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SATELLITE DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS
FOR THE GOLF VILLAS AT GAINNEY RANCH III

August 29, 1989

89 414878

INDEX

	<u>PAGE</u>
RECITALS	1
ARTICLE I DEFINITIONS.	2
ARTICLE II PROPERTY RIGHTS.	6
2.01 General Declaration.	6
2.02 Perpetual Easement	6
2.03 Permitted Uses	7
2.04 Delegation of Use.	8
2.05 Dedications and Transfers.	8
ARTICLE III MAINTENANCE OF COMMON AREAS.	9
3.01 Common Area Maintenance.	9
3.02 Maintenance by the Master Association.	10
3.03 Real Property Taxes.	10
ARTICLE IV LANDSCAPING AND MAINTENANCE, SECURITY SYSTEM, CABLE TELEVISION AND GOLF COURSE	10
4.01 Installation of Landscaping.	10
4.02 Dwelling Unit and Lot Maintenance.	11
4.03 Security System.	11
4.04 Cable Television	12
4.05 Golf Course.	12
ARTICLE V ASSOCIATION AND MEMBERSHIP	13
5.01 Purpose.	13
5.02 Prohibited Activities.	14
5.03 Membership	14
5.04 Classes of Members and Voting Rights	15
5.05 Suspension of Voting Rights.	15
5.06 Board of Directors and Officers.	15
5.07 Personal Liability	16
5.08 Budget	16
5.09 Association Rules.	17
5.10 Appointee to Council of Presidents	17
5.11 Master Association	17
5.12 Management of the Association.	17
5.13 Declarant's Control of the Association.	18

89 414878

	PAGE
ARTICLE VI	COVENANT FOR ASSESSMENTS 19
6.01	Purpose of Assessments 19
6.02	Creation of the Lien and Personal Obligation for Assessments 19
6.03	Regular Assessments. 20
6.04	Special Assessments. 20
6.05	Individual Assessments 20
6.06	Declarant's Exemption. 22
6.07	Uniform Rate of Assessment 22
6.08	Rules Regarding Billing and Collection Procedures. 23
6.09	Certificate of Payment 23
6.10	Refunds; Offsets 23
6.11	Delinquency. 23
6.12	Subordination of Assessment Lien to First Mortgage or Deed of Trust; Priority of Assessment Lien. 24
6.13	Curing of Default. 25
6.14	Cumulative Remedies. 25
6.15	Spending Funds From Year To Year 25
6.16	Exempt Property. 25
ARTICLE VII	PARTY WALLS. 26
7.01	Party Walls. 26
7.02	Damage or Destruction. 26
7.03	Right to Contribution Runs With Land 26
7.04	Modifications and Alterations. 26
7.05	Arbitration. 27
ARTICLE VIII	INSURANCE. 27
8.01	Insurance Obtained by Association. 27
8.02	Restoration. 28
8.03	Fidelity Bonds 28
8.04	Insurance for Dwelling Units 28
ARTICLE IX	USE RESTRICTIONS 30
9.01	Use Restrictions 30
9.02	Declarant's Rights 30
9.03	Right of Entry 31
ARTICLE X	EASEMENTS. 31
10.01	Utility Easement 31
10.02	Landscaping Easement 31

89 414878

	<u>PAGE</u>
ARTICLE XI	ARCHITECTURAL CONTROL 32
11.01	Architectural Control 32
11.02	Organization, Power of Appointment and Removal of Members 32
11.03	Duties 33
11.04	Meetings and Compensation 34
11.05	Architectural Committee Rules 34
11.06	Waiver 34
11.07	Liability 34
11.08	Time for Approval 35
11.09	Processing Fee 35
11.10	Master Architectural Committee 35
ARTICLE XII	GENERAL PROVISIONS 35
12.01	Enforcement 35
12.02	Nuisance and Violation of the Law 36
12.03	Master Association Documents 36
12.04	Waiver or Abandonment 37
12.05	Equal Treatment of Owners 37
12.06	Severability 37
12.07	Gender and Number 37
12.08	Topic Headings 37
12.09	Interpretation of the Covenants 37
12.10	Rule Against Perpetuities 38
12.11	Change of Circumstances 38
12.12	Limitation on Declarant's Liability 38
12.13	References to Covenants in Deeds; Binding Effect 38
12.14	Approval of Declaration and Amendments 38
12.15	Delivery of Notices and Documents 38
ARTICLE XIII	TERM; AMENDMENTS 39
13.01	Term 39
13.02	Amendments 40

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89 414878

SATELLITE DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS
FOR THE GOLF VILLAS AT GAINNEY RANCH III

THIS SATELLITE DECLARATION of Covenants, Conditions, Restrictions and Easements for The Golf Villas at Gainney Ranch III is made as of the date hereinafter set forth by MARKLAND PROPERTIES, INC., an Arizona corporation (the "Declarant").

W I T N E S S E T H

WHEREAS, Declarant is the fee owner of Lots 1 through 12, inclusive, and Tracts A through C, inclusive, of The Golf Villas at Gainney Ranch Unit 3, as shown on the plat recorded July 24, 1989, in Book 333 of Maps, page 10, records of Maricopa County, Arizona (the "Property"); and

WHEREAS, the Property is located within the development boundaries of the master planned community of Gainney Ranch as identified and described in the Master Declaration (as hereinafter defined); and

WHEREAS, the Property has been designated for single family use pursuant to the Tract Declaration (as hereinafter defined); and

WHEREAS, for the purpose of enhancing and protecting the value, desirability and attractiveness of the Property and enhancing the quality of life therein, Declarant desires to establish for its own benefit and for the mutual benefit of all future Owners and residents of the Property, certain covenants, conditions, restrictions, easements, rights, privileges, assessments and liens as set forth herein which shall run with and be a burden upon the Property; and

WHEREAS, Declarant intends to form a nonprofit corporation, to be known as The Golf Villas at Gainney Ranch III Homeowners Association, which shall have the responsibility of maintaining and administering the Common Areas (as hereinafter defined) within the Property, furnishing and assisting the Master Association (as hereinafter defined) in furnishing certain maintenance, security and other services as provided in this Declaration and the Master Declaration, establishing and enforcing architectural guidelines for any improvements constructed on the Property, administering and enforcing

89 414878

this Declaration, collecting and disbursing funds as provided in this Declaration, acting as a liaison with, and taking part in the operation of, the Master Association, and performing such other acts as set forth in this Declaration and as shall generally benefit the Property; and

WHEREAS, Declarant intends that the Owners, residents, lenders and all other persons hereinafter acquiring any interest in the Property shall at all times enjoy the benefits of, and shall hold their interest subject to, this Declaration, which Declaration shall be subject and subordinate to the Master Declaration and the Tract Declaration.

NOW, THEREFORE, Declarant, as the owner of the Property and for the purposes above set forth, declares as follows:

ARTICLE I

DEFINITIONS

1.01 "Architectural Committee" shall mean the committee to be established by the Board pursuant to Article XI of this Declaration.

1.02 "Architectural Committee Rules" shall mean the rules adopted by the Architectural Committee, as the same may be amended from time to time.

1.03 "Articles" shall mean the Articles of Incorporation for the Association which will be filed in the Office of the Corporation Commission of the State of Arizona, as the same may be amended from time to time.

1.04 "Assessments" shall mean the Regular, Special and Individual Assessments levied and assessed pursuant to Article VI of this Declaration.

1.05 "Assessment Lien" shall mean the lien imposed against any Lot for collection of the sums described in Section 6.02 below.

1.06 "Association" shall mean The Golf Villas at Gainey Ranch III Homeowners Association, an Arizona nonprofit corporation, to be organized by Declarant to administer and enforce this Declaration and to exercise the rights, powers and duties of the Association as set forth in this Declaration, and such corporation's successors and assigns.

89 414878

1.07 "Association Rules" shall mean the rules and regulations adopted by the Association, as the same may be amended from time to time.

1.08 "Board" shall mean the Board of Directors of the Association.

1.09 "Bylaws" shall mean the Bylaws of the Association, as the same may be amended from time to time.

1.10 "Common Areas" shall mean all real property and any Improvements located thereon now or hereafter owned by the Association or existing for the common use and enjoyment of the Owners.

1.11 "Common Expenses" shall mean the actual and estimated costs of: maintenance, management, operation, repair and replacement of the Common Areas and the improvements thereon; costs of management and administration of the Association including, but not limited to, compensation paid by the Association to the Master Association, managers and other employees, accountants, attorneys and agents; the costs of utilities, cable television service, street maintenance and repair, trash pick-up and disposal, landscaping and other services benefiting the Property; amounts paid as reimbursement to the Master Association for services furnished by the Master Association for the Property in accordance with the Master Declaration; costs incurred in maintaining the front yard landscaping for each Lot as provided in Section 4.02 below; the cost of fire, casualty, liability, workmen's compensation and other insurance covering the Common Areas or other Association property and other insurance costs authorized herein; reasonable reserves as deemed appropriate by the Board; the costs of bonding of the members of the Board and officers of the Association; taxes paid by the Association; amounts paid by the Association for discharge of any lien or encumbrance levied against the Common Areas or portions thereof; and the costs of any other item or items designated by, or incidental to other expenses incurred by, the Association for any reason whatsoever which in the good faith judgment of the Board are incurred in connection with the Common Areas, pursuant to the Articles or the Bylaws, in furtherance of the purposes of the Association, or in the discharge of any obligations imposed on the Association by this Declaration.

89 414878

1.12 "Declarant" shall mean Markland Properties, Inc., an Arizona corporation, and any successor or assign of Declarant's rights and powers hereunder to which such rights and powers are assigned by a recorded instrument.

1.13 "Declaration" shall mean this Satellite Declaration of Covenants, Conditions, Restrictions and Easements for The Golf Villas at Gainey Ranch III, as the same may be amended or supplemented from time to time.

1.14 "Default Rate" shall mean an annual rate of interest equal to the prime rate as published by The Valley National Bank of Arizona, a national banking association, located in Phoenix, Arizona, from time to time while interest is accruing (with interest hereunder adjusted as and when said prime rate is adjusted) plus four (4) percentage points, but never less than eighteen percent (18%) per annum. Notwithstanding anything herein to the contrary, if, during any periods, the highest lawful rate of interest which may be paid by the person required to pay the Default Rate is less than the Default Rate, the interest payable by such person during said periods shall be the highest lawful rate. If The Valley National Bank of Arizona should cease doing business or no longer announce its prime rate as described above, the Board may specify the rate, in lieu of said prime rate, for purposes of computing the Default Rate.

1.15 "Dwelling Unit" shall mean any building or portion of a building situated upon a Lot and intended for use and occupancy as a single-family residence.

1.16 "Improvement" shall mean any Dwelling Unit, building, patio, walkway, driveway, roadway, parking area, sign, fence, wall, hedge, planting, tree, shrub or other structure or landscaping improvement of any kind or type.

1.17 "Individual Assessment" shall mean any assessment levied against an individual Lot Owner pursuant to Section 6.05 hereinbelow and any other charges, fines, penalties, costs or other amounts assessed against an individual Owner pursuant to the terms of this Declaration, the Association Rules or the Architectural Committee Rules except for Regular Assessments and Special Assessments.

1.18 "Lot" shall mean and refer to a separately designated and legally described parcel of land and the Improvements thereon designated as a Lot on the Plat. The lots are referred to collectively herein as "Lots."

89 414878

1.19 "Master Association" shall mean The Gainey Ranch Community Association, or such other Arizona non-profit corporation organized pursuant to the Master Declaration to administer and enforce the terms thereof.

1.20 "Master Association Documents" shall mean the meaning set forth in Section 5.11 below.

1.21 "Master Declaration" shall mean that certain Master Declaration of Covenants, Conditions, Restrictions, Assessments, Charges, Servitudes, Liens, Reservations and Easements, dated March 23, 1984, and recorded March 29, 1984, as Instrument No. 84 130211, records of Maricopa County, Arizona, as the same has heretofore been amended and may hereafter be amended or supplemented.

1.22 "Master Security System" shall mean the security system created pursuant to the Master Declaration and administered by the Master Association as more fully described in Article X, Section 5 of the Master Declaration.

1.23 "Member" shall mean any person or entity who holds a membership in the Association.

1.24 "Owner" shall mean (when so capitalized) the record holder of legal title to the fee interest in any Lot, regardless of whether such Owner actually resides on any part of the Lot, and shall include a purchaser of a Lot who holds equitable title to a Lot purchased pursuant to a recorded contract of sale. "Owner" shall also include each person who owns title to a Lot in joint tenancy, tenancy in common, as community property, or any other form of joint ownership. "Owner" is not intended to include persons who hold an interest in any Lot merely as security for the performance of an obligation, the Seller under a contract of sale or a lessee or tenant of a Lot. "Owner" shall include Declarant so long as Declarant owns any Lot within the Property.

1.25 "Plat" shall mean that certain Final Plat for The Golf Villas at Gainey Ranch Unit 3, recorded JULY 24, 1989, in Book 333 of Maps, page 10, records of Maricopa County, Arizona.

1.26 "Property" shall mean and refer to Lots 1 through 12, inclusive, and Tracts A through C, inclusive, of The Golf Villas at Gainey Ranch Unit 3 as shown on the Plat.

89 414878

1.27 "Special Assessment" shall mean any assessment levied and assessed pursuant to Section 6.04 hereinbelow.

1.28 "Regular Assessment" shall mean the charge levied and assessed each year against each Lot pursuant to Section 6.03 hereinbelow.

1.29 "Restrictions" shall mean the covenants, conditions, restrictions, assessments, easements and liens set forth in this Declaration.

1.30 "Tract Declaration" shall mean that certain Tract Declaration for Parcel 11A of Gainey Ranch, recorded September 5, 1989, as Instrument No. 89-412601, records of Maricopa County, Arizona as such Tract Declaration may hereafter be amended.

1.31 "Turnover Date" shall have the meaning set forth in Section 5.04 below.

ARTICLE II

PROPERTY RIGHTS

2.01 General Declaration. Declarant has developed the Property into various Lots, which Declarant intends to sell and convey to third parties subject to this Declaration. Declarant hereby declares that all of the Property subject hereto is and shall be held, conveyed, hypothecated, encumbered, leased, occupied or otherwise used, improved or transferred, in whole or in part, subject to this Declaration, as amended or modified from time to time. This Declaration is declared and agreed to be in furtherance of a general plan for the subdivision, improvement and sale of the Property and is established for the purpose of enhancing and perfecting the value, desirability and attractiveness of the Property and every part thereof. All of this Declaration shall run with all of the Property for all purposes and shall be binding upon and inure to the benefit of Declarant, the Association, all Owners and their respective successors in interest.

2.02 Perpetual Easement. Declarant hereby grants to the Association, and to each and every Member thereof, a non-exclusive perpetual easement of use and enjoyment in and to the Common Areas. Such right and easement of use and enjoyment shall be subject to the following:

89 414878

(a) the right of the Association to promulgate Association Rules regarding use of the Common Areas, including, without limitation, rules limiting the number of guests of Members and providing reasonable admission or other fees for the use of recreational or other common facilities, if any, hereafter situated upon the Common Areas;

(b) the right of the Association to suspend the right to use the facilities situated upon the Common Areas by any Owner for any period during which an Assessment against the Owner's Lot remains unpaid as provided in this Declaration or for any violation of this Declaration, the Articles, Bylaws or Association Rules;

(c) the right of the Association to dedicate, transfer, convey or grant easements upon all or any part of the Common Areas as provided in this Declaration;

(d) the right of the Association to levy assessments for maintenance of the Common Areas and to pay expenses incurred in connection with the Common Areas;

(e) the right of the Association to exchange portions of the Common Areas with Declarant or other Owners for other portions of the Property; provided that following such exchange, the Common Areas conveyed to Declarant or other Owners shall no longer be Common Areas and the portion of the Property conveyed to the Association shall be Common Areas. Following the Turnover Date, no such exchange shall be effective unless approved in advance and in writing by two-thirds (2/3) of the Members having an interest in the property being exchanged; and

(f) all rights created or reserved in the Master Declaration.

2.03 Permitted Uses. In general, the Common Areas shall be used for the benefit of the Owners, for the furnishing of services and facilities for which the same are reasonably intended and for the enjoyment to be derived from such reasonable and proper use, without hindering the exercise of or encroaching upon the right of any other Owner to utilize the Common Areas; provided that

89 414878

no unlawful use shall be permitted. Without limiting the generality of the foregoing, the Common Areas may be used for:

(a) pedestrian and vehicular access upon and across any private roadways and designated parking areas within the Property; provided, however, that such use shall be limited to purposes connected with or incidental to any use being made of any portion of an Owner's Lot;

(b) pedestrian access upon and across any sidewalks or walkways; provided, however, that such access shall be limited to purposes connected with or incidental to any use being made of any portion of an Owner's Lot;

(c) access for persons engaged in maintaining any portion of the Common Areas or any Owner's Lot;

(d) specific recreational uses, such as pool and spa areas, tennis courts, and open or greenbelt areas in any areas so designated on the Plat or subsequently designated by the Board; and

(e) such other uses as may be adopted from time to time by the Board and set forth in the Association Rules.

2.04 Delegation of Use. Any Member may delegate, in accordance with the Bylaws of the Association, his right of enjoyment of the Common Areas to the members of his family, his lessees, guests, licensees and invitees, provided such delegation is limited to a reasonable number of persons at reasonable times and is in compliance with the Association Rules; provided, however, that if a Member leases his Lot and delegates his rights to the Common Areas to the lessees of his Lot he shall relinquish his rights under this Section until the expiration of such lease. All such individuals shall comply with the Association Rules with respect to use of the Common Areas.

2.05 Dedications and Transfers. Upon acquiring title to the Common Areas, the Association shall have the right to dedicate, transfer, convey or grant easements upon all or any part of the Common Areas to any public agency, authority or utility or to landowners, including Owners within Gainey Ranch, for such purposes and subject to such conditions as may be agreed to by the Association. Following the Turnover Date, no such

89 414878

dedication, transfer, conveyance or grant shall be effective unless approved in advance and in writing by two-thirds (2/3) of the Members having an interest in the property being dedicated, transferred, conveyed or granted.

ARTICLE III

MAINTENANCE OF COMMON AREAS

3.01 Common Area Maintenance. The Association, or its duly delegated representative, shall:

(a) maintain and otherwise manage the Common Areas, including, but not limited to, the landscaping, parking areas, streets and recreational facilities, if any, located thereon;

(b) replace injured and diseased trees or other vegetation in any Common Areas, and plant trees, shrubs and ground cover to the extent that the Board deems necessary for the conservation of water and soil or for aesthetic purposes;

(c) place and maintain upon any Common Areas, such signs, markers and lights as the Board may deem appropriate for the proper identification, use and regulation thereof, subject to the approval of the Architectural Committee and the Master Association;

(d) pay all electrical, water, gas and other utility charges or fees for services furnished to the Common Areas as the same become due and payable; and

(e) do all such other and further acts which the Board deems necessary to preserve and protect the Common Areas and the beauty thereof, in accordance with the general purposes specified in this Declaration.

Subject to the standards established by the Master Declaration, the Board shall be the sole judge as to the appropriate maintenance of the Common Areas. In the event that the need for maintenance or repair is caused through the willful or negligent act of an Owner, his family, guests, licensees, lessees or invitees, the cost of such maintenance or repair shall be paid by such Owner, upon demand, to the Association, and the Association may enforce collection of such amounts as provided hereinbelow for the collection of Individual Assessments.

89 414878

3.02 Maintenance by the Master Association. To the extent contemplated or authorized by the Master Declaration, the Master Association shall be, and hereby is, authorized to perform the duties and responsibilities set forth above. The Master Association shall receive cost reimbursements and compensation for acting in such capacity in accordance with the Master Declaration. Charges for the services provided hereunder shall be Common Expenses and shall be allocable to Lot Owners as a part of the Regular Assessments.

3.03 Real Property Taxes. Real property taxes, assessments and other governmental charges which are attributable to the Common Areas shall be the responsibility of the Association and shall be deemed a Common Expense.

ARTICLE IV

LANDSCAPING AND MAINTENANCE, SECURITY SYSTEM, CABLE TELEVISION AND GOLF COURSE

4.01 Installation of Landscaping.

(a) Declarant shall install landscaping in the front yard of each Lot (as such area is designated in the final landscape plan for the Property) in accordance with plans approved by the architectural committee for the Master Association. Each Owner shall install, at his sole cost, landscaping on the remainder of the Owner's Lot in accordance with standards to be established by the Architectural Committee. If an Owner wishes to install additional landscaping in, on or about such Owner's front yard, a proposal shall be submitted to the Architectural Committee and the Architectural Committee either may approve or disapprove such proposal in its sole discretion. If the Architectural Committee approves an Owner's proposal for additional front yard landscaping, the Association may elect to either install such additional landscaping, in which event the cost therefor shall be paid by the Owner of the Lot and shall be an Individual Assessment hereunder, or may authorize the Owner to install, or cause to be installed, such additional landscaping at such Owner's sole cost and expense.

89 414878

(b) All landscaping which initially is to be installed on a Lot by the Owner (other than rear yard landscaping for Lots owned by Declarant) shall be installed within one-hundred eighty (180) days after the Dwelling Unit is substantially complete or one-hundred twenty (120) days after the Dwelling Unit is occupied by the initial Owner thereof, whichever is earlier. In the event any such landscaping is not installed within such period, the Association shall have the right, but not the obligation, after thirty (30) days written notice to such Owner, to install such landscaping to Architectural Committee standards and the cost thereof shall be an obligation of the Owner of such Lot. The Association may enforce collection of such costs as provided hereinbelow for the collection of Individual Assessments.

4.02 Dwelling Unit and Lot Maintenance. The front yard landscaping installed pursuant to Section 4.01 above shall be maintained by the Association consistent with the standards established pursuant to the Master Declaration, and except as set forth in the preceding sentence, the cost thereof shall be a Common Expense hereunder. The Association may, at its option, charge an Owner for the cost to maintain any additional landscaping installed by or at the request of an Owner in accordance with Section 4.01(a) above, and any such charges shall constitute Individual Assessments hereunder. No Owner shall perform any gardening, planting or landscaping on any portion of a Lot maintained by the Association. Each Owner shall maintain the exterior of his Dwelling Unit and the portion of his Lot not maintained by the Association in a complete, neat and workmanlike manner including, without limitation, painting, repairing and replacing the roof, gutters, downspouts and all exterior surfaces of the Dwelling Unit; maintaining and replacing trees, shrubs, grass and walks and other Improvements located on such Owner's Lot and not otherwise maintained by the Association; and maintaining all glass surfaces. In the event that an Owner fails to maintain his Dwelling Unit or Lot in accordance with this Declaration, the provisions of Section 6.05(a) of this Declaration shall apply.

4.03 Security System. Each Lot, each Owner and the Association shall become a part of the Master Security System operated by the Master Association. Each Owner shall abide by the provisions of the Master Declaration regarding the Master Security System and easements are hereby reserved for entry of security personnel,

89 414878

installation and maintenance of security systems and any other items which may be necessary or desirable to operate the Master Security System in an efficient manner as contemplated by the Master Declaration. No Owner nor the Association shall take any steps which will impair, hinder or otherwise disrupt the operation of such system.

4.04 Cable Television. The Master Association has entered into an agreement with a cable television provider wherein the provider has agreed to furnish cable television service to all of the "completed" Dwelling Units within Gainey Ranch (as such term is defined in the cable television agreement) at a specified charge per unit and to bill the Master Association for all the completed Dwelling Units within Gainey Ranch. At such time as the Association is organized, it shall enter into a cable television agreement in a form furnished by the Master Association and on file in the Master Association offices, wherein the Association shall agree to pay any monthly and other charges incurred by the Master Association for all cable television services attributable to completed Dwelling Units within the Property. Each Owner of a completed Dwelling Unit within the Property shall pay the per unit charge together with all other charges levied against the Master Association which are attributable to the Owner's Dwelling Unit. All such cable television charges shall be due and payable to the Association by each Owner of a completed Dwelling Unit every month, whether or not such Dwelling Unit is occupied and whether or not an Owner or resident of such Dwelling Unit elects to receive cable television service. If an Owner incurs charges for additional cable television services not covered under the agreement between the Master Association and the cable television provider, such Owner shall pay the provider directly for such charges.

The Master Association and the Association shall have no liability for the operation or maintenance of the cable television system and the Owners shall have no right to withhold payment or offset any credits allegedly due to Owners because of actions or inactions of the cable television provider. Owners shall only be entitled to reductions in charges as the result of interruption or discontinuation of cable television service if the Master Association receives a reduction therefor from the cable television provider.

4.05 Golf Course. Portions of the Property are located adjacent to the golf course constructed on Gainey Ranch as described in the Tract Declaration for the Golf Course Parcel, recorded on August 14, 1985, as Instrument

89 414878

No. 85 382843, records of Maricopa County, Arizona (the "Golf Course"). All present and future Owners, residents and lessees of any portion of the Property hereby acknowledge and agree that they have no right to use the Golf Course or to automatic membership in the golf club which operates the Golf Course by virtue of the purchase or lease of a Lot. Such individuals further acknowledge and agree that there are certain risks inherent in the ownership and occupancy of property adjacent to a golf course, including, without limitation, the possibility of golf balls entering property adjacent to the Golf Course and causing damage to property and injury to persons, and all such Owners, residents and lessees expressly agree to assume such risks. Such persons further agree that no claim or cause of action for any harm, damage or injury to person or property of any kind caused or occasioned by golf balls or any other hazards associated with the design, operation, maintenance and use of the Golf Course shall be maintained against Declarant, the Association, the Architectural Committee or any other committee of the Association, or any of the Members, directors, officers, partners, employees or agents of any of the foregoing, and all such entities and individuals are hereby released from any and all such claims or causes of action.

ARTICLE V

ASSOCIATION AND MEMBERSHIP

5.01 Purpose. The Association shall be a nonprofit corporation organized under and by virtue of the laws of the State of Arizona for the general welfare and benefit of the Owners. The Association, through its Members and Board, shall take appropriate action to manage, maintain, repair, replace and improve the Common Areas, together with all improvements located on the Common Areas, to furnish and assist the Master Association in furnishing certain maintenance, security and other services, to establish and enforce architectural guidelines for any improvements constructed on the Property, to administer and enforce this Declaration, to collect and disburse funds as provided herein, to act as a liaison with, taking part in the operation of, the Master Association, and to perform all other functions and duties assigned to the Association by this Declaration or set forth in the Articles or Bylaws. Neither the Articles nor Bylaws shall, for any reason, be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration, the Master Declaration or the Tract Declaration.

89 414878

5.02 Prohibited Activities. Notwithstanding anything herein contained to the contrary, no part of the activities of the Association shall be devoted to carrying on propaganda or otherwise attempting to influence legislation and the Association shall make no gift, donation or contribution to any institution or organization engaged in such activities. No part of the net earnings of the Association shall be utilized (other than by acquiring, constructing or providing management, maintenance and care of the Association's property, and other than by a rebate of excess membership assessments) for the benefit of any private Member or individual.

5.03 Membership.

(a) Every Owner, including Declarant, shall be a Member of the Association. An Owner shall remain a Member of the Association until such time as he ceases to be an Owner of a Lot, at which time his membership in the Association automatically shall cease. Ownership shall be the sole qualification and criterion for membership. Membership shall be appurtenant to and may not be separated from ownership of any Lot. A membership in the Association shall not be transferred, pledged or alienated in any way except on the sale of such Lot and then only to such purchaser or by intestate succession, testamentary disposition, foreclosure of a mortgage of record, or other legal process. Any attempt to make a prohibited transfer shall be void and shall not be reflected upon the books and records of the Association. In the event an Owner fails or refuses to transfer the membership registered in his name to the purchaser of such Lot, the Association shall have the right to record the transfer upon the books of the Association and thereupon the old membership outstanding in the name of the seller shall be null and void as though the same had been surrendered.

(b) The Owner of a Lot shall be entitled to one (1) membership in the Association; provided, however, in the event any such Lot is owned by two or more persons, the membership as to such Lot shall nevertheless be a single membership entitled to one (1) vote, although the membership for such Lot shall be issued in the names of all of the joint Owners. In the event joint Owners are unable to agree among themselves as to how

89 414878

their vote or votes shall be cast, such joint Owners shall lose their right to vote with respect to all matters in question. If any Owner casts a ballot representing a certain Lot, it will be conclusively presumed for all purposes that such Owner was acting with the authority and consent of all other Owners of the same Lot. In the event more than one ballot is cast for a particular Lot, none of said votes shall be counted and said votes shall be deemed void.

5.04 Classes of Members and Voting Rights. The Association shall have two classes of voting membership:

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

Class B. The Class B Member shall be the Declarant. The Class B Member shall be entitled to ten (10) votes for each Lot owned. The Class B membership shall cease and be converted to Class A memberships on the date when seventy-five percent (75%) of the Lots have been sold to third parties (the "Turnover Date").

Fractional votes shall not be allowed. However, if an Owner holds more than one vote, the votes need not be cast as a unit.

5.05 Suspension of Voting Rights. In the event any Owner shall be in arrears in the payment of any Assessment or other amount due under any of the provisions of this Declaration or the Master Declaration or shall be in default in the performance of any of the terms of this Declaration for a period of thirty (30) calendar days, said Owner's right to vote as a Member of the Association shall be automatically suspended and shall remain suspended until all payments are brought current and all defaults cured.

5.06 Board of Directors and Officers. The affairs of the Association shall be conducted by the Board and such officers and committees as the Board may elect or appoint in accordance with the Articles and Bylaws. The Board shall consist of three (3) individuals. Prior to

89 414878

the Turnover Date, Board members shall be appointed and removed by Declarant. Following the Turnover Date, Board members shall be elected by the Members of the Association, as more particularly set forth in the Articles and Bylaws. Prior to the Turnover Date, members of the Board do not have to be Owners of Lots; however, all members of the Board elected after the Turnover Date shall be Owners of Lots (or the spouses of Owners, or if an Owner is a corporation, partnership or trust, an officer, director, partner, agent, trustee or beneficiary, as applicable) unless a sufficient number of Owners (or related persons as described in the foregoing parenthetical) are unable or unwilling to serve as directors, in which case individuals who are not Owners (or related persons) may be elected as directors.

5.07 Personal Liability. No member of the Board nor any committee of the Association (including the Architectural Committee), nor any officer of the Association shall be personally liable to any Owner, or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence of the Association, the Board, any manager or any other representative or employee of the Association, the Architectural Committee or any other committee, or any officer of the Association, provided that such person has, upon the basis of such information as may be possessed by him, acted in good faith, without willful or intentional misconduct. In addition, neither the Board nor the Association nor any of their officers, members, agents, employees or others dealing or connected with the Master Security System shall be liable or have any liability of any nature whatsoever to any Owner or to any other person, entity or firm for any damages, injury, damage or theft to person or property located in or about the Property or on any Lot or in any Dwelling Unit or for any failures in the Master Security System.

5.08 Budget. Commencing with the year in which the first Lot is sold and conveyed to a third party purchaser, the Board shall, on an annual basis determined by the calendar year, prepare a budget which shall determine the funds needed by the Association during each year to operate and maintain the Common Areas, to establish reserves for the Association, to provide or cause to be provided the other maintenance obligations of the Association as set forth in this Declaration, and to pay the expenses of the Association, which budget shall not be effective until it has been submitted to, and reviewed and approved by, the board of directors of the

89 414878

Master Association. Such a budget shall be submitted for approval to the Master Association on or before December 1 of each year.

5.09 Association Rules. Subject to the provisions of this Declaration, the Board may adopt, amend and repeal rules and regulations. The Association Rules may restrict and govern the use of any area by any Owner, or by any family members, guests, invitees, licensees or lessees of such Owner; provided, however, that the Association Rules may not discriminate among Owners and shall not be inconsistent with this Declaration, the Articles, Bylaws, Master Declaration or Tract Declaration. Without limiting the generality of the foregoing, the Association Rules may establish and fix fines to be levied for failure to comply with this Declaration or the Association Rules and any fines so levied shall constitute Individual Assessments hereunder subject to the Assessment Lien. A copy of the Association Rules as they may from time to time be adopted, amended or repealed, shall be available for inspection by the Members at reasonable times. Upon adoption, the Association Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration.

5.10 Appointee to Council of Presidents. The President of the Association shall be the Association's appointee to the Council of Presidents as created by the Master Declaration. The President of the Association shall give due consideration to the wishes and requests of the Board and Members when representing the Association before the Council of Presidents.

5.11 Master Association. The Property shall be subject to the terms and conditions of the Master Declaration and the articles, bylaws, rules, regulations and architectural committee rules (collectively the "Master Association Documents") of the Master Association, as such documents may from time to time be amended. All Assessments and other amounts payable pursuant to this Declaration shall be in addition to any amounts payable by Owners to the Master Association pursuant to provisions of the Master Declaration and the Master Association Documents, and all consents required by this Declaration of the Architectural Committee or the Board shall be in addition to any consents required under the terms of the Master Declaration or the Master Association Documents.

5.12 Management of the Association. In accordance with Article XIII, Section 4 of the Master Declaration, the Master Association shall provide

89 414878

administrative and management services to the Association, act as accountant for the Association, handle the collection of assessments levied by the Association and enforce such collection, assist in the preparation of budgets, administer use of the Common Areas, negotiate contracts for services and enforce this Declaration. As provided in Article XIII, Section 1 of the Master Declaration, the Master Association shall have the right to take temporary control of the Association in the event the Association is failing to levy and collect Assessments in an amount sufficient to pay its obligations to the Master Association or otherwise failing, in the opinion of the board of directors of the Master Association, to perform its functions and duties in a manner consistent with the standards established by other Satellite Associations (as such term is defined in the Master Declaration) in Gainey Ranch or necessary for the maintenance of high quality of residential development envisioned for the residential areas of Gainey Ranch.

5.13 Declarant's Control of the Association.
Until the Turnover Date, Declarant shall take or cause to be taken all of the actions set forth in Article XIII, Section 2 of the Master Declaration, which include preparation and submission of certain budgets, the levy and collection of certain assessments and the payment to the Association of the difference between the sums necessary to carry out the functions of the Association during such period and the sums obtained by the Association from Assessments during such period. As soon as reasonably possible following the Turnover Date, Declarant shall notify the Owners that 75% of the Lots have been sold and shall take whatever actions are necessary to (a) turn control of the Association to the Owners; (b) deliver to the Association any operating and reserve funds collected and insurance policies held by it and all rights to utility deposits made with respect to Common Areas; and (c) contribute to the Association an amount sufficient in the determination of the Master Association to cause the Association to have an operating reserve fund equal to five percent (5%) of all operating and maintenance costs incurred by the Association from the recordation of the Tract Declaration to the date control is relinquished.

89 414878

ARTICLE VICOVENANT FOR ASSESSMENTS

6.01 Purpose of Assessments. The Assessments levied by the Association shall be used for the purpose of promoting the recreation, health, safety and welfare of the Owners within the Property, enhancing the quality of life within the Property and enhancing and protecting the value, desirability and attractiveness of the Property, including, without limitation, the improvement and maintenance of the Common Areas, services and facilities devoted to such purpose and the discharge of the Association's duties under this Declaration, the Master Declaration and other agreements to which the Association is a party.

6.02 Creation of the Lien and Personal Obligation for Assessments. Each Owner by acceptance of a deed or other instrument making such person an Owner (whether or not it shall be so expressed in any such deed), is deemed to covenant and agree to pay to the Association: Regular Assessments, Special Assessments and Individual Assessments (collectively, "Assessments"), such Assessments to be fixed, established and collected from time to time as hereinafter provided. All Assessments, together with interest at the Default Rate from the delinquency date (as set forth in Section 6.11 below) until paid, costs and reasonable attorneys' fees of the Association incurred in connection with enforcing and collecting any Assessments (including, without limitation, any fixed collection fee) or in otherwise enforcing the provisions of this Declaration, and any other costs or expenses stated in this Declaration to be secured by an assessment lien, shall be a charge on, and shall be a continuing servitude and lien upon, the Lot against which each such Assessment is made (hereinafter "Assessment Lien"). Any partial payment of any Assessments due and owing by an Owner shall be attributed first to any portion of the Common Expenses payable to the Master Association and the balance as the Association may determine in its sole discretion. Any lien for non-payment amounts due to the Master Association shall be superior to the Assessment Lien created by this Declaration. Each such Assessment, together with such interest at the Default Rate, costs and reasonable attorneys' fees as described above, shall also be the personal obligation of the Owner of such Lot or Lots at the time when the Assessment fell due. The personal obligation for delinquent Assessments shall not pass to an Owner's successors in title unless expressly assumed by them, but, subject to the provisions of Section

89 414878

6.12 herein, the Assessment Lien for the full amount of Assessments unpaid at the date of a transfer of the Lot shall continue as a charge against the Lot in the hands of the subsequent Owner. No Owner of a Lot may exempt himself from liability for payment of Assessments by waiver of the use or enjoyment of any of the Common Areas or the services provided by the Association or Master Association.

6.03 Regular Assessments. In order to provide funds to enable the Association to carry out its powers and duties pursuant to this Declaration, including payment of Common Expenses and the establishment of appropriate and reasonable reserves, the Board shall, on or before December 1 of each calendar year commencing with the year in which the first Lot is sold and conveyed to a purchaser, prepare a budget as described in Section 5.08 above, estimating the total expenses of the Association for the upcoming year and, based on such budget, assess against each Lot a Regular Assessment. The amount of the Regular Assessments shall be in the sole discretion of the Board and may be collected on a monthly, quarterly or annual basis. Written notice of the amount and due dates of the Regular Assessments shall be sent to each Owner. During the year, the Board may revise the amount of the Regular Assessments in order to meet expenses which exceed the amounts anticipated by the Association, and may collect such increased Assessments.

6.04 Special Assessments. The Board shall have the right and power to levy a Special Assessment for the purpose of defraying in whole or in part the cost of the construction of additional common facilities and other capital improvements, the alteration, demolition or removal of existing common facilities and capital improvements, or for the purpose of defraying any other extraordinary expenses. Following the Turnover Date, any such Special Assessment shall require ratification and approval by the affirmative vote of at least sixty-six percent (66%) of the Members present at a duly called meeting at which a quorum is present. The provisions of this Section are not intended to preclude or limit the assessment, collection or use of Regular Assessments for such purposes.

6.05 Individual Assessments.

(a) If the need for maintenance or repair of any Common Area is caused through the willful or negligent act of any Owner, by his family, guests, invitees, licensees or lessees, or by any

89 414878

other person or resident using the Common Areas with the permission of the Owner, the cost of such maintenance or repairs shall constitute an Individual Assessment against such Owner and against each Lot owned by such Owner and shall be secured by an Assessment Lien against each Lot of the Owner. If any portion of any Lot is maintained so as to present a public or private nuisance or to substantially detract from the appearance or quality of the surrounding Lots or other areas of the Property or if any portion of a Lot is being used in a manner which violates this Declaration, the Master Declaration or the Tract Declaration or if the Owner of any Lot is failing to perform any of its obligations under this Declaration, the Master Declaration or the Tract Declaration or to abide by any of the provisions of this Declaration, the Master Declaration or the Tract Declaration, the Board may, by resolution, make a finding to such effect. The resolution of the Board shall specify the particular condition or conditions which exist and shall fix a reasonable period of time which the Owner shall have to correct such condition or conditions (which period shall be no less than three (3) days and no more than fourteen (14) days after the Owner receives notice of the Board's action). Notice shall be given to the Owner of the subject Lot that unless corrective action is taken within the time period fixed by the Board, the Board may cause such action to be taken at the Owner's cost or the Board may commence appropriate legal action, whether at law or in equity, to compel compliance with this Declaration, the Master Declaration or the Tract Declaration. If, at the expiration of such period, the requisite corrective action has not been taken, the Board shall have the right to cause corrective action to be taken and/or to commence appropriate corrective legal action and all costs thereof, including court costs and attorneys' fees, shall bear interest from the date incurred until paid at the Default Rate and shall be an Individual Assessment against the offending Owner and against each Lot owned by the Owner and shall be secured by an Assessment Lien against each Lot of the Owner.

89 414878

(b) In the event the Association undertakes to provide materials or services which benefit individual Lots and which can be accepted or not by individual Owners, such Owners in accepting such materials or services shall be deemed to have agreed that statements therefor from the Association shall be an Individual Assessment, shall be due upon presentation and if not paid shall bear interest at the Default Rate.

6.06 Declarant's Exemption. Anything in this Declaration to the contrary notwithstanding, prior to the Turnover Date, Declarant shall not be liable for, and shall not be required to pay Assessments upon, Lots owned by Declarant. In lieu thereof, Declarant agrees that during any time as Declarant owns Lots as to which Assessments are not being paid, Declarant shall pay to the Association the difference between the amount of Assessments receivable by the Association, regardless of whether the Assessments are actually collected, and the actual expenses of the Association. Such payments by Declarant shall be made at such times as Declarant and the Board shall agree. Following the Turnover Date, Declarant shall pay Assessments based on Lot ownership.

6.07 Uniform Rate of Assessment. Except for Lots owned by Declarant prior to the Turnover Date, Regular and Special Assessments shall be fixed at a uniform rate for each Lot; provided, however, that the Owner of an unimproved Lot shall pay only twenty-five percent (25%) of the Regular and Special Assessments otherwise attributable to such Owner's Lot. For the purpose of this Section only, a Lot shall be deemed improved when a certificate of occupancy has been issued for the first Dwelling Unit constructed on such Lot, but in no event later than one hundred eighty (180) days after the start of construction of such Dwelling Unit. If the Owner of a Lot ceases to qualify for the reduced twenty-five percent (25%) rate during any period to which a Regular or Special Assessment is attributable, the Assessment attributable shall be prorated between the applicable rates on the basis of the number of days in the period that the Owner qualified for each rate. Any Member who becomes liable for payment of an increased Assessment pursuant to this Section 6.07 shall notify the Association in writing, but his failure to so notify the Association shall not relieve him of any liability for such amounts.

89 414878

6.08 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 Regular and Special Assessments, provided that said procedures are not inconsistent with the provisions hereof. The failure of the Association to send a bill to a Member shall not relieve any Member of his liability for any Assessment or charge under this Declaration, but the Assessment Lien therefor shall not be foreclosed or otherwise enforced until the Member has been given not less than thirty (30) days' written notice prior to such foreclosure or enforcement, at the address of the Member on the records of the 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.

6.09 Certificate of Payment. The Association shall, upon written demand, furnish to any Member liable for Assessments, a certificate in writing signed by an officer or authorized agent of the Association, setting forth whether the Assessments on a specified Lot have been paid, the amount of delinquency, if any, whether, to the Association's knowledge, any other violations pursuant to this Declaration exist and the nature of such violations, if any. A reasonable charge may be made by the Board for the issuance of these certificates. Such certificates shall be conclusive evidence of payment of any Assessment therein stated to have been paid.

6.10 Refunds; Offsets. The Association shall be under no duty to refund any payments received by it even though the ownership of a Lot changes during a year. Successor Owners of Lots shall be given credit for prepayments, on a prorated basis, made by prior Owners. No offset against an Assessment shall be permitted for any reason, including, without limitation, a claim that the Association is not properly exercising its duties or responsibilities under this Declaration. No Owner may exempt himself from liability for any Assessment by waiver of the use or enjoyment of the Common Areas, by waiver of the services provided by the Association or Master Association or by abandonment of his Lot or any Improvement thereon.

6.11 Delinquency. Regular Assessments shall be due on the first day of the applicable assessment period. Any Regular or Special Assessment provided for in this Declaration which is not paid within thirty (30) days after the due date thereof shall be delinquent, and a

89 414878

collection charge of twenty percent (20%) of such Assessment (or such other amount as the Board shall from time to time determine) shall be levied and the Assessment shall bear interest from the date of delinquency until paid at the Default Rate. The Association may, at its option, bring an action at law against the Member personally obligated to pay such Assessment and/or foreclose the Assessment Lien against the Member's Lot or Lots in accordance with the then prevailing law of the State of Arizona relating to the foreclosure of liens upon real property. If an action is commenced, there shall be added to the amount of such Assessment the collection charge, interest, expenses incurred in connection with collection of the debt secured by the Assessment Lien, the costs of preparing and filing the complaint in such action, and in the event a judgment is obtained, such judgment shall include said collection charge, interest, collection costs, reasonable attorneys' fees, and the costs of the action. Each Member vests in the Association, or its agents, the right and power to bring all actions at law or equity against such Member for the collection of such delinquent Assessments. At any foreclosure sale of a Lot or Lots authorized pursuant to the then prevailing laws of the State of Arizona, the Association, through its duly authorized agents, shall have the power to bid on such Lot or Lots at the sale, using Association funds or funds borrowed for such purpose, and to acquire and hold, lease, mortgage and convey the same.

6.12 Subordination of Assessment Lien to First Mortgage or Deed of Trust; Priority of Assessment Lien. The Assessment Lien shall be subordinate to any first mortgage or deed of trust on the affected Lot. The Assessment Lien shall also be subordinate to liens for taxes and other public charges which by applicable law are expressly made superior. Except as above provided, the priority of any Assessment Lien relates back to the date of recordation of this Declaration and each Assessment Lien shall be superior to any and all charges, liens or encumbrances which hereafter in any manner may arise or be imposed upon any Lot. Sale or transfer of any Lot shall not affect the Assessment Lien unless the sale or transfer is pursuant to foreclosure of a first mortgage or first deed of trust or pursuant to any trustee's sale or any proceeding in lieu thereof. In that case, 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 free of the Assessment Lien for all Assessments that have accrued up to the date of issuance of a sheriff's or trustee's deed or deed in lieu of

89 414878

foreclosure. Such purchaser or grantee, however, shall be liable for all Assessments and associated Assessment Liens accruing subsequent to the date of issuance of a sheriff's or trustee's deed or deed in lieu of foreclosure.

6.13 Curing of Default. Upon the timely curing of any default for which a Notice of Lien Priority was recorded by the Association, officers of the Association are hereby authorized to record an appropriate release of such Notice, upon payment by the defaulting Owner of a fee to be determined by the Association to cover the cost of preparing and recording such release together with the payment of such other costs, including, without limitation, attorneys' fees, court costs, interest and fees, as shall have been incurred.

6.14 Cumulative Remedies. The Assessment Lien and the rights to foreclosure thereunder shall be in addition to, and not in substitution of, all other rights and remedies which the Association and its assigns may have hereunder and by law or equity, including, without limitation, a suit to recover a money judgment for unpaid Assessments as above provided.

6.15 Spending Funds From Year To Year. The Association shall not be obligated to spend in any year all the sums received by it in such year (whether by way of Regular or Special Assessments, fees or otherwise), and may carry forward as surplus any balances remaining. The Association shall not be obligated to reduce the amount of the Regular Assessment in the succeeding year if a surplus exists for a prior year and the 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 Association and the accomplishment of its purpose.

6.16 Exempt Property. The Common Areas shall be exempt from Assessments; provided, however, that in the event any change in ownership of Exempt Property results in all or any part thereof becoming assessable in any year, such property shall be subject to assessment (prorated as of the date it becomes assessable) and shall be subject to all the provisions herein relating to Regular and Special Assessments.

89 414878

ARTICLE VIIPARTY WALLS

7.01 Party Walls. Each wall, including patio walls, which is constructed as a part of the original construction of a Dwelling Unit, any part of which is placed on the dividing line between separate Dwelling Units or entirely on one Lot but close to the next Lot line, shall constitute a party wall. With respect to any such wall, each of the adjoining Owners shall assume the burdens and be entitled to the benefits of these restrictive covenants, and, to the extent not inconsistent herewith, the general rules of law regarding party walls shall be applied thereto.

7.02 Damage or Destruction. In the event any such party wall is damaged or destroyed through the act of one adjoining Owner, or any of his guests, lessees, licensees, agents or members of his family (whether or not such act is negligent or otherwise culpable) so as to deprive the other adjoining Owner of the full use and enjoyment of such wall, then the first of such Owners shall forthwith proceed to rebuild and repair the same to its former condition without cost to the adjoining Owner. In the event any such party wall is damaged or destroyed by some cause other than the act of one of the adjoining Owners, his agents, lessees, licensees, guests or members of his family (including ordinary wear and tear and deterioration from lapse of time), both such adjoining Owners shall proceed forthwith to rebuild or repair the same to its former design and condition at their joint and equal expense. Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes any party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

7.03 Right to Contribution Runs with Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the Owner's Lot and shall pass to such Owner's successors in title to such Lot.

7.04 Modifications and Alterations. In addition to meeting the other requirements of these restrictive covenants (including, without limitation, approval of the Architectural Committee pursuant to Article XI below) and of any building code or similar regulations or ordinances, any Owner proposing to modify, make additions to or rebuild his Dwelling Unit in any manner which requires the extension or other alteration of any party wall shall

89 414878

first obtain the written consent of the adjoining Owner. No window or similar opening may be installed in any party wall which is not installed as part of the original construction without the prior written approval of the Architectural Committee, the architectural committee for the Master Association and the adjoining Owner.

7.05 Arbitration. In the event of a dispute between Owners with respect to the repair or rebuilding of a party wall or with respect to the sharing of the cost thereof, upon written request of one of such Owners addressed to the Association, the matter shall be submitted to arbitration under such rules as may from time to time be adopted by the Association. If no such rules have been adopted, then the matter shall be submitted to three arbiters, one chosen by each of the Owners and the third by the two so chosen, or if the two arbiters cannot agree as to the selection of the third arbiter within five (5) days, then by the then presiding Judge of the Superior Court of Maricopa County, Arizona. A determination of the matter signed by any two of the three arbiters shall be binding upon the Owners, who shall share the cost of arbitration equally. In the event one party fails to choose an arbiter within ten (10) days after receipt of a request in writing for arbitration from the other party, then said other party shall have the right and power to choose both arbiters.

ARTICLE VIII

INSURANCE

8.01 Insurance Obtained by Association. The Association shall, so long as such coverages are reasonably available, obtain a broad form public liability policy (of at least \$1,000,000 combined limits) and fire and extended coverage insurance (in amounts to be determined by the Board) covering all Common Areas and facilities and all damage or injury caused by the negligence of the Association or any of its officers, directors or agents. Premiums for all such insurance shall be Common Expenses. In addition, the Board may obtain such other types of insurance as may be required or as the Board may deem appropriate to protect the Association, its property or the Owners, including, without limitation, workmen's compensation insurance and directors' and officers' liability insurance for the directors, officers and Architectural Committee members of the Association and for such other Association Members or employees as the Board may deem appropriate.

89 414878

8.02 Restoration. In the event of damage or destruction by fire or other casualty to the Common Areas or any property located thereon, the Association shall, upon receipt of the insurance proceeds, contract with a licensed contractor to rebuild or repair such damaged or destroyed property. All such insurance proceeds shall be deposited in the accounts of a bank or other financial institution which are insured by a federal government agency. In the event the insurance proceeds are insufficient to pay all the costs of repairing and/or rebuilding such property, the Association may levy a Special Assessment against all Owners to restore the same.

8.03 Fidelity Bonds. The Association, so long as such bonds are reasonably available, shall maintain blanket fidelity bonds for all officers, directors, trustees and employees of the Association and all other persons handling or responsible for the funds of or administered by the Association (unless such persons are bonded by the Master Association), including, without limitation, any management agent to whom the Association has delegated any or all of the responsibility for the handling of such funds. The Board shall determine the amount of such coverage.

8.04 Insurance for Dwelling Units.

(a) Except as otherwise provided in Subsection (b) below, the Association shall obtain a blanket policy for all Dwelling Units located on the Property insuring against loss or damage by fire or other casualties in an amount deemed sufficient by the Board, in its reasonable judgment, which policy shall be written in the name of the Association as trustee for each of the respective Owners. Premiums for insurance obtained by the Association on individual Dwelling Units shall not be a Common Expense, but shall be an Individual Assessment on each Lot so covered, to be paid by the Owner thereof within ten (10) days after receipt of a statement therefor. In the event of damage or destruction by fire or other casualty to any property covered by insurance written in the name of the Association, the Association shall, upon receipt of the insurance proceeds, contract to rebuild or repair such damaged or destroyed portions of the property to their former condition. All such insurance proceeds shall be deposited in the accounts of a bank or other financial institution which are insured by a federal government

89 414878

agency. The Board may contract with any licensed contractor, who may be required to provide a full performance and payment bond, for the repair, reconstruction or rebuilding of such destroyed building or buildings. In the event the insurance proceeds are insufficient to pay all the costs of repairing and/or rebuilding any Dwelling Unit or Units to their former condition, the Association shall levy an Individual Assessment against all Owners affected by the casualty to make up any deficiency. In the event such insurance proceeds exceed the cost of repair and reconstruction, such excess shall be paid over to the respective mortgagees and Owners as their interests may then appear.

(b) Notwithstanding the foregoing, the Association may elect to require all or certain of the Owners to obtain their own insurance for their Dwelling Units insuring against the losses described in Subsection (a) above, and, thirty (30) days after written notice of any such election to the affected Owners, the Association shall have no further obligation to obtain insurance for such Dwelling Units pursuant to Subsection (a) above. Within thirty (30) days after any such election by the Association, each Owner affected by the election shall furnish to the Association evidence of such insurance coverage and, if an Owner fails to provide evidence of such coverage, the Association may, but shall not be obligated to, obtain such insurance and the cost therefor shall be deemed an Individual Assessment. In the event of damage or destruction by fire or other casualty to any Dwelling Unit, garage or other property covered by insurance written in the name of an individual Owner, said Owner shall, upon receipt of the insurance proceeds, contract to repair or rebuild such damaged or destroyed portions of the garage and the exterior of the Dwelling Unit in a good workmanlike manner in conformance with the original plans and specifications of said Dwelling Unit (except for changes thereto required by then current building codes). In the event such Owner refuses or fails to so repair and rebuild any and all such damage to the exterior of the Dwelling Unit and/or garage within thirty (30) days or such longer time as may be permitted by the Association, the Association, by and through its Board, may, and

89 414878

is hereby irrevocably authorized by such Owner to, repair and rebuild any such Dwelling Unit and/or garage in a good and workmanlike manner in conformance with the original plans and specifications for the Dwelling Unit. The Owner shall then, within ten (10) days following the Owner's receipt of a written statement of the costs incurred from the Association, repay the Association the amount actually expended for such repairs. Said amounts shall bear interest at the Default Rate from the date due until paid. If such amounts are not repaid as provided for herein, said amounts shall constitute an Individual Assessment against said Owner's Lot and shall constitute an Assessment Lien until fully paid.

(c) In addition to the aforesaid insurance required to be carried by the Association and/or the Owners, any Owner may, if he wishes, at his own expense, insure his Dwelling Unit for his own benefit and carry any and all other insurance he deems advisable. It shall be the individual responsibility of each Owner at his own expense to provide, as he sees fit, homeowner's liability insurance, theft and other insurance covering personal property damage and loss.

ARTICLE IX

USE RESTRICTIONS

9.01 Use Restrictions. Notwithstanding anything contained herein to the contrary, the Property is subject to the use restrictions set forth in Article IV, Sections 2 and 3 of the Master Declaration and in the Tract Declaration, and any person owning, using or having any interest in the Property shall comply therewith. Prior to the Turnover Date, Declarant reserves the right to impose additional use restrictions against the Property by recording an amendment to this Declaration in the records of Maricopa County, Arizona.

9.02 Declarant's Rights. Nothing contained in this Declaration shall be construed to prevent the erection or maintenance by the Declarant or its duly appointed agents of Improvements or signs necessary or convenient for the sale of the Lots. In addition, nothing contained in this Declaration shall obligate, or limit the rights of, Declarant with respect to Lots owned by

89 414878

Declarant. Declarant's construction of Improvements and signs on any portion of the Property and Declarant's rights with respect to its Lots shall be exempt from the provisions of Article XI hereof with respect to Architectural Control, but shall be subject to the provisions of the Master Declaration.

9.03 Right of Entry. During reasonable hours and upon reasonable notice to the Owner or other resident of a Lot, any member of the Architectural Committee, any member of the Board or any representative of either of them, shall have the right to enter upon and inspect any Lot, and the Improvements thereon, except for the interior portions of any completed Dwelling Unit, for the purpose of ascertaining whether or not the provisions of this Declaration have been or are being complied with, and such persons shall not be deemed guilty of trespassing by reason of such entry.

ARTICLE X

EASEMENTS

10.01 Utility Easement. There is hereby created a blanket easement upon, across, over and under each Lot for ingress and egress and installing, replacing, repairing and maintaining all utility and service lines and systems, including, but not limited to, water, sewer, gas, telephone, electricity, television cable or communication and security lines and systems. Notwithstanding anything to the contrary contained in this Section 10.01, no sewers, electrical lines, water lines, or other utility or service lines may be installed or relocated on the Property except as approved by the Declarant or the Board and in accordance with the Master Declaration. The easement herein granted shall in no way affect other recorded easements on the Property, including, without limitation, the easements created pursuant to the Master Declaration.

10.02 Landscaping Easement. There is hereby created in favor of the Association and its agents and designees a blanket easement upon, across, over and under each Lot for ingress and egress and installing, replacing, repairing and maintaining front yard landscaping in accordance with Article IV of this Declaration.

89 414878

ARTICLE XIARCHITECTURAL CONTROL

11.01 Architectural Control. No improvements, alterations, repairs, excavations, grading, landscaping or other work which in any way alters the exterior appearance of the Property, or the Improvements thereon, from its natural or improved state shall be made or done without the prior approval of the Architectural Committee, except as otherwise expressly provided in the Master Declaration. No building, wall, fence or other structure shall be commenced, erected, maintained, improved, altered or made without prior written consent of the Architectural Committee. All subsequent additions to or changes or alterations in any building, Dwelling Unit, fence, wall or other structure, including the exterior color scheme, and all changes in the grade of Lots, shall be subject to the prior written approval of the Architectural Committee. No changes or deviations in or from the plans and specifications once approved by the Architectural Committee may be made without the prior written approval of the Architectural Committee. Notwithstanding the foregoing, Declarant shall not be required to obtain Architectural Committee approval with respect to any Improvements, alterations, repairs, excavations, grading, landscaping, additions or changes installed or made by Declarant with respect to the Property. Any waivers or other items with respect to the Property which are subject to approval by the architectural committee for the Master Association shall be submitted in duplicate to the Architectural Committee, and it shall be a condition precedent to the effectiveness of such requests that the Architectural Committee shall have approved such request.

11.02 Organization, Power of Appointment and Removal of Members. The Association shall establish an Architectural Committee to perform the functions set forth in this Declaration with respect to architectural control. The Architectural Committee shall be organized as follows:

(a) Committee Composition. The Architectural Committee shall consist of three (3) members and two (2) alternate members. None of such members shall be required to be an architect or to meet any other particular qualifications for membership. A member need not be, but may be, a member of the Board or an officer of the Association. In the event one or two of the regular members are absent or

89 414878

disabled, the remaining Architectural Committee member or members, even though less than a quorum, may designate either or both of the alternate members to act as substitutes and such alternate(s) shall then assume the full authority of regular members for that meeting.

(b) Initial Members. The initial members and alternates of the Architectural Committee shall be appointed by Declarant.

(c) Terms of Office. The term of office for each Architectural Committee member shall be two (2) years or until the appointment of a successor. Any new member appointed to replace a member who has resigned or been removed shall serve such member's unexpired term. Any member who has resigned, been removed or whose term has expired may be reappointed if such member accepts reappointment.

(d) Appointment and Removal. The right to appoint and remove members of the Architectural Committee at any time shall be and is hereby vested solely in the Declarant until one (1) year after all Lots within the Property have been sold to third party purchasers. Upon the expiration of such period all members appointed by Declarant shall resign from the Architectural Committee and the Board shall have the power to appoint and remove Architectural Committee members; provided, however, that no member may be removed from the Architectural Committee by the Board except by a majority vote of all members of the Board. Appointments or removals of members of the Architectural Committee, as set forth herein, shall be evidenced on the books and records of the Association.

(e) Resignations. Any member of the Architectural Committee may at any time resign from the Architectural Committee by giving written notice to Declarant or to the Board, whichever then has the right to appoint Architectural Committee members.

11.03 Duties. It shall be the duty of the Architectural Committee to consider and act upon any and all proposals or plans submitted to it pursuant to the terms hereof, to adopt Architectural Committee Rules, to perform other duties delegated to it by the Board and to

carry out all other duties imposed upon it by this Declaration. Without in any way limiting the generality of the foregoing provisions of this Section, the Architectural Committee or any member thereof may, but is not required to, consult with or hear the views of the Association or any Owner with respect to any plans, drawings, specifications or other proposals submitted to the Architectural Committee.

11.04 Meetings and Compensation. The Architectural Committee shall meet from time to time as necessary to perform its duties hereunder. The vote of any two members at a meeting shall constitute the act of the Architectural Committee unless the unanimous decision of the Committee is otherwise required. Members of the Architectural Committee shall not be entitled to compensation for their services.

11.05 Architectural Committee Rules. The Architectural Committee may, from time to time and subject to the provisions of the Master Declaration, adopt, amend and repeal rules and regulations. The Architectural Committee Rules shall interpret and implement this Declaration by setting forth the standards and procedures for Architectural Committee review and the guidelines for architectural design, landscaping, color schemes, exterior finishes and materials and similar features which are recommended or required for use within the Property.

11.06 Waiver. The approval by the Architectural Committee of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring the approval of the Architectural Committee under this Declaration, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or matter subsequently submitted for approval.

11.07 Liability. Neither the Architectural Committee nor any member thereof shall be liable to the Association, any Owner or any other party, for any damage, loss or prejudice suffered or claimed on account of: (a) the approval or disapproval of any plans, drawings or specifications, whether or not defective; (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications; (c) the development or non-development of any portion of the Property; or (d) the execution and filing of any estoppel certificate, whether or not the facts therein are correct; provided, however, that with respect to the liability of a member, such member has acted in good faith

89 414878

on the basis of such information as may be possessed by him.

11.08 Time for Approval. Subject to the other provisions contained herein, in the event the Architectural Committee fails to approve or disapprove any design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and the Owner will have been deemed to have complied with this Article.

11.09 Processing Fee. With respect to any requests made to the Architectural Committee to review any plans, drawings or specifications for any work done or proposed, the Architectural Committee may, consistent with the Architectural Committee Rules, establish processing fees for such requests or actions. The payment of such fees shall be a condition precedent to any Architectural Committee action on such request or other item and the non-payment of such fee shall be deemed to toll the time for approval of such items set forth in Section 11.08 hereof.

11.10 Master Architectural Committee. The approvals required pursuant to this Declaration shall be in addition to, and not in lieu of, all architectural approvals required pursuant to the Master Declaration.

ARTICLE XII

GENERAL PROVISIONS

12.01 Enforcement. These Restrictions may be enforced by the Association, which shall have the right and duty to enforce the same and expend Association moneys in pursuance thereof, or the Declarant, its successors and assigns (so long as Declarant owns an interest in any part of the Property). If the Association shall fail or refuse to enforce the provisions of this Declaration for an unreasonable period of time after receipt of a written request to do so, then any Member may enforce such provision on behalf of the Association by appropriate legal action. Enforcement shall be by proceedings at law or in equity (either to restrain violation or to recover damages) against any person or persons violating or attempting to violate any Restriction; provided that the Association by and through its Board, is additionally authorized to enforce these Restrictions by taking any action reasonably required to remedy a violation hereunder. In the event the Declarant or the Association

89 414878

employs an attorney or attorneys to enforce any lien or to collect any moneys due pursuant to this Declaration or otherwise seeks to enforce these Restrictions, the Declarant or Association, as the case may be, shall be reimbursed by the Owner or Owners whose actions have necessitated the enforcement proceeding for all costs, including attorneys' fees, expended in such enforcement efforts, regardless of whether or not a civil action is actually commenced. Said amounts shall be payable within ten (10) days following the Owner's receipt of a written statement of the costs incurred, shall be deemed an Individual Assessment hereunder, and shall bear interest at the Default Rate from the date due until paid. If such amounts are not paid as provided for herein, the amount of such costs shall constitute an Assessment Lien upon said Owner's Lot, subject to the provisions of Article VI hereof. Nothing herein shall be deemed to indicate that damages at law constitute an adequate remedy for violation of a Restriction herein.

12.02 Nuisance and Violation of the Law. Every act or omission whereby any provision of this Declaration is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated, whether or not the relief sought is for negative or affirmative action. Any violation of any State, County municipal or local law, ordinance or regulation pertaining to the ownership, occupation or use of any portion of the Property is hereby declared to be a violation of this Declaration and subject to any or all of the enforcement procedures set forth herein.

12.03 Master Association Documents. The provisions of this Declaration are subject and subordinate to the provisions of the Master Declaration, the Master Association Documents and the Tract Declaration. To the extent that the provisions of this Declaration are inconsistent with or in derogation of any of the provisions of the Master Declaration, the Master Association Documents or the Tract Declaration, the provisions of such documents, articles, bylaws and rules shall control. In the event an Owner violates any of the provisions of the Master Declaration, the Master Association Documents or the Tract Declaration and the Master Association fails to restrain or enforce the violation for an unreasonable period of time after receipt of a written request to do so by the Association, such violation may be restrained or enforced as provided in Section 12.01 above, in addition to enforcement under the Master Declaration.

89 414878

12.04 Waiver or Abandonment. The waiver of, or failure to enforce any breach or violation of any Restrictions herein contained shall not be deemed to be a waiver or abandonment of such Restrictions, or a waiver of the right to enforce any subsequent breach or violation of such Restrictions. The foregoing shall apply regardless of whether any person affected hereby (or having the right to enforce these Restrictions) had knowledge of the breach or violation.

12.05 Equal Treatment of Owners. Except as expressly provided herein, these Restrictions shall be applied to all Owners equally and without discrimination.

12.06 Severability. The invalidity of any one or more phrases, sentences, clauses, paragraphs or sections hereof shall not affect the remaining portions of this Declaration or any part hereof, and in the event that one or more of the phrases, sentences, clauses, paragraphs or sections contained herein should be invalid or should operate to render this Declaration invalid, this Declaration shall be construed as if such invalid phrase or phrases, sentence or sentences, clause or clauses, paragraph or paragraphs, or section or sections had not been inserted.

12.07 Gender and Number. The singular, wherever used herein, shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporations or individuals, men or women, shall in all cases be assumed as though in each case fully expressed.

12.08 Topic Headings. The marginal or topical headings of the paragraphs contained in this Declaration are for convenience only and do not define, limit or construe the contents of the paragraphs of this Declaration.

12.09 Interpretation of the Covenants. Except for judicial construction, the 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 Association's construction or interpretation of the provisions of this Declaration shall be final, conclusive and binding as to all persons and property benefited or bound by the provisions of this Declaration.

89 414878

12.10 Rule Against Perpetuities. If any interest purported to be created by this Declaration is challenged under the rule against perpetuities or any related rule, the interest shall be construed as becoming void and of no effect as of the end of the applicable period of perpetuities computed from the date when the period of perpetuities starts to run on the challenged interest. The "lives in being" for computing the period of perpetuities shall be (a) those which would be used in determining the validity of the challenged interest, plus (b) those of the issue of the Board who are living at the time the period of perpetuities starts to run on the challenged interest.

12.11 Change of Circumstances. Except as otherwise expressly provided in this Declaration, no change of conditions or circumstances shall operate to extinguish, terminate or modify any of the provisions of this Declaration.

12.12 Limitation on Declarant's Liability. Notwithstanding anything to the contrary herein, it is expressly agreed that Declarant shall have no personal liability to the Association, or to any Owner, or other person, arising under, in connection with, or resulting from this Declaration.

12.13 References to Covenants in Deeds: Binding Effect. Deeds to and instruments affecting any Lot or any part of the Property may contain the provisions of this Declaration by reference to this Declaration; but regardless of whether any such reference is made in any deed or instrument, each and all of the provisions of this Declaration shall run with and burden the Property and each portion thereof and be binding upon each Owner and all other parties having any right, title or interest in, or otherwise coming upon, using or enjoying the Property, their heirs, personal representatives, executors, administrators, successors and assigns.

12.14 Approval of Declaration and Amendments. The Master Association, by subscription hereto, hereby approves this Declaration. This Declaration may not be amended or terminated without prior written consent of the Master Association.

12.15 Delivery of Notices and Documents. Any written notice or other documents relating to or required by this Declaration may be delivered either personally or by mail. If by mail, such notice or documents shall be deemed to have been delivered forty-eight (48) hours after

89 414878

a copy of same has been deposited in the United States mail, postage prepaid, addressed as follows: if to the Association or the Architectural Committee, 7720 East Gainey Ranch Road, Scottsdale, Arizona 85258; if to Declarant, 7377 Doubletree Ranch Road, Suite 250, Scottsdale, Arizona 85258; and if to an Owner, to the address of any Lot owned by him or to any other address last furnished by an Owner to the Association. Any such address may be changed at any time by the Association, Architectural Committee or Declarant by recording a written notice of change of address and delivering a copy thereof to the Association or by an Owner by filing the correct mailing address of such Owner with the Association. Each Owner shall promptly notify the Association in writing of any subsequent change of address.

ARTICLE XIII

TERM: AMENDMENTS.

13.01 Term. This Declaration shall be effective upon the date of recordation and, as amended from time to time, shall continue in full force and effect for a period of twenty (20) years from the date hereof. From and after said date, this Declaration as amended, shall be automatically extended for successive terms of ten (10) years each unless there is an affirmative vote to terminate this Declaration by the then Owners holding at least ninety percent (90%) of the total voting power in the Association at an election held for such purpose within six (6) months prior to the expiration of the initial twenty (20) year term or any ten (10) year extension term. 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 from the board of directors of the Master Association and, within six (6) months prior and six (6) months after such vote, from the holders of recorded first mortgages or deeds of trust on seventy-five percent (75%) of the Lots 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 a Certificate of Termination, duly signed and acknowledged by the President or Vice President and attested by the Secretary or Assistant Secretary of the Association, with their signatures acknowledged. Thereupon, this Declaration shall have no further force and effect, and the Association shall be dissolved.

89 414878

13.02 Amendments. Prior to the Turnover Date, the Declaration may be amended by majority vote of the Board at a meeting duly called pursuant to the Articles and Bylaws for the adoption of such an amendment. After the Turnover Date, the Declaration may be amended by the affirmative vote of Owners holding at least seventy-five percent (75%) of the total voting power in the Association at the meeting duly called pursuant to the Articles and Bylaws for the adoption of such an amendment. Notwithstanding anything contained herein to the contrary, the Declaration may not be amended without the prior written consent of the board of directors of the Master Association. If the necessary votes and consent are obtained, the Board shall cause to be recorded a Certificate of Amendment, duly signed and acknowledged by the President or Vice President and attested by the Secretary or Assistant Secretary of the Association and, if the Amendment is adopted prior to the Turnover Date, by the Board.

DATED this 29 day of AUGUST, 1989.

MARKLAND PROPERTIES, INC., an
Arizona corporation

By 
Its VP-FINANCE

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 29th day of AUGUST, 1989, by STEPHEN J. BRENNAN, the VP-FINANCE of MARKLAND PROPERTIES, INC., an Arizona corporation, on behalf of the corporation.


Notary Public

My Commission Expires:

March 25, 1991

89 414878

APPROVAL BY MASTER ASSOCIATION

The Gainey Ranch Community Association (which is defined as the Master Association in the foregoing Declaration) hereby approves the terms and provisions of this Satellite Declaration of Covenants, Conditions, Restrictions and Easements for The Golf Villas at Gainey Ranch III and confirms that the aforesaid Declaration complies with all required terms of the Master Declaration.

DATED this 30th day of August, 1989.

THE GAINEY RANCH COMMUNITY
ASSOCIATION, an Arizona non-
profit corporation

By Fred B. Thelen
Its Executive Director

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 30th day of AUGUST, 1989, by Fred B. Thelen, the Executive Director of THE GAINEY RANCH COMMUNITY ASSOCIATION, an Arizona non-profit corporation, on behalf of the corporation.

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

Kathleen A. Lombardi
Notary Public

My Commission Expires:

April 11, 1993