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navarrom

When recorded, return to:
PebbleCreek Properties Limited Partnership
9352 East Riggs Road
Sun Lakes, Arizona 85248
Attention: Pamela Gulsvig

**DECLARATION OF ANNEXATION, TRACT DECLARATION
AND DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF PEBBLECREEK GOLF RESORT COMMUNITY AND PEBBLECREEK UNIT 49
VILLAS FOR PEBBLECREEK PHASE II UNIT FORTY-NINE "A"**

This Declaration Of Annexation, Tract Declaration and Declaration of Covenants, Conditions and Restrictions Of PebbleCreek Golf Resort Community and PebbleCreek Unit 49 Villas for PebbleCreek Phase II Unit Forty-Nine "A" (this "Tract Declaration") is executed this 13th day of March, 2019, by FIRST AMERICAN TITLE INSURANCE COMPANY, a Nebraska corporation (redomesticated from California effective July 1, 2014) as Trustee under Trust No. 7854 and not personally ("Trustee"), and its trust beneficiary PEBBLECREEK PROPERTIES LIMITED PARTNERSHIP, an Arizona limited partnership ("Declarant").

RECITALS:

A. Declarant executed that certain Declaration of Covenants, Conditions and Restrictions of PebbleCreek Golf Resort, dated September 21, 1992, which Declaration was recorded in the Official Records of Maricopa County, Arizona, on September 21, 1992, as Instrument No. 92-0525619 (as thereafter amended or supplemented, the "Master Declaration").

B. Article XIV of the Declaration contemplates the annexation of Annexable Property (as defined in the Master Declaration) to PebbleCreek Golf Resort (also as defined in the Master Declaration) by recordation of Tract Declarations. The real property described in Exhibit "A" hereto and incorporated herein by this reference (the "Villas Property") constitutes Annexable Property.

C. Article IV of the Master Declaration contemplates that Tract Declarations establishing Land Use Classifications for parcels of land will be executed and recorded periodically.

D. Declarant now desires to annex the Villas Property to PebbleCreek Golf Resort and to establish the Land Use Classifications for the Villas Property by Declarant.

E. Owners of Villas Lots (as defined below) will be members of both the Master Association and the Villas Association described below and shall pay assessments to both of such associations. Owners of Villas Lots will be subject to the covenants, conditions and restrictions set forth in both the Master Declaration and in this Tract Declaration.

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Sun Lakes, Arizona 85248
Attention: Pamela Gulsvig

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DECLARATION:

Declarant declares and agrees as follows:

1. DEFINITIONS. Unless otherwise defined herein, capitalized terms used but not defined in this Tract Declaration shall have the meanings specified in the Master Declaration. The following terms have the meanings set forth below:

(a) "Villas Areas" shall mean the tracts and parcels identified on Exhibit "B" to this Tract Declaration, together with any other Villas Areas annexed to the Villas Property as set forth below.

(b) "Villas Articles" shall mean the articles of incorporation of the Villas Association, which have been or will be filed in the office of the Arizona Corporation Commission, as such articles of incorporation may be amended from time to time.

(c) "Villas Assessments" shall mean Annual Villas Assessments, Special Villas Assessments and/or all other amounts owed by any Owner to the Villas Association.

(d) "Villas Association" shall mean PebbleCreek Unit 49 Villas Association, Inc., an Arizona nonprofit corporation, its successors and assigns.

(e) "Villas Board" shall mean the Board of Directors of the Villas Association.

(f) "Villas Bylaws" shall mean the Bylaws of the Villas Association, as such Bylaws may be amended from time to time.

(g) "Villas Lots" shall mean Lots that are subject to this Tract Declaration, which consist of the Lots described on Exhibit "A" and any additional Lots platted in the future on real property annexed to the Villas Property as set forth below.

(h) "Villas Property" shall mean the real property described on Exhibit "A" hereto and any real property annexed to the Villas Property as set forth below.

(i) "Villas Rules" shall mean the rules and regulations adopted by the Villas Board in accordance with this Tract Declaration, the Villas Articles and the Villas Bylaws, as such rules and regulations may be amended from time to time.

(j) "Villas Transition Date" shall mean the later of the Transition Date specified in the Master Declaration or the date the last Villas Lot owned by Declarant is conveyed to a third party for value, or sooner in Declarant's sole discretion. DECLARANT RESERVES THE RIGHT TO RETAIN OWNERSHIP OF ONE OR MORE VILLAS LOTS FOR RENTAL OR MARKETING PURPOSES. THIS MAY RESULT IN A SIGNIFICANT OR INDEFINITE DELAY IN THE VILLAS TRANSITION DATE.

(k) "Master Association" shall mean PebbleCreek Golf Resort Homeowners Association No. 1, Inc., an Arizona nonprofit corporation.

2. ANNEXATION. The Villas Property is hereby annexed to PebbleCreek Golf Resort and is hereby made subject to all of the terms and provisions of the Master Declaration. The Villas Property hereafter shall constitute a portion of PebbleCreek Golf Resort.

3. THE VILLAS ASSOCIATION.

(a) Purposes. The purpose of the Villas Association is to (i) landscape the Villas Areas and the outside areas of the Villas Lots, (ii) maintain such landscaping (including the sprinkler and irrigation systems for such landscaping), (iii) maintain the Villas Areas, any parking areas, driveways and walkways on the Villas Areas or the Villas Lots, as well as the roofs, exterior glass and exterior surfaces of the houses constructed on the Villas Lots, all as more particularly described below, (iv) maintain such insurance as is required by this Tract Declaration, as well as such other insurance as the Villas Board elects to obtain, and (v) exercise all rights and perform all obligations of the Villas Association under this Tract Declaration. The Villas Association shall have such other rights and obligations as are provided in this Tract Declaration, the Villas Articles, Villas Bylaws and the Villas Rules. All funds received by the Villas Association shall be held and applied by it for the benefit of the Owners of Villas Lots in accordance with the provisions of this Tract Declaration, the Villas Articles, the Villas Bylaws and the Villas Rules. Unless otherwise expressly agreed in writing by Declarant, neither Declarant nor any of its affiliates shall have any obligation to landscape or maintain any landscaping or improvements on any Villas Lot.

(b) Villas Areas. Unless otherwise expressly agreed by Declarant in writing, the Villas Areas shall not constitute Common Area of the Master Association, as defined in the Master Declaration. Declarant shall have the right, but not the obligation, to transfer all or any portion of the Villas Areas to the Villas Association at any time. Declarant also shall have the right, but not the obligation, to transfer all or any portion of the Villas Areas to the Master Association or any governmental entity at any time. Unless otherwise specified in writing by Declarant, the Villas Association shall maintain and be responsible for all costs and expenses related to the Villas Areas regardless of whether or not they are transferred to the Villas Association.

(c) Landscaping. Except as otherwise set forth in this Tract Declaration or in any Villas Rules, the Villas Association shall landscape and shall maintain the landscaping and the sprinkler and irrigation systems, if any, installed by the Villas Association or Declarant on the front, side and back yards of each Villas Lot, including the portion of each Villas Lot, Villas Area or parcel of Association Land that is between (a) the street, any planter wall, entry wall or any wall separating any Villas Lots, and (b) the exterior wall of the residential unit situated on the Villas Lot. Except as otherwise provided in the Villas Rules, the Villas Association shall not have any obligation to landscape, install pavers on or otherwise maintain or improve the rear patio on any Villas Lot or any property between the rear exterior surface of the residential unit on the Villas Lot and the landscaping walls that enclose the rear patio and a portion of the rear yard on the Villas Lot. The type and amount of landscaping and sprinkler and irrigation system(s), if any, to be installed on the Villas Lots by Declarant or the Villas Association shall be in the sole discretion of the Declarant or

the Villas Association, as applicable. After the initial installation of the landscaping on the Villas Lots, Declarant and the Villas Association each shall have the right to make such modifications to the landscaping as it deems appropriate from time to time. **No Owner or other person shall install any plants, trees, granite or other landscaping in any Villas Area or in the portion of their Villas Lot which is to be maintained by the Villas Association pursuant to this subsection, and no Owner of a Villas Lot or other person shall make any changes to the landscaping installed in such area by the Declarant or the Villas Association, without the prior written consent of either Declarant or the Villas Association.**

(d) Nonstructural Exterior Maintenance. Except as otherwise provided below or in the Villas Rules, the Villas Association shall maintain and repair the roofs and the exterior surfaces of all residential units on the Villas Lots, including but not limited to maintaining the exterior glass and paint on the exterior surfaces of the residential units and the walkways and driveways on the Villas Lots. The type of paint to be used in the painting of the exterior surfaces of the residential units and the timing and frequency of the painting of the exterior surfaces of the residential units shall be in the sole discretion of the Villas Association. **Except for Declarant, no Owner of a Villas Lot or other person shall paint or otherwise alter or modify the exterior surface of any residential unit on the Villas Lot, or make any modifications or changes to the exterior surfaces of any residential unit on a Villas Lot, without the prior written approval of the Villas Association. Notwithstanding anything to the contrary herein, the Villas Association shall not have any obligation to make any structural repairs to any residential unit on any Villas Lot, other than the roof of the residence on the Villas Lot. The Villas Association shall not have any obligation to maintain any heating or air conditioning (HVAC) units for any residential unit. Each Owner shall be solely responsible for the maintenance, repair and replacement of structural improvements on such Owner's Villas Lot, and the residential unit and all improvements located thereon, except to the extent such portion of the Villas Lot is maintained by the Villas Association.**

(e) Damage or Destruction by Villas Owners. No Villas Lot Owner shall in any way damage or destroy any landscaping, the exterior surface of any residential unit on the Villas Property or any area to be maintained by the Villas Association. If, as a result of the negligent or wrongful acts or omissions of any Owner or resident of a Villas Lot, or its guest, tenant or invitee, any repairs, maintenance, replacements or other work is required on the landscaping, exterior surfaces or other areas maintained by the Villas Association, the expenses incurred by the Villas Association as a result thereof shall be paid to the Villas Association by such Owner upon demand, except such portion, if any, as is paid by any insurance maintained by the Villas Association. The amounts owed by such Owner to the Villas Association shall be a lien on the Villas Lot of such Owner, which lien may be enforced by the Villas Association in the same manner as provided elsewhere in this Tract Declaration for the collection and enforcement of Villas Assessments.

(f) Villas Articles and Bylaws. In addition to the rights and powers of the Villas Association set forth in this Tract Declaration, the Villas Association and its directors, officers, employees, agents and members shall have such rights and powers as are set forth in the Villas Articles and Villas Bylaws that are not inconsistent with law or this Tract Declaration. Such rights and powers may encompass any and all things which a natural person could do or which now or

hereafter may be authorized by law and that is consistent with this Tract Declaration. A copy of the Villas Articles and Villas Bylaws shall be available for inspection at the office of the Villas Association during reasonable business hours.

(g) Board of Directors and Officers. The affairs of the Villas Association shall be conducted by the Villas Board and such officers and committees as the Villas Board may elect or appoint in accordance with the Villas Articles and the Villas Bylaws. The Villas Board may appoint various committees and may appoint a manager or managing agent who shall, subject to the direction of the Villas Board, be responsible for the day-to-day operation of the Villas Association. The Villas Board shall determine the compensation to be paid to the manager or managing agent. The Board shall have the power to contract with any outside entity (including Declarant and/or the Master Association) for such entity to perform all or any portion of the operations that are the responsibility of the Board.

(h) Villas Rules. The Villas Board shall be empowered to adopt, amend or repeal, as Villas Rules, such rules and regulations as it deems reasonable and appropriate. Villas Rules shall be effective upon adoption or at such later time as may be specified in the Villas Rules, and shall be binding upon all Owners of Villas Lots. The Villas Rules may include the establishment of a system of fines and penalties enforceable as liens in the same manner as liens for Villas Assessments. The Villas Rules shall not be inconsistent with the Master Declaration, this Tract Declaration, the Villas Articles or the Villas Bylaws. If consistent with the Master Declaration, this Tract Declaration, the Villas Articles and the Villas Bylaws, Villas Rules shall have the same force and effect as if they were set forth in and were part of this Tract Declaration and shall be binding on the Owners of Villas Lots, and all other persons having any interest in, or making any use of, the Villas Property. The Villas Rules shall be available to each Owner of a Villas Lot upon request at the principal office of the Villas Association. No change in the Villas Rules shall impose any additional obligations on Declarant without Declarant's written consent.

(i) Indemnification. To the fullest extent permitted by law, (i) every director and officer of the Villas Association, every member of any Villas committee, and Declarant, its affiliates and their agents, employees, officers and directors, shall be indemnified by the Villas Association, and (ii) every other person or entity serving as an employee or direct agent of the Villas Association or on behalf of the Villas Association may, in the discretion of the Villas Board, be indemnified by the Villas Association, against all expenses and liabilities, including without limitation attorneys' fees, reasonably incurred by or imposed upon such party in connection with any proceeding to which such party may be a party, or in which such party may become involved, by reason of being or having served in such capacity on behalf of the Villas Association (or in the case of Declarant by reason of having appointed, removed or controlled or failed to control members of the Villas Board or any committee of the Villas Association) and/or any settlement thereof, whether or not such party is a director, officer or member of the committee or serving in such other specified capacity at the time such expenses are incurred, provided that the Villas Board shall determine that such officer, director, member of the committee or other party, did not act, fail to act, or refuse to act with gross negligence or fraudulent or criminal intent in the performance of such party's duties. The foregoing rights of indemnification shall be in addition to and not exclusive of all other rights to which such parties may be entitled at law or otherwise.

(j) Approval of Construction. No building, fence, wall, satellite dish, exterior landscaping, awning, sunshade, solar collector, or other improvement attached to or detached from other structures, and no decorative alterations, exterior painting, repairs, excavation, roof replacement, wall construction, outdoor furniture, outdoor decoration, outdoor equipment or other work or thing that in any way alters the appearance of any Villas Lot or the exterior appearance of any improvements thereon (whether or not such change is Visible from Neighboring Property, as defined in the Master Declaration), or that in any way affects the structural integrity of any residential unit on any of the Villas Lots, shall be erected, placed, altered, or maintained on any Villas Lot until the construction plans and specifications, plans showing the location of the structure or plot plan, or other information specified by Declarant or the Villas Board have been approved by either Declarant or the Villas Board (or any committee established by the Villas Board for that purpose) as to color, quality of workmanship and materials, harmony with the external design and color of existing structures, and as to location with respect to topography and finished grade elevation, except any improvements, fixtures, decorations or personal property deemed necessary or appropriate by Declarant. Declarant, the Villas Board and any such committee shall have the right to require any reasonable plans, specifications, engineering data or other information reasonably related to the proposed construction, alteration, change or other work as a condition to reviewing or approving it, and may establish a reasonable fee for such review. Neither Declarant, the Villas Board nor any such committee shall have any liability for the structural integrity or the quality of any such construction, alteration, change or other work, or the design or engineering thereof, notwithstanding any review, approvals, disapprovals, requirements or conditions of Declarant, the Villas Board or any such committee pursuant to this section. No changes or deviation in or from the plans and specifications as approved by Declarant or the Villas Board shall be made without the prior written consent of Declarant or the Villas Board. Owners of Villas Lots shall also be subject to all of the provisions of Article XI of the Master Declaration, which deals with architectural approval by the Master Association for improvements on the Lots, as well as subject to all of the other provisions of the Master Declaration. The provisions of this section shall not apply to any action taken by Declarant or its agents or contractors.

(k) Review Fee. Declarant and the Villas Association shall each be allowed to charge the Owner or other party submitting plans a reasonable charge for its costs incurred in reviewing and approving or disapproving the proposed plans. Such charge shall be determined by Declarant and the Villas Board, respectively, from time to time and shall be collected at the time of submission of the plans. Neither Declarant nor the Villas Association shall have any obligation to review or approve plans that are not accompanied by payment of the reasonable fee hereunder.

(l) Review Criteria. The Villas Board shall have the right to disapprove plans and specifications submitted if, in its opinion, the plans and specifications are not in accordance with all of the provisions of this Tract Declaration or are not complete or if, in its opinion, the design, color scheme or location of the proposed item or work is not in harmony with the general surroundings of the Villas Lot or with other buildings and structures in the vicinity, or if the plans and specifications are incomplete, or violate any applicable rules or regulations, or might affect the cost of maintenance of the Villas Lots, or if the proposed item or work are not, in the opinion of the Villas Board, compatible with the general tenor of the Villas Property and of the sense of uniformity

intended for the Villas Property. The Villas Board shall, in the exercise of its judgment and determination, act reasonably and in good faith. The decision of the Villas Board shall be final except for possible appeal by the homeowner to the Villas Board. **Each Owner of a Villas Lot or any interest therein understands, acknowledges and agrees that by acquiring such interest in a Lot in which landscaping and exterior maintenance is performed or arranged by the Villas Association, such Owner is giving up rights to control the appearance and use of the outside areas of such Owner's Villas Lot.**

(m) Non-Liability of Officials. To the fullest extent permitted by law, neither Declarant, the Villas Board, nor any committees of the Villas Association, or any directors, officers, agents, or employees of the Villas Association or Declarant, shall be liable to the Villas Association, any member of the Villas Association, any Owner of a Villas Lot, or any other person or entity, for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval, course of action, act, inaction, omission, error, negligence or the like made in good faith and which Declarant, the Villas Board, or such committees or persons reasonably believed to be within the scope of their respective duties.

(n) Contracts with Others for Performance of Villas Association's Duties. Subject to the restrictions and limitations contained herein, the Villas Association may enter into contracts and transactions with others, including without limitation the Master Association, Declarant and any affiliated companies or persons, 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 Villas Association or members of any committee of the Villas Association are employed by or otherwise connected with the Master Association, 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. Any such director, officer or committee member may be counted in determining the existence of a quorum at any meeting of the Villas 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 Master Association, Declarant, its affiliate or any competitor thereof and may vote to authorize any such contract, transaction or approval with like force and effect as if he were not so interested. Without limiting the foregoing, (i) the Villas Association and the Master Association may enter into agreements for the Master Association to perform some or all of the Villas Association's landscaping obligations under this Tract Declaration, in which event the Villas Association shall pay the Master Association the agreed upon amounts for such services, which are expected to be based on estimates of the additional cost to the Master Association of performing such services and which may take into account the possibility that the existence of Villas Areas may reduce the amount of Common Area or Association Land on the Villas Property, (ii) if the Villas Association desires that the Master Association install and/or maintain enhanced landscaping on Association Land, Common Areas or other properties maintained by the Master Association, the Villas Association and the Master Association may enter into agreements for the installation and/or maintenance of such enhanced landscaping at the Villas Association's expense.

4. MEMBERSHIP AND VOTING.

(a) Owners of Villas Lots. Every Owner of a Villas Lot shall be a member of both the Villas Association and the Master Association. Each membership shall be appurtenant to and may not be separated from ownership of the Villas Lot to which the membership is attributable. Joint ownership, or ownership of undivided interests, shall not increase the number of memberships. There may be only one Villas Association membership attributable to each Villas Lot even though there may be two or more Owners of the Villas Lot. The Owners of a Villas Lot shall share the Villas Association membership attributable to the Villas Lot.

(b) Declarant as Member. Notwithstanding anything to the contrary herein, Declarant shall be entitled to the membership and to vote the membership vote as provided below, for each Villas Lot owned by Declarant.

(c) Right to Vote. Each membership shall be entitled to one (1) vote in the Villas Association and the Master Association for each Villas Lot owned by the membership, except that after the Villas Transition Date and in any Villas Association vote permitted by Declarant prior to the Villas Transition Date, Declarant and its affiliates each shall have the right to three (3) votes for each Villas Lot owned by them. Declarant also shall have the number of votes specified in the Master Declaration for Master Association matters. Notwithstanding the foregoing, Declarant shall not have any obligation to cause the Villas Transition Date to occur prior to the sale of all Villas Lots owned by Declarant, and Declarant shall not have any obligation to permit any Owners of Villas Lots to vote in any Villas Association election prior to the Villas Transition Date. The Villas Association shall not be obligated to recognize any change in the ownership of a membership for voting or other purposes unless and until the Villas Board is given actual written notice of such change and is provided satisfactory proof thereof. The vote for each membership in the Villas Association must be cast as a unit, and fractional votes shall not be allowed. In the event that a membership is owned by more than one person or entity and such owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any member casts a vote representing a certain membership, it will thereupon conclusively be presumed for all purposes that he 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. In the event more than one vote is cast for a particular membership, none of the votes for the membership shall be counted and all said votes shall be deemed void.

(d) Suspension of Voting Rights. The Villas Association has the right to suspend the voting rights, if any, of an Owner of a Villas Lot for any period during which any Villas Assessment against such Owner's Villas Lot is delinquent and remains unpaid and, for any other infraction by an Owner of any provision of this Declaration, for a period not to exceed the longer of sixty (60) days or the period during which such infraction continues.

(e) No Cumulative Voting for Board Members. In any election of the members of the Villas Board, every owner of a membership entitled to vote for one or more members of the Villas Board at such an election shall have one vote. The candidates receiving the highest number of votes, up to the number of the Villas Board members to be elected, shall be deemed elected.

(f) Membership Rights. Each member of the Villas Association shall have the rights, duties and obligations set forth in this Tract Declaration and such other rights, duties and obligations as are set forth in the Villas Articles, Villas Bylaws, Villas Rules, and the Master Declaration and related documents.

(g) Transfer of Membership. The rights and obligations of a member shall not be assigned, transferred, pledged, conveyed or alienated in any way by an Owner except upon transfer of ownership of such Owner's Villas Lot, and then only to the transferee of ownership to the Villas Lot. Any attempt to make a prohibited transfer shall be void. Any transfer of ownership to a Villas Lot shall operate to transfer the membership appurtenant to the Villas Lot to the new Owner thereof.

(h) DECLARANT'S CONTROL OF VILLAS ASSOCIATION. NOTWITHSTANDING ANYTHING IN THIS TRACT DECLARATION TO THE CONTRARY, UNTIL THE VILLAS TRANSITION DATE, DECLARANT SHALL HAVE THE RIGHT TO MAINTAIN ABSOLUTE CONTROL OVER THE VILLAS ASSOCIATION, INCLUDING WITHOUT LIMITATION THE RIGHT TO AMEND THE VILLAS ARTICLES (THROUGH CONTROL OF THE VILLAS BOARD), APPOINT THE OFFICERS, ELECT THE MEMBERS OF THE VILLAS BOARD, AND APPOINT THE MEMBERS OF THE VILLAS ASSOCIATION COMMITTEES. UNTIL THE VILLAS TRANSITION DATE, UNLESS OTHERWISE AGREED BY DECLARANT IN ITS SOLE DISCRETION, ONLY DECLARANT SHALL BE ENTITLED TO CAST ANY VOTE WITH RESPECT TO THE ELECTION OF DIRECTORS TO THE BOARD, REMOVAL OF DIRECTORS OR ANY OTHER MATTER REQUIRING THE APPROVAL OF THE MEMBERS. DECLARANT VOLUNTARILY MAY (BUT SHALL NOT BE REQUIRED TO) RELINQUISH CONTROL OF THE VILLAS ASSOCIATION AND THEREBY REQUIRE THE MEMBERS TO ASSUME CONTROL OF THE VILLAS ASSOCIATION AT ANY TIME. ALL DEBTS AND OBLIGATIONS OF THE VILLAS ASSOCIATION PRIOR TO THE VILLAS TRANSITION DATE SHALL CONTINUE TO BE THE DEBTS AND OBLIGATIONS OF THE VILLAS ASSOCIATION AFTER THE VILLAS TRANSITION DATE, AND DECLARANT SHALL HAVE NO RESPONSIBILITY OR OBLIGATION TO DISCHARGE THOSE DEBTS AND OBLIGATIONS.

(i) EXEMPTION OF DECLARANT FROM RESTRICTIONS. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS DECLARATION, NONE OF THE COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS OR OTHER PROVISIONS IN THIS DECLARATION SHALL BE CONSTRUED OR DEEMED TO LIMIT OR PROHIBIT ANY ACT OF DECLARANT, ITS EMPLOYEES, AGENTS AND CONTRACTORS, OR PARTIES DESIGNATED BY DECLARANT IN CONNECTION WITH THE CONSTRUCTION, COMPLETION, SALE OR LEASE OF LOTS, THE PREMISES, PEBBLECREEK GOLF RESORT, ANY PROPERTY ADJACENT TO PEBBLECREEK GOLF RESORT, OR ANY PART THEREOF.

5. VILLAS ASSESSMENTS.

(a) Creation of Lien and Personal Obligation. Each Owner, by execution of a purchase contract or otherwise acquiring any interest in a Villas Lot, is deemed to covenant and agree, for such Owner and such Owner's heirs, successors and assigns, to pay to the Villas Association all Villas Assessments, impounds and late payment charges as provided herein and in the Villas Articles and Villas Bylaws. All Villas Assessments, impounds and late payment charges, if any, together with interest, costs and reasonable attorneys' fees, shall be secured by a lien upon the Villas Lot to which they are assessed, and all rents and proceeds of the Villas Lot, as well as being a personal obligation of the Owner of said Villas Lot. The personal obligation for delinquent Villas Assessments shall not pass to successors in title unless (1) expressly assumed by them, or (2) prior to the transfer of title as evidenced by the records of the County Recorder of Maricopa County, Arizona, or other appropriate governmental agency, a notice or affidavit of lien for such Villas Assessment shall have been filed or recorded, or (3) the successor in title had actual or constructive knowledge, at the time the successor came into title, that there were past due assessments on the Villas Lot, or (4) the successor in title did not acquire the Villas Lot by purchase in an arm's length transaction. A successor in title shall be deemed to have constructive knowledge of past due assessments if such successor fails to make reasonable inquiry of the Villas Association regarding the existence of any past due assessments on the Villas Lot to be acquired by such successor within thirty days prior to the acquisition of title. The recording of this Tract Declaration constitutes record notice of the lien for Villas Assessments, and no other recordation of any claim or notice of the lien is required. The Villas Association shall have the right but not the obligation, to record a notice of lien against any Villas Lot setting forth the amounts secured by the lien for Villas Assessments.

(b) Purpose of Villas Assessments. The Villas Association shall apply all funds and property received by it, including the Annual and Special Villas 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 the members of the Villas Association by devoting the funds and property to the performance of the purposes of the Villas Association, as set forth above, the expenses of the administration and operation of the Villas Association, and to any other expenses incurred in conformance with this Tract Declaration, the Villas Articles, Villas Bylaws or Villas Rules (which expenses are sometimes referred to herein as "Villas Expenses"). Villas Expenses include, without limitation, expenses for (i) landscaping and maintaining the Villas Areas and other areas described in Section 3 of this Tract Declaration, including but not limited to costs of water, fertilizer, (ii) maintaining, repairing and replacing driveways and parking areas located on the Villas Property, (iii) maintaining, repairing and replacing sprinkler and irrigation systems and equipment for the Villas Property, and (iv) painting, repairing, maintaining and replacing the exterior surfaces of the residential units and block walls or fences located on the Villas Lots, including without limitation repairing, maintaining and replacing the roofs and exterior glass of such residential units. Villas Expenses may also be used for any other purpose that benefits the Owners of Villas Lots, including without limitation, expenses for the acquisition, construction, alteration, maintenance, provision and operation, by any manner or method whatsoever, of any and all land, properties, improvements, recreational facilities, services, projects and security programs, studies and systems, within or without the premises which may be necessary, desirable or beneficial to the general common interests of the Owners of Villas Lots and the members of the Villas Association.

(c) Determination of Villas Assessments. The Villas Board shall, not later than December 1 of each year, determine the annual assessments for the ensuing calendar year (the "Annual Villas Assessments"). Unless otherwise established by the Villas Board, Annual Villas Assessments shall be paid in monthly installments and shall be due and payable on or before the first day of each month. In addition to the Annual Villas Assessments authorized above, in any assessment year, the Villas Board may at any time during the year levy a special assessment (a "Special Villas Assessment") applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of capital improvements, including fixtures and personal property related thereto, or for the funding of any operating deficit incurred by the Villas Association. Villas Assessments, whether Annual Villas Assessments, Special Villas Assessments or other assessments deemed necessary by the Villas Board, may be levied evenly among all of the members, or in unequal amounts if specific members or group(s) of members receive services or benefits that are not available to all of the members. Unequal assessments, if any, shall be determined by the Villas Board in its sole discretion provided that a reasonable basis exists to assess unevenly, and such uneven assessments deemed to be delinquent shall be subject to the same penalties, interest and liens described above.

(d) Maximum Annual Villas Assessment. The Annual Villas Assessments for each Villas Lot for calendar year 2019 shall not exceed \$160.00 per month (the "Maximum Annual Assessment") or the appropriate multiple thereof if assessments are due less frequently than monthly. The Maximum Annual Villas Assessment for each Villas Lot for subsequent calendar years shall increase by the lesser of (i) ten percent (10%) per year, compounded annually on December 31 of each year, or (ii) the amount permitted by applicable law. For example, if clause (i) of the preceding sentence applies, then the Maximum Annual Villas Assessment for calendar year 2020 shall be \$176.00 per month, and the Maximum Annual Villas Assessment for calendar year 2021 shall be \$193.60 per month, even if the actual Annual Villas Assessments for 2020 are not increased above 2021 levels. Although the Annual Villas Assessments assessed against each Villas Lot during any calendar year shall not exceed the Maximum Annual Villas Assessment for that year, the Villas Board shall have no obligation to increase the Annual Villas Assessments during any year. **IN ADDITION TO THE ANNUAL VILLAS ASSESSMENT, EACH VILLAS LOT SHALL ALSO BE LIABLE FOR THE PAYMENT OF ASSESSMENTS SET FORTH IN THE MASTER DECLARATION.**

(e) Enforcement of Villas Assessments. The Villas Board may maintain on a public bulletin board or other appropriate place specified by the Board, in the sole discretion of the Board, a list of all members whose Villas Assessments (whether Annual Villas Assessments, Special Villas Assessments or otherwise) are past due. In the event of delinquency, the Villas Board may cause to be filed in the office of the County Recorder of Maricopa County, a notice or affidavit of non-payment of Villas Assessments and may post a copy thereof upon the Villas Lot. If any member is in default in paying any Villas Assessment (whether Annual Villas Assessment, Special Villas Assessment or otherwise) when such Villas Assessment becomes due and payable, the member shall be deemed to be delinquent, and the member shall be subject to a late charge equal to the lesser of twenty-five percent (25%) of the delinquent Villas Assessment or the highest late charge permitted by applicable law, which sum and the delinquent sums shall bear interest from the date of such delinquency until paid at the rate of 18% per annum or the highest rate permitted by

applicable law, whichever is lower. If any member shall fail or refuse to pay any Villas Assessment when due, then the lien therefor and the interest, costs, reasonable attorneys' fees and any late charges, may be foreclosed by the Villas Association in any manner provided or permitted for the judicial foreclosure of realty mortgages or deeds of trust in the State of Arizona, or by such other means as is permitted by applicable law. Subject to the limitation contained in the following sentence, the lien for Villas Assessments on any Villas Lot shall be subordinate to the lien of any First Mortgage in favor of an institutional lender in an arm's length transaction. The sale or transfer of any Villas Lot by judicial foreclosure, trustee's sale or any equivalent proceedings under any such First Mortgage shall not affect the lien for Villas Assessments except as to payments that become due prior to such sale or transfer. If the fines or interest rate set forth in this section are not lawful for any reason, then the Villas Board shall have the right to levy reasonable monetary late charges, interest rates and/or penalties against Owners of Villas Lots who fail to pay any Villas Assessments or other amounts to the Villas Association when such amounts are due and payable, all in accordance .

(f) Enforcement After Foreclosure Sale. An action to abate the breach of any of the covenants, conditions, restrictions, servitudes and reservations in this Tract Declaration may be brought against persons or entities who acquire title to any Villas Lot through foreclosure of a Mortgage, whether by judicial foreclosure, trustee's sale or any equivalent proceedings, and against the successors in interest to such persons and entities, even though the breach may have existed prior to the time such persons or entities may have acquired an interest in such Villas Lot.

(g) Subject to Declaration. At such time as a Mortgagee shall come into possession of or become record Owner of a Villas Lot, the Mortgagee shall be subject to all of the terms and conditions of this Declaration including, but not limited to, the obligation to pay all Villas Assessments and charges accruing thereafter, as well as the lien therefor, in the same manner as any other Owner of a Villas Lot.

(h) Reserve Fund. The Villas Board may, in its discretion and to the extent funds therefor are available, establish and maintain a reserve fund by adopting a payment program to the reserve fund in an amount to be established from time to time by the Villas Board. **NEITHER THE VILLAS ASSOCIATION, THE VILLAS BOARD, DECLARANT NOR ANY OTHER PERSON OR ENTITY SHALL HAVE ANY LIABILITY FOR FAILING TO ESTABLISH RESERVES, OR RESERVES OF ANY PARTICULAR AMOUNT.**

(i) Commencement of Obligation to Pay Villas Assessments. The obligation to pay the Villas Assessments for each Villas Lot (whether monthly, quarterly, semi-annually, annually or as otherwise decided by the Villas Board) shall commence on the date the Villas Lot is purchased.

(j) Surplus. The Villas Association shall not be obligated to spend in any year all the sums received by it in such year (whether by way of Villas Assessments, fees or otherwise) and may carry forward as a surplus any balances remaining. The Villas Association shall not be obligated to reduce the amount of the Annual Villas Assessments in the succeeding year if a surplus exists from a prior year and the Villas Association may carry forward from year to year such surplus as the Villas Board in its discretion may determine to be desirable for the greater financial security of the

Villas Association and the accomplishment of its purposes. The Villas Association may, but will not be obligated to, cause all or any part of such surplus to be placed in a reserve fund.

(k) Borrowing. The Villas Association may incur debt and may borrow money, whether from the Declarant or third parties, in such amounts, at such rates, upon such terms and security, and for such periods of time, as the Villas Board in its sole discretion deems necessary or appropriate.

(l) No Offsets. All Villas Assessments shall be payable in the amount specified in the Villas Assessment or notice of Villas Assessment and no offsets against such amount shall be permitted for any reason, including, without limitation, a claim that (a) the Villas Association, the Villas Board or Declarant is not properly exercising its duties and powers as provided in this Tract Declaration, or (b) Villas Assessments for any period exceed Villas Expenses.

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

(n) Exemption of Unsold Lots. Notwithstanding anything to the contrary in this Tract Declaration, no Villas Assessments shall be levied upon, or payable with respect to, any Villas Lot or other parcel within PebbleCreek Golf Resort owned by or leased to Declarant, or any affiliate of Declarant, or any shareholder (or such shareholder's successors, heirs or devisees) in Declarant to whom the Villas Lot or parcel has been distributed by Declarant (as distinguished from having been purchased by the shareholder), or by any trustee for any of the aforesaid persons or entities, until such Villas Lot or parcel has been conveyed by Declarant (or said affiliate, shareholder or trustee) to a non-affiliated purchaser thereof. Such exemption applies whether or not there are any improvements on the Villas Lot(s) owned by or leased to Declarant.

6. AGE RESTRICTION; HOUSING FOR OLDER PERSONS.

(a) Age Restriction. The Villas Property is intended and operated for occupancy by persons fifty-five (55) years of age or older. Subject to compliance with the Requirements for Exemption as set forth in subsection (b) below, all occupied Dwelling Units (as defined in the Master Declaration), including without limitation Dwelling Units constructed on Villas Lots, must be occupied by at least one person who is forty (40) years of age or older, and no person who has not yet reached their nineteenth (19th) birthday shall reside permanently at the Villas Property. The Board, in its sole and absolute discretion, shall have the right and power to establish Community Rules allowing for limited periods of occupancy by persons under the age of 19. By way of illustration, but not limitation, of the preceding sentence, Community Rules may limit (i) the number of days consecutively, (ii) the number of days within a period such as a month, and (iii) the number of times within a period such as a year, in which occupancy by any person under the age of 19 will be permitted.

(b) Occupancy of Dwelling Unit. Title VIII of the Civil Rights Act of 1968 (as amended, the "Fair Housing Act") prohibits discrimination in the sale, rental and financing of dwellings based

on familial status; that is, discrimination based on the domicile of individuals under eighteen (18) years of age. Therefore, communities generally are not permitted to prohibit occupancy by persons under eighteen (18) years of age. However, the Fair Housing Act provides that a community is exempt from this restriction if the community meets certain standards. The standards for exemption were provided for in the federal Housing for Older Persons Act of 1995 (as amended, "HOPA"). HOPA and regulations promulgated thereunder provide an exemption from the familial discrimination provisions of the Fair Housing Act when the following requirements ("Requirements for Exemption") are satisfied:

- (i) the community is intended for occupancy by persons of age 55 and older;
- (ii) at least eighty percent (80%) of the occupied dwelling units are occupied by at least one (1) person who is fifty-five (55) years of age or older;
- (iii) the community publishes and adheres to policies and procedures that demonstrate the intent to provide housing for persons fifty-five (55) years of age or older; and
- (iv) the community is able, at all times, to produce verification of compliance with HOPA regulations through reliable surveys and affidavits updated at least once every two years:

Declarant intends for the Villas Property to comply with the Requirements for Exemption. Therefore, (1) at least one occupant in each occupied Dwelling Unit must be 55 or older, except as provided below; (2) the Board is directed to publish and adhere to policies and procedures that demonstrate an intent to provide housing for persons 55 and older, (3) the Board is directed to comply with rules issued by the Secretary for Housing and Urban Development for verification of occupancy requirements, including, but not limited to, providing for routine determination of the occupancy status of each Dwelling Unit and whether at least one occupant is of age 55 years or older, and for updates of such determination at least once every two years, and (4) the Board is directed to maintain and make available for inspection upon reasonable notice by any person a summary of occupancy surveys (but the Board need not make available for inspection the affidavits and documentation supporting such summary).

(c) Board Discretion. The Requirements for Exemption contemplate that up to 20% of the occupied units in a community may be occupied by persons who are under the age of 55 without loss of the exemption and that the 80% requirement does not apply until 25% of the units in the community are occupied. Accordingly, the Board, upon application by an Owner, tenant, purchaser or proposed lessee, shall have the right and option, in the Board's sole and absolute discretion, to allow a Dwelling Unit, including without limitation a Dwelling Unit constructed on a Villas Lot, to be occupied by persons who are all under the age of 55 provided at least one occupant of the Dwelling Unit is at least 40 and further provided that the Board takes appropriate action to comply with the Requirements for Exemption. The Board shall exercise its discretion based upon criteria that the Board shall determine, which shall include (by way of illustration and not limitation) information then known to the Board concerning potential or pending changes in occupancy of other Dwelling Units, if any, and the ages of any likely remaining

occupants of any such Dwelling Units, proximity to the age of 55 of those occupants of other Dwelling Units then under the age of 55, and any other information known to and deemed relevant by the Board in its sole and absolute discretion. The Board shall have the right and power to promulgate rules and requirements as a part of the Community Rules to the extent necessary or convenient to comply with the Requirements for Exemption.

(d) Declarant Rights; Limitations. Notwithstanding the foregoing, Declarant shall have the right to convey Dwelling Units owned by Declarant, including without limitation Dwelling Units constructed on Villas Lots, to purchasers who intend that the Dwelling Units be occupied initially by at least one person who is 40 or older, but not by anyone who is 55 or older. However, for so long as the Fair Housing Act is in effect, Declarant will take reasonable action to ensure that such conveyances by Declarant to purchasers under the age of 55 do not constitute a violation of the Requirements for Exemption. Each Dwelling Unit shall at the first change of occupancy thereafter be subject to the requirement that at least one occupant be fifty-five (55) years of age or over unless waived by the Board pursuant to the provisions of subsection (c) above.

(e) Notice to the Association. In the event there is a change in the occupancy of any Dwelling Unit, such as for example but not limitation by reason of a death or divorce, such that there is not at least one (1) occupant of the Dwelling Unit who is fifty-five (55) years of age or older, the Owner must immediately notify the Association of such change in writing. Each Owner and occupant of a Dwelling Unit shall cooperate with the Association's attempts to verify compliance with the Requirements for Exemption, such as without limitation, by completing and returning survey forms and providing evidence of the occupants' ages.

(f) No Liability. Notwithstanding anything contained herein to the contrary, it is acknowledged and agreed that although it is the intent of the Declarant and the Association that the Villas Property be exempt from the familial status provisions of the Fair Housing Act and that persons eighteen (18) years of age or younger be prohibited from residing permanently at the Villas Property, no representation or warranty is given that the Villas Property will comply with the Requirements for Exemption. If for any reason the Villas Property is not exempt from the familial status provisions of the Fair Housing Act and, therefore, it is unlawful to discriminate at the Villas Property on the basis of familial status, neither Declarant nor the Association shall have any liability in connection therewith.

7. RESERVATION OF RIGHTS BY DECLARANT.

(a) Right to Add Additional Property. Declarant shall have the right, from time to time and in its sole discretion, to bring additional real property or properties, whether residential lots, Villas Areas, both or otherwise, within the area served by the Villas Association, by recording with the appropriate authority a declaration of covenants, conditions and restrictions which makes appropriate reference to this Declaration and makes membership in the Villas Association an incident of ownership of any part of the real property described therein. The Owner of any Lot in any such parcel shall receive one membership in the Villas Association for each such Lot, other than Declarant, who shall have three (3) votes for each such Lot owned by Declarant. Declarant shall

also have the right to annex additional real property or properties, whether residential or Villas Areas or both or otherwise, within the area that is subject to this Tract Declaration. A supplemental tract declaration making additional property subject to this Tract Declaration may contain such complementary additions to and modifications of this Tract Declaration, as this Tract Declaration applies to the additional property, as may be necessary or appropriate in Declarant's sole discretion to reflect the different character, if any, of the additional property.

(b) Right to Manage the Villas Association. It is recognized that at the date hereof, Villas Lots and dwellings have not been sold or erected within the Villas Property, nor have all parcels eventually to be served by the Villas Association been planned or subdivided and the Villas Association may not be fully operative. In order that the Villas Lots and dwellings may be sold and erected, the Villas Areas protected and the Villas Association operated in the manner intended by Declarant, and to provide for consistency in the operation of the Villas Association, until the Villas Transition Date, Declarant or its designated agent shall have the sole and exclusive right to manage the affairs of the Villas Association, to make contracts or agreements on behalf of the Villas - Association for maintenance of Villas Areas and operation of the Villas Association and to take all action on behalf of the Villas Association for which the Villas Association is authorized by this Tract Declaration, the Villas Articles, Villas Bylaws or Villas Rules; however, Declarant may voluntarily extinguish such rights and transfer the rights to the Villas Association.

(c) Right to Exercise Powers of the Villas Association. Until such time as control of the Villas Association has passed to the members thereof, all right, discretion, power and authority granted to the Villas Association, including the right to collect Villas Assessments, shall, at the option of the Declarant, remain with Declarant or its designated agent, directly or through the Villas Association.

(d) Activation of Members' Voting Rights. Voting rights for the members of the Villas Association other than Declarant shall accrue at the time management of the Villas Association is turned over to the members of the Villas Association.

(e) Declarant as Manager of Villas Association. From and after the date of this Tract Declaration and until the Villas Transition Date, Declarant or its designee shall have the right, but not the obligation, to serve as the manager of the Villas Association and to receive from the Villas Association a management fee in the amount of 4% of the Villas Association's total gross revenues from all sources, as reported in the Villas Association's annual financial statements. The management fee shall be in addition to, and not in substitution for, reimbursement by the Villas Association to Declarant or its designee for all direct expenses actually incurred in managing the Villas Association and in addition to the costs and expenses of operating the Villas Association and of paying the employees and contractors of the Villas Association. The management fee shall not be payable if Declarant and its designee elect not to serve as manager of the Villas Association.

8. USE OF VILLAS AREAS. Every Owner of a Villas Lot shall have a nonexclusive right and easement of enjoyment in and to the Villas Areas, which right and easement shall be appurtenant to and shall pass with the title to every Villas Lot, subject to the following provisions:

(a) the right of the Villas Association to suspend the voting rights, if any, of an Owner and right of an Owner to use the Villas Areas for any period during which any Villas Assessment or other assessment under the Master Declaration against his Villas Lot is delinquent and remains unpaid and, for any other infraction by an Owner of any provision of this Declaration, for a period not to exceed the longer of sixty (60) days or the period during which such infraction continues;

(b) the right of the Villas Association and/or Declarant as applicable, to dedicate or transfer all or any part of the Villas Areas to the Master Association, any public agency, authority or utility, for such purposes and subject to conditions as may be agreed to by the Villas Board;

(c) the right of the Villas Association to limit the use of some or all Villas Areas by Villas Rules, such as, by way of example and not limitation, by rule forbidding walking on or access to certain areas or by rule limiting access to certain areas to residents;

(d) the right of the Villas Association to borrow money for the purpose of improving, replacing, restoring, expanding or operating the Villas Areas or adding new Villas Areas and, in aid thereof, to mortgage or encumber the Villas Areas, provided that the rights of the lender thereunder shall be subordinated to the rights of the owners of Villas Lots; and

(e) the right of the Villas Association to refuse Owners of Villas Lots access to those Villas Areas, if any, that are not designed for use by Owners of Villas Lots, such as drainage and retention areas, and the right of the Villas Association to change the use of the Villas Areas and to limit the right of Owners to use the Villas Areas accordingly.

9. INSURANCE.

(a) Scope of Coverage. Commencing not later than the date of the first conveyance of a Villas Lot to an Owner other than Declarant, the Villas Association shall maintain, to the extent reasonably available, the following insurance coverage:

(i) property insurance on the Villas Areas and Villas Lots, exclusive of improvements and betterments installed on Villas Lots (or the homes thereon) by the Owners of Villas Lots (other than Declarant), issued under a standard form "Special Causes of Loss Form" (or its replacement form) in an amount equal to the insurable replacement value of the Villas Lots and Villas Areas; provided, however that the total amount of insurance prior to application of any deductibles will not be less than eighty percent (80%) of the replacement cost of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations and other items normally excluded from a property insurance policy; and provided, further, that the Villas Association is not expected to obtain any insurance on interior surfaces of any Villas Lot Owner's home (such as without limitation the surfaces of walls inside the home and flooring materials), cabinetry, countertops, interior improvements (including but not limited to lighting and plumbing fixtures), and all personal property located in or on their homes..

(ii) commercial general liability insurance, for a limit to be determined by the Board of Directors, but not less than \$1,000,000.00 for any single occurrence, with such coverages and exceptions as the Villas Board may determine from time to time.

(iii) workers compensation insurance if and to the extent necessary to meet the requirements of Arizona law.

(iv) such other insurance as the Villas Board shall determine from time to time to be appropriate. Such other insurance may include, without limitation, directors' and officers' liability insurance covering all the directors and officers of the Villas Association in such limits as the Villas Board may determine from time to time.

(b) Additional Provisions. The insurance policies purchased by the Villas Association shall, to the extent reasonably available, contain the following provisions:

(i) There shall be no subrogation with respect to the Villas Association, its agents, servants, and employees against Owners of Villas Lots and members of their household.

(ii) No act or omission by any Owner of a Villas Lot, unless acting within the scope of its authority on behalf of the Villas Association, shall void the policy or be a condition to recovery on the policy.

(iii) The coverage afforded by such policy shall be primary and shall not be brought into contribution or proration with any insurance which may be purchased by Owners of Villas Lots or their mortgagees or beneficiaries under deeds of trust.

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

(v) The Villas Association shall be the insured for use and benefit of the individual Unit Owners (designated by name if required by the insurer).

(vi) Any insurance trust agreement will be recognized by the insurer.

(c) Payment of Premiums. Premiums for all insurance obtained by the Villas Association pursuant to this Tract Declaration shall be expenses of the Villas Association and shall be paid for by the Villas Association from the Villas Assessments.

(d) Insurance To Be Obtained by Villas Lot Owners. The issuance of insurance policies to the Villas Association pursuant to this Tract Declaration shall not prevent a Villas Lot Owner from obtaining insurance for such Owner's own benefit and at its own expense covering its Villas Lot, including the home thereon, and such Owner's personal property and providing personal liability coverage. Notwithstanding anything to the contrary contained herein, each Owner of a Villas Lot is advised to obtain insurance that covers all interior surfaces of such Owner's home (including but not

limited to walls and flooring materials), all cabinetry and countertops, all interior improvements (including but not limited to lighting and plumbing fixtures), and all personal property located in or on their homes. Each Villas Lot Owner hereby waives all rights against the Villas Association for damages caused by fire or other causes to the extent the damages are covered by property insurance obtained by the Villas Lot Owner.

(e) Payment of Insurance Proceeds. Any loss covered by property insurance obtained by the Villas Association in accordance with this Article shall be adjusted with the Villas Association, and the insurance proceeds shall be payable to the Villas Association and not to any mortgagee or beneficiary under a deed of trust. The Villas Association shall hold any insurance proceeds in trust for Villas Lot Owners and lienholders as their interests may appear, and the proceeds shall be disbursed and applied first to the repair or restoration of the damaged property, other than property that is the responsibility of each Owner pursuant to the last sentence of the preceding subsection, with the balance, if any, to be disbursed, used or held by the Villas Association in such manner and for such purposes as the Villas Board shall determine. The repair or restoration shall be performed by licensed contractors retained by the applicable Villas Lot Owners or by the Villas Association, whichever is elected by the Villas Board.

(f) Certificate of Insurance. An insurer that has issued an insurance policy pursuant to this Section 9 shall issue certificates or memoranda of insurance to the Villas Association and, on written request, to any Villas Lot Owner, mortgagee, or beneficiary under a deed of trust. The Villas Association shall request that the insurer issuing the policy agree not cancel or refuse to renew the policy until thirty (30) days (ten (10) days in the case of non-payment of premium) after notice of the proposed cancellation or non-renewal has been mailed to the Villas Association, each Villas Lot Owner, and each mortgagee or beneficiary under a deed of trust to whom a certificate or memorandum of insurance has been issued at their respective last known addresses. Notwithstanding the foregoing, the Villas Association shall have any liability or responsibility if the insurer refuses to so agree or fails to provide any agreed upon notices.

10. MASTER DECLARATION BINDING ON VILLAS LOTS. The Villas Property, including all Villas Lots and all Villas Areas, and all interests therein, shall be owned, occupied, leased, sold and conveyed subject to the Master Declaration. All of the covenants, conditions, restrictions, liens, assessments, easements, privileges and rights set forth in the Master Declaration shall run with the land and be binding upon the Villas Property and all parties having or acquiring any right, title or interest in or to the Villas Property, or any part thereof, and shall inure to the benefit of each person or entity having at any time any interest or estate in the Villas Property, or any part thereof, the Association provided for in the Master Declaration and each member of the Villas Association.

11. RESTRICTIONS TO BE CONSTRUED AS COVENANTS. Each Villas Owner and each Resident of a Villas Lot covenants and agrees with Declarant, its successors and assigns, to use or permit the use of such Owner's Villas Lot only in accordance with the covenants, conditions and restrictions applicable to that Villas Lot hereunder and under the Master Declaration.

12. LAND USE CLASSIFICATIONS. The Land Use Classification of the different portions of the Villas Property is set forth on Exhibit "C" attached hereto and made a part hereof by this reference.

13. EASEMENTS IN FAVOR OF DECLARANT AND THE VILLAS ASSOCIATION. Declarant and the Villas Association, and their respective successors, assigns and designees, shall have the right and an easement over all of the Villas Lots, but not in the residential units constructed on the Villas Lots, for the purpose of examining, maintaining, repairing and replacing the landscaping and irrigation systems and the roof, exterior glass and other exterior surfaces of the residential units, as set forth in Section 3 above, for the purpose of performing any other obligations of the Villas Association or exercising any rights of the Villas Association, and for any other reasonable purpose. Declarant and its successors, assigns and designees shall also have the right and an easement over all of the Villas Lots, but not in the residential units constructed on the Villas Lots, for the purpose of performing any construction, reconstruction, warranty work, maintenance, repair, surveying or examination of the Villas Lots and/or any residential units or other improvements thereon, and for any other reasonable purpose specified by Declarant. In addition, if reasonably required for performance of any construction, reconstruction, warranty work, maintenance or repair of the Villas Lots and/or any residential units or other improvements thereon, then upon reasonable notice, the Owners shall cooperate with Declarant and the Villas Association by permitting their respective contractors such access to the residential units as is reasonably necessary or appropriate for such work.

14. EASEMENTS FOR ENCROACHMENTS; ADJUSTMENT OF LOT LINES. In the event any residential unit or other structure or any fence or wall constructed as part of the initial construction of improvements on a Villas Lot encroaches upon another Villas Lot or any Villas Areas or Common Area, a valid easement for such encroachment and for the maintenance of the residential unit, fence, wall or other structure or improvement within the encroachment area shall exist over the Villas Lot, Villas Area or Common Area upon which the residential unit, fence, wall or other structure or improvement encroaches. As the Villas will consist of a series of attached residences, Declarant intends to construct the dividing walls between the residential units on the Villas Lot lines of the attached residences. If for any reason the dividing wall between any attached residential units is not located on the lot line, then to the fullest extent permitted by law, the lot line between such Villas Lots automatically shall be deemed to have been relocated to the location of such dividing wall.

15. AMENDMENTS TO PLATS. Declarant shall have the right to modify or amend the Plat at any time or times without the consent of any Owners, other than the Owner(s) of the portion of the Villas Property that is the subject of the modification or amendment. Until the Villas Transition Date, Declarant shall not require the consent of the Association or the Villas Association to amend the Plat with respect to any portion of the Villas Property that is owned by the Association or the Villas Association.

16. DISCLOSURES. Unless otherwise expressly agreed in writing by the Villas Association, the Villas Association shall not have any obligation to maintain, repair or replace any improvement, fixture or change added or made to the exterior surface of any residential unit by or

on behalf of the Owner thereof, regardless of whether or not the improvement, fixture or change was first approved by the Master Association, the Villas Association or any committee of either of such associations. Rather, the Owner of such Villas Lot (including such Owner's successors in interest) shall be responsible for the maintenance and repair thereof. Use of televisions, radios, cd players and the like on the exterior patios and other exterior areas of homes is subject to compliance with all rules and regulations enacted by the Master Association and all rules and regulations enacted the Villas Association, in each case as such rules and regulations may be amended from time to time. Such rules and regulations may include without limitation limits or restrictions on locations, volume and on hours of use. Residents must use care not to create a nuisance or unreasonable annoyance to their neighbors, as determined by the Villas Association.

17. CLAIM AND DISPUTE RESOLUTION.

17.1 Approval of Certain Legal Proceedings. Except for any legal or collection proceedings initiated by the Villas Association to (a) enforce the use restrictions contained in this Tract Declaration; (b) enforce the Villas Rules; (c) enforce any requirement that a party obtain any consent or approval required by this Tract Declaration, such as without limitation any obligation to obtain any consent or approval before making changes that alter the appearance of any Villas Lot; (d) collect any unpaid Villas Assessments or other amounts levied pursuant to this Tract Declaration; (e) challenge taxation; or (f) enforce a contract entered into by the Villas Association with vendors or other parties providing services to the Villas Association, the Villas Association shall not, without the prior approval of the Owners of at least sixty-five percent (65%) of the Villas Lots, initiate proceedings or join as claimant in proceedings (excluding counterclaims and other claims brought by the Villas Association in suits instituted against it), including without limitation, incurring any legal expenses including, but not limited to, attorneys' fees, witness fees, costs and related expenses, or liability for costs and fees of an adverse party. The costs of any proceedings initiated by the Villas Association that are not included in the above exceptions shall be financed by the Villas Association only with monies that are collected for that purpose by Special Assessment, and the Villas Association shall not borrow money, use reserve funds (if any), or use monies collected for other Villas Association obligations. Each Owner shall notify prospective purchasers of such legal proceedings initiated by the Villas Association and not included in the exceptions listed in (a) through (e) above. Nothing in this Section shall preclude the Board from incurring expenses for legal advice in the normal course of operating the Villas Association to (i) enforce this Tract Declaration and related documents; (ii) comply with the statutes, regulations and other legal requirements related to the normal operation of the Villas Association; (iii) amend this Tract Declaration, the Villas Articles, Villas Bylaws, or the Villas Rules in accordance with their terms; (iv) grant easements or convey Villas Areas as provided in this Tract Declaration; or (v) perform the obligations of the Villas Association as provided in this Tract Declaration, the Villas Articles, Villas Bylaws, or the Villas Rules. Subject to the exceptions in the first sentence of this Section, the Villas Association additionally shall not initiate proceedings or join as a claimant in proceedings with respect to matters involving property or improvements to property unless (1) the property or improvement is owned by the Villas Association, or (2) the Villas Association has the maintenance responsibility for the property or improvements pursuant to this Tract Declaration and the Villas Association has complied with A.R.S. § 33-2002.