

**MASTER DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS, ASSESSMENTS,
CHARGES, SERVITUDES, LIENS, RESERVATIONS AND EASEMENTS
FOR
3 CANYONS RANCH**

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MASTER DECLARATION OF COVENANTES, CONDITIONS,
RESTRICTIONS, ASSESSMENTS,
CHARGES, SERVITUDES, LIENS, RESERVATIONS AND EASEMENTS
FOR
3 CANYONS RANCH

THIS MASTER DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS, ASSESSMENTS, CHARGES, SERVITUDES, LIENS, RESERVATIONS, AND EASEMENTS (the "Master Declaration") is made and entered into a s of the ____ day of _____, by SAN PEDRO DEVELOPMENT II CORPORATION, an Arizona corporation ("Investor" or "Declarant").

This Master Declaration provides for an extensive degree of control in investor, including but not limited to (i) controls of the Master Association, the type design and location of improvements which may be built upon the Property, and the use, and limitations upon use, of the Master Common Areas; (ii) the right to amend extensively this Master Declaration as provided in Section 20 (including without limitation amendment of the Master Association Membership and voting provisions); (iii) substantial flexibility in developing the Property; and (iv) substantial flexibility in subjecting additional property to this Master Declaration. Section 18 hereof contains a limitation on the liability of Investor. Each Owner, by accepting title to any portion of the Property, acknowledges, agrees to, and accepts Investor's control of the Property and the limited liability of Investor as provided in this Master Declaration. Such control is an integral part of this Master Declaration and the general scheme of development and operation of the Property. Capitalized terms used in this paragraph are defined in this Master Declaration.

Further, the Land Use Classification for 3 Canyons Ranch as provided in Section 4.1 has not been approved by Cochise County and may require the approval of Cochise County and 3 Canyons Ranch Owners Association,

WHEREAS, investor is the record owner of those parcels of real property situated in Cochise County, Arizona, described on Exhibit "A" attached hereto and by reference made a part hereof (the "Investor Parcels");

WHEREAS, the owners of that certain real property described on Exhibit "B" attached hereto and by reference made a part hereof ("Annexation Property") desire to subject the Annexation Property to this Master Declaration;

WHEREAS, Investor has caused the Investor Parcels and the Annexation Property to be master planned as a multi-use development of approximately 7,500 acres, all to be known as "3 Canyons Ranch" (herein sometimes called the "Project"); and Investor desires to allow for the development of such portions of the Project in stages into planned residential, recreational and other use areas;

WHEREAS, this Master Declaration shall (a) protect the quality of the natural environment and preserve the rural character of the Property by limiting the Property to low density land uses, by prohibiting most commercial and industrial activities, and by minimizing traffic congestion and crime through use of secured private access entry points and roadways; (b) ensure a level of control not possible through county regulation as they exist today through private restrictions and enforcement of these restrictions; and (c) protect the values designated in the Cochise County Comprehensive Plan for this area as "Resource Conservation;"

WHEREAS, it is intended that the Property shall initially be rural in nature with substantial grazing activity and that over the course of sales and/or development of portions of the Property, the Property shall gradually transition to a more urban, though low density, environment with little or no grazing activity;

WHEREAS, it is anticipated that the Property shall include a private airpark that shall be privately owned and operated and not part of the Master Common Area or any other common area and that the use of such airpark shall be restricted so as to minimize certain adverse impacts to the surrounding residential areas;

WHEREAS, at full development it is intended, without obligation, that the Project may have one or more recreational facilities, open spaces, walkways, riding paths, drives, and other social, civic, and cultural buildings and facilities;

WHEREAS, as part of the various stages of development of the Project, Investor intends, without obligation, to record, or cause to be recorded, various subdivision plats; to dedicate portions of the Project to the Master Declaration or a Village Association for streets, roadways, drainage, flood control, and easements for equestrian and pedestrian use; to establish a system of roadways within the Project; and to record various Village Declarations (as hereinafter defined) covering portions of the Project, which Village Declarations will designate the purposes for which such portions of the Project may be used and may set forth

additional covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations and easements applicable to such portions of the Project;

WHEREAS, Investor desires to form a non-profit corporation for common area management, recreational purposes, and other purposes for benefiting the Property (as hereinafter defined), and the Owners and Occupants of the Property (as said terms are hereinafter defined), which non-profit corporation (the "Master Association") may (a) acquire, construct, operate, manage, and maintain a variety of Master Common Areas (as hereinafter defined) upon the Property; (b) provide management, maintenance, and support services for a variety of Village Common Areas and Village Associations (as those capitalized terms are hereinafter defined); (c) establish, levy, collect, and disburse the Assessments (as hereinafter defined) and other charges imposed hereunder; (d) operate a security system for the benefit of the Owners and Occupants; and, (e) as the agent and representative of the Members of the Master Association and Owners' and Occupants' of the Property, administer and enforce all provisions hereof and enforce use and other restrictions imposed on various parts of the Property;

WHEREAS, the Master Association has been or will be incorporated under the laws of the State of Arizona, and Investor may, without obligation, seek approval of the Master Association by any governmental agencies or financial institutions whose approval Investor deems necessary or desirable;

WHEREAS, Investor, in order to enable the Master Association to accomplish the purposes outlined above, desires to submit and subject the Investor Parcels, together with all buildings, improvements and other permanent fixtures of whatever kind now or hereafter located thereon, and all easements, rights, appurtenances, and privileges belonging or in any way pertaining thereto (all of which constitute a part of the Property), to the covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations, easements, privileges, and rights contained herein;

WHEREAS, Investor deems it desirable to establish covenants, conditions, and restrictions upon the Property and each and every portion thereof, and certain mutually beneficial restrictions and obligations with respect to the proper use, occupancy, and enjoyment thereof, all for the purpose of enhancing and protecting the value, desirability and attractiveness of the Property and enhancing the quality of life within the Property;

WHEREAS, Investor plans, but is not required, to annex real property to the Property, which may include without limitation some or all of the Annexation Property and Additional Animation Property (as hereinafter defined), and thereby subject such property to the plan of this Master Declaration, and to bind the owners of any interests therein to the covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations, and easements contained in this Master Declaration;

WHEREAS, Investor desires and intends that the Owners, mortgagees, beneficiaries, and trustees under trust deeds, Occupants, and all other persons hereafter acquiring any interest in the Property shall at all times enjoy the benefits of, and shall hold their interests subject to, the covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations, easements, privileges, and rights hereinafter set forth, all of which are declared to be in furtherance of a plan to promote and protect the Property and the Project;

NOW, THEREFORE, Investor, for the purposes above set forth, declares that the Property shall hereafter be held, transferred, sold, conveyed, leased, occupied, and *used* subject to the covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations, easements, privileges, and rights hereinafter set forth, all of which shall run with the land and be binding upon the Property and all parties having or acquiring any right, title or interest in or to the Property, or any part thereof, and shall inure to the benefit of each Owner thereof, the Master Association, and each Member of the Master Association.

NOTWITHSTANDING REFERENCES THROUGHOUT THE DECLARATION TO GUARD GATES, SECURITY SYSTEMS, RECREATIONAL, SOCIAL, AND HEALTH FACILITIES, AIRPARKS OR ANY OTHER AMENITIES TO THE PROJECT, NEITHER INVESTOR NOR THE MASTER ASSOCIATION MAKES ANY REPRESENTATION THAT SUCH AMENITIES SHALL BE INCLUDED AS PART OF THE PROJECT. REFERENCE IN THIS DECLARATION TO THESE OR OTHER AMENITIES IS MADE SOLELY FOR THE PURPOSE OF ALLOWING SUCH AMENITIES, SHOULD THE INVESTOR OR MASTER ASSOCIATION DECIDE, IN THEIR SOLE DISCRETION, TO CONSTRUCT SUCH AMENITIES, AND TO PROVIDE FOR THE MAINTENANCE OF SUCH AMENITIES IN THE EVENT THEY ARE CONSTRUCTED.

1. DEFINITIONS

Defined terms appear throughout this Master Declaration with the initial letter of such term capitalized. Unless the context clearly requires otherwise, the following terms used in this Master Declaration are defined as follows:

"Additional Annexation Property" means any real property, other than the Annexation Property, which can be annexed to the Property, thereby becoming a part thereof and subject to this Master Declaration, in accordance with Section 16.

"Annexation Property" means the real property described on Exhibit "B" hereto.

"Articles" means the Articles of Incorporation of the Master Association, as amended from time-to-time, or of any successor thereto.

"Assessable Property" means any Lot or Parcel, except such part or parts thereof as may from time-to-time constitute Exempt Property.

"Assessment Lien" means the lien created and imposed by Section 7.1.

"Assessments" include the following:

"Regular Assessment" means the amount which is to be levied and assessed each year against each Lot, Parcel or Owner pursuant to Section 7.3.

"Special Assessment" means a charge against a particular Owner or the Owner's property directly attributable to such Owner or property, to reimburse the Master Association for costs incurred in bringing the Owner or the property into compliance with the provisions of this Master Declaration, the Articles, Bylaws, Association Rules or Master Design Guidelines, or any other charge designated as a Special Assessment in this Master Declaration, the Articles, Bylaws, Association Rules or Master Design Guidelines, together with attorneys' fees and other charges payable by such Owner pursuant to the provisions of this Master Declaration, as provided in Section 7.4.

"Reconstruction Assessment" is defined in Section 10.

"Capital Improvement Assessment" is defined in Section 7.5.

"Association Rules" means the rules and regulations adopted by the Master Association pursuant to Section 5.4.

"Board" means the Board of Directors of the Master Association.

"Bylaws" means the Bylaws of the Master Association, as amended from time-to-time, or of any successor thereto.

"Common Area" means Village Common Area and Master Common Area.

"Common Expenses" means the actual and estimated costs incurred by the Master Association in administering, maintaining and operating the Property, and in owning or leasing any portions thereof including,, but not limited to, the following:

(a) Maintenance, management, operation, repair, and replacement of the Master Common Areas and Master Association Land, including the Private Streets, and all other areas in the Property which are Managed or maintained by the Master Association, other than those areas being managed or maintained at the expense of a Village Association pursuant to Section 14;

(b) Unpaid Assessments;

(c) Maintenance by the Master Association of areas within the right-of-way of any public streets in the vicinity of the Property which may be provided for in this Master Declaration or pursuant to agreements with the County;

(d) Costs of management and administration of the Master Association, including, but not limited to, compensation paid by the Master Association to managers, accountants, attorneys, and employees;

(e) The costs of utilities and services, including, but not limited to, water, electricity, gas, sewer, trash pick-up and disposal which are provided to the Master Association or the Master Common Areas, landscaping maintenance and other services which generally benefit and enhance the value and desirability of the Property and which are provided by the Master Association;

(f) The costs of insurance maintained by the Master Association as permitted herein;

(g) Reasonable reserves for contingencies, replacements, and other proper purposes, if deemed appropriate by the Master Association, to meet the costs and expenses of maintenance, repairs, and replacement of those Master Common Areas which must be maintained, repaired, or replaced on a periodic basis;

(h) The costs which the Board elects to incur to bond the members of the Board, officers of the Master Association, any professional managing agent or any other person handling the funds of the Master Association;

(i) Taxes paid by the Master Association;

(j) Amounts paid by the Master Association for discharge of any lien or encumbrance levied against the Master Common Areas or portions thereof;

(k) Costs incurred by the Master Design Committee;

(l) Costs incurred by committees established by the Board or the President;

(m) Costs of security guards, and operation of guard gates, key gates, and like gates at entrances to the Project (as distinguished from guard gates to a particular Village), and any other security systems or services installed, operated or contracted for by the Master Association (including without limitation patrols for the Master Common Areas), as provided in Section 8.4.1, but excluding the cost of security service to individual Lots and Parcels as described in Section 8.4.2;

(n) Costs of, or the subsidization of, recreation, cultural, health-related or similar facilities or enterprises available to or for the benefit of all Owners; and

(o) Other expenses incurred by the Master Association for any reason whatsoever in connection with the Master Common Areas, or the costs of any other item or items designated by, or to be provided or performed by, the Master Association pursuant to this Master Declaration, the Articles, Bylaws, Association Rules or Master Design Guidelines, or in furtherance of the purposes of the Master Association or in the discharge of any duties or power of the Master Association.

"Conservation Easements" means those certain areas shown on the map attached hereto as Exhibit "D" and by reference made a part hereof.

"Council of Residents" means the committee of the Master Association formed pursuant to Section 5.5.

"County" means the County of Cochise, Arizona.

"Declarant" means the same as Investor.

"Default Rate of Interest" means an annual rate of interest equal to the prime rate as announced by Bank of America, Tucson, Arizona (as the rate charged to its largest and most creditworthy customers) from time-to-time while interest is accruing (with interest hereunder adjusted as and when said prime rate is adjusted) plus 4% per annum, but never less than 18% (so that if during any periods while interest is accruing said prime rate plus 4% per annum is less than 18%, interest shall accrue during said periods at 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 of Interest hereunder, despite the provisions hereof, is less than the rate provided above, the interest payable by such Person during said periods shall be the highest lawful rate. If Bank of America should cease doing business or no longer announce its prime rate as described above, the Master Association may compute interest hereunder upon the announced prime rate of any other bank doing business in Arizona. If banks should cease announcing prime rates, the Board may elect to use 18% as the Default Rate of Interest, or may specify the rate, in lieu of said prime rate, for purposes of the computation hereunder, which the Master Association would reasonably have to pay to borrow money at the time.

"Designee" is defined in Section 6.7.

"Dwelling Unit" means any building or portion of a building, situated upon a Lot or Parcel designed and intended for use and occupancy as a residence by a Single Family.

"Exempt Property" means the following parts of the Property:

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

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

(c) Investor Parcels so long as such Property is owned by the Investor.

"Insurance Trustee" means the trustee defined in Section 10.5.

"Investor" means San Pedro Development II Corporation, an Arizona corporation, its successors and assigns, or any Person to whom Investor's rights hereunder are hereafter assigned by recorded instrument, or any Mortgagee of Investor which acquires title to or succeeds to the interest of Investor in any portion of the Property by reason of the foreclosure (or conveyance in lieu of foreclosure) or trustee's sale under the Mortgage of said Mortgagee.

"Investor Parcels" shall mean the real property described on Exhibit 'A' hereto.

"Investor Parcels Village Declaration" means the Declaration of Covenants, Conditions, Restrictions, and Easements for the Investor Parcels, if any, as amended and supplemented from time-to-time.

"Land Use Classification" means the classification to be established pursuant to Section 4.1, which designates the type of improvements that may be constructed on a Lot, Parcel or Master Association Land and the purposes and density for which such improvements and land may be used.

"Lot" means any area of the Property designated as a Lot on any subdivision plat recorded by or with the consent of Investor and limited by a Village Declaration to either Single Family Residential Use or Cluster Residential Use.

"Low Density Property" shall mean all of the Property except that portion of the Property designated herein as Medium Density Property or Airpark Use and that portion of the Annexation Property or Additional Annexation Property designated in a Village Declaration as Medium Density Property or Airpark Use.

"Majority of Members" means the Members holding more than 50% of the total votes entitled to be cast with respect to a given matter (not just those represented at a meeting); and any specified fraction or percentage of the Members means the Members holding that fraction or percentage of the total votes entitled to be cast with respect to a given matter. A specified fraction or percentage "of all of the Members except Investor" means that fraction or percentage, of the

total votes of all Members other than votes held by Investor. Unless otherwise specified, any provision herein requiring the approval of the Members means the approval of a Majority of Members.

"Master Association" means 3 Canyons Ranch Property Owners' Association, its successors and assigns.

"Master Association Land" means such part or parts of the Property and such buildings, structures and improvements thereon, and other real or personal property or interests therein as the Master Association may at any time own in fee or in which the Master Association may at any time have a leasehold interest, including, without limitation, Master Common Areas, for as long as the Master Association is the owner of the fee or leasehold interest, including any Private Streets owned by the Master Association.

"Master Common Areas" means all real property and the improvements or amenities thereon which may from time-to-time be owned or leased by the Master Association or otherwise held by the Master Association for the common use and enjoyment of the Owners and Occupants. The Master Common Areas include, but are not limited to, the Private Streets. The only private street which shall constitute Master Common Area and be maintained by the Master Association is the Primary Roadway to the extent such roadway is located on Master Association Land. Upon written direction of the Investor (prior to the Transition Date) or a three-quarters (3/4) vote of the Board, other private streets may be indicated as Master Common Areas to be maintained by the Master Association. Any real property, and improvements or amenities thereon, which is described as part of the "common areas" in a Supplemental Declaration shall, for all purposes, be integrated into and deemed to be a part of the Master Common Areas subject to this Master Declaration.

"Master Declaration" means this instrument and all Supplemental Declarations, as from time-to-time amended.

"Master Design Committee" means the committee created pursuant to Section 12.1.

"Master Design Guidelines" means the rules, regulations, restrictions, architectural standards, and design guidelines from time-to-time adopted by the Master Design Committee pursuant to Section 12.2.

"Medium Density Property" shall mean all the Property contained in the East half of Section 20, the East half of Section 29, and all of Sections 21 and 28, Township 23 South, Range 21 East, G&SRB&M, Cochise County, Arizona, and all of Section 20, Township 23 South, Range 22 East, G&SRB&M, Cochise County, Arizona,

"Member" means every Person who is a member of the Master Association.

"Membership" means a membership in the Master Association.

"Mortgage" means any recorded, filed or otherwise perfected instrument, which is not a fraudulent conveyance under Arizona law, given in good faith and for valuable consideration as security for the performance of an obligation, including without limitation a deed of trust, but shall not include any instrument creating or evidencing solely a security interest arising under the Uniform Commercial Code. "Mortgagee" means the holder of a note secured by a Mortgage, including the trustee and beneficiary under any deed of trust. "Mortgagor" means the party executing a Mortgage as obligor. "First Mortgage" means a Mortgage which is the first and most senior of all Mortgages upon the same property. "First Mortgagee" means the holder of a First Mortgage.

"Occupant" means any Person, other than an Owner, in rightful possession of any portion of the Property, whether as a guest, tenant or otherwise.

"Owner" means the record owner, whether one or more Persons, of fee simple title, whether or not subject to any Mortgage, of any property which is a part of the Property, including contract purchasers, but excluding those having such interest merely as security for the performance of an obligation. In the event that fee simple title to any property is vested of record in a trustee pursuant to Arizona Revised Statutes, Section 33-801, *et. seq.*, legal title shall be deemed to be in the trustor.

"Parcel" means an area of real property within the Property which may be limited by a recorded Village Declaration to one of the following Land Use Classifications: Recreational Facility, Social Facility or Health Facility or Airpark. The term Parcel shall also include an area of land within the Property as to which a Village Declaration has been recorded designating the area for Single Family Residential, but which has not yet been subdivided into Lots and related amenities and rights-of-way, but any such area shall cease to be a Parcel upon the recordation of a subdivision plat or other instrument covering the area and creating Lots and related amenities. A Parcel shall not include a Lot or any Exempt Property but, in the case of staged developments, shall include areas not yet included in a subdivision plat or other recorded instrument creating Lots and related amenities.

"Person" means an individual, corporation, partnership, Limited Liability Company, trustee or other entity capable of holding title to real property, and their respective heirs, personal representatives, successors and assigns.

"President" means the duly elected or appointed president of the Master Association.

"Primary Roadway" shall mean the northerly fifty (50) feet of Sections 26, 27, 28, 29, and the southerly seventy (70) feet of Sections 20, 21, 22, and 23, all in Township 23 South, Range 21 East, G&SRB&M, Cochise County, Arizona, and the southerly seventy (70) feet of Section 24, Township 23 South, Range 21 East, G&SRB&M, Cochise County,

Arizona, and the southerly seventy (70) feet of Sections 19 and 20, Township 23 South Range 22 East, G&SRB&M, Cochise County, Arizona.

"Private Roads" and "Private Streets" are synonymous and mean any street, roadway, drive, sidewalk, walkway, path or other right-of-way within, or partly within, the Property, which, except as hereinafter provided, has not expressly been dedicated to the public use and is not required to be maintained under any Village Declaration (and include, without limitation, the streets and rights-of-way within the Property designated as private access ways and public utility easements and not required to be maintained under any Village Declaration).

"Project" means the Investor Parcels and the Annexation Property.

"Property" means the Investor Parcels and any additional real property made subject to this Master Declaration by annexation pursuant to Section 16, but only after completion of such annexation, together with all buildings, improvements, and other permanent fixtures of whatever kind now or hereafter located thereon, and all easements, rights, appurtenances, and privileges belonging or in any way pertaining thereto.

"Property Line" means the exterior boundary line of a Lot or Parcel, or Lots or Parcels owned by the same owner and used in common, regardless of whether such boundary line is adjacent to a road, common area, other Lots or Parcels or other property.

"Record" or "Recording" means an instrument of record in, or the act of recording an instrument with the office of the County Recorder for Cochise County, Arizona.

"Residential Land Use Classification" means the Residential Land Use Classifications specified in Section 4.1.

"Single Family" means a group of one or more persons each related to the other by blood, marriage or legal adoption.

"Special Use Fees" means special fees which an Owner, Occupant or any other person is obligated by this Master Declaration or Association Rules to pay to the Master Association for use of or access to an amenity, facility or other improvement, including without limitation a Master Common Area or Master Association Land, or for the granting of a right or privilege with respect thereto, over, above, and in addition to any Assessment hereunder.

"Supplemental Declaration" means a declaration of covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations, and easements, or similar instrument, annexing additional real property to the Property and subjecting such real property to this Master Declaration as provided in Section 16.

"Taking" means a taking as defined in Section 11.1.

"3 Canyons Ranch" means the Investor Parcels and the Annexation Property.

"Transition Date" means the date set forth in Section 6.9 on which Investor's control of the Master Association terminates.

"Village" means an area within the Property subject to a Village Declaration.

"Village Association" means a nonprofit corporation or association organized by Investor, a Village Builder or other Owner within a Village for the purpose of managing the Village Common Areas, levying and collecting assessments, and otherwise performing administrative, organizational, recreational, and governmental functions typical of property owner associations.

"Village Builder" means a person or entity which is or is expected to be the principal developer in a Village, and is designated as a Village Builder in the Village Declaration for a Village.

"Village Common Area" means those areas, amenities, and facilities within a Village which are intended for the general benefit of the Owners of property in such Village or the Occupants thereof, such as community swimming pools, development landscaping, perimeter walls of the Village and other areas not designed for use with a single Dwelling Unit within the Village; provided, however, such term shall not include party walls between two Lots or Dwelling Units in a Village unless a Village Declaration or recorded instrument approved by Investor or the Master Association specifically obligates the Master Association to maintain such walls.

"Village Declaration" means a declaration recorded pursuant to Sections 4.1 and 14.

2. PROPERTY SUBJECT TO MASTER DECLARATION

2.1 General Purpose. Investor intends to develop the Project by subdivision and otherwise into various Lots, Parcels, and Master Common Areas, and to develop and/or sell and convey such Lots and Parcels as portions of the Project are developed. Investor intends, with respect to particular property constituting part of the Property, to record one or more Village Declarations covering Lots and Parcels designating Village Common Areas, which Village Declaration(s) will incorporate this Master Declaration and will establish such additional covenants, conditions, restrictions, and easements as may be appropriate for that property. Investor hereby declares that all of the real property within the Property is and shall be held, conveyed, hypothecated, encumbered, leased, occupied, built upon or otherwise used, improved or transferred, in whole or in part, subject to this Master Declaration and any recorded Village Declarations applicable thereto, as amended or modified from time-to-time; provided, however, that property which is not part of a Lot or Parcel and which is dedicated to the public or a governmental entity for public purposes shall not be subject to this Master Declaration while owned by the public or the governmental entity, although restrictions imposed in this Master Declaration upon the Owners and Occupants concerning the use and maintenance of such public areas shall at all times apply to the Owners and Occupants. This Master Declaration and the Village Declarations are declared and agreed to be in furtherance of a general plan for the

subdivision, improvement and sale of the Property, and are established for the purpose of enhancing and perfecting the value, desirability, and attractiveness of the Property and every part thereof. All of this Master Declaration shall run with all Lots, Parcels, and Master Association Land for all purposes and shall be binding upon and inure to the benefit of Investor, the Master Association, all Owners and Occupants, and their successors in interest. Nothing in this Master Declaration shall be construed to prevent Investor from modifying the Land Use Classifications or any portions thereof as to which a Village Declaration has not been recorded or from dedicating or conveying portions of the Property, including streets or roadways, for uses other than as a Lot, Parcel or Master Association Land.

2.2 Master Association Bound. Upon the incorporation of the Master Association, this Master Declaration shall be binding upon and shall benefit the Master Association.

3. RIGHTS OF ENJOYMENT

3.1 Owners Right of Enjoyment. Every Owner and Occupant shall have a nonexclusive easement for use and enjoyment in and to the Master Common Areas, subject to all of the easements, covenants, conditions, restrictions, and other provisions contained in this Master Declaration, including, without limitation, the following provisions:

3.1.1 The right of the Master Association to limit the number of guests of Owners and Occupants and to limit the use of the Master Common Areas by Persons who are not Owners, and to charge admission, membership, and other Special Use Fees for the use of any recreational or other facility situated upon the Master Common Areas.

3.1.2 The right of the Master Association to establish reasonable rules and regulations pertaining to or restricting the use of the Master Common Areas by Owners, Occupants, or other Persons.

3.1.3 The right of the Master Association to suspend the right of an Owner, Occupant or any Person (including without limitation a member of the family of an Owner) to use the Master Common Areas or any designated portion thereof (and voting rights) during any time in which any Assessment respecting such Owner or such Owner's Lot or Parcel remains unpaid and delinquent, or for a period not to exceed 60 days for any single infraction of the Association rules or breach of this Master Declaration, and up to one year for any subsequent violation of the same or similar provision of the Association Rules, this Master Declaration, or a Village Declaration, provided that any suspension of such right to use the Master Common Areas, except for failure to pay Assessments, shall be made only by the President, the Board or a duly appointed committee thereof, after notice and hearing given and held in accordance with the Bylaws. Notwithstanding the foregoing, the Master Association shall not have the right hereunder to suspend any Owner's right to use any portion of the

Property or Private Roads to the extent necessary for such Owner to gain access to his Lot or Parcel.

3.1.4 The right of the Master Association to dedicate or transfer all or any part of the Master Common Areas to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Master Association.

3.1.5 The right of the Master Association to change the use of Master Common Areas in accordance with Section 5.15.

3.1.6 The right of the Master Association to change the size, shape or location of Master Common Areas, to exchange Master Common Areas for other lands or interests therein, which become Master Common Areas, and to abandon or otherwise transfer Master Common Areas.

3.2 Delegation of Use. No Owner may delegate his right of use and enjoyment of the Master Common Areas to any Person, except to the members of his immediate family, to Occupants of his Lot or Parcel, or to his guests, in each case as permitted by the Association Rules.

3.3 Waiver of Use. No Owner may exempt himself, and no Owner shall be exempt, from personal liability for Assessments or release any Lot or Parcel owned by him from the liens, charges, and other provisions of this Master Declaration, the Articles, Bylaws, Association Rules or Master Design Guidelines, by voluntary waiver of, or suspension or restriction of, such Owner's right to the use and enjoyment of the Master Common Areas, or the abandonment of such Owner's Lot or Parcel.

4. LAND USE CLASSIFICATIONS, PERMITTED USES AND RESTRICTIONS

4.1 Land Use Classifications. As portions of the Property are readied for development, the Land Use Classifications, restrictions, easements, rights of way, and other matters, including new or different uses and restrictions there for and including any number of sub classifications thereof for any special uses, may be fixed by Investor in a Village Declaration which may be recorded for that portion of the Property. The initial Land Use Classifications, which may be amended at the sole discretion of the Investor, are set forth Section 4.1.1 hereof. Any such Village Declaration shall be construed as a supplement to this Master Declaration and fully a part hereof for all purposes to the same extent as if all of the provisions thereof were set forth in this Master Declaration. In exercising its authority to record Village Declarations, Investor shall not impose any new Land Use Classifications or new restrictions which are not generally in conformance with the scheme of development contemplated by the Land Use Classification

described below, as amended from time-to-time, and this Master Declaration. The Land Use Classifications for Lots, Parcels, and Master Association Land Established by a Village Declaration shall not be changed except as specifically permitted by this Master Declaration. The initial Land Use Classification for the Property included in the Investor Parcels Village Declaration is set forth in Section 4.1.1 below. Land Use Classifications for the Annexation Property and Addition II Annexation Property which may be annexed hereto as provided in Section 16 may include, without limitation, and subject to the approval of Cochise County and the Master Association, the following:

(a) Single Family Residential Use.

(b) Cluster Residential Use, which shall consist of Lots with Dwelling Units intended for Single Family occupancy and may include those types of residential housing arrangements known as single family homes, clustered housing, and similar arrangements, together with related areas intended for the use and enjoyment of the Owners and Occupants of the Lots in the cluster development,

(c) Airpark Use, which shall initially be limited to the following portions of the Property: Section 20 and a portion of Section 17, Township 23 South, Range 22 East, G&SRB&M, Cochise County. Arizona.

In addition, should Investor or any Owner or prospective Owner wish to establish another Land Use Classification permitted by applicable zoning, which is not included in the foregoing Land Use Classifications, Investor may, at its option and in its discretion, create a Land Use Classification which will accommodate the particular use, and establish Membership and voting rights and Assessments with respect to Property within any such additional Land Use Classification.

Unless otherwise specifically provided in this Master Declaration, the definitions and characteristics of the above Land Use Classifications, and specific permitted and prohibited uses in such Classifications, shall be determined in the Village Declaration. All Village Declarations shall be subject to applicable zoning laws.

4.1.1 Initial Land use Classifications. The initial Land Use Classifications for the Property shall be as follows:

(a) Investor Parcels. The initial Land Use Classification for the Investor Parcels shall be Single Family Residential Use or Cluster Residential Use with densities not to exceed one home for each eight acres for the Low Density Property, one home for each four acres for the Medium Density Property and one home for each three acres of Medium Density Property which is subject to a plat recorded in the offices of the Cochise County Recorder and approved by Cochise County or a municipality which has jurisdiction over such property.

(b) Annexation Property and Additional Annexation Property. The initial

Land Use Classification for the Annexation Property and the Additional Annexation Property shall be determined by the owner of such Property, subject to the approval of the Investor, and shall be set forth in a Village Declaration for each such portion of the Annexation Property and the Additional Annexation Property.

4.1.2 Land Use Classification Changes. Notwithstanding any other provision contained in this Master Declaration to the contrary, the Land Use Classification for a Lot or Parcel may be changed only upon the vote of eighty percent (80%) of the Memberships' voting in connection with such proposed change. Each Owner will be entitled to one vote for each Membership of such Owner; however, for purposes of this Section 4.1.2, Investor shall only be entitled to one vote per Membership and not to the weighted voting rights contained in Section 6.2. The foregoing provisions of this Section 4.1.2 shall also apply to the establishment of an initial Land Use Classification for Annexation Property except to the extent that such Land Use Classification established by the Investor or the Board is Low Density Property or Medium Density Property.

4.2 Covenants, Conditions, Restrictions, and Easements Applicable to Lots and Parcels Within All Land Use Classifications. The following covenants, conditions, restrictions, and reservations of easements and rights shall apply to all Lots, Parcels, and Common Areas, the Owners thereof, and all Occupants, regardless of Land Use Classifications, except that said covenants, conditions, restrictions, and reservations shall not apply to any Common Area:

4.2.1 Master Design Control. No improvements, alterations, repairs, excavation, grading, landscaping or other work which in any way alters the exterior appearance of any property within the Property, or the improvements located thereon, from its natural or improved state existing on the date this Master Declaration is recorded shall be made or done without the prior approval of the Master Design Committee, except as otherwise expressly provided in this Master Declaration. No building, fence, wall, residence or other structure or improvement shall be commenced, erected, maintained, improved, altered, or made without the prior written approval of the Master Design Committee. All subsequent additions to or changes or alterations in any building, fence, wall or other structure, including exterior color scheme, and all changes in the grade of Lots or Parcels, shall be subject to the prior written approval of the Master Design Committee. No changes or deviations in or from the plans and specifications once approved by the Master Design Committee shall be made without the prior written approval of the Master Design Committee.

4.2.2 Violation of Law or Insurance. No Owner shall permit anything to be done or kept in or upon his Lot or Parcel or in or upon any Common Areas which will result in the cancelation, or increase in premium, or reduction in coverage of insurance maintained by the Master Association or which would be in violation of any law.

4.2.3 Signs. No sign of any kind shall be displayed to the public view or from any Lot or Parcel or any Village Common Area or Master Common Area without the approval of the

Master Association or the Master Design Committee, except: (a) such signs as may be used by Investor in connection with the development and sale or leasing of Lots, Parcels or other property in the Property, and 3 Canyons Ranch in general; (b) such signs as may be required by legal proceedings or the prohibition of which is precluded by law; such signs as may be required for traffic control and regulation of Common Areas; and such signs as may be approved by Investor or the Board, street and directional signs and signage in the area of any entry or gatehouse serving a Village to identify the area, served by the entry or gatehouse. No "For Sale" or "For Rent" sign or other signs not expressly permitted by the Master Declaration may be posted on any Lot or Parcel without the approval of the Board or Master Design Committee; provided, however, (i) an Owner may post one "For Sale" or "For Rent" sign and "No Trespassing" signs with a single face area of not greater than four square feet and (ii) an Owner of a subdivision or a single Lot or Parcel containing at least eight acres may construct one entrance monument sign provided its design and construction is approved by Investor or the Board.

4.2.4 Animals.

(a) In General. No animals, including, without limitation, horses or other domestic farm animals, fowl or poisonous reptiles of any kind may be kept, bred or maintained in any Lot or Parcel except a reasonable number of commonly accepted domestic pets in accordance with the Association Rules. In no event shall any domestic pet be allowed to run free away from its owner's Lot or Parcel without a leash unless under supervised control of its Owner, or conduct itself so as to create an unreasonable annoyance. No animals shall be kept, bred or raised within the Property for commercial purposes except as specifically provided in this Section 4.2.4.

(b) Equestrian Areas. Notwithstanding the provisions of Section 4.2.4(a) above, Investor or the Board may designate certain areas of the Property as "equestrian" with such horse privileges as Investor or Master Association may permit.

(c) Exception - Ranchettes. Notwithstanding the provisions of Section 4.2.4(a) above, and subject to the requirements of Section 4.2.4(e) through 4.2.4(h) below, three (3) horses and five (5) additional farm animals shall be allowed on each Lot or Parcel comprising at least eight acres, all subject to the restrictions on overgrazing and other restrictions contained in this Master Declaration.

(d) Exception - Large Parcels. Notwithstanding the provisions of Section 4.2.4(a) above, and subject to the requirements of Section 4.2.4(e) through 4.2.4(h) below; (i) eight (8) cows, horses, steers, mules or other traditional farm animals (collectively "Livestock"), in the aggregate, shall be allowed on each Lot or Parcel, or contiguous Lots or Parcels owned by the same Owner, comprising at least 36 acres; (ii) sixteen (16) Livestock, in the aggregate, shall be allowed on each Lot or Parcel, or contiguous Lots or Parcels owned by the

same Owner, comprising at least 160 acres; (iii) thirty-two (32) Livestock, in the aggregate, shall be allowed on each Lot or Parcel, or contiguous Lots or Parcels owned by the same Owner, comprising at least 320 acres; and (iv) sixty-four (64) Livestock, in the aggregate, shall be allowed on each Lot or Parcel, or contiguous Lots or Parcels owned by the same Owner, comprising at least 640 acres, all subject to the restrictions on overgrazing and other restrictions contained in this Master Declaration.. On Lots or Parcels comprising at least thirty-six (36) acres, as part of and not in addition to the limitations on the number of allowable animals contained above, an Owner may have two (2) ruminant mammals such as sheep and goats not exceeding forty-two (42) inches in height in lieu of one Livestock unit, or an Owner may have four (4) birds such as turkeys, chickens or quail not to exceed twenty-four (24) inches in height in lieu of one Livestock unit.

(e) Animal-Related Setback. Neither the provisions of Section 4.2.4(c) nor Section 4.2.4(d) above shall apply unless (i) all pens, corrals, structures, wells, water tanks, and all other improvements or equipment used in any manner in connection with animals (except fencing at the perimeter of such Owner's Property) are set back at least 300 feet (125 feet on Lots or Parcels comprising at least eight acres but less than thirty-six acres, and 100 feet on Parcels comprising less than eight acres) from all adjacent properties, or (ii) such requirement is waived in a written document executed by the Investor or the Master Association and recorded in the official records of Cochise County, Arizona.

(f) Violations of Requirements Regulating Animals. Neither the provisions of Section 4.2.4(c) nor Section 4.2.4(d) shall apply from and after the date of a violation of any of the provisions of Sections 4.2.4(g) (relating to overgrazing), Section 4.10 (relating to revegetation requirements), or 4.2.4(h) (relating to animal nuisances). With respect to violations of Section 4.2.4(g) (relating to overgrazing) and Section 4.10 (relating to revegetation requirements), Owner shall have fifteen (15) calendar days to cure after written notice of such violation is mailed by the Investor of the Master Association to the Owner of the Property upon which such violation has occurred.

(g) Overgrazing. Notwithstanding any of the provisions contained in this Declaration, no person shall cause or allow any animals to overgraze. The determination of whether a Property has been overgrazed shall be made by a knowledgeable person or organization in range management appointed by the Board for such purpose. Further, each Owner of property upon which animals are maintained pursuant to the provisions of Section 4.2.4 (c) or Section 4.2.4(d), shall comply with generally accepted range management practices in order to prevent overgrazing or other significant impairment of the natural vegetation. In the event of a violation of this Section, an Owner may lose its rights to maintain other than domestic animals on its Property pursuant to the provisions of Section 4.2.4(f).

(h) Animal Nuisance. No Owner shall allow animals located on his Property to constitute a nuisance to adjoining and nearby Owners. In the event Owners representing at least sixty percent (60%) (determined based upon front feet of common property lines) of adjoining Property Owners object to the maintenance of other than domestic animals on such Property, such Owners may file a written notice with the Master Association (or the Investor

in the event a Master Association has yet to be formed) and upon such filing, all non-domestic animals shall be removed from such Owner's Property within ninety (90) days after notice.

4.2.5 Nuisances: Construction Activities. No Owner shall permit or suffer anything to be done or kept about or within his Lot or Parcel, or on or about the Property, which will obstruct or interfere with the rights of other Owners, Occupants or Persons authorized, to the use and enjoyment of the Common Areas, or annoy them by unreasonable noises or otherwise, nor shall an Owner commit or permit any nuisance or commit or suffer any illegal act to be committed therein or thereabout. Each Owner shall comply with the Association Rules and the requirements of all health authorities and other governmental Authorities having jurisdiction over the Property. Normal construction activities and parking in connection with the building of improvements on a Lot or Parcel shall not be considered a nuisance or otherwise prohibited by this Master Declaration, but Lots and Parcels shall be kept in a neat and tidy condition during construction periods, trash and debris shall not be permitted to accumulate, and supplies of brick, block, lumber, and other building materials will be piled only in such areas as may be approved by the Master Design Committee. In addition, any construction equipment and building materials stored or kept on any Lot or Parcel during construction of improvements must be kept within 200 feet of the area under construction. The Board in its sole discretion shall have the right to determine the existence of any unreasonable annoyance or nuisance under this Master Declaration.

4.2.6 Boats and Motor Vehicles. Except as specifically permitted by the Association Rules; (a) no boats, travel trailers, buses, motor homes, campers or other vehicles shall be parked or stored in or upon the Common Areas upon a Lot or Parcel except; (i) within an enclosed garage as permitted by the Master Design Guidelines; (ii) in an area not visible from the Lots or Parcels or properly screened in a manner approved by the Board or Master Design Committee; or (iii) as permitted under (c) below; (b) no vehicle shall be repaired, serviced or rebuilt in any Lot or Parcel or upon the Common Areas; and (c) nothing shall be parked on the Private Streets except in such parking areas as may be designated by the Board. The Board may remove, or cause to be removed, any unauthorized vehicle at the expense of the Owner thereof in any manner consistent with law. Notwithstanding the provisions of this Section 4.2.6, boats, trailers, busses, motor homes, campers, and other vehicles may be parked or stored without an enclosed garage in those certain areas with Land Use Classifications of Airpark Use and on Lots or Parcels comprising at least eight acres, provided the same are fully screened so they are not visible from neighboring Lots, Parcels, Common Area or roads.

4.2.7 Lights. No spotlights, flood lights or other high intensity lighting shall be placed or utilized upon any Lot or Parcel which in any manner will allow light to be directed or reflected on the Master Common Areas, or any part thereof, or any other Lot or Parcel, except as may be expressly permitted by the Association Rules or the Master Design Guidelines. No tennis courts may be lighted except as may be permitted by the Board or Master Design Committee.

Lights used for security purposes are allowed but shall be shielded so as to not adversely impact adjoining Lots, Parcels, or Common Area.

4.2.8 Antennas. No radio, television or other antennas of any kind or nature, or device for the reception or transmission of radio, microwave or other similar signals, shall be placed or maintained upon any Lot or Parcel except as may be permitted by the Association Rules or in accordance with the Master Design Guidelines. In no event shall free-standing antennas be allowed except for satellite television dishes which are fully screened so they are not visible from neighboring Lots, Parcels, Common Areas, and roads.

4.2.9 Garbage. No garbage or trash shall be kept, maintained or contained in any Lot or Parcel so as to be visible from another Lot or Parcel or the Common Areas except temporarily, in containers approved by Association Rules, for pickup. No incinerators shall be kept or maintained in any Lot or Parcel. No refuse pile, garbage or unsightly objects shall be allowed to be placed, accumulated or suffered to remain anywhere on a Lot or Parcel.

4.2.10 Mining. No portion of the Property shall be used in any manner to explore for or remove any oil or other hydrocarbons or minerals of any kind or earth substance of any kind.

4.2.11 Safe Condition. Without limiting any other provision in this Section 4.2, each Owner shall maintain and keep his Lot or Parcel at all times in a safe, sound, and sanitary condition and repair, and shall correct any condition or refrain from any activity which might interfere with the reasonable enjoyment by other Owners of their respective Lots or Parcels or the Common Areas.

4.2.12 Fires. Other than barbecues, in properly constructed barbecue pits or grills, and fire pits in compliance with the Association Rules and the Master Design Guidelines, or as otherwise expressly permitted in the Association Rules, no open fires shall be permitted on the Lots or Parcels nor shall any other similar activity or condition be permitted which would tend to increase the insurance rates for the Master Common Areas or for other Owners.

4.2.13 Clothes Drying Area. Unless screened so that they are not visible from neighboring Lots, Parcels, Common Areas, and roads, no portion of any Lot or Parcel shall be used as a drying or hanging area for laundry of any kind. All such facilities shall be provided within the buildings to be constructed on each Lot or Parcel.

4.2.14 No Obstructions to Drainage. No Owner shall erect, construct, maintain, permit or allow any fence or other improvement or other obstruction which would interrupt the normal drainage of the land or within any area designated by recorded plat or otherwise as a "drainage easement," except that, with the prior consent of the County and the Master Design Committee, nonpermanent structures, including fences, may be erected in those areas which contain only underground closed conduit storm drainage facilities.

4.2.15 Rental of Lots or Parcels. An Owner who leases or otherwise grants occupancy rights to his Lot or Parcel to any Person shall be responsible for assuring compliance by the Occupant with all of the provisions of this Master Declaration, the Articles, Bylaws, Association Rules, and Master Design Guidelines, all as amended and supplemented from time-to-time, and shall be jointly and severally responsible for any violations by the Occupant thereof.

4.2.16 Temporary Occupancy and Temporary Buildings. Except as set forth immediately below, no trailer, basement of any incomplete building, tent, shack, garage or barn, and no temporary buildings or structures of any kind, shall be used at any time for a residence, either temporary or permanent. Trailers and temporary buildings or structures may be used during the construction of a dwelling on any Property and shall be removed immediately after the completion of construction, but in no event shall such trailers, temporary buildings or structures be allowed on a Lot or Parcel for more than nine (9) months, in the aggregate during the Owner's ownership of the Property.

4.2.17 Maintenance of Lawns and Plantings. With respect to Lots or Parcels of eight (8) acres or less, each Owner of a Lot or Parcel shall keep all shrubs, trees, hedges, grass and plantings of every kind located on his Lot or Parcel (including setback areas and Common Areas), neatly trimmed. All Owners, regardless of Lot or Parcel size, shall keep all such areas free of trash and other unsightly material and shall maintain all paved and concrete areas including driveways, roadways and parking areas, in good condition and repair.

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

4.2.19 Repair of Buildings. No building or structure on any Lot or Parcel shall be permitted to fall into disrepair, and each such building and structure shall at all times be kept in good condition and repair and adequately painted or otherwise finished. In the event any building or structure is damaged or destroyed, then subject to the approvals required by Section 4.2.1, such building or structure shall be immediately repaired or rebuilt or shall be demolished and the Lot or Parcel upon which such improvements were located shall be cleared and restored to a presentable and safe condition.

4.2.20 Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot or Parcel comprising less than eight acres except; (a) such machinery or equipment as is usual and customary in connection with the use, maintenance or construction (during the period of construction) of a building, appurtenant structures, or other improvements; (b) that which Investor or the Master Association may require for the operation and maintenance of the Property; (c) that used in connection with any business permitted under a Village Declaration; or (d) on Lots or Parcels of thirty-six (36) acres or more, machinery or equipment which is common to ranch operations,.

4.2.21 Restriction on Further Subdivision, Compounds, Property Restrictions, and Rezoning. A Lot or Parcel may be further subdivided or separated into smaller lots or parcels (hut not smaller than allowed by the applicable Land Use Classification) by any Owner, and a portion of any Lot or Parcel may be conveyed or transferred by any Owner, with the prior written notification to the Board. This provision shall not, in any way, limit Investor from subdividing or separating into Lots or Parcels any property at any time owned by Investor and which has not previously been separated, platted or subdivided into Lots or Parcels. No portion of a Lot or Parcel, but for the entire Lot or Parcel, together with the improvements thereon, may be rented or otherwise made available for occupancy, and then only subject to the provisions of this Master Declaration. No further covenants, conditions, restrictions or easements shall be recorded by any Owner or other person against any Lot or Parcel without the provisions thereof having been first noticed in writing to the Board and any covenants, conditions, restrictions or easements recorded without such notification being evidenced thereon shall be null and void. No application for rezoning of any Lot or Parcel, and no applications for variances or use permits, shall be filed with any governmental authority unless the proposed use of the Lot or Parcel has been approved by the Board and the proposed use otherwise complies with this Master Declaration and any applicable Village Declaration. An Owner may own more than one Lot which, if permitted by the Village Declaration to which the Lots are subject, and if contiguous, may be combined into a single Lot with the consent of the County and the Master Design Committee; provided, however, that any such combination of Lots, except as hereinafter provided, shall not reduce or alter the voting rights obtained by ownership of each Lot, nor shall it reduce or otherwise alter the amount which would have been assessed against the Owner of such Lots pursuant to the terms hereof in the absence of combination. The Owner of such Lots will be entitled to the rights of Membership of one Membership in the Association for each such Lot (so long as Memberships may be held by Owners hereunder). The Assessments attributable to each of the former separate Lots shall be attributable to the entire combination of Lots and the entire combination shall be subject to the Assessment Lien.

4.2.22 Utility Service. Except as provided in a Village Declaration recorded by Investor (or otherwise placed or erected by Investor) and except for typical overhead power, telephone or cable television lines, no lines, wires, or other services for the communication or transmission of electric current or power or electromagnetic impulses, including telephone, television, and radio signals, shall be erected, placed or maintained anywhere in or upon any Lot or Parcel unless the same shall be contained in conduits or cables installed and maintained underground or concealed in, under or on buildings or other structures approved by the Master Design Committee. No provision hereof shall be deemed to forbid the erection of temporary power or telephone structures incident to the construction of buildings or structures approved by the Master Design Committee.

4.2.23 Right of Entry. During reasonable hours and upon actual receipt of at least seventy-two (72) hours advance notice to the Owner or Occupant of a Lot or Parcel, any member of the Master Design Committee, any member of the Board, or any authorized representative of either of them, shall have the right to enter upon and inspect any Lot or Parcel, and the improvements thereon, except for the interior portions of any completed residence, for the purpose of ascertaining whether or not the provisions of this Master Declaration have been or are

being complied with and such persons shall not be deemed guilty of trespass by reason of such entry. Owner or occupant or their representative must be present.

4.2.24 Investor's Exemption. Nothing contained in this Master Declaration shall be construed to prevent the erection or maintenance by Investor, or its duly authorized agents, of structures, improvements or signs necessary or convenient to the development and sale or leasing of property within the Project. Owner or occupant or their representative must be present.

4.2.25 Health, Safety, and Welfare. In the event any uses, activities, and facilities are deemed by the Board to be an unreasonable annoyance or a nuisance, or to adversely affect the health, safety or welfare of Owners or Occupants, the Board may make such rules restricting or regulating their presence on the Property as part of the Association Rules or may direct the Master Design Committee to make rules governing their presence on Lots or Parcels as part of the Master Design Guidelines.

4.2.26 Model Homes. The provisions of this Master Declaration and of Village Declarations which prohibit nonresidential use of Lots and Parcels and regulate parking of vehicles shall not prohibit the construction and maintenance of model homes by persons engaged in the construction of residential dwellings on the Property and parking incidental to the visiting of such model homes so long as the location of such model homes are approved by the Master Design Committee, the opening and closing hours are approved by the Board, and the construction, operation (including means of access thereto, amount of lighting, and number and appearance of signs), and maintenance of such model homes otherwise comply with all of the provisions of this Master Declaration and the Association Rules. The Master Design Committee may also permit Lots and other areas to be used for parking in connection with the showing of model homes so long as such parking and parking areas are in compliance with the ordinances of the County and any rules of the Master Design Committee. Any homes constructed as model homes shall cease to be used as model homes at any time the Owner or Occupant thereof is not actively engaged in the construction and sale of single family residences on the Property and no home shall be used as a model home for the sale of homes not located on the Project.

4.2.27 Incidental Uses. The Board may approve uses of property within a Land Use Classification which are incidental to the full enjoyment by the Owners of the Property within that Land Use Classification. Such approval may be subject to such regulations, limitations, and restrictions, including termination of the use, as the Board may wish to impose, in its sole discretion, for the benefit of the Property or the Project as a whole.

4.2.28 Residential Use. It is intended that the Property shall be used solely for residential use and that a portion of the Property will be used for Airpark Use. Except in the portion of the Property designated for Airpark Use, there shall be no commercial or similar establishments including, without limitation, retail, industrial office uses and there shall be no churches (except for churches approved by the Investor or Board and located within 250 feet of a public roadway) or schools, except for public schools under the supervision of the local school district. Notwithstanding the foregoing, home offices shall be allowed provided no retail or

manufacturing use is involved.

4.2.29 Equipment on Roofs. There shall be no heating or cooling equipment, antennas or any other attachments to the roof (except for customary vents and chimneys) unless such equipment, antennas or other attachments are fully screened from view by a parapet wall or other screen which screen shall not exceed four (4' feet in height). Any equipment, antennas or other attachments to the roof must satisfy the height requirements as set forth in this Master Declaration.

4.2.30 Easements. Easement or conservation easement may be created with written notification to the Board.

4.3 Conditions, Restrictions, and Easements Applicable Lots or Parcels Within Single Family Residential Use and Cluster Residential Use Classification. The following covenants, conditions, restrictions, and reservations of easements and rights shall apply only to property (and the Owners and Occupants thereof) lying within an area having a Single Family Residential Use Classification or Cluster Residential Use Classification:

4.3.1 General. Property classified as Single Family Residential or Cluster Residential under a Village Declaration may be used only for the construction and occupancy of single family detached dwellings and typical residential activities incidental thereto, such as the construction and use of a family swimming pool and permitted tennis court. All property within such Land Use Classifications shall be used, improved, and devoted exclusively to Single Family residential use. Except as provided in 4.2.28, no gainful occupation, profession, trade or other nonresidential use shall be conducted on any such Property. Except as permitted by the Master Association or as permitted in Section 43.8, no structure whatsoever shall be erected, placed or permitted to remain on any Lot or Parcel of less than eight acres. No used buildings constructed or erected upon other real property shall be moved from other locations onto the Property. Neither trailer homes nor mobile homes nor manufactured homes shall be permitted on the Property. No structures of a temporary character, travel trailers, tents, shacks, garages or barns shall be used on any Lot' or Parcel at any time as a residence either temporarily or permanently. Site-built houses only shall be allowed on the Property.

4.3.2 Tenants. The entire Dwelling Unit on a Lot Parcel, but not less than the entire Dwelling Unit, may be occupied by a tenant from time-to-time, subject to the provisions of this Master Declaration and the Association Rules.

4.3.3 Density. Densities and intensities of uses shall be no greater than those provided by the appropriate Land Use Classification for such area.

4.3.4 Setbacks. Setbacks shall apply to all buildings, fences, walls, residences, and other structures and improvements, except for reasonable areas of ingress and egress and utility lines, all of which shall be subject to architectural and landscape control, pursuant to

Section 12 hereof. The distance of such setbacks shall be as follows:

(a) General. Except as otherwise provided in this Master Declaration, all buildings, walls, residences and all other structures and improvements shall be set back at least 100 feet from all Property Lines on Lots or Parcels of eight (8) acres or less, 175 feet on Lots or Parcels greater than eight (8) acres but less than thirty-six (36) acres, and 300 feet on Lots or Parcels of thirty-six (36) acres or larger.

(b) Fencing; Walls. Barbed wire fences shall be allowed as perimeter fences (*i.e.*, on or near property lines) only on Lots or Parcels of thirty-six (36) acres or larger. Other wire fences shall be allowed as perimeter fences (*i.e.*, on or near property lines) on Lots or Parcels of eight (8) acres or larger, notwithstanding the foregoing sentences, no fences of any kind shall be allowed within 70 feet of the Primary Roadway. Wood fences, masonry walls, and other permitted opaque walls or fences must be set back at least 500 feet from all Property Lines where said wall or fence is located on a Lot or Parcel, which is larger than thirty-six (36) acres and one hundred (100) feet from all Property Lines in all other cases.

(c) Windmills. Windmills, which shall be allowed only on Lots or Parcels containing at least forty (40) acres, and related improvements, shall be set back at least 500 feet from all Property Lines. The existing windmill and well located in the southwest quarter of Section 22 is hereby grandfathered as to setbacks and height restrictions.

(d) Animal-Related. Animal-related setback requirements are contained in Section 4.24(d).

(e) Permitted Uses. The following uses shall be permitted in all setback areas, subject to Architectural and Landscape Control and other restrictions contained in this Master Declaration: reasonable ingress and egress, utilities, cable television, drainage (but not for retention or detention), secured entry gates and gatehouses, and subdivision entry monumentation.

4.3.5 Height Restrictions. No building, fence, wall, residence or other structure or improvement (including without limitation towers) shall be built or maintained which exceeds fifteen (15) feet except as follows:

(a) Residence, Guest House, and Barn. One residence, one guest house, and one barn may exceed fifteen (15) feet in height provided the highest point on such structure, including without limitation peaks, parapets, screening, heating or cooling equipment and antennas, does not exceed thirty (30) feet in height.

(b) Walls and Fences. Walls and fences may not exceed six (6) feet in height.

(c) Windmills. Windmills may not exceed forty (40) feet in height.

4.3.6 Story Restrictions. No building or structure, exclusive of basements, shall be built or maintained that exceeds two (2) stories on a Lot or Parcel of eight (8) acres or greater and one (1) story on all other Lots and Parcels.

4.3.7 Size Restrictions. No building intended to be occupied as a residence (except one guest house on a Lot or Parcel with a qualifying residence) shall be built or maintained, unless it contains at least 1,200 square feet of heated and cooled living space, and no guest house shall exceed 1,200 square feet heated and cooled living space.

4.3.8 Numbers of Buildings. Except for Lots or Parcels of thirty-six (36) acres or larger, no Lot or Parcel shall contain any buildings, sheds or similar structures except for one residence, one guest house within fifty (50) feet of said residence, one storage shed not to exceed 600 square feet (1,200 square feet on a Lot or Parcel of at least eight (8) acres), and twelve (12) feet in height within fifty (50) feet of said residence, and, in the case of a Lot or Parcel of at least eight (8) acres, one barn. This Section 4.3.8, shall not apply to Lots or Parcels of thirty-six (36) acres or larger, but the other provisions of this Master Declaration (including the provisions of Section 4.8) shall apply.

4.3.9 Variances. The Investor or the Board (by a three-quarters vote) may grant reasonable variances to the setback, height, story, size or number of building restrictions.

4.4 Covenants Conditions, Restrictions, and Easements Applicable to Airpark Use Classification. The following covenants, conditions, and restrictions shall apply only to Lots or Parcels with an Airpark Use Classification:

4.4.1 Airplanes routinely using the portion of the Property with an Airpark Use Classification ("Airpark") shall be restricted to those airplanes having not more than nine (9) seats and weighing not more than 12,500 pounds and no two-stroke or two-cycle engine-driven aircraft shall be allowed to use the Airpark.

4.4.2 All airport services shall be provided on the east side of the runway and no such services shall be conducted on the west side of the runway, and all services will be conducted inside of buildings except for those called for in Section 4.4.7 which will not be conducted inside a building.

4.4.3 No increase in width or length of the existing runway shall be made unless required by the Court or FAA mandates. Any increase in the size shall be in the absolute minimum required to comply with any County or FAA mandate.

4.4.4 The owner of the Airpark shall submit to Investor for approval, which approval shall not be unreasonably withheld, all applications that in any manner impact on Investor's remaining property within the Project, including any Federal, state, county or local submittals.

4.4.5 All flight patterns shall occur on the east side of the Airpark except in cases of emergency uses.

4.4.6 The northern and eastern boundaries of the Airpark shall be landscaped and screened (in compliance with all FAA regulations) in accordance with a landscaping and screening plan submitted to Investor for approval within 120 days after the approval of building permits. Construction of the landscaping and screening shall begin within sixty (60) days of receipt of Investor's approval and shall be completed within 150 days of receipt of Investor's approval. Six native to Arizona (as defined by Cochise County) growth trees and ten bushes or shrubs will be planted for every 100 feet of developed area. The planted areas must be maintained and watered to sustain their existence. Native grass shall be used to cover all disturbed areas not covered by crushed rock. Love grass shall not be planted for this or any other purpose. The landscape plan will be developed in a manner to provide that retention-detention areas will be used to help supplement the watering of revegetated areas. Any and all buildings and similar structures in the Airpark shall be set back not less than 100 feet from all property lines.

4.4.7 No below ground fuel tanks or similar tanks shall be used for the storage of solvents, oil or other toxic chemicals. All storage must meet EPA and ADEQ requirements as well as all County requirements.

4.4.8 There shall be no pilot training allowed at the Airpark.

4.4.9 All outdoor lighting shall comply with Cochise County lighting codes.

4.4.10 The Airpark shall be a private, low-use airpark that will not interfere with the current or future residential development in the surrounding area.

4.4.11 Boats, trailers, busses, motor homes, campers, and other vehicles may be parked or stored in those certain areas with Land Use Classification of Airpark Use, provided the same are properly screened so they are not visible from neighboring Lots, Parcels, Common Area or roads.

4.5 Grazing Operation of Investors: No Farming. Notwithstanding any provision contained in this Master Declaration, the Articles, the Bylaws, Associations' Rules or Master Design Guidelines to the contrary (including, without limitation, the restrictions contained in Section 4.2.4 hereof); (i) Investor shall be entitled to use any and all portions of the Property owned by Investor for the purposes of grazing cattle and other animals; and (ii) grazing shall also be allowed if it is conducted pursuant to a master grazing lease or private leases. Provided that the owners of all properties covered by such master lease or private leases fence the entire area subject to such master lease or private leases so as to keep all animals within said area. There shall be no crop, tree or other farming within the Property except for domestic gardens of reasonable size.

4.6 Implementation and Variances. The Board may implement the restrictions set forth in this Section 4, or otherwise restrict and regulate the use and occupancy of the Property and the sets and Parcels by reasonable rules and regulations of general application adopted by the board from time-to-time which shall be incorporated into the Association Rules. The Board may, at its option and in extenuating circumstances, grant variances from the restrictions set forth in this Section 4 or in any Village Declaration if the Board determines, in its discretion; (a) either (i) that a restriction would create a substantial hardship or burden on an Owner or Occupant; or (ii) that a change of circumstances since the recordation of this Master Declaration has rendered such restriction obsolete; and (b) that the activity permitted under the variance, in the reasonable opinion of the Board, will not have any substantial adverse effect on the Owners and Occupants of the Property and is consistent with the high quality of life intended for residents of the Property.

4.7 Water Use Restrictions. The following restrictions shall apply to all of the Property unless a waiver thereof is granted by the Master Association:

4.7.1 Low Flow Plumbing. All new development shall use low flow water plumbing only.

4.7.2 Landscaping. All plants used in connection with landscaping within the Property shall be drought tolerant, low polluting, and native to the area. The provisions of this Section 4.7.2 shall not prohibit the use of other plants in gardens or within seventy-five (75) feet of a single family residence.

4.8 Land Area Use Limitation. No more than ten percent (10%) of any Lot or Parcel may be developed or otherwise disturbed from its natural state. Driveways into a Lot or Parcel will not be included in this calculation.

4.9 Fencing. Subject to applicable setback requirements, height restrictions, architectural control, and other restrictions contained in this Master Declaration, the following types of perimeter or patio fencing and walls shall be allowed: barbed wire (only on parcels of thirty-six (36) acres or larger), other wire fencing with only parallel strands and not excluded below, wood, block, brick, and other masonry. Except for use in animal pens and gardens, the following types of fencing shall not be allowed: chain link, chicken wire and other similar fencing. Notwithstanding the foregoing, the Master Association may enlarge or reduce the types of allowable fencing or walls.

4.10 Revegetation. In the event cactus, trees or other rare plants are removed or significantly damaged as a result of development of portions of the Property, or construction or other activities thereon, then the Owner of such property shall be responsible for revegetating such property in an expeditious manner but in no event later than six months after such removal or damage occurs. All revegetation shall involve the use solely of plants allowed pursuant to Section 4.7.2 hereof, and in the event of removal of trees having a diameter of at least three inches, one foot above the ground, a like number of trees of equal or larger size shall be used to replace the removed or damaged trees.

5. MASTER ASSOCIATION

5.1 Purpose of Master Association. The Master Association has been, or will be incorporated as a nonprofit corporation to serve as the governing body for all of the Owners for the protection, improvement, alteration, maintenance, repair, replacement, administration, and operation of the Property, the assessment of expenses, payment of losses, disposition of casualty insurance proceeds, and other matters as provided in this Master Declaration, the Articles, Bylaws, Association Rules, and Master Design Guidelines. The Master Association shall not be deemed to be conducting a business of any kind, and all funds received by the Master Association shall be held and applied by it for the Owners in accordance with the provisions of this Master Declaration, the Articles, and the Bylaws.

5.2 Articles and Bylaws. In addition to the rights and powers of the Master Association set forth in this Master Declaration, the Master Association and its directors, officers, employees, Agents, and Members shall have such rights and powers as are set forth in the Articles and Bylaws and are not inconsistent with law or this Master Declaration. Such rights and powers, subject to the approval thereof by any agencies or institutions deemed necessary by Investor, may encompass any and all things which a natural person could do or which now or hereafter may be authorized by law, provided the Articles and Bylaws are not inconsistent with the provisions of this Master Declaration and are necessary, desirable or convenient in furtherance of the purposes set forth in this Master Declaration. After incorporation of the Master Association, a copy of the Articles and Bylaws shall be available for inspection at the office of the Master Association during reasonable business hours.

5.3 Board of Directors and Officers. The affairs of the Master Association shall be conducted by the Board and such officers as the Board may elect or appoint in accordance with the Articles and the Bylaws as the same may be amended from time-to-time. The initial Board shall be composed of three members appointed by Investor and designated in the Articles. After the Transition Date, the Board shall include, but need not be limited to, at least one Owner owning a Lot or Parcel in each Section. There need be no representation on the Board representing Sections where no Owner expresses to the Board in writing, at least ten days before the election of directors, a desire to be a Board member. The Board may also appoint various committees and may appoint a manager or managing agent who shall, subject to the direction of the Board, be responsible for the day-to-day operation of the Master Association. The Board shall determine the compensation to be paid to the manager or managing agent.

5.4 Association Rules. The Board shall be empowered to adopt, amend or repeal such rules and regulations as it deems reasonable and appropriate (the "Association Rules"), effective upon adoption or at such later time as may be specified therein, and binding upon all Persons subject to this Master Declaration and governing the use and/or occupancy of the Master Common Areas and any other part of the Property. The Association Rules may include the

establishment of a system of fines and penalties enforceable as Special Assessments. The Association Rules shall govern such matters in furtherance of the purposes of the Master Association, including, without limitation, the use of the Master Common Areas; provided, however, that the Association Rules may not discriminate among Owners except as expressly provided or permitted herein, and shall not be inconsistent with this Master Declaration, the Articles, Bylaws or Master Design Guidelines. Association Rules shall have the same force and effect as if they were set forth in and were part of this Master Declaration and shall be binding on the Owners, and all other Persons having any interest in, or making any use of, the Property, whether or not actually received thereby. The Association Rules shall be available at the principal office of the Master Association to each Owner or other Person reasonably entitled thereto, upon request. In the event of any conflict between any provision of the Association Rules and any provisions of this Master Declaration, or the Articles, Bylaws or Master Design Guidelines, the provisions of the Association Rules shall be deemed to be superseded by the provisions of this Master Declaration, the Articles, Bylaws or Master Design Guidelines to the extent of any such conflict.

5.5 Council of Presidents. The President of the Master Association and the president of each Village Association, commencing at such time as Investor or the Board elects, shall be members of a special committee of the Master Association which shall be known as the Council of Presidents. When established by Investor or the Board, the Council of Presidents shall act as a special committee to respond to the needs and complaints of the Village Associations, shall advise the Board on matters concerning the Villages and Village Associations, and shall operate under Bylaws established by the Board. In particular, the Council of Presidents shall consider any complaints filed with the Master Association or the Council of Presidents by the president of a Village Association concerning; (a) the adequacy, extent, and nature of the management and maintenance services furnished by the Master Association to the Village Association and the charges therefore; (b) the Master Association's budget actions with respect to any Village Association; and (c) the exercise by the Master Association of its authority with respect to any Village Association, and shall also consider such other matters and perform such other duties as may be referred by the Board to the Council of Presidents. The Council of Presidents shall consider all matters referred to it, shall issue reports on such matters to the Board, and shall make recommendations to the Board, concerning the complaints considered by the Council of Presidents. If any one or more presidents on the Council of Presidents is dissatisfied with the decision reached by the majority of the Council of Presidents on a complaint referred to the Council of Presidents, one such president shall be permitted to address the Board briefly at the meeting of the Board during which the complaint is considered. The decision of the Board, after hearing a presentation from such president and a representative of the majority of the Council of Presidents, shall be final; provided, however, that the President of the Master Association and the president of any Village Association filing a complaint with the Master Association or Council of Presidents shall not vote in such decision even if they are members of the Board. The President of the Master Association shall preside over the meetings of the Council of Presidents.

5.6 Indemnification. To the fullest extent permitted by law, every director and officer of the Master Association, every member of the Master Design Committee, and Investor (to the

extent a claim may be brought against Investor by reason of its appointment, removal or control over members of the Board or the Master Design Committee) shall be indemnified by the Master Association. Every other person serving as an employee or direct agent of the Master Association, or on behalf of the Master Association as a member of a committee or otherwise, may, in the discretion of the Board, be indemnified by the Master Association, against all expenses and liabilities, including without limitation attorneys' fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having served in such capacity on behalf of the Master Association (or in the case of Investor by reason of having appointed, removed or controlled or failed to control members of the Board or the Master Design Committee), or any settlement thereof, whether or not he is a director, officer or member of the Master Design Committee or serving in such other specified capacity at the time such expenses are incurred, provided that the Board shall determine, in good faith, that such officer, director, member of the Master Design Committee or other person, or Investor, did not act, fail to act, or refuse to act with gross negligence or fraudulent or criminal intent in the performance of his duties. The foregoing rights of indemnification shall be in addition to and not exclusive of all other rights to which such persons may be entitled at law or otherwise.

5.7 Non-Liability of Officials. To the fullest extent permitted by law, neither Investor, the President, the Board, the Master Design Committee or any other committee of the Master Association or any member thereof, nor any directors or officers of the Master Association, shall be liable to any Member, Owner, Occupant, the Master Association or any other Person for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval of drawings or specifications (whether or not defective), course of action, act, inaction, omission, error, negligence or the like made in good faith and which Investor, the President, the Board, or such committees or persons reasonably believed to be within the scope of their respective duties,

5.8 Easements. In addition to the blanket easements granted in Section 15, the Master Association is authorized and empowered to grant upon, across or under real property owned or controlled by the Master Association such permits, licenses, easements, and rights-of-way for sewer lines, water lines, underground conduits, storm drains, television cable, and other similar public or private utility purposes, security lines, roadways or other purposes as may be reasonably necessary and appropriate for the orderly maintenance, preservation and enjoyment of the Master Common Areas or for the preservation of the health, safety, convenience and welfare of the Owners, provided that any damage to a Lot or Parcel resulting from such grant shall be repaired by the Master Association at its expense.

5.9 Accounting. The Master Association, at all times, shall keep, or cause to be kept, true and correct records of accounts in accordance with generally accepted accounting principles, which shall specify in reasonable detail all expenses incurred and funds accumulated from Assessments or otherwise.

5.10 Records. The Master Association shall, upon reasonable written request and during reasonable business hours, make available for inspection by each Owner and Member the books, records, and financial statements of the Master Association together with current copies, as amended from time-to-time, of this Master Declaration and the Articles, Bylaws, Association Rules, and Master Design Guidelines. Notwithstanding the foregoing to the contrary, until the Transition Date, the Master Association shall not be required to make its books and records available for inspection except as required by law. Investor shall be under no obligation to make its own books and records available for inspection by any Owner, Member or other person. The books and records of the Master Association may be audited or unaudited as the Board from time-to-time may determine.

5.11 Manager or Managing Agent. All powers, duties and rights of the Master Association or the Board, as provided by law and herein, may be delegated to a manager or managing agent; provided, however, that no such delegation shall relieve the Master Association of its obligation to perform any such delegated duty. Any agreement for management, or any other contract providing for services to the Master Association, shall not exceed a term of three years, which term may be renewed by agreement of the parties for successive one-year periods.

5.12 Other Ancillary Associations. In the event any homeowners or similar association, other than a Village Association, is to be formed by the developer (other than Investor) of a Parcel or subdivision on the Property, or in the event any club, group or organization is to be formed and plans to use the Master Common Areas or Village Common Areas as a meeting place or site for other group activities, the Articles of Incorporation and Bylaws or other governing documents for such Association shall not be effective unless the contents thereof have been approved by the Board, and the governing documents specify that such Association and the rights of its members are subject and subordinate to the provisions of this Master Declaration, the Articles, and Bylaws, and the provisions of the Association Rules. This Section 5.12 shall not apply to social clubs and other clubs and associations which may be formed for the benefit of Owners and Occupants of property within the Property, but which do not perform the functions of a typical homeowners association such as maintenance of real property, the collection of assessments for activities related to the operation and maintenance of real property within the Property, or the establishment or enforcement of restrictions and regulations affecting real property within the Property.

5.13 Rights of Enforcement. The Master Association shall have the exclusive right to enforce the provisions of this Master Declaration and/or any and all covenants, restrictions, reservations, charges, servitudes, assessments, conditions, liens or easements provided for in any contract, deed, declaration or other instrument which; (a) shall have been executed pursuant to, or subject to, the provisions of this Master Declaration; or (b) otherwise shall indicate that the provisions of such instrument were intended to be enforced by the Master Association or by Investor. If, however, the Master Association shall fail or refuse to enforce this Master Declaration or any provision hereof for an unreasonable period of time after written request to do so, then an Owner may enforce them on behalf of the Master Association by any appropriate legal action, whether at law or in equity.

5.14 Contracts with Others for Performance of Master Association's Duties. Subject to the restrictions and limitations contained herein, the Master Association may enter into contracts and transactions with others, including Investor and any affiliated companies or persons, for the performance of the Master Association's duties and other purposes consistent with this Master Declaration, and such contracts or transactions shall not be invalidated or in any way affected by the fact that one or more directors or officers of the Master Association or members of any committee may be employed by, or otherwise connected with. Investor or its affiliates or other company or person, provided that the fact of such interest shall be disclosed or known to the other directors acting upon such contract or transaction, and provided further that the transaction or contract is fair and reasonable. Any such director, officer or committee member may be counted in determining the existence of a quorum at any meeting of the Board or committee of which he is a member which shall authorize any contract or transaction described above or grant or deny any approval sought by Investor or its affiliate, or other company or person, and may vote there to authorize any such contract, transaction or approval with like force and effect as if he were not so interested.

5.15 Change of Use of Master Association Land. Upon: (a) adoption of a resolution by the Board stating that in the Board's opinion the then present use of a designated part of the Master Association Land or of the Master Association's interest in other Master Common Areas is no longer in the best interest of the Owners and Occupants or no longer necessary or appropriate for the purposes intended; and (b) after the Transition Date, the approval of such resolution by a majority of the votes of Members who are voting in person or by proxy at a meeting duly called for such purpose (a vote of the Members is not required prior to the Transition Date), the Board shall have the power and right to sell, exchange, convey or abandon such Master Association Land or interest or change the use thereof (and in connection therewith, construct, reconstruct, alter or change the buildings, structures, and improvements thereon in any manner deemed necessary by the Board to accommodate the new use), provided such new use: (i) shall be for the benefit of the Owners and Occupants; and (ii) shall be consistent with any deed restrictions (and zoning regulations) restricting or limiting the use of the Master Association Land. Anything foregoing to the contrary notwithstanding, if after the Transition Date, the Board determines, and the resolution of the Board recites, that any transaction involving the disposition or exchange of Master Association Land or the interest of the Master Association in Master Common Areas will not have an adverse effect on the Master Association and the Owners and Occupants of the Property, the Board may, in lieu of calling a meeting pursuant to (b) above, give notice to all Owners of the proposed transaction and of their right to object thereto and, if no more than 10% of the Members object in writing to the Master Association within 30 days after the giving of such notice, the transaction shall be deemed approved by the Members and a meeting of the Members shall not be necessary.

5.16 Mergers, Consolidations, and Federations. The Master Association shall have the right and power to participate in mergers, consolidations, and federations with any other non-profit corporations or associations regardless of whether the objects, purposes, rights and powers of such nonprofit, corporations or associations are lesser than, the same as, or greater than those of the Master Association. Any proposed merger, consolidation or federation shall not be effective or voted upon by the Owners without prior approval of the Board of the Master Association. Any such mergers, consolidations or federation shall be consummated only upon an affirmative vote

of two-thirds of the Members. Upon any such merger or consolidation, all of the properties, rights, and obligations of the other non-profit corporation or association shall be transferred to and assumed by the Master Association as the survivor, or alternatively, all the properties, rights, and obligations of the Master Association shall be transferred to and assumed by the surviving or newly created nonprofit corporation or association.

5.17 Purposes for Which Master Association's Funds May be Used. The Master Association, except as otherwise permitted in this Master Declaration, shall apply all funds and property collected and received by it (including Assessments, fees, loan proceeds, surplus funds, and all funds and property received by it from any other source) for the common good and benefit of the Property and the Owners and Occupants by devoting said funds and property, among other things, to the Common Expenses. The Master Association also may expend its funds for any purposes which any municipality in the State of Arizona may expend its funds under the laws of the State of Arizona or such municipality's charter.

5.18 Master Association's Rights in Spending Funds From Year-to-Year. The Master Association shall not be obligated to spend in any year all the sums received by it in such year, regardless of source, unless specifically provided to the contrary in this Master Declaration, and may carry forward as additional working capital or reserves any balances remaining. The Master Association shall not be obligated to reduce the amount of the Regular Assessment in the succeeding year if a surplus exists from a prior year, and the Master Association may carry forward from year-to-year such surplus as the Board in its discretion may determine to be desirable for the greater financial security of the Master Association and the accomplishment of its purposes.

5.19 Special Use Fees. The Master Association is authorized to impose, bill for, sue for, collect, administer, and disburse Special Use Fees, and the payment thereof shall be secured by the Assessment Lien. In establishing or adjusting the amounts of Special Use Fees from time-to-time, the Board, in its absolute discretion, may establish reasonable classifications as among Owners, Occupants, and other Persons.

5.20 Security Gates; Primary Roadway. The Master Association may but shall not be required to, construct, operate, and maintain secured entry gates on the Primary Roadway at Palomino Road and at State Route 92. The Investor or Board may allow one or more Owners to pave portions of the Primary Roadway, at their cost, provided that the plans for said construction and the construction itself, is approved by the Investor or the Board. In the event portions of the Primary Roadway are paved by Owners at their cost, the Master Association shall maintain such portions of the Primary Roadway.

6. MEMBERSHIPS AND VOTING

6.1 Owners of Lots and Parcels. Subject to the provisions for amendment of this Master Declaration in Section 20, every Owner of a Lot or Parcel which is subject to assessment under this Master Declaration, shall be a Member of the Master Association. Each such Owner shall have the following number of Memberships:

(a) One Membership for each full acre (43,560 square feet) in each Lot or Parcel owned by the Member, but no Memberships for fractional acres, and (b) One Membership for each one hundred (100) square feet of residential dwelling (including guest house) or commercial building owned by the Member, but no Memberships for less than one hundred (100) square feet.

(b) Each such Membership shall be appurtenant to and, except by amendment as permitted in accordance with Section 20, may not be separated from ownership of the Lot or Parcel to which the Membership is attributable, Joint ownership, or ownership of undivided interests, in any real property which establishes a Membership shall not cause there to be more Memberships than the number established by assuming one individual owned all of the property to which Memberships are attributable; for example, there may be only four Memberships attributable to a four-acre Single Family Residential Lot even though there may be two or more Owners of the Lot. Memberships shall be shared by any joint owners of, or owners of undivided interests in, the property interests to which such Memberships are attributable. Such Members in co-ownership shall designate in writing to the Board a single representative to vote or they shall not be entitled to vote.

(c) For the purpose of determining the number of Memberships, the Board may reasonably establish the methods and standards for calculating square footage of any land or buildings which may be, or are, constructed. In the event of a conflict between the Owner of a Parcel and the Master Association as to the size of a Lot, Parcel or building, a good-faith determination by the Board shall be binding. An Owner may appeal the size of his Parcel only by providing the Board with a survey of the Lot or Parcel which includes a calculation of the acreage or square footage of such Lot or Parcel, certified by a Professional Engineer or a Registered Land Surveyor licensed or certified in the State of Arizona. Any change in the size of a Parcel by the Board shall be prospective only and shall not affect any votes which have taken place prior to the change.

6.2 Investor's Voting Rights and Assignment Thereof. Notwithstanding anything to the contrary herein, Investor shall be entitled to the Membership(s) and to vote the Membership(s) vote for each Lot and Parcel owned by Investor, and Investor shall be entitled to one vote for each Membership except that Investor shall be entitled to only one vote for each membership in waters relating to Land Use Classifications, budgets, and Assessments. If any lender to whom Investor has assigned, or hereafter assigns, all or substantially all of its rights under this Master Declaration as security succeeds to the interests of Investor by virtue of said assignment, the absolute voting rights of Investor provided in Section 6.9 shall not be terminated thereby, and such lender shall hold Investor's Memberships and voting rights on the same terms as they were held by Investor pursuant hereto.

6.3 Right to Vote. No change in the ownership of a Membership shall be effective for voting purposes unless and until the Board is given actual written notice of such change and is provided satisfactory proof thereof. The vote for each such Membership must be cast as a unit, and fractional votes shall not be allowed. In the event that a Membership is owned

by more than one person or entity and such owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Member casts a vote representing a certain Membership, it will thereupon conclusively be presumed for all purposes that he was acting with the authority and consent of all other Owners of the same Membership unless objection thereto is made at the time the vote is cast. In the event more than one vote is cast for a particular Membership, none of the said votes shall be counted and all said votes shall be deemed void.

6.4 Cumulative Voting for Board Members. In any election of the members of the Board, every owner of a Membership entitled to vote for one or more members of the Board at such an election shall have the number of votes for each Membership equal to the number of directors to be elected by the election in which the Member is entitled to participate. Each Member shall have the right to cumulate his votes for one candidate or to divide such votes among any number of the candidates. The candidates receiving the highest number of votes, up to the number of the Board members to be elected, shall be deemed elected.

6.5 Membership. Each Member shall have the rights, duties and obligations set forth in this Master Declaration and such other rights, duties and obligations as are set forth in the Articles and Bylaws.

6.6 Transfer of Membership. Except as provided in Section 6.7, and except as may be provided to the contrary by amendment pursuant to Section 20, the rights and obligations of a Member shall not be assigned, transferred, pledged, conveyed or alienated in any way except upon transfer of ownership to an Owner's Lot or Parcel, and then only to the transferee of ownership to the Lot or Parcel. A transfer of ownership to a Lot or Parcel may be affected by deed, intestate succession, testamentary disposition, foreclosure of a Mortgage, or such other legal process as now in effect or as may hereafter be established under or pursuant to the laws of the State of Arizona. Any attempt to make a prohibited transfer shall be void. Any transfer of ownership to a Lot or Parcel shall operate to transfer the Membership(s) appurtenant to said Lot or Parcel to the new Owner thereof.

6.7 Use of Membership; Designees. If permitted by the Association Rules, all of the owners of a Membership may designate one individual (herein called a "Designee") to exercise all of the rights of the Member under this Master Declaration attributable to such Membership, but such designation shall not relieve the Member of any liabilities or obligations as an Owner with respect to the Membership. So long as such designation is in effect, only the Designee shall be permitted to exercise the rights of the Member and the Board may, among other things, in its discretion, set maximum or minimum periods for which such designation may be in effect and limit the number of persons who may be so designated by any Member at any one time. The Designee must be an Owner unless the Board adopts rules removing that requirement.

6.8 Pledge of Voting Rights. Notwithstanding the foregoing provisions of this Section 6, in the event that an Owner has granted an irrevocable proxy or otherwise pledged the voting right appurtenant to the Membership(s) with respect to his Lot or Parcel to a Mortgagee as additional security, only the vote of such Mortgagee will be recognized in regard to such special matters if a copy of such proxy or other instrument pledging such vote has been filed with the Master Association. In the event that more than one such instrument has been filed, the Master Association shall recognize the rights of the first Mortgagee to so file, regardless of the priority of the Mortgages themselves.

6.9 Investor's Control of Association. Notwithstanding anything in this Master Declaration to the contrary, until the Transition Date, Investor shall maintain absolute control over the Master Association, including without limitation amendment of the Articles (through control of the Board); appointment of the President; the election of members of the Board; and the appointment of members of the Master Design Committee; but not including the right to increase assessments or change land uses without a majority vote of the Owners. Until the Transition Date, only Investor will be entitled to cast any vote with respect to the election of directors to the Board, removal of directors or any other matter requiring the approval of the Members except a vote of the Members as required in accordance with Sections 7.5 and 10.2. The Transition Date shall be the first to occur of: (i) the day on which title to the last Lot or Parcel in the Property owned by Investor is conveyed to a third party for value, other than as security for performance of an obligation; or (ii) such date as Investor requires the Members to assume control of the Master Association, but in no event later than December 31, 1997. On the Transition Date, Investor shall record a Notice of Transition in the official records of Cochise County, Arizona, which Notice of Transition shall be executed and acknowledged by Investor and shall recite that Investor has relinquished control of the Master Association to the Members.

6.10 Common Area Improvements: Acquisition of Additional Common Area. The Master Association shall not construct significant common area improvements, including without limitation roadways and security gates, without the vote of sixty percent (60%) of those Memberships voting. The Master Association shall not acquire additional common area which would have a substantial effect upon the Association's budget except upon the vote of eighty percent (80%) of the Memberships voting.

7. ASSESSMENTS

7.1 Creation of Lien and Personal Obligation. Each Owner, by acceptance of a deed or other conveyance of an interest in a Lot or a Parcel and/or title thereto, is deemed to covenant and agree to pay to the Master Association, Regular Assessments, Special Assessments, Capital Improvement Assessments, and Reconstruction Assessments, such Assessments to be established and collected from time-to-time as provided in this Master Declaration. The Assessments, together with interest thereon, late charges, attorneys' fees, and court costs, and other costs of collection thereof, as hereinafter provided, shall be a continuing

lien (the "Assessment Lien"), which Assessment Lien also secures payment of such other sums as provided in this Master Declaration, upon the Lot (or combined Lots as provided in Section 4.2.21) and Parcels against which the Assessments are made. Each Assessment, together with such interest and other costs, shall also be the personal obligation of the Owner to whom such Assessment relates. The personal obligation for the delinquent payments shall not pass to an Owner's successor in title unless expressly assumed by the successor.

7.2 Purpose of Assessments. The Assessments levied by the Master Association shall be used to promote the recreation, health, culture, safety and welfare of the Owners, to enhance the quality of life within the Property, to preserve the value of the Property, to pay the costs of administration of the Master Association and all other Common Expenses, and otherwise to further the interests of the Master Association. If a Lot or Parcel has separate security, gas, electrical, sewer, or other similar utilities services, the cost of the same shall be the personal obligation of each Owner.

7.3 Regular Assessments.

7.31 Each Owner shall pay Regular Assessments as provided in this Section 7.3, and as further provided in Section 7.6. Except as otherwise specifically provided herein, payment of Regular Assessments shall be in such amounts and at such times as may be provided in the Articles and Bylaws or as determined by the Master Association.

7.3.2 Not later than 60 days prior to the beginning of each fiscal year of the Master Association, the Master Association shall make available for review by each Owner at the Master Association's office during reasonable time, a pro-forma operating statement or budget for the upcoming fiscal year which shall, among other things, estimate the total Common Expenses to be incurred for such fiscal year. Subject to the provisions of Section 7.3.3, the Master Association shall, at that time, determine the amount of the Regular Assessment to be paid by each Owner for each Membership and notify the Owner thereof. Each Owner shall thereafter pay to the Master Association said Regular Assessments in annual installments unless otherwise determined by the Board. Each such installment shall be due and payable on November 1 of each year or such other date specified by the Board. Notwithstanding the foregoing to the contrary, until the Transition Date, the Master Association shall not be required to prepare or make available to the Owners or Members any operating statement or budget.

7.3.3 If the Master Association determines that the total Regular Assessments for the current year are, or will become, inadequate to meet all Common Expenses for whatever reason, including Common Expenses in excess of the estimated Common Expenses used in preparation of the Master Association's budget for that year, the Board shall then immediately determine the approximate amount of such inadequacy and issue a supplemental estimate of the Common Expenses and determine the revised amount of Regular Assessments to be paid by each Owner for each Membership for the balance of the year, and the date or dates when due. If the estimated total Regular Assessments for the current year prove to be excessive in light of the

actual Common Expenses, the Master Association may, at the discretion of the Board, retain such excess as additional working capital or reserves as permitted by Section 5.18, reduce the amount of the Regular Assessments for the succeeding year, or abate collection of Regular Assessments for such period as it deems appropriate. No reduction or abatement of Regular Assessments because of any such anticipated surplus may diminish the quantity or quality of services upon which the Common Expenses for the year in question are based.

7.3.4 There shall be no assessments for calendar year 1995. The Maximum Regular Assessment shall not exceed \$3.00 per Membership for the calendar year 1996 and 1997.

7.4 Special Assessments. Special Assessments shall be levied by the Master Association against an Owner and his Lot or Parcel to reimburse the Master Association for:

7.4.1 Costs Incurred in bringing an Owner or his Lot or Parcel into compliance with the provisions of this Master Declaration, the Articles, Bylaws, Association Rules or Master Design Guidelines:

7.4.2 Any other charge designated as a Special Assessment in this Master Declaration, the Articles, Bylaws or Association Rules:

7.4.3 Fines levied or fixed by the Board under Section 5.4 or as otherwise provided herein; and

7.4.4 Attorneys' fees, interest, and other costs or charges provided to be paid as, or which are incurred in connection with, a Special Assessment in accordance with this Master Declaration, the Articles, Bylaws, Association Rules or Master Design Guidelines.

In the event the Master Association undertakes to provide materials or services which benefit individual Owners or Lots or Parcels and which can be accepted or not by individual Owners, such Owners, in accepting such materials or services, agree that the costs thereof shall be a Special Assessment.

7.5 Capital Improvement Assessments. In addition to the Regular Assessments, the Master Association may levy in any fiscal year after the year 1995, upon the affirmative vote of the holders of a majority of the votes represented at a duly held meeting of the Master Association or written assent of a Majority of Members, a Capital Improvement Assessment, for the purpose of defraying, in whole or in part, the cost of any action or undertaking on behalf of the Master Association in connection with, or the cost of, any construction or replacement of capital improvements upon the Master Common Areas, including the necessary fixtures and personal property related thereto, to the extent the same is not covered by the provisions affecting Reconstruction Assessments in Section 10. All amounts collected as Capital Improvement Assessments may only be used for capital improvements and shall be deposited by the Master Association in a separate bank account for such purposes. Said funds shall not be commingled with any other funds of the Master Association and shall be deemed a contribution to the capital account of the Master Association by the Owners.

7.6 Uniform Assessment. Except as provided in Section 7.3.3 with respect to Regular Assessments, the amount of any Regular Assessment and Capital Improvement Assessment, and any Reconstruction Assessment under Section 10, shall be fixed at a uniform rate per Membership.

7.7 Exempt Property. Exempt Property shall be exempt from the Assessments created herein.

7.8 Time and Manner of Payment; Late Charges and Interest. Assessments shall be due and payable by Owners in such manner and at such times as the Master Association shall designate. If not paid what due, but paid within ten days after its due date, each such Assessment shall have added to it a late charge equal to 10% of the amount of Assessment or such other charge as the Board may specify from time-to-time. Thereafter, any such delinquent Assessment and the applicable late charge shall bear interest from the tenth day after the date the Assessment was due at the Default Rate of Interest until paid. The Master Association may, in its discretion and without waiving the imposition of a late charge or interest in any other instance, waive the late charge and/or interest in any particular instance. A delinquent Owner shall also be liable for attorneys' fees and other related costs incurred by the Master Association as a result of such delinquency, and if any lawsuit, action or arbitration proceeding is brought to collect any such Assessment or charge, then there shall be added to the amount thereof costs of suit and reasonable attorneys' fees to be fixed by the court and included in any judgment or award rendered thereon.

7.9 No Offsets. All Assessments shall be payable in the amount specified in the Assessment or Notice of Assessment, and no offsets against such amount shall be permitted for any reason, including, without limitation, a claim that: (a) the Master Association, the Board, or Investor is not properly exercising its duties and powers as provided in this Master Declaration; (b) Assessments for any period exceed Common Expenses; or (c) an Owner has made, and elects to make, no use of the Master Common Areas,

7.10 Reserves. Any reserves included in the Common Expenses which are collected as part of the Regular Assessments shall be deposited by the Master Association in a separate bank account to be held for the purposes for which they are collected and are to be segregated from and not commingled with any other funds of the Master Association, except to the extent that the Master Association's regularly employed accountant deems it desirable to do otherwise on the basis of standard accounting principles in similar contexts or the laws, tax or otherwise, of the State of Arizona or the United States relating to non-profit corporations or homeowners associations. Such reserves shall be deemed a contribution to the capital account of the Master Association by Owners. The responsibility of the Board (whether while controlled by Investor or the Members) shall be only to provide for such reserves, if any, as the Board in good faith deems reasonable, and neither Investor nor the Board nor any Member thereof shall have any liability to any Owner or to the Master Association if reserves prove to be inadequate.

7.11 Certificate of Payment. Any Person acquiring an interest in any Lot or Parcel shall be entitled to a certificate from the Master Association setting forth the amount due, but unpaid, Assessments relating to such Lot or Parcel, if any, and such person shall not be liable for, nor shall any lien attach to the Lot or Parcel in excess of, the amount set forth in the certificate, except for Assessments which occur or become due after the date thereof, and any interest, costs, attorneys' fees, and any late charges related to such Assessments.

7.12 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 thereof, provided that said procedures are not inconsistent with the provisions hereof. The failure of the Master Association to send a bill to an Owner shall not relieve any Owner of his liability for any Assessment or charge under this Master Declaration, but the Assessment Lien therefore shall not be foreclosed or otherwise enforced until the Owner has been given not less than 30 days' written notice prior to such foreclosure or enforcement, at the address of the Owner on the records of the Master Association, that the Assessment or any installment thereof is or will be due and of the amount owing. Such notice may be given at any time prior to or after delinquency of such payment. The Master Association shall be under no duty to refund any payments received by it even though the ownership of a Membership changes during an assessment period. Successor Owners of Lots or Parcels shall be given credit for pre-payments, on a pro-rated basis, made by prior Owners. The amount of the Assessments against Owners who become such upon the recordation of a Village Declaration shall be pro-rated.

7.13 Enforcement of Lien. The Assessment Lien may be foreclosed by the Master Association in any manner provided or permitted for the foreclosure of realty mortgages or deeds of trust in the State of Arizona. All of the provisions of this Section 7 relating to the enforcement of the Assessment Lien provided for herein (including without limitation the provisions of this Section 7.13) shall apply with equal force in each other instance provided for in this Master Declaration, the Association Rules or Master Design Guidelines wherein it is stated that payment of a particular Assessment, charge or other sum, shall be secured by the Assessment Lien. Nothing herein shall be construed as requiring that the Master Association take any action required hereunder in any particular instance, and the failure of the Master Association to take such action at any time shall not constitute a waiver of the right to take such action at a later time or in a different instance.

7.14 Pledge of Assessment Rights as Security. The Master Association shall have the power to pledge the right to exercise its assessment powers and rights provided for in this Master Declaration as security; provided, however, that any such pledge occurring after the Transition Date shall require the prior affirmative vote of the holders of the majority of the votes represented at a duly held meeting of the Members or written assent of a Majority of Members.

7.15 Exemption of Unsold Lots or Parcels. Notwithstanding anything in this Section 7 or in Section 10 to the contrary, prior to the Transition Date, no Assessments shall be levied upon, or payable with respect to, any Lot or Parcel owned by or leased to Investor, or an affiliate of Investor, or any shareholder (or such shareholder's successors, heirs or devisees) in Investor to whom the Lot or Parcel has been distributed by Investor (as distinguished from having been purchased by the shareholder), or by any trustee for any of the aforesaid persons, until such Lot or Parcel has been conveyed by Investor (or said affiliate, shareholder or trustee) to a non-affiliated purchaser thereof.

8. MAINTENANCE AND SECURITY

8.1 Master Common Areas and Public Right of Way. The Master Association, or its duly delegated representative, shall maintain and otherwise manage all Master Common Areas, including, but not limited to, any landscaping, walkways, riding paths, parking areas, drives, recreational facilities, and the roofs, interiors, and exteriors of the buildings and structures located upon said properties; provided, however, the Master Association shall not be responsible for providing or maintaining the landscaping or structures on any Master Common Areas which are part of Lots or Parcels unless: (a) such landscaping or structures are available for use by all Owners and Occupants or are within easements intended for the general benefit of the Property; and (b) the Master Association assumes in writing the responsibility for such maintenance, or such responsibility is set forth in a recorded instrument as hereinafter provided.

The Board shall use a reasonable standard of care in providing for the repair, management and maintenance of said property so that the Property will reflect a pride of ownership. In this connection the Master Association may, subject to any applicable provisions relating to Capital Improvement Assessments, in the discretion of the Board:

- (a) Construct, reconstruct, repair, replace or refinish any improvement or portion thereof upon Master Common Area;
- (b) Replace injured and diseased trees and other vegetation in any Master Common Area, and plant trees, shrubs and ground cover to the extent that the Board deems necessary for the conservation of water and soil and for aesthetic purposes;
- (c) Place and maintain upon any Master Common Area such signs as the Board may deem appropriate for the proper identification, use and regulation thereof; and
- (d) Do all such other and further acts which the Board deems necessary or appropriate to preserve and protect the Master Common Areas and the beauty thereof, in accordance with the general purposes specified in this Master Declaration.

The Board shall be the sole judge as to the appropriate maintenance of all Master Common Areas and other properties maintained by the Master Association. Any cooperative

action necessary or appropriate to the proper maintenance and upkeep of said properties shall be taken by the Board or by its duly delegated representative.

In the event any Village Declaration, subdivision plat, deed restriction, or this Master Declaration permits the Board to determine whether or not Owners of certain Plats or Parcels will be responsible for maintenance of certain Master Common Areas, Private Streets or public right-of-way areas, the Board shall have the sole discretion to determine whether or not it would be in the best interest of the Owners and Occupants of the Property for the Master Association or an individual Owner to be responsible for such maintenance, considering cost, uniformity of appearance, location, and other factors deemed relevant by the Board. The Board may cause the

Master Association to contract with others for the performance of the maintenance and other obligations of the maintenance, and other obligations of the Master Association under this Section 8.1, and in order to promote uniformity and harmony of appearance, the Board also may cause the Master Association to contract to provide maintenance services to Owners' of Lots and Parcels having such responsibilities in exchange for the payment of such fees as the Master Association and Owner may agree upon.

8.2 Assessment of Certain Costs of, Maintenance and Repair of Master Common Areas and Public Areas. In the event that the need for maintenance or repair of Master Common Areas and other areas maintained by the Master Association is caused through the willful or negligent act of any Owner or Occupant or their family, guests, or invitees, the cost of such maintenance or repairs shall be a Special Assessment against the Owner and his Lot or Parcel secured by the Assessment Lien. Any charges or fees to be paid by the Owner of a Lot or Parcel pursuant to Section 8.1 in connection with a contract entered into by the Master Association with an Owner for the performance of an Owner's maintenance responsibilities, shall also become a part of such Special Assessment and shall be secured by the Assessment Lien.

8.3 Improper Maintenance and Use of Lots and Parcels. In the event any portion of any Lot or Parcel is so maintained as to present a public or private nuisance or an unreasonable condition (as determined by the Board) with respect to other Owners or Occupants, or as to substantially detract from the appearance or quality of the surrounding Lots and Parcels or other areas of the Property or the Project, which are substantially affected thereby or related thereto, or in the event any portion of a Lot or Parcel is being used in a manner which violates this Master Declaration or any Village Declaration applicable thereto, or in the event the Owner of any Lot, Parcel or portion thereof is failing to perform any of its obligations under this Master Declaration, any Village Declaration or the applicable Master Design Guidelines, the Board may by resolution make a finding to such effect, specifying the particular condition or conditions which exist, and pursuant thereto give notice thereof to the offending Owner that unless corrective action is taken within ten days, the Board may cause such action to be taken at said Owner's cost. If at the expiration of said ten-day period of time the requisite corrective action has not been taken, the Board shall be authorized and empowered to cause such action to be taken and the cost thereof shall be added to and become a part of the Assessment to which the offending Owner and the Owner's Lot or Parcel are subject and shall be secured by the Assessment Lien.

8.4 Security. The Master Association, or its duly delegated representative, may operate a security system on the Property and the Project as follows:

8.4.1 General Security. The security system may include guard gates and other security points, both manned and unmanned, at entries to various portions of the Property and the Project; patrol vehicles, patrolmen and security supervisors; computer and/or other monitoring equipment; television monitoring devices; burglar and fire alarm devices installed in buildings located on Master Common Areas, Master Association Land and Private Streets; equipment; direct line phones; and such other security protection devices as may be deemed appropriate by Investor or the Master Association. The cost of any such security shall be part of the Common Expense.

8.4.2 Security for Individual Lots and Parcels. The Master Association may require that any Owner wishing security service (including without limitation patrol service and fire and burglar alarm protection) for his particular Lot or Parcel, as distinguished from general security service under Section 8.4.1, obtain the service from a Person (which may be the Master Association) selected by the Master Association to provide such service to all Owners in the Property wishing such service. The Master Association, however, may not require any Owner to have such service for his particular Lot or Parcel. The cost of any such service would not be a Common Expense or included in the Regular Assessment, but, if provided by or through the Master Association, would be a Special Assessment against the Owner requesting the service and the Owner's Lot or Parcel for which the service is provided. The cost of any such service shall be reasonably competitive with the charges for similar services rendered by unaffiliated companies providing such services on a contract basis to other communities and customers in the Sierra Vista-Cochise County area.

8.4.3 Right of Entry. Representatives and agents of the Master Association, including security patrolmen, shall have the right to enter upon all Lots, Parcels, Master Common Areas, and Village Common Areas when responding to alarms or when otherwise reasonably deemed necessary for the protection of Persons or Property, and neither the Master Association, nor any representative or agent thereof, shall have any liability to any person when acting in good faith in effecting such entry. The Board shall use a reasonably high standard of care in providing for the operation of any security system for individual Dwelling Units, to provide reasonable protection to Owners and Occupants; provided, however, the Master Association shall not have any liability to any Owner, Occupant or other person for any damages, injury or theft to Person or Property not prevented by a security system or for any failures in a security system. The Board shall be the sole judge as to the appropriate level and type of security provided to the various portions of the Property. The Board may cause the Master Association to contract with others for the performance of any or all of the security described in this Section. Subject to approval of the Master Association, any Village may have its own gatehouse and security system.

9. INSURANCE

9.1 Authority to Purchase. The Master Association shall have the power and authority to purchase with Master Association funds such public liability, casualty, officers' and directors' liability and indemnity, workmen's compensation and other insurance and such fidelity bonds as the Board shall deem necessary or appropriate from time-to-time. Such policies shall be on such terms and conditions as the Board shall direct. All such policies and claims there under shall be administered by the Board. To the extent reasonably available, the Master Association, after the Transition Date, shall maintain at least \$1,000,000 (combined limits) of insurance against liability incurred as a result of death or injury to Persons or damage to Property on the Master Common Areas.

9.2 Owner's Responsibility. It shall be each Owner's responsibility to provide any insurance on his own Lot or Parcel, additions and improvements thereto, furnishings and personal property therein, his personal property stored elsewhere within the Property, his personal liability to the extent not covered by public liability insurance obtained by the Master Association, and such other insurance as the Owner desires,

9.3 Non-Liability of Master Association, Board, and Officers. Neither the Master Association, nor any Board member, nor officer of the Master Association, nor Investor shall be liable to any Owner, Mortgagee or other Person if any risks or hazards are not covered by insurance or if the amount of insurance is not adequate, and it shall be the responsibility of each Owner to ascertain the coverage and protection afforded by the Master Association's insurance and to procure and pay for such additional insurance coverage and protection as the Owner may desire.

9.4 Premiums. Premiums upon insurance policies purchased by the Master Association shall be paid by the Master Association as a Common Expense, except that the amount of increase over any annual or other premium occasioned by the use, misuse, occupancy or abandonment of a Lot or Parcel or its appurtenances, or of the Master Common Areas, by an Owner or Occupant or the agent, employee or invitee of either, shall be assessed against that particular Owner as a Special Assessment.

9.5 Insurance claims. The Master Association, through such persons as the Board may delegate, is hereby irrevocably appointed and authorized, subject to the provisions contained herein, to adjust all claims arising under insurance policies purchased by the Master Association and to execute and deliver releases upon the payment of claims, and to do all other acts reasonably necessary to accomplish any of the foregoing. The Board, at its discretion, may appoint an authorized representative, or enter into an insurance trust agreement wherein the trustee shall have authority, to negotiate losses under any policy purchased by the Master Association,

9.6 Benefit. Except as otherwise provided herein, all insurance policies purchased by the Master Association shall be for the benefit of, and any proceeds of insurance received by the Master Association or any insurance trustee, shall be held or disposed of for the Master Association and the Owners, as their interests may appear.

10. DAMAGE AND DESTRUCTION OF COMMON AREAS

10.1 Duty of the Master Association. In the event of partial or total destruction of the Master Common Areas, or any improvements thereon, the Master Association may restore and repair the same, subject and pursuant to this Section 10. The proceeds of any casualty insurance maintained by the Master Association may be used to the extent available for such purpose, subject to the prior rights of Mortgagees whose interest may be protected by said policies.

10.2 Vote of Members. In the event that the amount available from the proceeds of any insurance policies for such restoration and repair, together with any uncommitted or unreserved capital of the Master Association, shall be less than the estimated cost of restoration and repair, the Common Areas may be replaced or restored unless a Majority of Members at a special meeting held for such purpose, disapprove of such replacement or restoration. If the Members do not disapprove the proposed replacement or restoration, the Master Association may levy a Reconstruction Assessment against each Owner, and cause the damaged or destroyed Master Common Areas to be repaired or restored. If the Members disapprove of the repair or restoration of the damaged or destroyed improvements on the Master Common Areas as provided above, the Master Common Areas so damaged or destroyed shall be cleared and landscaped for Master Common Area use or other use determined by the Master Association.

10.3 Excess Insurance Proceed. In the event any excess insurance proceeds remain after any reconstruction by the Master Association pursuant to this Section 10, the Master Association, in its sole discretion, may retain such sums in the general funds of the Master Association or may distribute all or a portion of such excess to the Owners in the ratio that they would pay a Reconstruction Assessment hereunder, subject to the prior rights of Mortgagees whose interest may be protected by the insurance policies carried by the Master Association. The rights of an Owner or the Mortgagee of a Lot or Parcel as to such distribution shall be governed by the provisions of the Mortgage encumbering such Lot or Parcel.

10.4 Use of Reconstruction Assessments. All amounts collected as Reconstruction Assessments shall only be used for the purposes set forth in this Section 10 and shall be deposited by the Master Association in a separate bank account for such purposes. Such funds shall not be commingled with any other funds of the Master Association and shall be deemed a contribution to the capital account of the Master Association by the Owners. Any Reconstruction Assessment shall be secured by the Assessment Lien.

10.5 Insurance Proceeds Trust. Upon receipt by the Master Association of any insurance proceeds, the Master Association may cause the insurance proceeds to be paid directly to a bank, savings and loan association, or trust company located in Cochise County, Arizona, designated by the Master Association as trustee (the "Insurance Trustee"). Such funds shall be

received, held, and administered by the Insurance Trustee subject to a trust agreement consistent with the provisions of this Master Declaration and which shall be entered into between the Insurance Trustee and the Master Association. Disbursements to contractors performing any repair or reconstruction upon the Property shall be made periodically as the work progresses in a manner consistent with procedures then followed by prudent lending institutions in Cochise County, Arizona.

11. EMINENT DOMAIN

11.1 Definition of Taking. The term "Taking" shall mean condemnation by eminent domain or sale under threat of condemnation of all or any portion of the Master Common Areas.

11.2 Representation in Condemnation Proceedings. In the event of a threatened Taking, the Owners hereby appoint the Master Association through such persons as the Board may delegate to represent all of the Owners in connection therewith. The Master Association shall act in its sole discretion with respect to any awards being made in connection with the Taking and shall be entitled to make a voluntary sale to the condemner in lieu of engaging in a condemnation action.

11.3 Award for Common Areas. Any awards received by the Association on account of the Taking shall be paid to the Master Association. The Master Association may, in its sole discretion, retain any award in the general funds of the Master Association or distribute all or any portion thereof to the Owners in the ratio they would pay a Reconstruction Assessment hereunder, or as their interests otherwise may appear. The rights of an Owner and the Mortgagee of his Lot or Parcel as to any distribution shall be governed by the provisions of the Mortgage encumbering such Lot or Parcel.

12. ARCHITECTURAL AND LANDSCAPE CONTROL

12.1 Appointment of Master Design Committee. The Master Association shall have a Master Design Committee consisting of that number of persons, no fewer than three, as specified from time-to-time in the Master Design Guidelines by resolution of the Board. Investor initially shall appoint the members of the Master Design Committee. Investor shall retain the right to appoint, augment or replace all members of the Master Design Committee from time-to-time until the Transition Date. Thereafter, members of the Master Design Committee shall be appointed by the Board. Persons appointed to the Master Design Committee, other than those appointed by Investor, must satisfy such requirements as may be set forth in the Master Design Guidelines. Investor voluntarily may (but shall not be required to) permit Members to appoint one or more members of the Master Design Committee at any time.

12.2 The Master Design Guidelines. The Master Design Committee shall establish reasonable procedural rules, regulations, restrictions, architectural standards, and design guidelines (the "Master Design Guidelines"), which the Master Design Committee may, from

time-to-time in its sole discretion, amend, repeal or augment. The Master Design Guidelines are hereby incorporated herein and shall be deemed to be a part of this Master Declaration and shall be binding on all Owners, Members or other Persons as if expressly set forth herein. A copy of the current Master Design Guidelines shall at all times be a part of the Master Association's records. The Master Design Guidelines may include, among other things, those restrictions and limitations set forth below:

12.2.1 Time limitations for the completion, within specified periods after approval, of the improvements for which approval is required pursuant to the Master Design Guidelines;

12.2.2 Designation of a "Building Envelope" within a Lot or Parcel, thereby establishing the maximum developable area of the Lot or Parcel;

12.2.3 Procedures for assuring conformity of completed improvements to drawings and specifications approved by the Master Design Committee; provided, however, as to purchasers and encumbrancers in good faith and for value, unless notice of non-completion or non-conformance identifying the violating Lot or Parcel and specifying the reason for the notice, executed by the Master Design Committee, shall be recorded with the County Recorder of Cochise County, Arizona, and given to the Owner of such Lot or Parcel within one year of the expiration of the time limitation described in Section 12.2.1 above, or, if later, within one year following completion of the improvement, or unless legal proceedings shall have been instituted to enforce compliance or completion within said one-year period, the completed improvements shall be deemed to be in compliance with plans and specifications approved by the Master Design Committee and in compliance with the architectural standards of the Master Association and this Master Declaration, but only with respect to purchasers and encumbrancers in good faith and for value;

12.2.4 Rules relating to the design and construction of houses and other structures and improvements (including without limitation towers) on any portion of the Property, and rules relating to the development of portions of the Property, including without limitation matters relating to grading, paving, the installation of utilities, revegetation, and landscaping; and

12.2.5 Such other limitations and restrictions as the Board or Master Design Committee in its reasonable discretion shall adopt, including, without limitation, the regulation of all landscaping (including without limitation absolute prohibition of certain types of landscaping, trees, and plants), construction, reconstruction, exterior addition, change or alteration to or maintenance of any building, structure, wall or fence, including, without limitation, the nature, kind, shape, height, materials, exterior color, surface texture, and location of any such improvement.

12.3 General Provision.

12.3.1 The Master Design Committee may assess reasonable fees in connection with its review of drawings and specifications.

12.32 The Master Design Committee or the Board may delegate its drawings and specifications review responsibilities, except final review and approval as may be required by the Master Design Guidelines, to one or more of its members or architectural consultants retained by the Master Design Committee. In the case of any Village, the Master Design Committee may delegate its drawings and specifications review responsibilities (including final review and approval) to a design review or architectural committee established under the Village Declaration. Upon such delegation, the approval or disapproval of drawings and specifications by such member, consultants or Village committee shall be equivalent to approval or disapproval by the entire Master Design Committee.

12.3.3 The address of the Master Design Committee shall be the address established for giving notice to the Master Association, unless otherwise specified in the Master Design Guidelines. Such address shall be the place for the submittal of drawings and specifications and the place where the current Master Design Guidelines shall be kept.

12.3.4 The establishment of the Master Design Committee and the procedures herein for architectural approval shall not be construed as changing any rights or restrictions upon Owners to maintain or repair their Lots or Parcels as may otherwise be specified in this Master Declaration, the Bylaws or Association Rules.

12.3.5 The Master Design Committee or its designee shall approve or disapprove any drawings and specifications submitted to it in accordance with the Master Design Guidelines within thirty (30) days after receipt of complete drawings and specifications. Failure to disapprove said drawings and specifications within said thirty (30) day period shall constitute approval thereof.

12.3.6 The Master Design Committee, at the request of an Owner (including without limitation, Investor) may, but shall have no obligation to: (a) change the size, configuration or location of any Building Envelope on the Owner's Lot or Parcel; or (b) approve the changing of the natural grade of a Lot or Parcel, or portions thereof, by cut, fill or similar procedures.

12.4 Approval and Conformity of Drawings and Specifications. No building, fence, wall or other structure or improvement of whatever type shall be commenced, erected or maintained upon the Property, nor shall there be any addition to or change to the exterior of any residence or other structure or improvement upon a Parcel or a Lot or the Building Envelope, landscaping, grading or drainage thereof, including, without limitation, the painting (other than painting with the same color and type of paint as previously existed) of exterior walls, patio covers, and fences, except in compliance with drawings and specifications, therefore, which have been submitted to and approved by the Master Design Committee in accordance with the Master Design Guidelines as to harmony of external design and location in relation to surrounding structures and topography.

12.5 Non-Liability for Approval of Drawings and Specifications. Drawings and specifications shall be approved by the Master Design Committee as to style, exterior design, appearance and location, and are not approved for engineering design or for compliance with zoning and building ordinances, and by approving such drawings and specifications neither the Master Design Committee, any member thereof, limited to, zoning ordinances and building codes.

12.6 Inspection and Recording of Approval. Any member or authorized consultant of the Master Design Committee, or any authorized officer, director, employee or agent of the Master Association, may at any reasonable time enter, without being deemed guilty of trespass, upon any Lot or Parcel, except the interior of any completed Dwelling Unit, after reasonable notice as provided herein to the Owner, in order to inspect improvements constructed or being constructed on such Lot or Parcel, or any changes in the grading thereof to ascertain that such improvements or changes have been or are being built or changed in compliance with the Master Design Guidelines and this Master Declaration. The Master Design Committee shall cause such an inspection to be undertaken within 30 days of a request therefore from any Owner as to his Lot or Parcel, and if such inspection reveals that the improvements or changes located on such Lot or Parcel have been completed in compliance with this Section 12 and the Master Design Guidelines, the Master Design Committee shall provide to such Owner a notice of such approval in recordable form which, when recorded, shall be conclusive evidence of compliance with the provisions of this Section 12 and the Master Design Guidelines as to the improvements or changes described in such recorded notice, but as to such improvements or changes only.

12.7 Reconstruction of Master Common Areas. The reconstruction by the Master Association, Investor or a Village Association after destruction by casualty or otherwise of any Common Areas, which is accomplished in substantial compliance with "as built" plans for such Common Areas, shall not require compliance with the provisions of this Section 12 or the Master Design Guidelines.

12.8 Additional Powers of the Board. The Board may promulgate as a part of the Master Design Guidelines such additional architectural and landscape standards, rules, and regulations as it deems to be appropriate and as are not in conflict with this Master Declaration.

12.9 Private Streets. All private streets and roadways shall be designed and constructed to widths consistent with Cochise County requirements for similar public roads.

13. RIGHTS OF MORTGAGEES

13.1 General Provisions. Notwithstanding and prevailing over any other provisions of this Master Declaration, the Articles, Bylaws, Association Rules or Master Design Guidelines, the following provisions shall apply to and benefit each holder of a First Mortgage (and, in the case of Sections 13.4 and 13.6, to the holder of any Mortgage) upon a Lot or Parcel.

13.2 Subordination of Lien. The Assessment Lien against a Lot or Parcel shall be subordinate to the lien of a prior recorded First Mortgage on the Lot or Parcel, acquired in good faith and for value, except to the extent it secures the amount of any unpaid Assessment (together with any interest, costs, reasonable attorneys' fees and any late charges related thereto) which accrue from and after the date on which a First Mortgagee comes into possession of or acquires title to the Lot or Parcel, whichever occurs first, and if the Assessment Lien for unpaid Assessments which become payable after recordation of the First Mortgage and prior to the date the First Mortgagee comes into possession of or acquires title to the Lot or Parcel is not extinguished to the extent it secures said unpaid Assessments by the process by which such First Mortgagee acquired title to the Lot or Parcel, neither such First Mortgagee nor a third-party purchaser shall be liable for said unpaid Assessments, and, upon written request to the Master Association by such First Mortgagee or purchaser, the Assessment Lien shall be released in writing by the Master Association to the extent it secures said unpaid Assessments. Nevertheless, in the event the Owner against whom the original Assessment was made is the purchaser or redemptioner, the lien shall continue in effect and may be enforced by the Master Association, or by the Board, for the respective Lot or Parcel's Assessment that was due prior to the final conclusion of any such foreclosure or equivalent proceedings. Further, any such unpaid Assessment shall continue to exist as the personal obligation of the defaulting Owner of the respective Lot or Parcel to the Master Association, and the Board may use reasonable efforts to collect the same from said Owner even after he is no longer the Owner of the Lot or Parcel. Any unpaid Assessments, which are extinguished pursuant to this Section 13.2, may also be reallocated by the Master Association among all Owners as part of the Common Expenses. Except as above provided (and except for liens for taxes and other public charges which by applicable law are made prior and superior), the Assessment Lien shall be prior and superior to any and all charges, liens or encumbrances which hereafter in any manner may arise or be imposed on any Lot or Parcel.

13.3 No Personal Liability. A First Mortgagee shall not in any case or manner be personally liable for the payment of any Assessment or charge, nor the observance or performance of any covenant, restriction, or rule and regulation of the Master Association, or any provision of the Articles or Bylaws, or any management agreement, except for those matters which are enforceable by injunctive or other, equitable actions, not requiring the payment of money, except as specifically provided in this Section 13.

13.4 Enforcement after Foreclosure Sale. An action to abate the breach of any of the covenants, conditions, restrictions, servitudes, and reservations in this Master Declaration may be brought against the purchasers who have acquired title through foreclosure of a Mortgage and the subsequent foreclosure or trustee's sale (or through any equivalent proceedings), and the successors in interest to said purchasers, even though the breach existed prior to the time said purchaser acquired an interest in such Lot or Parcel.

13.5 Exercise of Owner's Rights. During the pendency of any proceedings to foreclose a First Mortgage (including any period of redemption) or from the time a trustee under a first deed of trust has given notice of sale pursuant to power of sale conferred under a deed of trust and pursuant to law, the Mortgagee, or a receiver appointed in any such action, may, but need

not, exercise any or all of the rights and privileges of the Owner in default including, but not limited to, the right to vote as a Member of the Master Association in the place and stead of the defaulting Owner.

13.6 Subject to Master Declaration. At such time as a Mortgagee shall come into possession of or become record Owner of a Lot or Parcel, the Mortgagee shall be subject to all of the terms and conditions of this Master Declaration including, but not limited to, the obligation to pay all assessments and charges accruing thereafter, in the same manner as any other Owner.

14. VILLAGES AND VILLAGE ASSOCIATIONS

14.1 Formation. Each Village may, at the option of Investor, have a recorded Village Declaration, which shall be a Declaration of Covenants, Conditions, Restrictions, and Easements for the Village and, except those Villages with Land Use Classifications of Master Association or Airpark, or which Investor or the Master Association exempts, a Village Association. The Village Declaration and the Articles of Incorporation and Bylaws for each Village Association must be approved by the Board of the Master Association in order to be effective and may not be amended, supplemented or terminated without the prior written consent of the Board of the Master Association. Copies of the minutes for each meeting of the Board of Directors and of the Members of each Village Association shall be furnished to the Board immediately after such meeting. The Village Declaration, the Articles of Incorporation, and Bylaws of the Village Association shall provide for, among other things, unless waived in writing by the Master Association: (a) assessment liens and other procedures to enforce the collection of all assessments; (b) membership rights and voting rights; (c) meetings of members and directors of the Village Association and the election of officers and directors of the Village Association; (d) the right of the Master Association to take temporary control of the Village Association, as provided in Section 14.7, in the event the Village 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, to perform its functions and duties in a manner consistent with the standards established by other Village Associations within the Property or necessary for the maintenance of the high quality of development envisioned for the Project; and (e) the Master Association to provide property management and maintenance of the Village Common Areas and management support services to the Village Association, if the Master Association should elect to do so as provided in this Section 14, and the payment by the Village Association to the Master Association of all costs incurred by the Master Association in performing such management, maintenance, and management support, as provided in this Section 14.

14.2 Initial Development of Villages. Each Village Bulk (other than Investor, to whom the requirements of this Section 14.2 do not apply) prior to commencement of development of the Village must comply with any requirements of this Master Declaration, as amended from time-to-time, which requirements may include without limitation requirements with respect to

control of the Village Association by the Village Builder, the submittal of budgets to, and approval of budgets by, the Master Association, the amount and the levying of Assessments, the maintenance of reserve funds, and maintenance of insurance.

14.3 Property Management and Maintenance. Unless otherwise provided in the Village Declaration, the Master Association, at its election, may require any Village Association to retain the Master Association as, or at the request of a Village Association, the Master Association may serve as property manager for the Village so that an approximately uniform level of Village Common Area maintenance in the various Villages may be achieved. As property manager, the Master Association shall maintain the Village Common Areas.

14.4 Management Support. Although the Village Association will be governed by its Board of Directors and its officers, the Master Association, unless otherwise provided in the Village Declaration, at its election, may require any Village Association to use, or at the request of a Village Association the Master Association may provide the administrative and management services of the Master Association for the Village Association. The Master Association, through its staff of employees and contractors, at its election, may act as accountants for the Village Association, handle the collecting of Assessments levied by the Village Association, and enforce such collection, assist in the preparation of budgets, administer the use of the Village Common Area, negotiate contracts for services, and enforce the governing documents of the Village Associations. Such duties shall be performed under the direction of the board and officers of the Village Association.

14.5 Village Common Area Maintenance. To the extent the Master Association shall be responsible for maintaining any Village Common Areas, the Master Association shall cause those Village Common Areas to be maintained in accordance with not less than the same standards established for the Master Common Areas. Such maintenance may be performed by employees of the Master Association and/or one or more persons or entities designated by, or under contract to, the Master Association. In addition, if provided in the Village Declaration, and upon the consent of the Master Association, the Master Association may provide exterior maintenance to the Dwelling Units and other buildings in the Village, including maintenance of roofs and painting and landscape maintenance.

14.6 Charges to Village Associations. Each Village Association, upon presentation of a billing statement, shall promptly pay the Master Association for all costs incurred by the Master Association in providing any services described in this Section 14, or any other sums due the Master Association from the Village Association pursuant to this Master Declaration or any agreement between the Village Association and the Master Association. The Master Association shall perform the services provided for in this Section 14 on a non-profit basis, but may allocate overhead costs among the Village Associations being served on a reasonable basis determined by the Master Association or its accountants; provided, however, the compensation payable to the Master Association for any services under this Section 14 shall be reasonably

competitive with the charges for similar services rendered by unaffiliated companies providing such service on a contract basis to other communities and customers in the Sierra Vista-Cochise County area. If any costs to be paid by a Village Association are not reimbursed promptly when due, the Master Association shall be entitled to exercise any rights and remedies specified in this Master Declaration for such non-payment and also such rights and remedies as it may have at law or in equity to enforce collection of such sums. All costs of such enforcement and collection shall be borne by the Village Association.

14.7 Additional Master Association Rights. The Master Association shall have all rights described in Section 14.1 to take control of a Village Association for such period of time as shall be necessary to bring about collection of Assessments or otherwise to cause the Village Association to meet the standards and obligations described in Sections 14.1 and 14.2. Such control may be affected by the Master Association removing such officers and directors as the Master Association deems appropriate and substituting other individuals, including, if the Board so elects, individuals who are also officers and directors of the Master Association. The Master Association also shall have the right at any time, if Investor does not control the Village Association, to add as a Special Assessment, secured by the Assessment Lien, against each Lot and Parcel in the Village; (a) any Assessments against such Lot or Parcel levied by the Village Association which are not paid in a timely manner; and (b) all sums owing to the Master Association by the Village Association pursuant to Section 14.6 which are not paid to the Master Association in a timely manner, such sums to be allocated, as Special Assessments, among the Lots and Parcels in the Village in the same ratio as said Lot and Parcels are to pay monthly or Annual Assessments under the Village Declaration.

14.8 Enforcement of Master Declaration. Provided that the Village Declaration has been approved by the Investor or the Board, the Village Association shall have the primary responsibility for the enforcement of the provisions of this Master Declaration contained in Section 4 and Section 12; however, the granting of such primary responsibility to the Village Association shall not preclude the Master Association or an Owner from enforcing the provisions of Section 4 and Section 12 of this Master Declaration. Provided that the Village Declaration has been approved by the Investor or the Board, then the Village Association, or its designee, shall have the responsibilities of the Master Design Committee under Section 12 of the Master Declaration. Notwithstanding the foregoing, it is the intent that the Village Association shall have the responsibility for compliance and enforcement of the provisions of Section 4 and Section 12 of this Master Declaration, but the Village Association shall not have the ability to amend, modify or waive the provisions of this Master Declaration.

15. EASEMENTS

15.1 Blanket Easements and Utility Construction Easements. There is hereby created a blanket easement upon, across, over, and under portions of the Property within seventy feet from the middle of the Primary Roadway, for ingress and egress, for installing, constructing, replacing, repairing, maintaining and operating all utilities (whether public or private), including

but not limited to water, sewer, gas, telephone, electricity, cable (including without limitation television cable), security systems, and communication lines and systems, and in addition thereto for the use of emergency vehicles of all types. By virtue of the easement, it shall be expressly permissible for Investor and its contractors, and/or the providing utility company to construct (including without limitation underground installation) and maintain the necessary facilities, wires, circuits, conduits, cables, and related appurtenances, facilities, and equipment on the Property, including without limitation the Lots and Parcels, and to enter upon said Property, including without limitation the Lots and Parcels, to accomplish the foregoing.

15.2 Use of Master Common Areas. Except for the use limitations provided in Section 15.3 and the provision hereof permitting Special Use Fees, each Owner shall have the non-exclusive right to use the Master Common Areas in common with all other Owners as required for the purposes of access and ingress to and egress from (and use, occupancy, and enjoyment of) any Lot or Parcel owned by such Owner or Master Common Areas available for the use of said Owner. Such right to use the Master Common Areas for purposes of access and ingress and egress shall, subject to the Association Rules, extend to each Owner or Occupant and the agents, servants, tenants, family members, and invitees of each Owner or Occupant. This right to use the Master Common Areas shall be appurtenant to each respective Lot or Parcel, subject to and governed by the provisions of this Master Declaration, the Articles, Bylaws, and Association Rules and such reasonable limitations and restrictions as may from time-to-time be contained therein.

15.3 Exclusive Use Rights. Certain portions of the Master Common Areas may be reserved by the Board for the exclusive control, possession, and use by the Owner of a Lot or Parcel, or the Owners of more than one but fewer than all Lots or Parcels. If such an area serves as access to and from one or more Lots or Parcels, the Owners of the affected Lots or Parcels shall have joint control, possession, and use of such portion of said area as reasonably serves the Lots or Parcels. The exclusive use rights created herein are subject to the blanket utility easement, maintenance, and architectural and landscape control provisions contained in this Master Declaration and to such reasonable rules and regulations with respect to possession, control, use, and maintenance as the Master Association may from time-to-time promulgate. Easements are hereby created in favor of and running with each Lot and Parcel having such an area for the exclusive control and use of each such area. Each Owner, by accepting title to a Lot or Parcel, shall be deemed to have further ratified the easements and rights to exclusive use created by this Section 15.3.

15.4 Wall or Fence Easement. There is hereby created an affirmative easement in favor of the Master Association, its employees and agents, upon, over, and across each Lot or Parcel affected for reasonable ingress, egress, installation, replacement, maintenance, and repair of a perimeter wall, fence or other boundary control for the Property and/or 3 Canyons Ranch. The easements referred to in this Section 15.4 shall apply only in the Common Areas and portions of the Property within one hundred feet of the Primary Roadway.

15.5 Investor Easement. There is hereby created an affirmative, non-exclusive easement appurtenant to the Property and to those portions of the Annexation Property and any other property which, by amendment hereto, Investor specifies as benefited by this easement, for ingress, egress, and the installation and maintenance of utilities and drainage facilities over all Common Areas, including without limitation Private Streets, and for the right to go over, under, and across, and to enter and remain upon all Common Areas for all purposes reasonably related to Investor's rights and obligations hereunder, and to the development, operation, maintenance, advertisement, sale, rental, and use of the Property and any property which Investor specifies by amendment hereto as benefited hereby. The easements referred to in this Section 15.4 shall apply only in the Common Areas and portions of the Property within one hundred feet of the Primary Roadway.

15.6 Master Association Easement. There is hereby created an affirmative, non-exclusive easement in favor of the Master Association for ingress and egress over all the Property for the purpose of enabling the Master Association and its contractors, employees, representatives, and agents to implement the provisions of the Master Declaration.

15.7 Conservation Easements. There is hereby created, for the benefit of all Owners, an easement in the areas herein defined as Conservation Easements which shall be an area limited to pedestrian and equestrian use only, and no buildings or other structures may be constructed in a Conservation Easement. Notwithstanding the foregoing, the Conservation Easements may be used in connection with the development of all or a portion of the Property, including without limitation, use for reasonable ingress and egress, utilities, cable television, secured entry gates or gatehouses, and drainage, but not for retention or detention basins.

15.8 Primary Roadway. There is hereby created an easement, for the benefit of all Owners, in the areas herein defined as Primary Roadway for ingress, egress, utilities, cable television, secured entry gates and gatehouses, and drainage, but not for retention or detention basins. By acquiring title to a Lot or Parcel within the Property, each Owner hereby agrees to convey that portion of the Primary Roadway on his Lot or Parcel to the Master Association or Cochise County, Arizona, if so requested by the Master Association upon a three-quarters vote of the Board.

16. ANNEXATION OF ADDITIONAL PROPERTY

It is contemplated that additional real property will be annexed to and become subject to this Master Declaration as hereinafter set forth in this Section 16. Investor intends, but is not obligated, to annex some or all of the Annexation Property described on Exhibit "B." Investor may amend Exhibit "B" at any time to delete property described thereon from said Exhibit. Property other than that described on Exhibit "II" ("Additional Annexation Property") also may be annexed and thereby subjected to this Master Declaration.

16.1 Annexations. Investor may elect to annex additional real property to this Master Declaration in increments of any size whatsoever, or to annex more than one such increment at any given time and in any given order. Although Investor shall have the ability to annex

additional property as provided in this Section 16, Investor shall not be obligated to annex any property, and any such property shall not become subject to this Master Declaration unless and until a Supplemental Declaration shall have been recorded as herein provided, or at such later time as may be provided in the Supplemental Declaration.

16.2 Supplemental Declarations. A Supplemental Declaration shall be a writing in recordable form which annexes additional real property to the plan of this Master Declaration and which incorporates by reference all of the provisions of this Master Declaration and shall contain such other provisions as are set forth in this Master Declaration relating to Supplemental Declarations. Supplemental Declarations may contain such complementary additions and modifications of the provisions of this Master Declaration as may be necessary to reflect the different character, if any, of the property being annexed and are not inconsistent with the plan of this Master Declaration. In no event, however, shall any such Supplemental Declaration revoke, modify or add to the covenants established by this Master Declaration with respect to the Property already subject to this Master Declaration.

16.3 Annexation Without Approval of Association. Additional property may be annexed to and become subject to this Master Declaration and subject to the jurisdiction of the Master Association without the approval, assent or vote of the Master Association or its Members; provided that a Supplemental Declaration covering said property shall be recorded by Investor. The recordation of said Supplemental Declaration shall constitute and effectuate the annexation of the property described therein, unless a later effective date is specified in the Supplemental Declaration, making said real property subject to this Master Declaration and subject to the functions, powers, and jurisdiction of the Master Association, and thereafter said real property shall be part of the Property for all intents and purposes of this Master Declaration and all of the Owners of Lots or Parcels in the annexed property shall automatically be Owners hereunder.

17. EXEMPTION OF INVESTOR FROM RESTRICTIONS

Notwithstanding anything to the contrary in this Master Declaration, none of the covenants, conditions, restrictions, easements or other provisions in this Master Declaration shall be construed or deemed to limit or prohibit any act of Investor, their employees, agents, and contractors or parties designated by them in connection with the construction, completion, sale or leasing of Lots, Parcels, Master Association Land, the Property, or the property described on Exhibit "B" hereto.

18. LIMITATION ON INVESTOR'S LIABILITY

Notwithstanding anything to the contrary in this Master Declaration, each Owner, by accepting title to any portion of the Property and becoming an Owner, acknowledges and agrees that neither Investor (including without limitation any assignee of the interest of Investor hereunder), nor any officer, director or shareholder of Investor (or any partner or shareholder

in any such assignee) shall have any personal liability to the Master Association, or any Owner, Member or other Person, arising under, in connection with, or resulting from (including without limitation resulting from action or failure to act with respect to) this Master Declaration or the Master Association except, in the case of Investor (or its assignee), to the extent of its interest in the Property; and, in the event of a judgment, no execution or other action shall be sought or brought thereon against any other assets, nor be a lien upon such other assets, of the judgment debtor.

19. TERM: TERMINATION

This Master Declaration shall be effective upon the date of recordation hereof and, as amended from time-to-time, shall continue in full force and effect until January 1, 2085, and thereafter shall continue for consecutive periods of 25 years each, unless there is an affirmative vote, not more than 360 days prior to the date otherwise scheduled for commencement of the next extension of the term of this Master Declaration, to terminate this Master Declaration by a vote of a Majority of Members at a duly held meeting of the Members, or without any meeting if all Members have been duly notified and if a Majority of Members consent in writing to such termination within said 360-day period. This Master Declaration may be terminated at any time upon a vote in favor of termination of 90% of the Members at a duly held meeting of the Members for such purpose. Anything in the foregoing to the contrary notwithstanding, no vote to terminate this Master Declaration shall be effective unless and until the written consent to such termination has been obtained, within a period of 180 days prior to such vote to 180 days after such vote, from the holders of recorded First Mortgages on 75% of the Lots and Parcels upon which there are such recorded First Mortgages. If the necessary votes and consents are obtained, the Board shall cause to be recorded with the County Recorder of Cochise County, Arizona, and/or other appropriate governmental offices, a Certificate of Termination, duly signed by the President or a vice president of the Master Association, and attested by the secretary or an assistant secretary of the Master Association, with their signatures acknowledged. Thereupon, this Master Declaration, as of the date the next extension of the term hereof would otherwise have commenced, shall have no further force and effect, and the Master Association shall be dissolved.

20. AMENDMENT

20.1 Amendment to Master Declaration. Amendments to this Master Declaration shall be made by an instrument in writing entitled "Amendment to Master Declaration" which sets forth the entire amendment. Except as otherwise specifically provided in this Master Declaration, any proposed amendment must be approved by a majority of the Board prior to its adoption by the Members. Amendments may be adopted at a duly held meeting of the Members upon the affirmative vote of a Majority of Members, or without any meeting if all Members have been

duly notified, and if a Majority of Members consent to such amendment in writing. In all events, the amendment, when adopted, shall bear the signature of the President or a vice president of the Master Association and shall be attested by the secretary or an assistant secretary of the Master Association, who shall state whether the amendment was properly adopted, and shall be acknowledged by them as officers of the Master Association. Amendments once properly adopted shall be effective upon recording of the Amendment to Master Declaration in the appropriate governmental offices, or at such later date as may be specified in the amendment. Notwithstanding the foregoing provisions of this Section 20.1, votes attempting to change Land Use Classifications or density or intensity of uses or relating to Assessments shall require an eighty percent (80%) vote of those Members voting,

20.2 Effect of Amendment. It is specifically covenanted and agreed that any amendment to this Master Declaration properly adopted will be completely effective to amend any and all provisions of this Master Declaration which may be affected and any or all clauses of this Master Declaration, unless otherwise specifically provided in the Section being amended or the amendment itself.

20.3 Required Approvals. Notwithstanding the foregoing provisions of this Section 20:

(a) Until the Transition Date, this Master Declaration may not be amended by the Members pursuant to Section 20.1 without the written consent of Investor.

(b) This Master Declaration may not be amended at any time without the written consent of Investor to diminish the rights of Investor under this Master Declaration or any Village Declaration as to Investor Parcels or Lots.

20.4 Requested Amendment Legislative Change. Subject to the limitation on Investor's right to amend this Master Declaration in Section 20.1, but without limiting Investor's reserved right to amend this Master Declaration as provided in Section 20.1 except as expressly limited thereby, Investor specifically reserves the right to amend all or any part of this Master Declaration to such an extent and with such language as may be requested by the Federal Housing Administration ("FHA") or the Veterans Administration ("VA") and to further amend to the extent requested by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of this Master Declaration, or by any federally or state chartered lending institution as a condition precedent to lending funds upon the security of any Lot(s) or Parcel(s) or any portions thereof. If any amendment requested pursuant to the provisions of this Section 20.4, or if any federal, state or other legislation hereafter enacted, diminishes or alters such control, Investor shall have the right to prepare, provide for, and adopt as an amendment hereto, other and different control provisions to achieve said control or equivalent control.

20.5 Notice that Amendment is contemplated. This Master Declaration is being recorded at a time when a substantial portion of the Project has been zoned by the County, but when development has only commenced in the area of the Investor Parcels, which constitutes a relatively small portion of the entire Project. It is contemplated that when and if additional property in the Project is annexed to this Master Declaration, some of which may have Land Use Classification other than the Single Family Land Use Classification, and which may be in addition to the Land Use Classifications initially specified herein, Investor may find it necessary or desirable, in Investor's sole discretion, to amend this Master Declaration, subject to the limitation set forth in Section 20.1. Without limiting Investor's right to amend this Master Declaration as otherwise provided herein, specific notice is hereby given that such amendments may include the following:

(a) Amendment to provide for non-uniform Assessments among Parcels or Villages.

(b) Amendment to provide that the president or other designee/delegate of a Village Association must cast the votes of the Members within a Village at Master Association Membership meetings and at Master Association elections, whether for election of Board members or any other Master Association issues.

21. GENERAL PROVISION

21.1 Notices. Notices to the Master Association provided for in this Master Declaration, the Bylaws, or Association Rules, shall be in writing and shall be addressed to the Master Association at the address specified in the Bylaws. The Master Association may designate a different address or addresses for notice by giving written notice of such change of address to all Owners at such time. Each Owner shall immediately notify the Master Association in writing of a change of address, or in the case of a sale of a Lot or Parcel or portion thereof, the prior Owner and new Owner shall notify the Master Association in writing of the name and address of the new Owner. If notice of any action or proposed action by the Master Association, the Board or any committee or of any meeting is required by applicable law, this Master Declaration or resolution of the Board to be given to any Owner or Occupant, then, unless otherwise specified herein or in the resolution of the Board, such notice requirement shall be deemed satisfied if notice of such action or meeting is published once in any newspaper in general circulation within the County or the Project. This Section shall not be construed to require that any notice be given if not otherwise required and shall not prohibit satisfaction of any notice requirement in any other manner.

21.2 Captions and Exhibits; Construction. Captions given to various Sections herein, and the Table of Contents for this Master Declaration, are for convenience only and are not intended to modify or affect the meaning of any of the substantive provisions hereof. Any exhibits referred to herein are incorporated as though fully set forth where such reference is made. The provisions of this Master Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of the Property as hereinabove set

forth.

21.3 Severability. If any provision of this Master Declaration, the Articles, Bylaws, Association Rules or Master Design Guidelines, or any section, clause, sentence, phrase or word, or the application thereof in any circumstance, is held invalid, the validity of the remainder of this Master Declaration, the Articles, Bylaws, Association Rules or Master Design Guidelines, and of the application of any such provision, section, sentence, clause, phrase or word in any other circumstances, shall not be affected thereby, and the remainder of this Master Declaration, the Articles, Bylaws, Association Rules or Master Design Guidelines shall be construed as if such invalid part were never included therein.

21.4 Rules against Perpetuities. If any of the options, privileges, covenants or rights created by this Master Declaration shall be unlawful, void or voidable for violation of the rule against perpetuities, then such provision shall continue until 21 years after the death of the survivor of the now living descendants of United States Senators Jon Kyl and John McCain and Arizona Governor Symington.

21.5 Mortgage Age of Lots and Parcels. Each Owner shall have the right, subject to the provisions hereof, to make separate Mortgages for his respective Lot or Parcel. No Owner shall have the right or authority to make or create or cause to be made or created any Mortgage, or other lien or security interest, on or affecting the Property or any part thereof, except only to the extent of his Lot or Parcel.

21.6 Power of Attorney. Unless otherwise specifically restricted by the provisions of this Master Declaration, in any instance in which the Master Association is empowered to take any action or do any act, including but not limited to action or acts in connection with the Master Common Areas or sale thereof, which may at any time be deemed to require the act of an Owner or Member, the Owners and Members and each of them hereby constitute and appoint the Master Association as their attorney-in-fact, as may be appropriate, for the purposes of taking such action or doing such acts including but not limited to executing, acknowledging, and delivering any instruments or documents necessary, appropriate or helpful for such purposes. It is acknowledged that this power of attorney is irrevocable and coupled with an interest, and by becoming an Owner or a Member of the Master Association, or by the acceptance of a deed for a Lot or Parcel, or by signing a contract for purchase of a Lot or Parcel, or by succeeding in any other manner to the ownership of a Lot or Parcel, or any interest therein, or a Membership in the Master Association, each Owner and Member shall be deemed and construed to have ratified and expressly granted the above power of attorney.

21.7 Crass Reference. Any reference in this Agreement to a "section," "subsection" or "paragraph" shall be construed, respectively, as referring to the section, subsection or paragraph of this Agreement in which the reference appears. References to a section shall include all subsidiary sections, subsections, and paragraphs unless the context clearly indicates the contrary. For example a reference to Section 3 shall include subsection 3.1, 3.1.1, 3.1.2, 3.1.3, 3.1.4, 3.1.5, 3.1.6, 3.1.7, 3.2, and 3.3, and reference to Section for subsection) 3.1 shall include subsections

3.1.1 through 3.1.7.

21.8 Gender. Masculine, feminine, and neuter references herein each shall include the others as the context requires.

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

21.10 References to Master Declaration in Deeds. Deeds to, and instruments affecting, any Lot or Parcel or any part of the Property may contain the provisions herein set forth by reference to this Master Declaration; but regardless of whether any such reference is made in any deed or instrument, all of the provisions hereof shall be binding upon the grantee-Owner or other Person claiming through any instrument and his heirs, executors, administrators, successors, and assigns as though set forth at length in such instrument.

22. INVESTOR'S DISCLAIMER OF REPRESENTATIONS; NO COVENANTS OR RESTRICTIONS; ZONING AND MASTER PLAN

22.1 Investor's Disclaimer of Representations. Notwithstanding anything to the contrary in this Master Declaration, Investor makes no warranties or representations whatsoever that the plans presently envisioned for the complete development of the Project can or will be carried out, or that any land now owned or hereafter acquired by Investor is or will be subjected to this Master Declaration, or that any such land (whether or not it has been subjected to this Master Declaration) is or will be committed to or developed for a particular (or any) use, or that if such land is once used for a particular use, such use will continue in effect.

21.2 No Express or Implied Covenants or Restrictions. Nothing in this Master Declaration shall create, or be deemed to create, any express or implied covenants or restrictions with respect to any real property, including without limitation the property described on Exhibit "B" hereto, not annexed hereto in the manner provided in Section 16. Without limiting the generality of the preceding sentence, nothing in this Master Declaration shall limit or restrict, or be deemed to limit or restrict, the use of any real property not annexed hereto in the manner provided in Section 16.

21.3 Zoning and Master Plan. Each Owner, by accepting title to a Lot or Parcel and becoming an Owner, acknowledges awareness that the Project is a rural, low intensity project, the development of which is likely to extend over many years.

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IN WITNESS WHEREOF, Investor has caused this Master Declaration to be duly Executed.

STATE OF ARIZONA)
) :SS
COUNTY OF SANTA CRUZ)

The foregoing instrument was acknowledged before me this ____ day of _____ 2011 by _____ in his capacity as the _____ of San Pedro Development II Corporation, an Arizona corporation, being authorized to do so on behalf thereof.

Notary Public
My Commission Expires: _____

EXHIBIT "A"

Parcels subject to Master Declarations of Covenants, Conditions, Restrictions, Assessments, Charges, Servitudes, Liens, Reservations, and Easements for 3 Canyons Ranch.

All real property within the following legal descriptions:

East half of Section 20, Section 22, Section 23, Section 24, the West half and the Northeast quarter of Section 26, Section 27, the East half of Section 28 and the East half of Section 29 in Township 23 South, Range 21 East; and

Section 19, Section 20 in Township 23 South, Range 22 East of the Gila and Salt River Base and Meridian, Cochise County, Arizona.

EXHIBIT "B"

Annexation Properties

Annexation Properties may be included or added to the existing property in the Master Declarations of Covenants, Conditions, Restrictions, Assessments, Charges, Servitudes, Liens, Reservations, and Easements for 3 Canyons Ranch.

All the real property within the following legal descriptions:

Section 21, West half of Section 28, Southeast quarter of Section 26, Northwest quarter of Section 25, all within Township 23 South, Range 21 East of the Gila and Salt River Base and Meridian, Cochise County, Arizona; and

The East half of Section 30, all of Section 29, all of Section 17, portions of Section 8 lying South of Hereford Road and inside the San Rafael Land Grant all within Township 23 South, Range 22 East of the Gila and Salt River Base and Meridian, Cochise County, Arizona.

EXHIBIT "D"

CONSERVATION BASEMENTS

The northerly 40 feet of the east half of Section 20 and Sections 21, 22, 23 and 24 of Township 23 South, Range 21 East, G&SRB&M, and Sections 19 and 20 of Township 23 South, Range 22 East, G&SRB&M, Cochise County, Arizona.

The westerly 40 feet of Section 22 of Township 23 South, Range 21 East, G&SRB&M, Cochise County, Arizona.