled to conduct further tests and inspections as provided in Section 17.3 above. Any other discovery shall be permitted by the arbitrator upon a showing of good cause or based on the mutual agreement of the parties. The arbitrator shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

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

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

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

17.20 WAIVERS. NOTICE: BY ACCEPTANCE OF A DEED OR BY ACQUIRING ANY OWNERSHIP INTEREST IN ANY PORTION OF RANCHO PERILLA ESTATES, EACH PERSON, FOR HIMSELF OR HERSELF, HIS OR HER HEIRS, PERSONAL REPRESENTATIVES, SUCCESSORS, TRANSFEREES AND ASSIGNS, AGREES TO HAVE ANY DISPUTE RESOLVED ACCORDING TO THE PROVISIONS OF THIS ARTICLE 17 AND WAIVES THE RIGHT TO PURSUE ANY DISPUTE IN ANY MANNER OTHER THAN AS PROVIDED IN THIS ARTICLE 17. THE MASTER ASSOCIATION, ANY SATELLITE ASSOCIATION, EACH OWNER AND DECLARANT PARTY ACKNOWLEDGES THAT BY AGREEING TO RESOLVE ALL DISPUTES AS PROVIDED IN THIS ARTICLE 17, THEY ARE GIVING UP THEIR RESPECTIVE RIGHTS TO HAVE SUCH DISPUTES TRIED BEFORE A JURY. THE MASTER ASSOCIATION, ANY SATELLITE ASSOCIATION, EACH OWNER AND DECLARANT PARTY FURTHER WAIVE THEIR RESPECTIVE RIGHTS TO AN AWARD OF PUNITIVE AND CONSEQUENTIAL DAMAGES RELATING TO A DISPUTE. BY ACCEPTANCE OF A DEED OR BY ACQUIRING ANY OWNERSHIP INTEREST IN ANY PORTION OF RANCHO PERILLA ESTATES, EACH OWNER HAS VOLUNTARILY ACKNOWLEDGED THAT HE IS GIVING UP ANY RIGHTS HE MAY POSSESS TO PUNITIVE AND CONSEQUENTIAL DAMAGES OR THE RIGHT TO A TRIAL BEFORE A JURY RELATING TO A DISPUTE.

17.21 Statutes of Limitation. Nothing contained in this Article 17 shall be considered to toll, stay, reduce or extend any applicable statute of limitations.

17.22 Required Consent of Declarant to Modify. Neither this Section 17.22 nor Section 17.23 below may be amended except in accordance with Section 15.2.3 of this Declaration and with the express written consent of the Declarant without regard to whether Declarant then owns any Lots or Parcels in Rancho Perilla Estates.

17.23 Required Consent of Owners for Legal Action. Notwithstanding anything to the contrary contained in this Declaration, any action or Claim instituted by the Master Association or any Satellite Association against any one or more Declarant Parties, relating to or arising out of Rancho Perilla Estates, this Declaration or any other Master Association Documents, the use or condition of Rancho Perilla Estates or the design or construction of or any condition on or affecting Rancho Perilla Estates, including, but not limited to, construction defects, surveys, soils conditions, grading, specifications, installation of Improvements (including, but not limited to, Dwelling Units) or disputes which allege negligence or other tortious conduct, breach of contract or breach of implied or express warranties as to the condition of Rancho Perilla Estates or any Improvements thereon, shall have first been approved by Owners representing ninety percent (90%) of the votes in the Association who are voting in person or by proxy at a meeting duly called for such purpose.

17.24 Notice to Owners. Prior to obtaining the consent of the Owners in accordance with Section 17.23 above, the Master Association or Satellite Association, as applicable, must

provide written notice to all Owners within Rancho Perilla Estates affected by the Dispute, which notice shall (at a minimum) include (1) a description of the nature of any action or claim (the "Claim"), (2) a description of the attempts of the Declarant Party or Parties to correct such Claim and the opportunities provided to such Declarant Party or Parties to correct such Claim, (3) a certification from an engineer licensed in the State of Arizona that such Claim is valid along with a description of the scope of work necessary to cure such Claim and a resume of such engineer, (4) the estimated cost to repair such Claim, (5) the name and professional background of the attorney proposed to be retained by the Master Association or Satellite Association, as applicable, to pursue the Claim against such Declarant Party or Parties and a description of the relationship between such attorney and member(s) of the Board of Directors (if any), (6) a description of the fee arrangements between such attorney and the Master Association or Satellite Association, as applicable, (7) the estimated attorneys' fees and expert fees and costs necessary to pursue the Claim against the Declarant Party or Parties and the source of the funds which will be used to pay such fees and expenses, (8) the estimated time necessary to conclude the action against the Declarant Party or Parties, and (9) an affirmative statement from the Board of Directors that the action is in the best interest of the Master Association or Satellite Association, as applicable, and its Members. In the event the Association recovers any funds from a Declarant Party (or any other Person) to repair a Claim, any excess funds remaining after repair of such Claim shall be paid into the reserve funds of the Master Association or Satellite Association, as applicable.

17.25 Notification to Prospective Purchasers. In the event that the Master Association or Satellite Association, as applicable, commences any action or Claim or has notified the appropriate Owners that it has delivered a Claim Notice of a Dispute to any of the Declarant Parties, all affected Owners must notify prospective purchasers of a Dwelling Unit or Parcel from them of the existence of such action, Claim or Claim Notice of a Dispute and must provide such prospective purchasers with a copy of the notice received from the Master Association or Satellite Association, as applicable, in accordance with Section 17.24 above or any other notice so received from the Association.

17.26 Arizona Statutory Compliance. In the event a court of competent jurisdiction invalidates all or part of this Article 17 regarding the resolution of Disputes and Claims and litigation unfortunately becomes necessary, the Declarant Parties, the Master Association, any Satellite Association, and all Owners shall be bound by the applicable Arizona construction defect statute presently codified at A.R.S. §12-1361 et seq. and A.R.S. §33-2001 et seq.

ARTICLE 18 MISCELLANEOUS

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

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

18.3 No Warranty of Enforceability. While Declarant has no reason to believe that any of the Covenants contained in this Declaration are or may be invalid or unenforceable for any reason or to any extent, Declarant makes no warranty or representation as to the present or future validity or enforceability of any such Covenant. Any Owner acquiring a Lot or Parcel within Rancho Perilla Estates in reliance on one or more of such Covenants shall assume all risks of the validity and enforceability thereof and by acquiring the Lot or Parcel agrees to hold Declarant harmless therefrom.

18.4 Disclaimer of Representations. Declarant makes no representations or warranties whatsoever that: (i) Rancho Perilla Estates will be completed in accordance with the plans for the Property as they exist on the date this Declaration is Recorded; (ii) any portion of the Property will be committed to or developed for a particular use or for any use, except that all such uses shall be consistent with these Covenants; (iii) the use of any portion of the Project will not be changed in the future; or (iv) that any portion of the Additional Property will be added to Rancho Perilla Estates.

18.5 References to Covenants in Deeds. Deeds to and instruments affecting any Lot or any other portion of Rancho Perilla Estates may contain the Covenants herein set forth by reference to this Declaration, but, regardless of whether any such reference is made in any deed or instrument, each and all of the Covenants shall be binding upon the Owner or other Person claiming through any deed or other instrument and his heirs, executors, administrators, successors and assignees.

18.6 Successors and Assigns of Declarant. Any reference in this Declaration to Declarant shall mean and include any successors and assigns of Declarant's rights and powers hereunder, provided that Declarant's rights and powers may only be assigned by a written Recorded instrument expressly assigning such rights and powers.

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

18.8 Captions and Titles. All captions, titles or headings of the Articles and Sections in this Declaration are for the purpose of reference and convenience only and are not to be deemed to limit, modify or otherwise affect any of the provisions hereof or to be used in determining the intent of context hereof. The use of the term "Section" in these Covenants shall also mean all subsections grouped under that Section unless the context otherwise requires.

18.9 Notices. If notice of any action or proposed action by the Board or any committee thereof or of any meeting is required by applicable law, this Declaration or resolution of the Board, to be given to any Owner, Lessee or Resident, then, unless otherwise specified in

the Master Association Documents, or unless otherwise required by applicable Arizona law or by resolution of the Board, such notice requirement shall be deemed satisfied if notice of such action or meeting is published in any newspaper of general circulation within the County. This Section 18.9 shall not be construed to require that any notice be given if not otherwise required and shall not prohibit satisfaction of any notice requirement in any other manner.

18.10 FHA/VA Approval. If this Declaration has been initially approved by the Federal Housing Administration or the Veterans Administration in connection with loan programs made available by HUD/FHA or VA, and so long as there is Class B membership in the Master Association, the following actions shall require the prior written approval of FHA and/or VA: annexation of additional properties (other than the Additional Property), dedication, mortgaging or conveyance of Master Common Area, and amendment of this Declaration.

18.11 Certain First Mortgagee Rights.

18.11.1 Any First Mortgagee will, upon written request identifying the name and address of the First Mortgagee for any Lot or Parcel and the Lot or Parcel number, address or other legal description, shall be entitled to receive timely written notice of: (i) all meetings of the Members and be permitted to designate a representative to attend all such meetings; (ii) any condemnation loss or any casualty loss which affects a material portion of Rancho Perilla Estates or the Lot or Parcel subject to the First Mortgage; (iii) any delinquency in the payment of Assessments or other charges owed or any other default in the performance of obligations under the Master Association Documents by the Owner of the Lot or Parcel subject to the First Mortgage which remains uncured for a period of sixty (60) days; and (iv) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association.

18.11.2 Any First Mortgagee will, upon written request be entitled to: (i) inspect the books and records of the Master Association during normal business hours and (ii) receive within ninety (90) days following the end of any fiscal year of the Master Association, a financial statement of the Master Association for the immediately preceding fiscal year of the Master Association, free of charge to the requesting party and, in the case of an institutional First Mortgagee holding a state or federal charter as a bank, credit union or savings and loan or similar type entity, such financial statement shall be an audited statement if requested by the First Mortgagee and the extra cost thereof is paid by the First Mortgagee or the applicable Owner; and (iii) receive written notice of all meetings of the Members of the Master Association and be permitted to designate a representative to attend all such meetings.

18.11.3 No Lot subject to a Recorded subdivision plat shall be partitioned or subdivided without the prior written approval of the First Mortgagee of any such Lot subject to a First Mortgage.

18.11.4 Unless at least two-thirds (2/3) of the First Mortgagees (based upon one vote for each First Mortgage owned by the First Mortgagee in Rancho Perilla Estates) or the Owners (other than Declarant) holding of at least two-thirds (2/3) of the votes attributable to Lots and Parcels have given their prior written approval, the Association shall not be entitled to:

18.11.4.1 seek to abandon, partition, subdivide, sell or transfer the Common Area owned, directly or indirectly, by the Association. The granting of easements for public utilities or for other public purposes consistent with the intended use of such Master Common Area shall not be deemed a transfer within the meaning of this Section 18.11.4.

18.11.4.2 change the method of determining the obligations, Assessments, dues or other charges which may be levied against any Owner.

18.11.4.3 change, waive or abandon any scheme or regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of the Lots or Parcels or the maintenance of Master-Common Area.

18.11.4.4 fail to maintain fire and extended insurance coverage on a current replacement cost basis for the Master Common Area in an amount of at least one hundred percent (100%) of insurable value.

18.11.4.5 use hazard insurance proceeds for losses to Master Common Area and any other Improvements as may be maintained or operated by the Master Association other than for the rep. :-, replacement or reconstruction of such Improvements.

18.11.5 No provision of this Declaration gives or shall be construed as giving any Owner or other Person priority over any rights of a First Mortgagee of a Lot or Parcel in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or taking of the Master Common Area.

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

18.11.7 No breach of any of the covenants, conditions and restrictions contained in this Declaration, and no enforcement of any lien provisions herein shall render invalid the lien of any First Mortgage, but all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure, trustee's sale or otherwise.

18.11.8 All amenities pertaining to Rancho Perilla Estates as a whole and not owned or maintained by a Satellite Association (such as, without limitation, the Community Recreation Facilities) are a part of the Project and shall be covered by and subject to a First Mortgage on a Lot to the same extent as is the Master Common Area.

18.11.9 An action to abate the breach of any of these Covenants may be brought against the First Mortgagee or other Person who has acquired title through foreclosure of a First Mortgage and subsequent sheriff's sale (or through any equivalent proceedings) and the

successor in interest to said First Mortgagee or other Person, if the breach continues to exist after the time said First Mortgagee or other Person acquires an interest in such Lot or Parcel.

18.11.10 During the pendency (including any period of redemption) of any proceedings to foreclose a First Mortgage (or from the time a trustee under a first deed of trust has given notice of sale pursuant to the power of sale conferred under the deed of trust and pursuant to law), the First Mortgagee, or a receiver appointed in any such action, may, but need not, exercise any or all of the rights and privileges of the Owner of the Lot or Parcel in default, including, but not limited to, the right to vote as a Member of the Master Association in the place and stead of the defaulting Owner, irrespective of whether the Member's voting rights have been suspended for nonpayment of Assessments.

18.11.11 Notwithstanding anything contained herein to the contrary, at such time as the First Mortgagee shall become record Owner of a Lot or Parcel, the First Mortgagee shall be subject to all of the terms and conditions of this Declaration, including, but not limited to, the obligations to pay all Assessments and charges accruing thereafter in the same manner as any other Owner.

18.11.12 The right of any Owner to sell, transfer or otherwise convey his Lot or Parcel shall not be subject to any right of first refusal or any similar restriction in favor of the Master Association and no such right of first refusal or similar restriction shall be hereinafter imposed by amendment of this Section 18.11.12 without the prior written consent of all First Mortgagees of record at the time the requested amendment is proposed.

18.11.13 In the event of any conflict or inconsistency between the provisions of this Section 18.11 and any other provision of this Declaration or any Tract Declaration, the provisions of this Section 18.11 shall prevail; provided, however, that in the event of any conflict or inconsistency between the provisions of this Section 18.11 and any other provisions of this Declaration with respect to the number or percentages of Owners, or First Mortgagees that must consent to: (i) an amendment of the Master Association Documents, (ii) a termination of the Declaration, or (iii) certain actions of the Master Association as specified in Section 18.11.4 above, the provisions requiring the consent of the greatest number or percentage of Owners or First Mortgagees shall prevail; provided, however, that notwithstanding the foregoing, Declarant shall have the right to amend this Declaration in accordance with and pursuant to the provisions of Section 15.2 above.

18.12 No Absolute Liability. No provision of the Master Association Documents shall be interpreted or construed as imposing on Owners absolute liability for damage to the Master Common Area or the Lots or Parcels. Owners shall only be responsible for damage to the Common Area or Lots or Parcels caused by the negligence or intentional acts of the Owners or Residents of the Lots or their invitees or pets.

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IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereunto set its hand to be effective as of the date first set forth above.

DECLARANT:

FIDELITY NATIONAL TITLE AGENCY, INC.,
an Arizona corporation as Trustee under Trust No. 60095,
and not in its corporate capacity

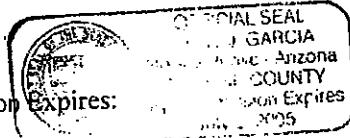
By Marka L. Hill
Its Trust Officer

STATE OF ARIZONA)
Pima)ss.
COUNTY OF MARICOPA)

On this 3rd day of November, 2003, before me, the undersigned notary public, in and for said county and state, personally appeared Marka L. Hill, the Trust Officer of Fidelity National Title Agency, Inc., an Arizona corporation, as Trustee under Trust No. 60095, and not in its corporate capacity, personally known (or proved) to me to be the person whose name is subscribed to the above instrument and who acknowledged that he executed the above instrument for and on behalf of the Trust, in his capacity as the Trust Officer thereof.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires:



NOTARY PUBLIC

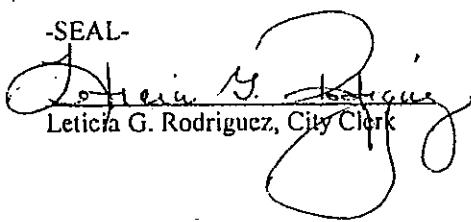
031140950

CERTIFICATION

I hereby certify that the Mayor and Council of the City of Douglas, Arizona approved the Declaration of Covenants, Conditions, Restrictions and Easements for Rancho Perilla Estates by Resolution No. 03-309 at a duly called and held meeting on the 15 day of Oct., 2003, at which a quorum was present.

Dated this 7th day of Nov., 2003, by Leticia G. Rodriguez, City Clerk.

-SEAL-


Leticia G. Rodriguez, City Clerk



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EXHIBIT "A"

Real Property Initially Part of Rancho Perilla Estates and
Subject to this Declaration as of the date of its Recording

Parcel One:

Lots 1-72, inclusive, and Tracts A and B, Rancho Perilla Estates-Block 1 Final Plat, according to the Plat of record in Book ____ of Maps, page ____, Cochise County, Arizona.

Parcel Two:

Lots 1-77, inclusive, and Tract A, Rancho Perilla Estates-Block 2 Final Plat, according to the Plat of record in Book ____ of Maps, page ____, Cochise County, Arizona.

Parcel Three:

Lots 1-53, inclusive, and Tract A, Rancho Perilla Estates-Block 3 Final Plat, according to the Plat of record in Book ____ of Maps, page ____, Cochise County, Arizona.

Parcel Four:

Lots 1-29, inclusive, and Tract A, Rancho Perilla Estates-Block 4 Final Plat, according to the Plat of record in Book ____ of Maps, page ____, Cochise County, Arizona.

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