

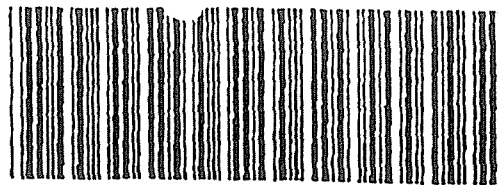
Declaration (Conditions, Covenants, & Restrictions)



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DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
AUGUSTA RANCH

INDEX

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, FOR AUGUSTA RANCH

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DECLARATION OF COVENANTS, CONDITIONS,
AND RESTRICTIONS
FOR
AUGUSTA RANCH

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR AUGUSTA RANCH (hereinafter termed the "Declaration") is made effective as of the 5th day of December, 1997, by A.R. DEVELOPMENT L.L.C., an Arizona limited liability company (hereinafter sometimes termed "Declarant").

ARTICLE 1

DEFINITIONS

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

(a) "Additional Property" shall mean real property located adjacent to the Property. For purposes of the foregoing, real property shall be deemed to be located adjacent to the Property if it is separated from the Property solely by land dedicated to and accepted by the United States of America, the State of Arizona, Maricopa County, the City of Mesa, or any other political subdivision (e.g., land dedicated for public rights-of-way).

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

(c) "Apartment Development" shall mean a Parcel which is limited by the applicable Tract Declaration therefor to residential use and is comprised of rental apartments and surrounding area which are intended, as shown by the site plan therefor approved by the City of Mesa, or other applicable governmental agencies and the Commercial Design Review Committee as one integrated apartment operation under the same ownership.

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

(e) "Assessable Property" shall mean any Lot or Parcel, except (i) such part or parts thereof as may from time to time constitute Exempt Property, or (ii) any Parcel against which no Tract Declaration has been Recorded.

(f) "Assessment" shall mean an Annual Assessment, Parcel Assessment, Special Assessment and/or Maintenance Charge.

(g) "Assessment Lien" shall mean the lien created and imposed by Article 7.

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

(i) "Augusta Ranch Rules" shall mean the rules for Augusta Ranch adopted by the Board pursuant to Section 5.3 as same may be amended or modified from time to time.

(j) "Blanket Easement Agreement" shall mean that certain Declaration of Blanket Easements and Restrictions Recorded as Instrument No. 97-0804045, official records of Maricopa County, Arizona.

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

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

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

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

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

(p) "Common Expense Allocation" shall mean the portion of the Annual Assessment attributable to Common Expenses, and not attributable to payment of any portion of the Drainage Easement Fee.

(q) "Condominium Development" shall mean a condominium established under the laws of the State of Arizona with respect to a Parcel, which Parcel 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) "Covenants" shall mean the covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations and easements set forth herein.

(t) "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.

(u) "Declaration" shall mean this Declaration of Covenants, Conditions, and Restrictions as amended or supplemented from time to time.

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

(w) "Design Review Committee" shall mean either the Residential Design Review Committee or Commercial Design Review Committee, as applicable, and as the context requires.

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

(y) "Drainage Easement Agreement" shall mean that certain Declaration of Drainage Easements and Restrictions Recorded as Instrument No. 97-0804046, official records of Maricopa County, Arizona.

(z) "Drainage Easement Area" shall mean those portions of the Golf Course Land described in the Drainage Easement Agreement as the "Golf/Drainage Property," over which an easement has been created in favor of portions of the Property for the purposes of the flow and retention of drainage and excess storm water runoff, and the installation, maintenance, operation, use, repair and replacement of all reasonably necessary facilities and equipment therefor.

(aa) "Drainage Easement Fee" shall mean the amount payable by the Master Association to the Golf Course Owner pursuant to Section 7.12 hereof.

(bb) "Drainage Easement Fee Allocation" shall mean the portion of the Annual Assessment attributable to the Drainage Easement Fee, and not attributable to payment of any Common Expenses.

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

(dd) "Exempt Property" shall mean the following parts of Augusta Ranch:

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

(ii) All Master Association Land, for as long as the Master Association is the owner thereof; and

(iii) Any Parcel owned by a Satellite Association.

(ee) "Golf Course Land" shall mean the real property immediately adjacent to Augusta Ranch, as described on Exhibit "B" to this Declaration, which is substantially undeveloped land upon which is located landscaping, irrigation systems, paths, golf greens and tees and other equipment and improvements customarily associated with a golf course or open space greenbelt area, or any such land immediately adjacent to Augusta Ranch which is owned and operated as part of a golf course, or is restricted for use only as a golf course as contemplated by A.R.S. §42-146. The Golf Course Land may be modified by Declarant (increased and/or reduced) from time to time without the necessity of obtaining the consent of any Owner or Person.

(ff) "Golf Course Lot" and "Golf Course Parcel" shall mean a Lot or Parcel, respectively, which has a portion of its boundary immediately adjacent to Golf Course Land.

(gg) "Golf Course Owner" shall mean the record holder of legal title to the fee simple interest of the Golf Course Land, but excluding those who hold such title merely as security for the performance of an obligation. In the case where fee simple title to the Golf Course Land is vested of Record in a Seller under a valid and outstanding agreement or contract of sale, as defined in A.R.S. §33-741, legal title shall be deemed to be in the purchaser under such agreement or contract of sale. In the case where fee simple title to the Golf Course Land is vested of Record in a trustee pursuant to A.R.S. §33-801, et seq., legal title shall be deemed to be in the Trustor. Golf Course Owner shall include any Person who holds record title to the Golf Course Land in joint ownership with any other Person or holds an undivided fee interest in the Golf Course Land.

(hh) "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.

(ii) "Lessee" shall mean the lessee under a lease, including an assignee of a lease but excluding any person who has assigned all of his interest in a lease.

(jj) "Lot" shall mean (a) any area of real property within Augusta Ranch designated as a numbered lot on any Recorded subdivision plat and limited by a Tract Declaration to either Single Family Residential Use or Cluster Residential Use, and (b) any Condominium Unit within Augusta Ranch which is limited by a Tract Declaration to residential use.

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

(ll) "Master Association" shall mean Augusta Ranch Community Master Association, an Arizona non-profit corporation, or its successors and assigns, which was organized to administer and enforce the Covenants and to exercise the rights, powers and duties set forth in this Declaration.

(mm) "Master Association Land" shall mean such part or parts of Augusta Ranch, together with the buildings, structures and 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.

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

(oo) "Master Plan" shall mean the Augusta Ranch development plan approved by the City of Mesa, or other applicable governmental agencies, 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.

(pp) "Member" shall mean any person holding a Membership in the Master Association pursuant to this Declaration.

(qq) "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.

(rr) "Non-Residential Parcels" shall mean those Lots and Parcels which are not Residential Parcels.

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

(tt) "Parcel" shall mean all contiguous area of real property within Augusta Ranch, except for Lots, which is owned by the same Person.

(uu) "Parcel Assessment" shall mean an assessment levied against less than all of the Lots and Parcels in Augusta Ranch pursuant to Section 7.4 of this Declaration.

(vv) "Parcel Assessment Area" shall mean any part of Augusta Ranch designated in a Tract Declaration, Recorded subdivision plat approved and signed by Declarant or the Master Association, or any other Recorded instrument approved and signed by Declarant or the Master Association, as an area which is to be maintained, repaired and replaced by the Master Association but which is for the sole or primary benefit of the Owners of less than all of the Lots and Parcels in Augusta Ranch.

(ww) "Parcel Expenses" shall mean all costs and expenses, including any allocations to reserves, of the Master Association pertaining to the maintenance, repair and replacement of Parcel Assessment Areas.

(xx) "Party Fence" and "Party Wall" shall mean a fence or wall constructed on, or immediately adjacent to: (i) the common boundary of Lots, or (ii) the common boundary of Master Common Areas and a Lot or Parcel, or (iii) the common boundary of Golf Course Land and any Lot, Parcel or Master Common Area.

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

(zz) "Property" or "Augusta Ranch" shall mean the Property situated in the County of Maricopa, State of Arizona, as described on Exhibit "A" to this Declaration, and such additions thereto, if any, as may hereafter become subject to this Declaration and be brought within the jurisdiction of the Master Association pursuant to the provisions of Article 13 of this Declaration.

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

(bbb) "Resident" shall mean:

(i) Each Lessee actually residing or conducting a business on any part of the Property; and

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

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

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

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

(eee) "Residential Parcels" shall mean those Lots and Parcels the Land Use Classification of which is Single Family Residential Use, Residential Condominium Development Use, Cluster Residential Use or similar residential uses (but specifically excluding Apartment Development Use).

(fff) "Satellite Association" shall mean any homeowners or similar association formed by the developer (other than Declarant) of a Parcel as referenced in Section 5.5 of this Declaration.

(ggg) "Special Assessment" shall mean any Assessment levied and assessed pursuant to Section 7.5 hereof.

Nothing in this Declaration shall be construed to prevent the Declarant from modifying the Master Plan or any portions thereof. IT IS EXPRESSLY INTENDED BY DECLARANT THAT AUGUSTA RANCH, AS DESCRIBED IN THIS DECLARATION, NOT INCLUDE THE GOLF COURSE LAND AND THIS DECLARATION SHALL NOT APPLY TO THE GOLF COURSE LAND OR ANY GOLF COURSE CONSTRUCTED AND OPERATED ON THE GOLF COURSE LAND. EACH PERSON ACQUIRING A MEMBERSHIP IN THE MASTER ASSOCIATION, AND THE HEIRS, PERSONAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS OF THE FOREGOING, ACKNOWLEDGE AND AGREE THAT THE ACQUISITION OF ANY INTEREST IN ONE OR MORE LOTS OR PARCELS LOCATED IN AUGUSTA RANCH SHALL NOT IN AND OF ITSELF IN ANY WAY ENTITLE ANY SUCH PERSON TO ANY INTEREST IN OR ANY RIGHT TO USE THE GOLF COURSE LAND OR TO MEMBERSHIP IN ANY CLUB OR OTHER GOLF OPERATION NOW OR HEREAFTER EXISTING IN CONNECTION WITH THE GOLF COURSE LAND.

Section 2.2 Master Association Bound. Upon the date of filing the Articles with the Arizona Corporation Commission, the Covenants shall be binding upon and shall benefit the Master Association.

Section 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, benefitted by the Covenants.

ARTICLE 3

EASEMENTS AND RIGHTS OF ENJOYMENT IN MASTER COMMON AREAS

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

(a) The right of the Master Association to suspend the voting rights and right to use of the facilities and other Master Common Areas by any Member (i) for any period during which any Assessment against his Parcel or Lot remains delinquent; (ii) for a period not to exceed 60 days for any infraction of this Declaration, a Tract Declaration or the Augusta Ranch Rules, and (iii) for successive 60-day periods if any such infraction is not corrected during any prior 60-day suspension period.

(b) The right of the Master Association to regulate the use of the Master Common Areas through the Augusta Ranch Rules and to prohibit or limit access to those Master Common Areas, such as specified landscaped areas, not intended for use by the Members. The

(hhh) "Special Use Fees" shall mean special fees authorized by this Declaration which an Owner, Lessee, Resident or any other person is obligated to pay to the Master Association over, above and in addition to any Annual Assessments, Parcel Assessments, Special Assessments or Maintenance Charges imposed or payable hereunder.

(iii) "Tenant" shall mean any person who occupies property located in Augusta Ranch under any type of rental or letting arrangement but who is not included in the definition of a Lessee.

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

(kkk) "Visible From Neighboring Property" shall mean, with respect to any given object, that such object is, or would be, visible to a person six feet tall, standing on the same plane as the object being viewed at a distance of 100 feet or less from the nearest boundary of the property being viewed.

ARTICLE 2

PROPERTY SUBJECT TO AUGUSTA RANCH DECLARATION

Section 2.1 General Declaration Creating Augusta Ranch. Declarant intends to develop Augusta Ranch by subdivision into various Parcels and Lots and to sell and convey such Parcels and Lots. As portions of Augusta Ranch are developed, Declarant intends to Record one or more Tract Declarations covering Lots or Parcels, which Tract Declarations 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 Augusta Ranch is, and shall be, held, conveyed, hypothecated, encumbered, leased, occupied, built upon or otherwise used, improved or transferred, in whole or in part, subject to this Declaration and any Recorded Tract Declarations applicable thereto, as amended or modified from time to time; provided, however, that such portions of the Property as are dedicated to the public or a governmental entity for public purposes shall not be subject to this Declaration and the Covenants herein contained while owned by the public or the governmental entity, although any restrictions imposed in this Declaration upon the Owners, Lessees, Tenants or the Residents concerning the use and maintenance of such portion or portions of the Property shall at all times apply to the Owners, Lessees, Tenants and the 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 Augusta Ranch, and are established for the purpose of enhancing and protecting the value, desirability and attractiveness of Augusta Ranch 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, Tenants and Residents and their successors in interest.

Augusta Ranch Rules shall be intended, in the absolute discretion of the Board, to enhance the preservation of the Master Common Areas for the safety and convenience of the users thereof, and otherwise shall serve to promote the best interests of the Owners, Lessees, Tenants and Residents.

(c) The right of the Master Association to dedicate or transfer all or any part of the Master Common Areas to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Master Association. Unless otherwise required by zoning stipulations or other agreements with applicable governing municipalities effective prior to the date hereof or specified on a Recorded subdivision plat, no such dedication or transfer shall be effective unless an instrument signed by the Owners of two-thirds of the Memberships in each class of Members agreeing to such dedication or transfer has been Recorded, except that the Board shall have authority to transfer to such public agencies, authorities or utilities easements and rights-of-way which are intended to benefit Augusta Ranch and which do not have any substantial adverse effect on the enjoyment of the Master Common Areas by the Members.

(d) The right of the Master Association to change the use of the Master Common Areas in accordance with this Declaration.

(e) The right of the Master Association to change the size, shape or location of Master Common Areas, to exchange Master Common Areas for other lands or interests therein which become Master Common Areas and to abandon or otherwise transfer Master Common Areas 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 Association, after obtaining the consent of two-thirds of the total of all Class A and Class C Memberships, has/have executed an instrument agreeing to such change in size, shape or location, exchange, abandonment or transfer.

Section 3.2 Delegation of Use. Any Member may, in accordance with the Declaration and the Augusta Ranch Rules and the limitations therein contained, delegate his right of enjoyment in the Master Common Areas to the members of his family, his Lessees, Tenants or his Residents.

ARTICLE 4

LAND USE CLASSIFICATIONS, PERMITTED USES AND RESTRICTIONS

Section 4.1 Land Use Classifications. As portions of Augusta Ranch 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 Augusta Ranch. 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:

- (a) Single Family Residential Use.
- (b) Apartment Development Use, which may be converted to Condominium Development Use upon approval by the Board.
- (c) Condominium Development Use, which may be converted to Apartment Development Use upon approval by the Board.
- (d) Cluster Residential Use, which shall consist of Lots with Dwelling Units intended for residential occupancy and may include those types of residential housing arrangements known as townhouses, clustered housing, zero-lot line housing and similar arrangements, together with related areas intended for the use and enjoyment of the Owners and Residents of the Lots in the cluster development.
- (e) Commercial Office Use.
- (f) Business Park Use, which may be used for research or other business purposes.
- (g) General Commercial Use.
- (h) Employment Use.
- (i) Industrial Park Use.
- (j) Master Association Use, which may include Master Common Areas.
- (k) General Public Use.

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

Section 4.2 Declarant's Right to Change Land Use Classifications. Unless the applicable Tract Declaration provides to the contrary, for so long as the Class B Membership exists, Declarant (if Declarant is the Owner of said Lot or Parcel) or Declarant and the Owner(s) of said Lot

or Parcel (if Declarant is not the Owner or the sole Owner of said Lot or Parcel), without the approval of the Board or any other Owner, shall have the right to change the Land Use Classification of a Lot or Parcel as established in a Recorded Tract Declaration by Recordation of an amendment to the applicable Tract Declaration executed by Declarant and, if applicable, the Owner(s) of said Lot or Parcel.

Section 4.3 Covenants, Conditions, Restrictions and Easements Applicable to Parcels Within All Land Use Classifications. The following covenants, conditions, restrictions and reservations of easements and rights shall apply to all Parcels and Lots, and the Owners, Residents, Tenants and Lessees thereof, regardless of Land Use Classifications.

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

(b) Commercial Architectural Control. All Non-Residential Parcels at Augusta Ranch are subject to architectural control as established by the Commercial Design Review Committee. Except as otherwise expressly provided in this Declaration, no improvements, alterations, repairs, excavation, grading, landscaping or other work which in any way alters any Non-Residential Parcel within Augusta Ranch or the exterior appearance of improvements located thereon, from its natural or improved state existing on the date a Tract Declaration for such property was first Recorded shall be made or done without prior approval of the Commercial Design Review Committee. The exterior (and those interior portions of structures visible from the outside of the applicable structure) 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 Commercial Design Review Committee. All subsequent additions to or changes or alterations in any building, fence, wall or other structure, including exterior color scheme, and all changes in the grade of Non-Residential Parcels, shall be subject to the prior written approval of the Commercial Design Review Committee. No changes or deviations in or from the plans and specifications once approved in writing by the Commercial Design Review Committee shall be made without prior written approval of the Commercial Design Review Committee. This Section does not apply to improvements, alterations, repairs, excavation, grading, landscaping or other work performed by or on behalf of Declarant. The approval of the Commercial Design Review Committee required hereby shall be in addition to, and not in lieu of, any approvals, consents or permits required under the ordinance or rules and regulations of any county or municipality having jurisdiction over the applicable Non-Residential Parcel.

(c) Restriction on Further Subdivision. Property Restrictions and Rezoning. No Lot or Parcel subject to a Recorded Tract Declaration shall be further subdivided or separated into smaller Lots or Parcels by any Owner, and no portion less than all of any such Lot or Parcel, nor any easement or other interest therein, shall be conveyed or transferred by any Owner, without the prior written approval of the Board, which approval must be evidenced on the Recorded plat or other Recorded instrument creating the subdivision, easement or other interest. No further covenants, conditions, restrictions or easements shall be Recorded by any Owner, Lessee or other person against any Lot or Parcel without the provisions thereof having been first approved in writing by the Board and any covenants, conditions, restrictions or easements Recorded without such approval being evidenced thereon shall be null and void. Except as set forth in Section 4.2 above, any rezoning or change of use of Lots or Parcels covered by a Tract Declaration must first be approved in writing by the Board or applicable Design Review Committee as appropriate. For so long as Declarant owns any Lot or Parcel in Augusta Ranch, this Subsection (c) shall not be applicable to or binding upon Declarant with respect to any such Lot or Parcel.

(d) Utility Easements. There is hereby created a blanket easement upon, across, over and under each Lot and Parcel for ingress to, egress from and the installation, replacing, repairing and maintaining of all utility and service lines and systems including, but not limited to, water, sewer, gas, telephone, electricity, television cable or communication lines and systems, etc. as such utilities are installed in connection with the initial development of each Lot and Parcel and the construction of the first Dwelling Unit or other building thereon. 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. Notwithstanding anything to the contrary contained in this Subsection, no sewers, electrical lines, water lines, or other utility or service lines may be installed or relocated on any Lot or Parcel except as initially approved in writing by the Declarant or the applicable Design Review Committee or, if installed after the Recording of the Tract Declaration, approved by the Owner and the applicable Design Review Committee.

(e) Health, Safety and Welfare. In the event 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, the Board may make rules restricting or regulating their presence on Augusta Ranch as part of the Augusta Ranch Rules, or may direct the appropriate Design Review Committee to make rules governing their presence on Lots or Parcels as part of the design guidelines applicable to Residential Parcels or Non-Residential Parcels, as appropriate.

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

(g) 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 Augusta Ranch as a whole. By way of example and not of limitation, the uses which the Board may permit are private roadways and streets within an area having a Land Use Classification of Cluster Residential Use or Condominium Development Use, recreation facilities intended primarily for the benefit of all or certain Owners and Residents within areas having a Land Use Classification of Cluster Residential Use or Condominium Development Use, recreational facilities intended for usage by the Residents or Owners of more than a single Parcel within any area classified for residential use, and a sales, information and marketing center operated by Declarant.

(h) Maintenance of Lawns and Plantings. 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 (1) which is Master Common Area; or (2) over which the City of Mesa, County of Maricopa or other public agency assumes responsibility, for so long as said political subdivision or other public agency assumes or has responsibility as provided in (2) above. Notwithstanding the foregoing, the applicable Design Review Committee having jurisdiction, or Declarant, may require the Owner of any Lot or Parcel adjacent to the areas described in subsections (ii), (iii) and (iv) above to install and maintain landscaping in such areas on such terms and conditions established by the applicable 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 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.

(i) 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 property or any portion thereof, or activity thereon, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to the occupants of such other property. No other nuisance shall be permitted to exist or operate upon any Lot or Parcel so as to be offensive or detrimental to any other property in the vicinity thereof or to its occupants. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, firecrackers, bells or other sound devices, except security devices used exclusively for security purposes, shall be located, used or placed on any such Lot or Parcel. 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 Lots and Parcels shall be kept in a neat and tidy condition during construction periods, trash and debris shall not be permitted to accumulate and supplies of brick, block, lumber and other building materials shall be piled only in such areas as may be approved by the applicable Design Review Committee. 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 applicable Design Review Committee. Either 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.

(j) Repair of Building. No building or structure on any Lot or Parcel shall be permitted to fall into disrepair and each such building and structure shall at all times be kept in good condition and repair and adequately painted or otherwise finished. In the event any building or structure is damaged or destroyed, then, subject to the approvals required by either Subsection (a) or (b) above (as applicable), such building or structure shall be immediately repaired or rebuilt or shall be demolished.

(k) . 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 except:

(i) Signs required by legal proceedings.

(ii) No more than two identification signs for individual residences, each with a face area of 72 square inches or less, the nature and location of which have been approved in advance and in writing by the Residential Design Review Committee.

(iii) Signs (including "For Sale" and "For Lease" signs) the nature, number and location of which have been approved in advance and in writing by the applicable Design Review Committee.

(iv) Promotional and advertising signs of builders on any Lot or Parcel, approved from time to time in advance and in writing by the applicable Design Review Committee as to number, size, color, design, message content, location and type.

(v) Such other signs (including, but not limited to, construction job identification signs, builder identification signs, and subdivision, shopping center, apartment and business identification signs) which are in conformance with the applicable requirements of the City of Mesa, County of Maricopa or other applicable governmental agencies and which have been approved in advance and in writing by the applicable Design Review Committee as to size, color, design, message content and location.

(l) 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 the applicable Design Review Committee. No provision hereof shall be deemed to forbid the erection of temporary power or telephone structures incident to the construction of buildings or structures approved by the applicable Design Review Committee.

(m) Right of Entry. During reasonable hours and upon reasonable notice to the Owner or other occupant of a Lot or Parcel, any member of the applicable Design Review Committee, any member of the Board, or any authorized representative of either of them, shall have the right to enter upon and inspect any Lot or Parcel, and the improvements thereon, except for the interior portions of any completed residence, 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.

(n) 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 Augusta Ranch.

(o) Animals. No animal, bird, fowl, poultry, reptile or livestock, other than a reasonable number of generally recognized house or yard pets, shall be maintained on any Lot or Parcel and then only if they are kept, bred or raised thereon solely as domestic pets and not for commercial purposes. No animal, bird, fowl, poultry, reptile or livestock shall be allowed to make any unreasonable amount of noise or to become a nuisance. No structure for the care, housing or confinement of any animal, bird, fowl, poultry, reptile or livestock shall be maintained so as to be Visible From Neighboring Property. Upon the written request of any Member or Resident, the Board shall conclusively determine, in its sole and absolute discretion, whether, for the purpose of this Section, a particular animal, bird, fowl, poultry, reptile or livestock is a generally recognized house or yard pet, whether such a pet is a nuisance, or whether the number of animals or birds on any such property is reasonable. Any decision rendered by the Board shall be enforceable in the same manner as other restrictions contained herein. The Board shall also have the authority to exempt from the foregoing restrictions or portions thereof (i) a pet shop or veterinary office in a General Commercial Land Use Classification, or (ii) horses and horse stables and corrals in areas designated on a Recorded subdivision plat, in a Tract Declaration or in any other Recorded instrument signed by the Declarant as being suitable for the maintenance of horses and horse stables and corrals.

(p) Temporary Occupancy and Temporary Buildings. No trailer, basement of any incomplete building, tent, shack, garage or barn, and no temporary buildings or structures of any kind, shall be used at any time for a residence, either temporary or permanent. Temporary buildings or structures used during the construction of a Dwelling Unit or other structure on any property shall be removed immediately after the completion of construction.

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

(r) Antennas. Except as permitted under federal, state and local law and as permitted under the Augusta Ranch Rules, no antenna, aerial, satellite dish, electronic tower or other device for the transmission or reception of television or radio signals or any other form of electromagnetic radiation may be erected, used or maintained outdoors on any portion of any Lot or Parcel, whether attached to a Dwelling Unit, or other improvement or structure or otherwise.

(s) Mineral Exploration. No Lot or Parcel shall be used in any manner to explore for or to remove any water, oil or other hydrocarbons, minerals of any kind, gravel, earth or any earth substance of any kind, except for grading and excavation work and the removal of fill material including, but without limitation, gravel, rock and sand, in connection with the construction of Dwelling Units, buildings, structures or other improvements which have been approved in writing by the applicable Design Review Committee except for grading, excavation and removal work being performed by, or on behalf of, Declarant.

(t) 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 applicable Design Review Committee. In no event shall such containers be maintained so as to be Visible From Neighboring Property except to make the same available for collection and then only for the shortest time reasonably necessary to affect such collection. All rubbish, trash, or garbage shall be removed from the Lots and Parcels and shall not be allowed to accumulate thereon. No outdoor incinerators shall be kept or maintained on any Lot or Parcel.

(u) Clothes Drying Facilities. Outside clotheslines or other outside facilities for drying or airing clothes shall not be erected, placed or maintained on any Lot or Parcel unless they are erected, placed and maintained exclusively within a fenced service yard or otherwise concealed and shall not be Visible From Neighboring Property.

(v) Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon, or adjacent to, any Lot or Parcel except (i) such machinery or equipment as is usual and customary in connection with the use, maintenance or construction (during the period of construction) of a building, appurtenant structures, or other improvements; (ii) that which Declarant or the Master Association may require for the operation and maintenance of Augusta Ranch; or (iii) that used in connection with any business permitted under a Tract Declaration.

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

(i) The Owners of contiguous Lots or Parcels who have a Party Wall or Party Fence shall both equally have the right to use such wall or fence, provided that such use by one (1) Owner does not interfere with the use and enjoyment of same by the other Owner.

(ii) In the event that any Party Wall or Party Fence is damaged or destroyed through the act of an Owner or any of his Tenants, Lessees, agents, guests, or members of his family (whether or not such act is negligent or otherwise culpable), it shall be the obligation of such Owner to rebuild and repair the Party Wall or Party Fence without cost to the Owner of the adjoining Lot or Parcel. Any dispute over an Owner's liability for such damage shall be resolved

as provided in subsection (v) below, but any liability imposed on an Owner hereunder shall not prevent the Owner from seeking indemnity therefor from the persons causing such damage.

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

(iv) 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.

(v) In the event of a dispute 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.

(vi) Anything in the foregoing to the contrary notwithstanding:

1. In the case of Party Fences or Party Walls (a) between Master Common Areas and Lots or Parcels, (b) between Golf Course Land and Lots or Parcels, or (c) constructed by Declarant or the Master Association on Master Common Areas, the Master Association, only following its approval of the construction of such Party Fence and acceptance of the maintenance thereof, shall be responsible for all maintenance thereof, subject to the provisions of Sections 10.2 and 10.3, except that each Owner of a Lot or Parcel shall be responsible for painting the portion of the Party Fence facing his Lot or Parcel or the portion thereof which is not a portion of the Master Common Area or facing the Golf Course Land, and responsible for any repairs, replacements and maintenance resulting from the improper or defective construction of such Party Fence or Party Wall.

2. The provisions of this Section 4.3(w) shall not apply to any Party Wall which separates the interiors of two (2) Dwelling Units and the rights of the Owners of such Dwelling Units with respect to Party Walls shall be governed by plats and any covenants, conditions and restrictions to be Recorded by the developer of the Dwelling Units on the real property on which the Dwelling Units are located.

(vii) 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 Areas and Lots or Parcels,

encroaches onto a Lot or Parcel, or encroaches onto any Master Common Area, then: (1) the owner of the property onto which the Party Wall or Party Fence encroaches (the "Burdened Property") shall be deemed to have granted an easement of access and enjoyment to the owner of the adjacent Lot or Parcel (the "Benefitted Property") over that portion of the Burdened Property lying on the same side of the Party Fence or Party Wall as the Benefitted Property (the "Easement Area"), and (2) 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.

(x) 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 applicable Design Review Committee.

(y) Trucks, Trailers, Campers and Boats. No motor vehicle classed by manufacturer rating as exceeding 3/4-ton, mobile home, recreational vehicle, travel trailer, tent trailer, trailer, camper shell, detached camper, boat, boat trailer, or other similar equipment or vehicle may be parked, maintained, constructed, reconstructed or repaired on any Lot or Parcel or on any street in Augusta Ranch so as to be Visible From Neighboring Property, the Master Common Areas or the streets; provided, however, the provisions of this Section 4.3(y) shall not apply to (i) pickup trucks of less than 3/4-ton capacity with camper shells not exceeding seven (7) feet in height (measured from ground level) and eighteen (18) feet in length or mini-motor homes not exceeding seven (7) feet in height (measured from ground level) and eighteen (18) feet in length which are parked as provided in Section 4.3(aa) below and are used on a regular and recurring basis for basic transportation, or (ii) trucks, trailers and campers parked in areas designated for parking on Non-Residential Parcels in connection with permitted commercial activities conducted in such Non-Residential Parcels.

(z) Motor Vehicles. No automobile, motorcycle, motorbike or other motor vehicle shall be constructed, reconstructed or repaired upon any Lot, Parcel or street in Augusta Ranch, and no inoperable vehicle 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 Areas or streets; provided, however, that the provisions of this subsection shall not apply to (i) emergency vehicle repairs or temporary construction shelters or facilities maintained during, and used exclusively in connection with, the construction of any improvement approved in writing by the applicable Design Review Committee; or (ii) any automobile repair business which may be permitted in any General Commercial Land Use Classification.

(aa) Parking. Vehicles of all Owners, Lessees, Tenants and Residents, and of their employees, guests and invitees, are to be kept in garages, carports, residential driveways of the Owner, designated spaces in commercial areas, and other designated parking areas wherever and whenever such facilities are sufficient to accommodate the number of vehicles at a Lot or Parcel;

provided, however, this subsection shall not be construed to permit the parking in the above described areas of any vehicle whose parking at Augusta Ranch is otherwise prohibited or the parking of any inoperable vehicle.

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

(cc) Drainage. Notwithstanding anything to the contrary in the Blanket Easement Agreement, no Owner, Lessee, Tenant or Resident shall be permitted to cause or allow drainage or excess storm water runoff to flow from a Lot or Parcel onto or over the Drainage Easement Area, nor to install, construct, maintain, operate or use any facilities or equipment for such purposes, except as contemplated by and in accordance with the City of Mesa approved drainage plans and specifications and as expressly permitted under and in accordance with the terms of the Drainage Easement Agreement. The foregoing prohibition specifically includes, but is not limited to, the flow and drainage of swimming pool backwash water.

ARTICLE 5

ORGANIZATION OF MASTER ASSOCIATION

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

Section 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.

Section 5.3 The Augusta Ranch 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 Augusta Ranch Rules. The Augusta Ranch Rules may restrict and govern the use of any Master Common Area by any Member, Lessee or Resident; provided, however, that the Augusta Ranch Rules shall not be inconsistent with this Declaration, the Articles, the Bylaws or any applicable Tract Declaration. Upon adoption, the Augusta Ranch Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration.

Section 5.4 Personal Liability. No member of the Board or of any committee of the Master Association, no officer of the Master Association, and no manager or other 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, the manager, any representative or employee of the Master Association or any committee, committee member or officer of the Master 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.

Section 5.5 Satellite Associations. In the event any homeowners or similar association is to be formed by the 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 this Declaration, the Articles and Bylaws of the Master Association, any applicable Tract Declaration and the Augusta Ranch Rules.

ARTICLE 6

MEMBERSHIPS AND VOTING

Section 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 Parcel or Lot to which the Membership is attributable and joint ownership or ownership of undivided interests in any real property which establishes a Membership shall not cause there to be more

Memberships than the number established for purposes of this Section 6.1. Each Owner shall have the following number of Memberships in the Master Association:

(a) Each Owner of a Lot shall have one (1) Membership for each Lot owned by such Owner until the date that the later to occur of (i) one (1) year after recordation of the subdivision plat or declaration of condominium for the subdivision in which the Lot is situated, or (ii) six (6) months following the conveyance by Declarant to a third party of the first Lot within the subdivision in which the Lot is situated; two (2) Memberships for each Lot from the date that is the later to occur of (i) one (1) year after recordation of the subdivision plat or declaration of condominium for the subdivision in which the Lot is situated, or (ii) six (6) months following the conveyance by Declarant to a third party of the first Lot within the subdivision in which the Lot is situated, until a certificate of occupancy or equivalent permit is issued for any Dwelling Unit situated on the Lot; and three (3) Memberships for each Lot from the date the certificate of occupancy or equivalent permit is issued for any Dwelling Unit situated on the Lot.

(b) Unless otherwise provided in the applicable Tract Declaration, each Owner of a Non-Residential Parcel shall have one (1) Membership for each 12,446 gross square feet of the Non-Residential Parcel owned by such Owner until a certificate of occupancy or equivalent permit is issued for any building on the Parcel and three (3) Memberships for each 12,446 square feet within the Non-Residential Parcel after the certificate of occupancy is issued for any building on the Non-Residential Parcel.

(c) Each Owner of a Parcel against which a Tract Declaration is Recorded, the use of which is limited by the Tract Declaration to Apartment Development Use, shall have one (1) Membership for each 12,446 gross square feet contained in the Parcel until a certificate of occupancy or equivalent permit is issued for any building on the Parcel and two (2) Memberships for each 12,446 gross square feet contained within the Parcel after a certificate of occupancy or equivalent permit is issued for any building on the Parcel. A Tenant shall not be a Member of the Master Association.

(d) Each Owner of a Parcel against which a Tract Declaration is Recorded, the use of which is limited by the Tract Declaration to Single Family Residential Use, Residential Condominium Development Use, Cluster Residential Use or similar residential uses (but specifically excluding Apartment Development Use), shall have one (1) Membership for each Lot permitted upon the Parcel by the applicable Tract Declaration. At such time as a subdivision plat or other instrument creating Lots is Recorded covering all or part of the Parcel, the Memberships attributable to the Lots shall be determined as set forth above, and the number of Memberships held by the Owner, as Owner of the remainder of the unplatted portion of the Parcel, if any, shall be equal to the number of Lots permitted by the Tract Declaration minus the number of Lots included within the Recorded plat. All Memberships attributable to the Parcel (as opposed to the Lots) shall cease when the land area ceases to be a Parcel because all of the area in the Parcel has been platted or otherwise dedicated to the public.

(e) If a Non-Residential Parcel is developed in distinctly separate phases, then each phase shall be considered a separate Parcel for purposes of calculating the Memberships attributable to such Parcel pursuant to this Section 6.1.

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

(g) For purposes of determining the number of Memberships held by a Member, if the total number of square feet of real property in a Parcel owned by such Member exceeds the product of 12,446 gross square feet and a whole number, such Member shall hold an additional Class A or Class C Membership, as applicable, with respect to the amount of such "excess" real property if and only if the excess real property exceeds 6,223 gross square feet.

Section 6.2 Declarant. The Declarant shall be a Member of the Master Association for so long as Declarant is the Owner of any Lot or Parcel in Augusta Ranch.

Section 6.3 Voting.

(a) Memberships. The Master Association shall have three (3) classes of voting Memberships:

(i) Class A. Class A Memberships shall be all Memberships, except the Class B and Class C Memberships, which are appurtenant to Residential Parcels, and each Owner of a Residential Parcel shall be entitled to one (1) vote for each Class A Membership held by the Owner, subject to the authority of the Board to suspend the voting rights of the Owner for violations of this Declaration in accordance with the provisions hereof or any applicable Tract Declaration;

(ii) Class B. There shall be one Class B Membership, which shall be held by the Declarant. 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 five thousand one hundred (5,100) minus the total number of outstanding votes held at the time by the Owners who have Class A and Class C Memberships. The Class B Membership shall cease, and all Lots and Parcels owned by Declarant shall have either Class A or Class C Memberships, as applicable, as of the first to occur of the following:

(A) The date when the total votes outstanding in both the Class A and Class C Memberships equal the total votes outstanding in the Class B Membership;

(B) The 15th day of June, 2010; or

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

(iii) Class C. Class C Memberships shall be all Memberships, except the Class A and Class B Memberships, which are appurtenant to Non-Residential Parcels, and each Owner of a Non-Residential Parcel shall be entitled to one (1) vote for each Class C Membership held by the Owner, subject to the authority of the Board to suspend the voting rights of the Owner for violations of this Declaration in accordance with the provisions hereof or any applicable Tract Declaration.

(b) Residential Parcels. With respect to Residential Parcels, 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 of such Parcels. 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 Residential Parcels 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.

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

Section 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 such Membership must be cast as a unit and fractional votes shall not be allowed. If a Membership is owned by more than one person or entity and such Owners are unable to agree amongst themselves as to how their vote or votes shall be cast, they shall lose the right to vote on the matter in question. If any Member casts a vote representing a certain Membership, it will thereafter be conclusively presumed for all purposes that such Member was acting with the authority and consent of all other Owners of the same Membership unless objection thereto is made at the time the vote is cast. If more than one vote is cast for a particular Membership, none of said votes shall be counted and all said votes shall be deemed void.

subdivision plat approved by Declarant. No Parcel Expense shall be used in computing the Annual Assessments to be levied pursuant to Section 7.2 of this Declaration. Parcel Assessments shall be levied against the Lots and Parcels benefitted by the Parcel Assessment Area at a uniform rate per Membership determined in the sole discretion of the Board, with the objective of providing to the Master Association all funds required to pay all Parcel Expenses incurred by the Master Association and fulfilling the Master Association's maintenance, insurance, repair and replacement obligations respecting the Parcel Assessment Area. Parcel Assessments shall commence upon the date established by the Board for the particular Parcel Assessment. If the Board determines during any Assessment Period that Parcel Assessments with respect to any Parcel Assessment Area are, or will become, inadequate to meet all Parcel Expenses pertaining to that Parcel Assessment Area for any reason, including, without limitation, non-payment of Parcel Assessments by Members, the Board may increase the Parcel Assessment for that Assessment Period and the revised Parcel Assessment shall commence on the date designated by the Board. The amount of any Parcel Assessments shall be determined in a manner consistent with the Board's determination of the respective benefits each Parcel receives from such services.

Section 7.5 Special Assessments for Capital Improvements and Extraordinary Expenses. In addition to the Annual Assessments and Parcel 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, if it still holds a Class B Membership or, if no Class B Membership exists, two-thirds of the votes of the Members who are voting in person or by proxy at a meeting duly called for such purpose. The provisions of this Section shall not preclude or limit the assessment, collection or use of the Annual Assessments for the aforesaid purposes.

Section 7.6 Uniform Rate of Assessment. Except as hereinafter specifically set forth in this Section 7.6, the amount of any Annual Assessment or Special Assessment shall be fixed at a uniform rate per Membership; however, no Assessment shall be levied against any portion of the Property until a Tract Declaration establishing a Land Use Classification has been Recorded with respect to that portion of the Property. The Annual Assessments and any Parcel Assessments may be collected on a monthly, quarterly 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.

Section 7.7 Notice and Quorum for Any Action Authorized Under Section 7.5. Written notice of any meeting called for the purpose of taking any action authorized under Section 7.5 of this Article shall be sent to all Members subject to such Assessment no less than 30 days nor more than 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 (exclusive of suspended

the "Consumer Price Index." For purposes of identification, the Consumer Price Index for June, 1980, was 247.8. The Maximum Annual Assessment shall be computed by the following formula:

X = Consumer Price Index for September of the calendar year immediately preceding the year of the first Annual Assessment.

Y = Consumer Price Index for September of the year immediately preceding the calendar year for which the Maximum Annual Assessment is to be determined.

$\frac{(Y-X)}{(X)}$ plus one multiplied by the initial Maximum Annual Assessment figure equals the Maximum Annual Assessment for the year in question.

If the Bureau of Labor Statistics changes the method of determining the Consumer Price Index, the formula for determining the Maximum Annual Assessment shall be altered or amended, if possible, so as to continue the base period and base figure, but in the event it shall be impossible to do so, or in the event the Bureau of Labor Statistics ceases to publish the said statistical information and such information is not available from any other source, public or private, then, and in any such event, a new formula for determining the Maximum Annual Assessment shall be adopted by the Board.

(c) From and after January 1, 1998, the Maximum Annual Assessment may be increased above the Maximum Annual Assessment otherwise determined under subsection (b) above by a vote of two-thirds of each class of Members who are voting in person or by proxy at a meeting duly called for such purpose.

Section 7.4 Parcel Assessments. If the Board determines that certain services provided by the Master Association benefit any Lots or Parcels in a disproportionate manner (e.g., maintenance of certain Master Common Area), or if a Member or Members owning one or more Parcels or Lots contract with the Master Association for the Master Association to provide particular services with regard to such Lots, Parcel or Parcels, the Board shall be entitled to assess Parcel Assessments against the Memberships appurtenant to such Lots or Parcels. If a Tract Declaration or Recorded subdivision plat approved and signed by Declarant designates any Parcel Assessment Areas, the Tract Declaration or Recorded subdivision plat approved and signed by Declarant shall also designate the Lots and Parcels which solely or primarily benefit from the Parcel Assessment Area and which shall be subject to a Parcel Assessment. The Board shall adopt a separate budget for all Parcel Expenses. The Parcel Expenses pertaining to the maintenance, repair and replacement of a Parcel Assessment Area shall be assessed solely against the Lots and Parcels which are benefitted by the Parcel Assessment Area as established by the Tract Declaration or a Recorded

Section 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.

Section 6.6 Transfer of Membership. The rights and obligations of the Owner of a Class A or Class C 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 of the Lot or Parcel. A transfer of ownership to a Lot or Parcel may be effectuated by Deed, intestate succession, testamentary disposition, foreclosure of a mortgage or deed of trust of record or such other legal process as is now in effect or as may hereafter be established under or pursuant to the laws of the State of Arizona. Any attempt to make a prohibited transfer shall be void. Any transfer of ownership to a Lot or Parcel shall operate to transfer the Membership(s) appurtenant to said Lot or Parcel to the new Owner thereof. The Master Association may require the new Owner of a Lot or Parcel to pay to the Master Association a transfer fee in an amount to be set by the Board, and payment of the transfer fee shall be secured by the Assessment Lien.

Section 6.7 Working Fund Contribution. To ensure that the Association shall have adequate funds to meet its expenses or to purchase necessary equipment or services, the first purchaser of a Lot from a Developer shall pay to the Association immediately upon becoming the Owner of the Lot a working fund contribution in the amount of Fifty Dollars (\$50), or such lesser amount as is established from time to time by the Board. Working fund contributions paid to the Association pursuant to this Section may be used by the Association for payment of operating expenses or any other purpose permitted under this Declaration, the Articles or Bylaws. Payments made pursuant to this Section shall be nonrefundable and shall not be considered as an advance payment of any Assessments levied by the Association pursuant to this Declaration.

ARTICLE 7

COVENANT FOR ASSESSMENTS AND CREATION OF LIEN

Section 7.1 Creation of Lien and Personal Obligation of Assessments and Maintenance Charges. The Declarant, for each Lot or Parcel now or hereafter established within Augusta Ranch, 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: (1) Annual Assessments established by this Article; (2) Parcel Assessments established by this Article; (3) Special Assessments for capital improvements or other extraordinary expenses or costs established by this Article; and (4) Maintenance Charges established by Article 10, all such assessments to be established and collected as hereinafter provided. The Annual Assessments, Parcel Assessments, Special Assessments, and Maintenance Charges (sometimes hereinafter referred to collectively as the "Assessments" and

individually as the "Assessment"), together with interest, late charges, costs, and reasonable attorneys' fees, shall be a charge, continuing servitude and lien upon the Lot or Parcel against which each such Assessment is made, which lien shall be for the benefit of, and enforceable by, the Master Association. The Assessments assessed against each Lot or Parcel shall be based upon the number of Memberships appurtenant to the Lot or Parcel. Each such Assessment, together with interest, late charges, costs and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of the Lot or Parcel at the time the Assessment was due. The personal obligation for delinquent Assessments shall not pass to the successors in title of the Owner unless expressly assumed by such successors.

Section 7.2 Annual Assessments. To provide for the uses and purposes specified in Article 9 hereof, including the establishment of replacement and maintenance reserves, the Board shall assess against each Membership an Annual Assessment. The amount of the Annual Assessment shall be determined with the objective of fulfilling the Master Association's obligations under this Declaration to provide for the source of funds to pay the Common Expenses and the Drainage Easement Fee. The Board may, during the Assessment Period, revise the amount of the Annual Assessment in order to meet Common Expenses which exceed the amounts anticipated by the Master Association and collect such increased Annual Assessment in accordance with procedures established pursuant to Section 7.8 below. The Annual Assessment shall be assessed against each Member commencing with the year the first Tract Declaration is Recorded, provided, however, that in the event 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 require such imposition.

Section 7.3 Maximum Annual Assessments. The total Annual Assessment to be established by the Board may not exceed a certain amount, hereinafter referred to as the "Maximum Annual Assessment", which Maximum Annual Assessment shall be determined and shall vary in accordance with the following provisions:

(a) Until January 1, 1998 the Maximum Annual Assessment against each Owner of a Parcel or Lot shall be One Hundred Forty-Four Dollars (\$144) per each Membership.

(b) — From and after January 1, 1998, the Maximum Annual Assessment shall be increased effective January 1 of each year without a vote of the Membership by a maximum of five percent (5%) of the Maximum Annual Assessment for the previous year or in applicable conformance with the percentage rise, if any, of the Consumer Price Index as hereinafter defined, whichever is greater. The Maximum Annual Assessment attributable to the Consumer Price Index for each such period shall be computed by reference to the statistics published in the Monthly Labor Review by the United States Department of Labor, Bureau of Labor Statistics, designated "Consumer Price Index for All Urban Consumers, 1967 Equals 100, All Items", hereinafter called

voting rights) of each class of Membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than 60 days following the preceding meeting.

Section 7.8 Rules Regarding Billing and Collection Procedures. The Board shall have the right to adopt rules and regulations setting forth procedures for the purpose of making the Assessments provided herein and for the billing and collection of the Assessments, provided that said procedures are not inconsistent with the provisions hereof. The failure of the 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 30 days' written notice, prior to such foreclose 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 the owner of a Membership becomes liable for payment of an increased sum pursuant to this Article during the Assessment Period, he shall notify the 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.

Section 7.9 Collection Costs and Interest on Delinquent Assessments. Any Assessment or installment thereof not paid within fifteen (15) days when due (or such longer period as may be required by Arizona law) shall be deemed delinquent and shall bear interest at a rate of twelve percent (12%) per annum, and, in addition, a late fee, the amount of which shall be determined by the Board and which shall not exceed the maximum permitted under Arizona law, may be assessed for each late occurrence, and the Member whose Assessment is delinquent shall be liable for all costs, including attorney's fees, 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.

Section 7.10 Evidence of Payment of the Assessments. Upon receipt of a written request: (i) from a Member or any other interested Person, the Master Association 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 (including costs and attorney's fees, if any, as provided in Section 7.9 above) 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 attorney's fees, if any) due and payable as of such date; and (ii) from a lienholder, Member or Person designated by a Member, the 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 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. Any such 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 statement is requested by an escrow agency that is licensed pursuant to Arizona law. Failure to provide the statement required pursuant to Section 7.10(ii) above to the escrow agent within fifteen days shall extinguish any lien for any unpaid assessment then due in accordance with A.R.S. § 33-1807(I), or as otherwise provided under Arizona law.

Section 7.11 Property Exempted from the Annual, Parcel and Special Assessments. Exempt Property and all other property that is not Assessable Property shall be exempted from the Annual Assessments, Parcel Assessments and Special Assessments.

Section 7.12 Drainage Easement Fee; Drainage Easement Fee Allocation. In recognition and consideration of the burdens imposed upon the Golf Course Land by virtue of the encumbrance thereof as the Drainage Easement Area, and in recognition of the benefit to Augusta Ranch, and each member of the Master Association, resulting from the existence of the drainage easement created pursuant to the Drainage Easement Agreement, the Master Association shall pay to the Golf Course Owner the Drainage Easement Fee. The Drainage Easement Fee shall vary from month to month based on the number of outstanding Class A Memberships and Class C Memberships existing as of the first day of each calendar month. The Drainage Easement Fee payable for any calendar month shall be equal to the product of: (a) one-twelfth (1/12) of the applicable Drainage Easement Fee Allocation (as defined below) for the Assessment Period multiplied by (b) the sum of the total number of Class A Memberships and total number of Class C Memberships outstanding as of the first day of that calendar month. The initial Drainage Easement Fee Allocation shall be Thirty-Nine and 96/100 Dollars (\$39.96) per Membership. The Drainage Easement Fee Allocation shall be increased automatically for any Assessment Period in the same percentage as the applicable percentage increase to the Common Expense Allocation for such Assessment Period. The Drainage Easement Fee shall commence to accrue as of the date the Annual Assessment is first levied, and shall be payable in arrears on a quarterly basis commencing on the date the first Annual Assessment becomes due and payable, and continuing on the 30th day of each successive calendar quarter thereafter; provided, that for any Assessment Period for which the

Annual Assessment is collected other than quarterly, the Drainage Easement Fee shall be payable on the 30th day following the date upon which each installment of the Annual Assessment then is due and payable. Each Owner, by acceptance of a Deed to any Lot or Parcel, is deemed to have acknowledged that the Annual Assessment will be calculated to include the Drainage Easement Fee Allocation as a component thereof. The Golf Course Owner shall have the right to enforce the provisions of this Section 7.12 against the Master Association.

ARTICLE 8

ENFORCEMENT OF PAYMENT OF ANNUAL ASSESSMENTS, PARCEL ASSESSMENTS AND SPECIAL ASSESSMENTS AND MAINTENANCE CHARGES AND OF ASSESSMENT LIEN

Section 8.1 Master Association as Enforcing Body. The Declarant, for so long as it holds a Class B Membership, and the Master Association, as the agent and representative of the Members, shall have the exclusive right to enforce the provisions of this Declaration and the Tract Declarations. However, if the Declarant and Master Association shall fail or refuse to enforce this Declaration, the Tract Declarations or any provision hereof or thereof for an unreasonable period of time after written request to do so, then any Member may enforce them on behalf of the Master Association, by any appropriate action, whether in law or in equity but not at the expense of the Master Association. A Member need not own property covered by a Tract Declaration to enforce the covenants and restrictions set forth in such Tract Declaration.

Section 8.2 Master Association's Remedies to Enforce Payment of Annual Assessments, Parcel Assessments, Special Assessments and Maintenance Charges. If any Member fails to pay the Annual Assessments, Parcel Assessments or Special Assessments or installments when due, or to pay Maintenance Charges assessed pursuant to Article 10, the Master Association may enforce the payment of such Assessments 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):

(a) Bring an action at law and recover judgment against the Member personally obligated to pay the Assessments;

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

Section 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 any first mortgage lien held by, or deed of trust of which the beneficiary is, a lender who has lent funds with the Lot or Parcel as security, or held by the lender's successors and assigns, and shall also be subject and subordinate to: (a) liens and encumbrances recorded prior to the Recordation of this Declaration; and (b) liens for 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 foreclosure of a mortgage or deed of trust to which the Assessment Lien is subordinate, or pursuant to any sale or proceeding in lieu thereof, the purchaser at the mortgage foreclosure or deed of trust sale, or any grantee taking by deed in lieu of foreclosure, shall take the Lot or Parcel free of the Assessment Lien for all Annual Assessments, Parcel Assessments, Special Assessments and Maintenance Charges that have accrued up to the date of issuance of a sheriff's or trustee's deed or deed in lieu of foreclosure; but upon the date of issuance of a sheriff's or trustee's deed or deed in lieu of foreclosure, the Assessment Lien immediately shall become and remain superior to any and all other charges, liens or encumbrances (except such prior liens and encumbrances, liens for taxes or other public charges which by applicable law are expressly made superior), and such mortgage or deed of trust foreclosure sale purchaser or grantee shall take subject to all Annual Assessments, Parcel Assessments, Special Assessments, Maintenance Charges 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.

Section 8.4 Costs to be Borne by Member in Connection with Enforcement of Payment of Annual Assessments, Parcel Assessments, Special Assessments and Maintenance Charges. In any action taken pursuant to Section 8.2 of this Article, the Member shall be personally liable for, and the Assessment Lien shall be deemed to secure the amount of, the Annual Assessments, Parcel Assessments, Special Assessments and Maintenance Charges together with interest on all such delinquent amounts as provided in Section 7.9 and the Master Association's collection costs and attorney's fees, including those costs and fees specified in Section 7.9.

ARTICLE 9

USE OF FUNDS; BORROWING POWER

Section 9.1 Purposes for which Master Association's Funds May Be Used. The Master Association shall apply all funds and property collected and received by it (including the Annual Assessments and Special Assessments, fees, loan proceeds, surplus funds and all funds and property received by it from any other source) for the common good and benefit of Augusta Ranch and the Members and Residents by devoting said funds and property, among other things, to the acquisition, construction, alteration, management, maintenance, provision and operation, by any manner or method whatsoever, of any and all land, properties, improvements, facilities, services, projects, programs, studies and systems, within or without Augusta Ranch, which may be necessary, desirable or beneficial to the general common interests of Augusta Ranch, the Members and the Residents. The following are some, but not all, of the areas in which the Master Association may seek to aid, promote and provide for such common benefit: maintenance of landscaping on Master Common Areas and public right-of-way and drainage areas within Augusta Ranch; providing for payment of the Drainage Easement Fee; obtaining of liability insurance; supplying of utilities and other public services; providing for communication and transportation within and dissemination of information concerning Augusta Ranch; indemnification of officers and directors of the Master Association and generally protecting the health and safety of the Members and the Residents. The Master Association also may expend its funds for any purposes which any municipality may expend its funds under the laws of the State of Arizona or such municipality's charter.

Section 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 is necessary or appropriate.

Section 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 Annual Assessments, Parcel Assessments or Special Assessments, fees or otherwise), and may carry forward as surplus any balances remaining. The Master Association shall not be obligated to reduce the amount of the Annual Assessment in the succeeding year if a surplus exists from a prior year and the 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.

Section 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 by the Assessment Lien; provided, however, that all Special Use Fees collected shall, if imposed in connection with a particular improvement, be separately accounted for as to each separate improvement pertaining to which they are collected and shall be expended on the particular improvement to which they pertain.

Section 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 Areas, with the amount and type of coverage to be determined by the Board.

ARTICLE 10

MAINTENANCE

Section 10.1 Master Common Areas. The Master Association, or its duly delegated representative, shall maintain and otherwise manage, all Master Common Areas 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 Areas so the Augusta Ranch development will reflect a high pride of ownership. In this regard the Master Association may (but without any obligation to do so), in the discretion of the Board:

- (a) Reconstruct, repair, replace or refinish any improvement or portion thereof upon any Master Common Area;
- (b) Replace injured and diseased trees and other vegetation in any Master 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;
- (c) Place and maintain upon any Master Common Area such signs as the Board may deem appropriate for the proper identification, use and regulation thereof;
- (d) 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 Areas. Any cooperative action necessary or appropriate for the proper maintenance and upkeep of any Master Common Area shall be taken by the Board or by its duly delegated representative.

In the event 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 Areas or public right-of-way areas, the Board shall have the sole discretion to determine whether or not it would be in the best interest of

the Owners, Lessees and Residents of Augusta Ranch 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.

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

Section 10.3 Improper Maintenance and Use of Parcels. In the event any portion of any Lot or Parcel is so maintained as to present a public or private nuisance, or as to substantially detract from the appearance or quality of the surrounding Lots or Parcels or other areas of Augusta Ranch which are substantially affected thereby or related thereto, or in the event any portion of a Lot or Parcel is being used in a manner which violates this Declaration or any Tract Declaration applicable thereto, or in the event the Owner of any Lot or Parcel is failing to perform any of its obligations under this Declaration, any Tract Declaration or the applicable Design Review Guidelines, standards and rules and regulations of either the Residential Design Review Committee or Commercial Design Review Committee, 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 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 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 added to, and become a part of, the Assessment to which the offending Owner and the Owner's Lot or Parcel is subject to, and shall be secured by, the Assessment Lien.

ARTICLE 11

DESIGN REVIEW COMMITTEE

Section 11.1 Establishment. Declarant shall establish two Design Review Committees, a Residential Design Review Committee which shall exercise all powers of the Design Review Committee with regard to all Lots and Parcels limited by the applicable Tract Declaration to Single Family Residential Use, Residential Condominium Development Use, Cluster Residential Use and similar residential uses (but specifically excluding Apartment Development Use), and a Commercial Design Review Committee which shall exercise all powers of the Design Review Committee not specifically delegated to the Residential Design Review Committee by virtue of the foregoing. Declarant shall establish and adopt Residential Design Review Guidelines and procedural rules and regulations to direct the Residential Design Review Committee in the performance of its duties. Declarant shall establish and adopt Commercial Design Review Guidelines and procedural rules and regulations to direct the Commercial Design Review Committee in the performance of its duties. Each Design Review Committee shall consist of no less than three 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 a Design Review Committee at any time with or without cause. In the event of the death or resignation of any member of a Design Review Committee, Declarant shall replace said member within 90 days following such death or resignation. Pending the replacement of such deceased or resigned member, the remaining member or members of the applicable Design Review Committee shall have full authority to act under, and in accordance with, this Declaration. Declarant's right to appoint members of either Design Review Committee shall cease upon the earliest to occur of the following: (i) at such time as Declarant no longer owns any Lot or Parcel in Augusta Ranch; or (ii) when such rights are expressly relinquished by Declarant to the Board in writing. Once the Declarant's right to appoint members to either Design Review Committee ceases, the Board shall be vested with that right and with all rights of the Declarant pertaining to either the Residential Design Review Committee or the Commercial Design Review Committee; however, only those directors who are Class A Members shall have the authority to appoint and remove the members of the Residential Design Review Committee, and likewise, only those directors who are Class C Members shall have the authority to appoint and remove the members of the Commercial Design Review Committee.

Section 11.2 Purpose. The purpose of each Design Review Committee is to maintain uniformity of architectural and landscaping standards throughout Augusta Ranch and thereby enhance the aesthetic and economic value of Augusta Ranch. Each respective Design Review Committee is hereby empowered to supplement and amend the Residential Design Review Guidelines or Commercial Design Review Guidelines, as applicable, 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.

Section 11.3 Operation/Authority. It shall be the duty of each Design Review Committee to consider and act upon all proposals and plans submitted to it pursuant to this Declaration. Each 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 two of the members 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/her presence and shall have all the authority of a regular member while so participating. Each Design Review Committee shall review all 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 a Design Review Committee fails to furnish a written decision within 30 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. Each Design Review Committee shall have broad discretionary powers in determining whether an application is in conformance with the Residential Design Review Guidelines or the Commercial Design Review Guidelines, as applicable. In addition, each Design Review Committee may disapprove any application if it, in its discretion, believes the applicant has not supplied sufficient or accurate information for the applicable Design Review Committee to exercise the judgment required by this Declaration. Each Design Review Committee has the authority to grant variances to his respective design review guidelines by an affirmative vote of the majority of the members of the applicable Design Review Committee. Each 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 applicable design review guidelines. All such records shall be maintained for a minimum of three years after approval or disapproval.

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

Section 11.5 Limited Liability of Design Review Committee Approval. All plans, drawings and specifications approved by either Design Review Committee are not approved for engineering, design or architectural competence. Through its approval of such plans, drawings and specifications, a Design Review Committee does not assume liability or responsibility therefor or for any defect in any structure constructed from such plans, drawings and specifications. Declarant, members of each Design Review Committee and members of the Board shall not be liable to the Master Association, any Owner or any other person or entity for any damage, loss or prejudice suffered or claimed because of:

(a) the approval or disapproval of any plans, drawings or specifications, whether or not defective; or

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

Section 11.6 Waiver. The approval by a 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 applicable 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.

Section 11.7 Nonapplicability to Declarant. The provisions of this Article are not to apply to any Lots and Parcels owned by Declarant or any person affiliated with Declarant.

Section 11.8 Additional Governmental Approvals. The approval of either Design Review Committee contemplated by this Article and required by Section 4.3 shall be in addition to, and not in lieu of, any approvals, consents or permits required under the ordinance or rules and regulations of any county or municipality having jurisdiction over Augusta Ranch.

ARTICLE 12

RIGHTS AND POWERS OF MASTER ASSOCIATION

Section 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 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.

Section 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.

Section 12.3 Reservation of Trade Name. Declarant hereby reserves all right, title and interest in the name "Augusta Ranch" for the uses set forth herein and any other use as Declarant may choose. The Master Association and all Owners shall be entitled to the non-exclusive use of the name "Augusta Ranch" only with reference to, and in connection with, the Property, the Master Association or its authorized activities. Any officer of the Master Association, each acting alone without the other, is hereby authorized to execute on behalf of the Master Association such consents, approvals, confirmations, acknowledgments and other instruments as Declarant may request in order to evidence and confirm the rights and interests of Declarant in the name "Augusta Ranch."

ARTICLE 13

ANNEXATION AND DEANNEXATION

Section 13.1 Annexation Without Approval and Pursuant to Master Plan. 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 Supplementary Declaration of Covenants, Conditions and Restrictions, as hereinafter described, covering the portion of the Additional Property sought to be annexed shall be executed and Recorded by Declarant or its successors and assigns (and by the fee title holder(s) of the portion of the Additional Property sought to be annexed, in the event Declarant or its successors and assigns does not hold fee title to all of said property), provided, however, that no Supplementary Declaration shall be so executed and Recorded pursuant to this Section more than 15 years (i) subsequent to the Recording of this Declaration or (ii) subsequent to the last Recording of a Supplementary Declaration, whichever of (i) or (ii) shall have later occurred. Such execution and Recording of a Supplementary Declaration shall constitute and effectuate the annexation of said portion of the Additional Property described therein, making said real property subject to this Declaration and subject to the functions, powers and jurisdiction of the Master Association, and thereafter the Additional Property so annexed shall be part of the Property and all of the Owners of Parcels and Lots in the Additional Property so annexed shall automatically be Members of the 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 Supplementary Declaration annexing such Additional Property shall have been so executed and Recorded.

Section 13.2 Deannexation Without Approval. A portion or portions of the Property may be deannexed from the Property and be withdrawn from this Declaration and the jurisdiction of the Master Association without the approval, assent or vote 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 or its successors and assigns, the portion of the Property covered by such Certificate of Deannexation is owned by Declarant or its successors and assigns and the total acreage of all portions of the Property deannexed pursuant to this Section does not exceed 80 acres. No Certificate of Deannexation shall be so executed and Recorded pursuant to this Section more than 15 years subsequent to the Recording of this Declaration.

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

ARTICLE 14

TERM; AMENDMENTS; TERMINATION

Section 14.1. 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 20 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 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 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 held for such purpose. Anything in the foregoing to the contrary notwithstanding, no vote to terminate this Declaration shall be effective unless and until the written consent to such termination has been obtained, within a period from six months prior to such vote to six months after such vote from the holders of Recorded first mortgages or deeds of trust to which the Assessment Lien is subordinate pursuant to Section 8.3 above, on 75 percent of the Lots and Parcels upon which there are such Recorded first mortgages and deeds of trust. If the necessary votes and consents are obtained, the Board shall cause to be Recorded with the County Recorder of Maricopa County,

Arizona, 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.

Section 14.2 Amendments.

(a) Amendments to this Declaration. This Declaration may be amended by Recording with the County Recorder of Maricopa County, Arizona, 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 Sections 14.3 and 14.4 of this Article, shall certify that the amendment has been approved by the affirmative vote or written consent, or any combination thereof, of the Owners casting at least seventy-five percent (75%) of the votes then entitled to be cast. Notwithstanding the foregoing, the affirmative vote or written consent, or any combination thereof, of the Owners entitled to cast at least seventy-five percent (75%) of the votes that are entitled to be cast by all Class A Members and the Declarant (for so long as Declarant is the Owner a Lot or Parcel) may amend any use restrictions contained in Section 4.3 of this Declaration as to the manner in which such use restrictions affect only the Residential Parcels without the consent of any Owners holding Class C Memberships. Similarly, and notwithstanding anything to the contrary contained above, the affirmative vote or written consent, or any combination thereof, of the Owners entitled to cast at least seventy-five percent (75%) of the votes that are then entitled to be cast by all Class C Members and the Declarant (for so long as the Declarant is the Owner of a Lot or Parcel) may amend any use restrictions contained in Section 4.3 of this Declaration as to the manner in which such use restrictions affect only the Non-Residential Parcels without the consent of any Owners holding Class A Memberships. Notwithstanding the foregoing or anything herein to the contrary, the provisions of Sections 4.3(cc), 7.2, 7.12 and 9.1 of this Declaration, as the same relate to use of the Drainage Easement Area and payment of the Drainage Easement Fee, may not be amended or terminated without the prior written consent of the Declarant (so long as the Declarant owns any Lot or Parcel in Augusta Ranch) and the Golf Course Owner.

(b) Amendment to Tract Declarations. Unless the Tract Declaration provides otherwise, or as otherwise set forth in Section 4.2, Tract Declarations may be amended by approval of the Board and the Owners of all Lots and Parcels subject to the Tract Declaration. As long as the Declarant owns any Lot or Parcel in Augusta Ranch, Declarant's approval is also required for any amendment to a Tract Declaration.

Section 14.3 Right of Amendment if Requested by Governmental Agency or Lending Institutions. Anything in this Article to the contrary notwithstanding, Declarant reserves the right 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, FNMA or FHLMC and to further amend to the extent requested by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of this Declaration, or by any federally or state

chartered lending institution as a condition precedent to lending funds upon the security of any Lot(s) or Parcel(s) or any portions thereof. Any such amendment shall be effected by the Recording, by Declarant, of a Certificate of Amendment duly signed by or on behalf of the partners, authorized agents, or authorized officers of Declarant, as applicable, with their signatures acknowledged, specifying the federal, state or local governmental agency or the federally or state chartered lending institution requesting the amendment and setting forth the amendatory language requested by such agency or institution. The Recording of such a Certificate shall be deemed conclusive proof of the agency's or institution's request for such an amendment, and such Certificate, when Recorded, shall be binding upon all of Augusta Ranch 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 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 14.3 and in Section 14.4, Declarant shall not have any right to amend this Declaration otherwise than in accordance with and pursuant to the provisions of Section 14.2 of this Article.

Section 14.4 Declarant's Right of Amendment. Notwithstanding anything in this Article to the contrary, Declarant shall, for so long as it possesses a Class B Membership, be entitled to unilaterally amend this Declaration to correct minor errors and omissions.

Section 14.5 Rights of First Mortgagees.

(a) Any first mortgagee will, upon written request, be entitled to: (i) inspect the books and records of the Master Association during normal business hours; (ii) receive within 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 (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.

(b) No Lot shall be partitioned or subdivided without the prior written approval of the holder of any first mortgage on such Lot.

(c) Unless at least two-thirds of the first mortgagees (based upon one vote for each first mortgage owned) of Owners (other than the sponsor, developer or builder) of at least two-thirds of the Lots have given their prior written approval, the Master Association shall not be entitled to:

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

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

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

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

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

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

(e) 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 30 days of the date of the Master Association's request.

(f) In the event of any conflict or inconsistency between the provisions of this Section and any other provision of this Declaration or any Tract Declaration, the provisions of this Section shall prevail; provided, however, that in the event of any conflict or inconsistency between the provisions of this Section and any other provisions of the Declaration with respect to the number or percentages of Owners, or first mortgagees that must consent to (i) an amendment of the Declaration, Articles or Bylaws, (ii) a termination of the Declaration, or (iii) certain actions of the Master Association as specified in Section 14.5(c) of this Declaration, the provision requiring the consent of the greatest number or percentage of Owners or first mortgagees shall prevail; provided, however, that notwithstanding the foregoing, the Declarant shall have the right to amend this Declaration in accordance with and pursuant to the provisions of Section 14.2 of this Article.

ARTICLE 15

MISCELLANEOUS

Section 15.1 Interpretation of the Covenants. Except for judicial construction, the Master Association, by its Board, shall have the exclusive right to construe and interpret the provisions of this Declaration. In the absence of any adjudication to the contrary by a court of competent jurisdiction, the Master Association's construction or interpretation of the provisions hereof shall be final, conclusive and binding as to all persons and property benefitted or bound by the Covenants and provisions hereof.

Section 15.2 Severability. Any determination by any court of competent jurisdiction that any provision of this Declaration is invalid or unenforceable shall not affect the validity or enforceability of any of the other provisions hereof.

Section 15.3 Rules and Regulations. In addition to the right to adopt rules and regulations on the matters expressly mentioned elsewhere in this Declaration, the Master Association shall have the right to adopt rules and regulations with respect to all other aspects of the Master Association's rights, activities and duties, provided said rules and regulations are not inconsistent with the provisions of this Declaration.

Section 15.4 Declarant's Disclaimer of Representations. Anything to the contrary in this Declaration notwithstanding, and except as otherwise may be expressly set forth on a Recorded plat or other instrument signed by Declarant and Recorded in the office of the County Recorder of Maricopa County, Arizona, Declarant makes no warranties or representations whatsoever that the plans presently envisioned for the complete development of Augusta Ranch can, or will be, carried out, or that any land now owned or hereafter acquired by it is, or will be, subjected by this Declaration, or that any such land (whether or not it has been subjected to this Declaration) is, or will be, committed to, or developed for, a particular (or any) use, or that if such land is once used for a particular use, such use will continue in effect.

Section 15.5 References to the Covenants in Deeds. Deeds to, and instruments affecting, any Lot or Parcel or any part of Augusta Ranch or the Golf Course Land may contain the Covenants herein set forth by reference to this Declaration; but regardless of whether any such reference is made in any Deed or instrument, each and all of the Covenants shall be binding upon the grantee/Owner or other person claiming through any instrument and his heirs, executors, administrators, successors and assigns.

Section 15.6 Successors and Assigns of Declarant. Any reference in this Declaration to Declarant shall include any successors or assigns of Declarant's rights and powers hereunder, provided that Declarant's rights and powers may only be assigned by a written, Recorded instrument expressly assigning such rights and powers.

Section 15.7 Gender and Number. Wherever the context of this Declaration so requires, words used in the masculine gender shall include the feminine and neuter genders; words used in the neuter gender shall include the masculine and feminine genders; words in the singular shall include the plural; and words in the plural shall include the singular.

Section 15.8 Captions and Titles. All captions, titles or headings of the Articles and Sections in this Declaration are for the purpose of reference and convenience only and are not to be deemed to limit, modify or otherwise affect any of the provisions hereof or to be used in determining the intent or context thereof.

Section 15.9 Notices. If notice of any action or proposed action by the Board or any committee or of any meeting is required by applicable law, this Declaration or resolution of the Board, to be given to any Owner, Lessee or Resident then, unless otherwise specified herein or in the resolution of the Board, such notice requirement shall be deemed satisfied if notice of such action or meeting is published once in any newspaper in general circulation within the City of Mesa. This Section shall not be construed to require that any notice be given if not otherwise required and shall not prohibit satisfaction of any notice requirement in any other manner.

Section 15.10 FHA/VA Approval. If this Declaration has been initially approved by the FHA or the VA in connection with any loan programs made available by FHA or VA and any loans have been made which are insured or guaranteed by FHA or VA, then as long as there is a Class B Membership, the following actions will require the prior approval of the FHA or the VA, as applicable, unless the need for such approval has been waived by FHA or VA: dedications of Master Common Areas (except where such dedication is required as of the date hereof to the City of Mesa, County of Maricopa or other applicable government subdivision); annexation of additional property); and amendment of this Declaration.

Section 15.11 No Absolute Liability. No provision of this Declaration shall be interpreted or construed as imposing on Owners absolute liability for damage to the Master Common Area, Parcels or Lots. Owners shall only be responsible for damage to the Master Common Area or Lots caused by the Owners' negligence or intentional acts.

Section 15.12 Encumbrance of Common Area. The Master Common Area shall not be mortgaged or encumbered without the prior written consent or affirmative vote of the Declarant and of at least two-thirds of the Owners of the Class A and Class C Memberships.

ARTICLE 16

GOLF COURSE LAND

Section 16.1 Non-Applicability: Not Master Common Area. As used in this Declaration, the terms "Property" and "Augusta Ranch" do not include or apply to Golf Course Land. Golf Course Land shall not be part of the Master Common Area, and, other than easement rights in the Drainage Easement Area existing through the Drainage Easement Agreement, no Owner, Lessee, Tenant or Resident shall acquire any right, title or interest whatsoever in the Golf Course Land or the use of the Golf Course Land solely by reason of owning, leasing or occupying any Lot, Parcel or other property in Augusta Ranch, nor any right to require that the Golf Course land be used or maintained in any particular manner.

Section 16.2 No Right to Use of Golf Course. Each grantee of Declarant, by the acceptance of a deed of conveyance, and each purchaser under any contract for such deed of conveyance, and each purchaser under any agreement of sale, and each Person acquiring a Membership in the Master Association, and the heirs, personal representatives, successors and assigns of the foregoing, acknowledge and agree that the acquisition of any interest in one or more Lots or Parcels located in Augusta Ranch shall not in any way entitle any such Person to any interest in or any right to the use of the Golf Course Land, other than as provided in the Drainage Easement Agreement, or membership in any club or other golf operation now or hereafter existing in connection with the Golf Course Land.

Section 16.3 Waiver of Liability. Each Owner and other occupant of any Golf Course Lot or Golf Course Parcel, by becoming the Owner or occupant thereof, acknowledges that golf balls may be hit onto their Lot or Parcel by persons playing golf on the adjacent golf course and that such golf balls may cause injury to persons on the Lot or Parcel or cause damage to the Dwelling Unit or other structures or improvements situated on the Lot or Parcel. Each Owner and occupant assumes the risk of such injury or damage and releases: (i) Declarant and all of its constituent owners, officers, directors, employees and agents; (ii) the Master Association and all of its officers, directors, employees and agents; and (iii) the owner of the Golf Course Land and its constituent owners, officers, directors, employees and agents (including, without limitation, any architect, engineer or contractor or other Person involved in the design and/or construction, alteration or repair of any golf course installed on the Golf Course Land), from all claims, causes of action, duties, liabilities and obligations of any and every sort or nature, in law or in equity, which it has or which it may hereafter have, or which in the future may arise from or as a result or by reason of, or in connection with, the design, construction, operation or maintenance of the Golf Course Land and any golf course constructed and operated thereon.

Section 16.4 Operation of the Golf Course. Each Owner, Resident, Lessee and Tenant acknowledge that the operation and maintenance of a golf course on the Golf Course Land

will require that maintenance men and other workers required to operate and maintain the golf course will commence work as early as 5:00 a.m. on a daily basis. In connection therewith, each Owner, Resident, Lessee and Tenant agree that neither Declarant nor its employees, agents and contractors nor the Master Association or its employees, agents and contractors shall be responsible or accountable for, and shall be held harmless for, from and against, any claims, causes of action, loss or liability arising in connection with or associated with any noise or inconvenience normally associated with such maintenance activities.

IN WITNESS WHEREOF, A.R. Development L.L.C., an Arizona limited liability company, has hereunto caused its name to be signed by the signature of its duly authorized representative as of the day and year first above written.

A.R. DEVELOPMENT L.L.C.,
an Arizona limited liability company

By: Communities Southwest Development & Construction
Company, a Washington corporation, its Manager

By: Mark A. Vargel

Its: Pres, AZ

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 15th day of December, 1997, by MARK A. VARGEL, the PRESIDENT AZ of Communities Southwest Development & Construction Company, a Washington corporation, the manager of A.R. DEVELOPMENT L.L.C., an Arizona limited liability company, for and on behalf thereof.

M. Suzanne Lowery
Notary Public

My Commission Expires:

