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**DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS
AND EASEMENTS
FOR
FOOTHILLS RESERVE
A PLANNED RESIDENTIAL COMMUNITY**

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**DECLARATION OF COVENANTS, CONDITIONS
RESTRICTIONS AND EASEMENTS
FOR
FOOTHILLS RESERVE**

THIS DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS (hereinafter "Declaration") is dated OCTOBER 9, 2001, and is made by SM 320, L.L.C. an Arizona limited liability company and Woodside Homes of Arizona, Inc., an Arizona corporation (hereinafter "Co-Declarants").

W I T N E S S E T H

WHEREAS, Co-Declarants hold legal title to approximately 320 acres of land located in Phoenix, Maricopa County, Arizona, which will be known as "Foothills Reserve;" and

WHEREAS, the Initial Covered Property of Foothills Reserve is legally described in Exhibit "A" attached hereto and incorporated herein by this reference, hereinafter referred to as the "Initial Covered Property;" and

WHEREAS, Co-Declarants desire to subdivide and develop Foothills Reserve into a planned community consisting of various types of residential properties; and

WHEREAS, at full development, the ^{Unofficial Document} Co-Declarants intend, without obligation, that Foothills Reserve will include several residential neighborhoods, open space areas and recreational areas, and recreational facilities; and

WHEREAS, as the development of Foothills Reserve proceeds, Co-Declarants intend to or have already, without obligation, recorded various subdivision plats; dedicated portions of Foothills Reserve to the public for streets, roadways, drainage, and general public use; to develop or to sell parcels to various builders; and to record Supplemental Declarations or Declaration of Annexations covering portions of Foothills Reserve, which portions of Foothills Reserve may be used and may set forth additional covenants, conditions and restrictions applicable to such portions of Foothills Reserve; and

WHEREAS, Co-Declarants intend or may intend, without obligation, to annex additional land into the Foothills Reserve planned community, which land is defined and described as "Annexable Property" in Article I hereafter; and

WHEREAS, Co-Declarants have formed a nonprofit corporation (hereinafter the "Association") which will (1) own, manage and maintain the Common Areas, Exclusive Common Areas and certain other areas in Foothills Reserve; (2) levy, collect and disburse the Assessments and other charges imposed hereunder; and (3) as the agent and representative of Foothills Reserve Owners, enforce the use restrictions and other provisions of this Declaration; and

WHEREAS, the Co-Declarants desire to establish for their own benefit and for the mutual benefit of all future Owners or other holders of an interest in any portion of Foothills Reserve, certain mutually beneficial covenants, restrictions and obligations of Foothills Reserve; and

WHEREAS, Co-Declarants desire and intend that the Owners, mortgagees, beneficiaries, trustees and other persons hereafter acquiring any interest in Foothills Reserve, shall at all times enjoy the benefits of, and shall hold their interest subject to, the rights, easements, privileges, covenants and restrictions hereinafter set forth, all of which are declared to be in furtherance of a plan to promote and protect the value, desirability and attractiveness of Foothills Reserve; and

WHEREAS, Co-Declarants therefore wish to subject all of Foothills Reserve to the covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations and easements (hereinafter collectively called "Covenants") hereinafter set forth, which Covenants shall run with the land and shall be binding upon and inure to the benefit of all parties having any right, title or interest in Foothills Reserve; and

NOW, THEREFORE, Co-Declarants hereby declare, covenant and agree as follows:

ARTICLE I

DEFINITIONS

1.1 "Annexable Property" shall mean ^{Unofficial Document} all or any portion of the real property and any improvements located thereon, shown on Exhibit "B" attached hereto and incorporated herein by this reference, as more fully described in Article XIV hereof, which may be added to Foothills Reserve, and made subject to this Declaration, in one or more additional phases.

1.2 "Annual Assessment" shall mean the charge levied and assessed each year against each Lot and Owner pursuant to Paragraph 7.2 hereof.

1.3 "Architectural Control Committee(s)" shall mean and include the Parcel A-1 Architectural Committee, Parcel A-2 Architectural Committee and the Parcels C and D Architectural Committee of the Association to be created pursuant to Article XI below.

1.4 "Architectural Guidelines" shall be established by the appropriate Architectural Committee and shall include design standards for the appearance and development of property in Foothills Reserve, as well as the review and approval procedures for each committee.

1.5 "Articles" shall mean the Articles of Incorporation of the Association as amended from time to time.

1.6 "Assessable Property" shall mean any Lot in Foothills Reserve covered by this Declaration, except part or parts thereof as may from time to time constitute Exempt Property.

1.7 "Assessment" or "Assessments" shall mean an Annual Assessment, Special Assessment, Parcel Assessment, Maintenance Charge, Special Use Fee, or any other fees, fines or charges assessed hereunder.

1.8 "Assessment Lien" shall mean the lien created and imposed by Article VIII.

1.9 "Assessment Period" shall mean the term set forth in Paragraph 7.7.

1.10 "Association" shall mean the Arizona nonprofit corporation to be organized by Co-Declarants to administer and enforce the Covenants and to exercise the rights, powers and duties set forth in this Declaration, and its successors and assigns. The name of the Association will be "FOOTHILLS RESERVE MASTER OWNERS' ASSOCIATION."

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

1.12 "Bylaws" shall mean the Bylaws of the Association as amended from time to time.

1.13 "Common Area" and "Common Areas" shall mean (1) all land within Foothills Reserve which the Co-Declarants, by this Declaration or other recorded instrument, makes available for use exclusively by Members of the Association; (2) all land or right-of-way easements within Foothills Reserve which are dedicated to the public or to the City of Phoenix, but which the City of Phoenix or other governmental agency requires the Association to maintain; (3) areas on a Lot within easements granted to the Association or its Members for the location, construction, maintenance, repair and replacement of a wall, which Unofficial Document easement may be granted or created on a recorded subdivision plat, Supplemental Declaration or Declaration of Annexation or by a deed or other conveyance accepted by the Association; and (4) any other areas with respect to which the Association has assumed in a recorded document or instrument administrative or maintenance responsibilities, whether or not such areas are located on a Lot.

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

1.15 "Covered Property" or "Initial Covered Property" shall mean that real property described hereinabove and such other property as may be brought within this Declaration pursuant to the Article entitled "Annexation."

1.16 "Co-Declarants" shall mean SM320, L.L.C., an Arizona limited liability company, as to Parcels A-1 and A-2 of Foothills Reserve, the Annexable Property, and Woodside Homes of Arizona, Inc., an Arizona corporation, as to Parcels C and D of Foothills Reserve, the Initial Covered Property, and their respective successors and assigns of the Co-Declarants' rights and powers hereunder. Any assignment of all or any portion of the Co-Declarants' rights and powers shall be made by a recorded instrument executed by the assignor Co-Declarant.

1.17 "Declaration" shall mean this DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR FOOTHILLS RESERVE, as amended or supplemented from time to time.

1.18 "Declaration of Annexation" shall mean a declaration recorded pursuant to Paragraph 4.1 of this Declaration.

1.19 "Developer" shall mean an person or entity who acquires one or more Lots from Co-Declarants for the purpose of building a Dwelling Unit and selling the contemplated Dwelling Unit to an Owner and to whom Developer status is granted by Co-Declarants in a written, recorded instrument.

1.20 "Dwelling Unit" shall mean any building or portion of a building situated upon a Lot designed and intended for use and occupancy as a residence by a single family or single housekeeping unit.

1.21 "Exclusive Common Area" shall mean a portion of the Common Area intended for the exclusive use or primary benefit of some but not all of the Parcels as is set forth in Article III.

1.22 "Exempt Property" shall mean the following parts of Foothills Reserve:

(a) All land and improvements owned by or dedicated to and accepted by the United States, the State of Arizona, Maricopa County, the City of Phoenix or any political subdivision thereof, for as long as any such governmental entity or political subdivision is the owner thereof or for so long as said dedication remains effective; provided, however, that any such land shall be Exempt Property only while it is being used by the governmental entity owner for governmental purposes.

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(b) All Common Areas, for as long as the Association is the owner thereof.

Unless otherwise set forth in an applicable Tract Declaration, all Exempt Property shall be exempt from Assessments and Membership in the Association and its associated privileges and responsibilities, but shall nevertheless be subject to all other provisions of this Declaration, including, but not limited to, the use restrictions and architectural controls. The Board may restrict or prohibit the use of the Common Areas (except any rights-of-way or drainage areas owned by the Association) by the Owners of Exempt Property.

1.23 "Foothills Reserve" shall mean the real property described on Page 1 of this Declaration and the development to be completed thereon, together with any real property hereafter annexed pursuant to the provisions of this Declaration.

1.24 "Foothills Reserve Rules" shall mean the rules for Foothills Reserve adopted by the Board pursuant to Paragraph 5.3.

1.25 "Lot" shall mean any area of real property within Foothills Reserve designated as a Lot on any subdivision plat recorded and approved by Co-Declarants and limited by a Tract Declaration or a Declaration of Annexation to residential use.

1.26 "Maintenance Charges" shall mean any and all costs assessed pursuant to Paragraphs 10.2 and 10.3.

1.27 "Master Development Plan" shall mean the Foothills Reserve Development Plan approved by the City of Phoenix, as the same may from time to time be amended, a copy of which shall be on file at all times in the office of the Association.

1.28 "Member" shall mean any person holding a Membership in the Association pursuant to this Declaration.

1.29 "Membership" shall mean a Membership in the Association and the rights granted to the Owners and Co-Declarants pursuant to Article VI to participate in the Association.

1.30 "Owner" (when so capitalized) shall mean the record holder of legal, beneficial or equitable title to the fee simple interest of any Lot, including, without limitation, one who is buying a Lot under a recorded contract, but excluding others who hold such title merely as security. Owner shall not include a lessee or tenant of a Lot. In the case of Lots, the fee simple title to which 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. In the case of Lots, the fee simple title to which is vested in a trustee pursuant to a trust agreement in the beneficiary of any such trust entitled to possession shall be deemed to be the Owner. An Owner shall include any person who holds record title to a Lot in joint ownership with any other person or holds an undivided fee interest in any Lot.

1.31 "Parcel" shall mean and refer to a group of Lots and Common Areas which were created by a single subdivision plat, as amended from time to time. The Parcels in Foothills Reserve shall include Parcels A-1, A-2, C and D as described in Exhibits "A" and "B" attached hereto and incorporated herein by this reference. Unofficial Document

1.32 "Parcel Assessment" shall mean an assessment levied against less than all of the Lots in Foothills Reserve pursuant to Paragraph 7.12 of the Declaration.

1.33 "Parcel Assessment Area" shall mean any part of Foothills Reserve designated in a Declaration of Annexation or on a recorded plat approved by the Declarant in a recorded instrument as an area which is to be maintained, repaired, and replaced by the Association, but which is for the sole or primary benefit of the Owners of less than all of the Lots in Foothills Reserve.

1.34 "Party Walls" shall mean a wall constructed on or immediately adjacent to the common boundary of Lots, Common Areas or other areas in Foothills Reserve.

1.35 "Resident" shall mean:

(a) Each buyer under a contract of sale covering any part of the Assessable Property, regardless of whether the contract is recorded, and each tenant or lessee actually residing or conducting a business on any part of the Assessable Property; and

(b) Members of the immediate family of each Owner, lessee, tenant and of each buyer referred to in subparagraph (1) actually living in the same household with such Owner, lessee, tenant or buyer.

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

1.36 "Single Family" or "Single Housekeeping Unit" shall mean an individual living alone, a group of two or more persons each related to the other by blood, marriage or legal adoption, or a group of not more than three (3) persons not all so related, who maintain a common household in a Dwelling Unit.

1.37 "Special Assessment" shall mean any assessment levied and assessed pursuant Paragraph 7.5.

1.38 "Special Use Fees" shall mean special fees authorized by this Declaration which an Owner, Resident or any other person is obligated to pay to the Association over, above and in addition to any Annual, Parcel and Special Assessments or Maintenance Charges imposed or payable hereunder. The amount of any Special Use Fee shall be determined in the Board's sole discretion, provided all such Fees must be fair and reasonable.

1.39 "Sub-Association" shall mean an association created by the developer of a residential subdivision or neighborhood within Foothills Reserve for the Owners of Dwelling Units within that Parcel or Parcels. Any Sub-Association shall be subject and subordinate to this Declaration and the Association provided for herein.

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1.40 "Subsidiary Declaration" shall mean any declaration of covenants, conditions and restrictions or like instrument approved by Co-Declarants and recorded after recording of this Declaration in regard to any group of Lots, by the Owner thereof which shall in all cases be consistent with and subordinate to this Declaration and any applicable Declaration of Annexation.

1.41 "Visible From Neighboring Property" shall mean, with respect to any given object, that such object, or any portion thereof, is or would be visible to a person six feet tall standing on any portion of the adjoining Lot or adjoining Common Area, on the same plane as the object being viewed.

ARTICLE II

PROPERTY SUBJECT TO FOOTHILLS RESERVE DECLARATION

2.1 General Declaration Creating Foothills Reserve. Co-Declarants hereby declare that all of Foothills Reserve (except any property which is hereafter excluded or abandoned pursuant to the provisions of this Declaration) is and shall be held, conveyed, hypothecated, encumbered, leased, occupied, built upon or otherwise used, improved or transferred, in whole or in part, subject to this Declaration as amended or modified from time to time. In addition, all of the real property within

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Foothills Reserve shall be subject to recorded Declarations of Annexation as applicable and as amended from time to time. Declarant intends to develop Foothills Reserve by subdivision into various Lots and other areas and to sell and convey such Lots. As portions of Foothills Reserve are developed or sold to others for development, Co-Declarants may record one or more Declarations of Annexation covering such property. Said Declarations of Annexation will specify the number of Lots and the permitted uses of property described therein (in accordance with Article IV hereof) and will incorporate this Declaration and establish such additional covenants, conditions and restrictions as may be appropriate for that property. This Declaration and all subsequent Declarations of Annexation are declared and agreed to be in furtherance of a general plan for the subdivision, development, improvement and sale of Foothills Reserve and are established for the purpose of enhancing and perfecting the value, desirability and attractiveness of Foothills Reserve and every part thereof. All of this Declaration and applicable Declaration of Annexations shall run with the land for all purposes and shall be binding upon and inure to the benefit of Co-Declarants, the Association, all Owners and Residents and their successors in interest. Nothing in this Declaration shall be construed to prevent the Co-Declarants from modifying the Master Development Plan or any portions thereof regarding any property owned by the Co-Declarants or regarding any other property as to which a Declaration of Annexation has not been recorded. This Declaration shall not be construed to prevent the Co-Declarants from dedicating or conveying portions of Foothills Reserve, including streets or roadways, for uses other than as a Lot or Common Area subject to the provisions of Paragraph 4.1.

2.2 Association Bound. Upon approval by the Arizona Corporation Commission of Articles of Incorporation of the Association, the Covenants shall be binding upon and shall benefit the Association.

ARTICLE III

EASEMENTS AND RIGHTS OF ENJOYMENT IN COMMON AREAS

3.1 Easements of Enjoyment. Every Owner shall have a nonexclusive easement for the use and enjoyment in and to the Common Areas which nonexclusive easement shall be appurtenant to and shall pass with the title to every Lot. All Residents, other than Owners, shall have a nonexclusive, nontransferable temporary easement to use and enjoy the Common Areas so long as they remain Residents. The foregoing grant and rights are subject, among other things, to the following limitations:

(a) The right of the Association to charge reasonable admission and other Special Use Fees for the use of any recreational or other facility situated upon the Common Areas.

(b) The right of the Association to suspend the voting rights and right to use Common Area recreational facilities by any Member (i) for any period during which any Assessment against his Lot remains delinquent; (ii) for a period not to exceed 60 days for any infraction of this Declaration, a Supplemental Declaration or Declaration of Annexation, the Foothills Reserve Rules or applicable Architectural Guidelines, and (iii) for successive 60-day periods if any such infraction is not corrected during any preceding 60-day suspension period.

(c) The right of the Association to dedicate or transfer all or any part of the Common Areas to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Association. Unless otherwise required by zoning stipulations or agreements with the City of Phoenix effective prior to the date hereof or unless specified hereafter on a recorded subdivision plat or Declaration of Annexation, no such dedication or transfer shall be effective unless an instrument signed by the Owners of two-thirds (2/3) of the Memberships in each class of Members agreeing to such dedication or transfer has been recorded, except that the Board shall have authority without Membership approval to transfer to such public agencies, authorities or utilities, easements and rights-of-way which are intended to benefit Foothills Reserve and which do not have any substantial adverse affect on the enjoyment of the Common Areas by the Members. In the case of Exclusive Common Area dedication or transfer of such Exclusive Common Area shall require the approval of two-thirds (2/3) of the Memberships in each class of Members within the Parcel benefitting from the Exclusive Common Area.

(d) The right of the Association to regulate the use of the Common Areas through the Foothills Reserve Rules and to prohibit access to those Common Areas, such as landscaped areas, not intended for use by the Owners or residents.

(e) The right of the Association to change the use of Common Areas and to change the size, shape or location of the Common Areas as provided in Paragraphs 12.4 and 12.5.

3.2 Delegation of Use. Any Owner may, in accordance with this Declaration, the Foothills Reserve Rules and the limitations therein contained, delegate his right of enjoyment in the Common Areas and facilities to the members of his family, ^{Unofficial Document} his tenants or lessees, his guests or invitees or to his tenants' families, guests or invitees.

3.3 Rights of Ingress and Egress. Every Owner shall have an unrestricted right of ingress and egress to his Lot(s) (which right shall be perpetual and shall be appurtenant to and shall pass with the title to said Lot(s)) over the following areas:

(a) for pedestrian traffic over, through and across sidewalks, paths, walks and lanes that from time to time may exist upon the Common Areas; and

(b) for pedestrian and vehicular traffic over, through and across the Common Area streets and roadways, if any, which are designated and paved for such purpose.

Any Owner may, in accordance with this Declaration and the Foothills Reserve Rules, delegate his right of ingress and egress to the members of his family, his guests, and his tenants (including his tenants' families and guests).

3.4 Easements for Encroachments. Each Lot, the Common Areas, and all other areas in Foothills Reserve shall be subject to an easement of not more than eighteen (18) inches for encroachments of walls, ledges, roofs and other structures created by construction, settling and overhangs as originally designed and constructed by the Co-Declarants or other developer. If any such improvement on the Common Areas encroaches upon any Lot or other area, or if any such improvement on any Lot, or other area encroaches upon any portion of the Common Areas, or if any

such improvement on any Lot or other area encroaches upon another Lot or other area, a valid easement for said encroachments and for the maintenance thereof shall exist. In the event any structure on any Lot, Common Area or other area is repaired, altered or reconstructed in accordance with the original plans and specifications, similar encroachments shall be permitted and a valid easement for said encroachments and for the maintenance thereof shall exist.

3.5 Exclusive Common Area. Certain portions of the Common Area may be designated as Exclusive Common Area and reserved for the exclusive use or primary benefit of Owners, occupants and invitees of Lots created by a given Plat. By way of illustration and not limitation, Exclusive Common Areas may include entry features, recreational facilities, private streets, guard gates and other portions of the Common Area which benefit some but not all of the Owners within Foothills Reserve. All costs associated with maintenance, repair, replacement and insurance of Exclusive Common Areas shall be borne by the particular Lot Owners either by way of Parcel Assessment or, if a Sub-Association is formed, by way of assessment imposed upon the Lots within the parcel and collected by the Sub-Association.

The Declarant shall designate any Exclusive Common Area as such and shall assign the exclusive use thereof in the deed conveying the Common Area to the Association, on the plat relating to such Common Area or in the Declaration of Annexation relating to such Common Area.

ARTICLE IV

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4.1 Covenants Applicable to Lots and Other Areas. Except as otherwise expressly provided herein, the following Covenants and rights shall apply to all Lots and other areas in Foothills Reserve, and the Owners, Residents and tenants thereof:

4.1.1 Architectural Control. Except as otherwise expressly provided in this Declaration, the Architectural Guidelines or any applicable Tract Declaration or Declaration of Annexation which has been approved by the Co-Declarants, (i) no improvements (whether temporary or permanent), alterations, repairs, excavation, grading, lighting, landscaping or other work which in any way alters the exterior appearance of any property within Foothills Reserve or improvements thereon from its natural or improved state existing on the date this Declaration is recorded shall be made or done, and (ii) no building, fence, exterior wall, residence or other structure shall be commenced, erected, maintained, improved, altered or made without the prior written approval of the appropriate Architectural 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, lighting or landscaping of any area in Foothills Reserve, shall be subject to the prior written approval of the appropriate Architectural Committee. No changes or deviations in or from the plans and specifications once approved by the appropriate Architectural Committee shall be made without the prior written approval of the appropriate Architectural Committee. Once construction of an improvement has been commenced on the Property, Owner shall diligently pursue completion of such improvement in accordance with approved plans. The Co-Declarants shall be exempt from the requirements of this Subsection and therefore all improvements, alterations, repairs, excavation,

grading, lighting, landscaping or other work performed, constructed or installed by the Co-Declarants shall be deemed approved by the appropriate Architectural Committee.

4.1.2 Animals. Except as otherwise expressly permitted in an applicable Declaration of Annexation, no animals, birds, fowl or livestock, other than a reasonable number of generally recognized house or yard pets, shall be maintained on any Lot or other area in Foothills Reserve and then only if they are kept, bred or raised thereon solely as domestic pets and not for commercial purposes. All pets must be kept in a fenced yard or on a leash at all times. No animal, bird, fowl, poultry or livestock shall be allowed to make an unreasonable amount of noise or to become a nuisance or an annoyance to other Owners. It shall be the responsibility of each Owner to remove immediately any droppings from pets. No structure for the care, housing or confinement of any animal, bird, fowl or livestock shall be maintained so as to be Visible From Neighboring Property, unless otherwise approved by the Architectural Committee. Upon the written request of any Member or Resident, the Architectural Committee shall conclusively determine, in its sole and absolute discretion, whether, for the purposes of this Subsection, a particular animal or bird is a generally recognized house or yard pet, whether such pet is a problem or nuisance or whether the number of animals or birds on any such property is reasonable. Any decision rendered by the appropriate Architectural Committee shall be enforceable in the same manner as other restrictions contained herein.

4.1.3 Temporary Occupancy and Temporary Buildings. No trailer, incomplete building, tent, shack, garage or barn, and no temporary buildings or structures of any kind, shall be used at any time for a residence, either temporary or permanent. Temporary buildings or structures may be used on any property for construction, Unofficial Document repair or sales purposes, with the prior written approval of the appropriate Architectural Committee and for the time period approved by the appropriate Architectural Committee.

4.1.4 Maintenance of Landscaping and Driveways. Unless otherwise provided in a recorded instrument approved by Co-Declarants or the Association, each Owner shall be responsible for the proper maintenance of all landscaping in the following locations: (i) his Lot (including set back areas and Common Areas located thereon); (ii) public right-of-way areas between sidewalks (or bike paths) and the street curb on the front or side of his Lot; (iii) public areas between a sidewalk and the Lot boundary; (iv) portions of Common Area adjacent to the Owner's Lot and which lie on the Lot's side of a wall erected on the Common Area; and (v) other public or easement areas adjacent to his Lot. However, in the event the maintenance of the above areas is the responsibility of the Association, an Sub-Association, a utility, or a governmental or similar authority, then the Owners shall be responsible for such maintenance only for so long as such other entities are not performing such maintenance. As used herein maintenance shall include, but not be limited to, keeping the areas neatly trimmed, cultivated and free from trash, weeds and unsightly material. Each Owner will be required to comply with Architectural Guidelines for landscaping and approved plant palette established by the appropriate Architectural Committee, including, but not limited to, specific plant selections and the timing of landscape installation. Each Owner shall also maintain in good condition and repair all paved and concrete areas, including driveways, roadways, sidewalks and parking areas, located on his Lot. All areas maintained by an Sub-Association shall be improved and maintained in a manner which is consistent with the Foothills Reserve Rules and Architectural Guidelines.

4.1.5 Nuisances; Construction Activities. No weeds, dead trees or plants, rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot or other area in Foothills Reserve, and no odors or loud noises shall be permitted to arise or emit therefrom, so as to render any such property or activity thereon, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to the occupants of such other property. No other nuisance shall be permitted to exist or operate upon any Lot or other area in Foothills Reserve. The appropriate Architectural Committee shall have the exclusive right to determine the existence of any nuisance. Without limiting the generality of any of the foregoing provisions and except as otherwise permitted herein or in any recorded Declaration of Annexation, no exterior speakers, horns, whistles, firecrackers, bells or other sound devices, except security devices used exclusively for security purposes, shall be located, used or placed on any such property. Normal construction activities and parking in connection with the building of improvements in Foothills Reserve shall not be considered a nuisance or otherwise prohibited by this Declaration, but Lots 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 appropriate Architectural Committee. An Owner shall be responsible for and shall promptly perform all on-site and construction cleanup occasioned by his contractors or subcontractors. In addition, any construction equipment and building materials stored or kept on any Lot during construction of improvements may be kept only in areas approved by the appropriate Architectural Committee, which may also require screening of the storage areas. It is acknowledged that normal construction activities may be noisy and may require the use of exterior speakers.

4.1.6 Diseases and Insects. No Owner shall permit any thing or condition to exist upon any Lot or other area which shall induce, ^{Unofficial Document} breed or harbor diseases or insects.

4.1.7 Repair of Building. No building or structure on any area in Foothills Reserve 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 Subsection 4.1.1 above, such building or structure shall be promptly repaired, rebuilt or demolished. In the event an Owner fails to comply with this provision, the Board may give notice to the offending Owner, and may then proceed to repair the building or improvement and charge the Owner therefore as permitted in Paragraph 10.2.

4.1.8 Exterior Accessories. No antenna, satellite receiving station or other device for the transmission or reception of television or radio signals or any other form of electromagnetic radiation shall be erected, used or maintained outdoors on any area in Foothills Reserve (whether attached to a building or structure or otherwise) so as to be Visible from Neighboring Property, unless approved by the appropriate Architectural Committee. The appropriate Architectural Committee may permit one or more aerial satellite dishes or satellite communication systems, and/or other apparatus and equipment for an antenna or cable system for the benefit of all or portions of Foothills Reserve. No basketball backboards or flagpoles shall be installed so as to be Visible From Neighboring Property, unless approved by the appropriate Architectural Committee.

4.1.9 Mineral Exploration. No area in Foothills Reserve shall be used in any manner to explore for or to remove any water, oil or other hydrocarbons, minerals of any kind, gravel, earth or any earth substance of any kind.

4.1.10 Trash Containers and Collection. No garbage or trash shall be placed or kept on any Lot or other area in Foothills Reserve except in covered containers of a type, size and style which are approved by the appropriate Architectural Committee. Unless otherwise approved by the appropriate Architectural Committee, such containers shall be maintained and stored so as to not be Visible From Neighboring Property except to make the same available for collection. All rubbish, trash and garbage shall be removed from the Lots and other areas in Foothills Reserve and shall not be allowed to accumulate thereon. No outdoor incinerators shall be kept or maintained in Foothills Reserve.

4.1.11 Clothes Drying Facilities. No outside clotheslines or other outside facilities for drying or airing clothes shall be placed or maintained in Foothills Reserve unless they are not Visible From Neighboring Property.

4.1.12 Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained in Foothills Reserve except (i) such machinery or equipment as is usual and customary in connection with the use, maintenance or construction (during the period of construction) of an approved building, appurtenant structures, or other improvements; or (ii) that which Declarant or the Association may require for the operation and maintenance of Foothills Reserve. Solar energy devised may not be Visible From Neighboring Property and must be approved by the appropriate Architectural Committee prior to installation.

4.1.13 Signs. No signs whatsoever (including, but not limited to, commercial, political and similar signs) which are Visible From Neighboring Property shall be erected or maintained in Foothills Reserve except:

(a) Signs required by legal proceedings.

(b) Not more than two (2) identification signs for individual detached residences, each with a face area of seventy-two (72) square inches or less and not more than one (1) identification sign with a face area of seventy-two (72) square inches or less for each attached residences.

(c) Such other signs (including, but not limited to, "for sale" and "for lease" signs, construction job identification signs, builders signs, directional signs and subdivision identification signs) which are in conformance with the requirements of the City of Phoenix and which have been approved in writing by the appropriate Architectural Committee or the Co-Declarants as to size, colors, design, message content and location.

4.1.14 Restriction on Further Subdivision, Property Restrictions and Rezoning. No Lot shall be further subdivided or separated into smaller lots or parcels by any Owner, and no portion less than all of any such Lot, nor any easement or other interest therein, shall be conveyed or transferred by any Owner, without the prior written approval of the Co-Declarants or the appropriate

Architectural Committee. This provision shall not, in any way, limit Co-Declarants from subdividing or separating into Lots or Parcels any property at any time owned by Co-Declarants. Unless otherwise approved by the Co-Declarants, no buildings or other permanent structures shall be constructed on any area in Foothills Reserve until a Declaration of Annexation has been recorded on such property. No subdivision plat, Declaration of Annexation or further covenants, conditions, restrictions or easements shall be recorded by any Owner or other person against any property in Foothills Reserve unless the provisions thereof have first been approved in writing by the Co-Declarant or the appropriate Architectural Committee and any plan, Declaration of Annexation or other covenants, conditions, restrictions or easements recorded without such approval being evidenced thereon shall be null and void. Once a parcel has been subdivided into Lots by a recorded plat, that parcel may not be resubdivided into a greater number of Lots without the approval of the Co-Declarants. No application for rezoning of any Lot, and no applications for variances or use permits shall be filed with any governmental authority unless the proposed use of the property has been approved by the Co-Declarants or the appropriate Architectural Committee and the proposed use otherwise complies with this Declaration, any applicable Declaration of Annexation and the general plan of development for Foothills Reserve.

4.1.15 Utility Easements. There is hereby created a blanket easement upon, across, over and under Foothills Reserve, for ingress to, egress from, and the installation, replacing, repairing and maintaining of, all utility and service lines and systems, including, but not limited to, water, sewers, gas, telephones, electricity, television cable or communication lines and other systems as such utilities are installed in connection with the initial development of Foothills Reserve. Pursuant to this easement, a providing utility or service company may install or maintain facilities or equipment on the property and affix and maintain Unofficial Document wires, circuits and conduits on, in and under the roofs and exterior walls of buildings on the property. Notwithstanding anything to the contrary contained in this Subsection, no sewers, electrical lines, water lines, or other utilities or service lines may be installed or relocated on any area in Foothills Reserve except as initially programmed and approved by the Co-Declarants or the appropriate Architectural Committee, or, if installed after recordation of the Declaration of Annexation, as approved by the Owner and the appropriate Architectural Committee.

4.1.16 Party Walls. Except as hereinafter provided, the rights and duties of Owners of contiguous properties which have Party Walls shall be as follows:

(a) Each Owner shall have the right to use the Party Wall, provided that such use does not interfere with the other Owner's use and enjoyment thereof.

(b) If a Party Wall is damaged or destroyed through the act or failure to act of an Owner or any of his tenants, agents, guests or members of his family (whether or not such act is negligent or otherwise culpable), it shall be the obligation of such Owner to promptly rebuild and repair the Party Wall without cost to the Owner of the adjoining property.

(c) In the event any Party Wall is destroyed or damaged (including deterioration from ordinary wear and tear and lapse of time), other than by the act or failure to act of an adjoining Owner, his tenants, agents, guests or family, it shall be the obligation of all Owners whose properties adjoin such Party Wall to rebuild and repair such Wall at their joint expense, such

expense to be allocated among the Owners in accordance with the frontage of their respective properties on the damaged or destroyed Party Wall.

(d) In the event of a dispute between Owners with respect to the construction, repair or rebuilding of a Party Wall, or with respect to the sharing of the cost thereof, such adjoining Owners shall submit the dispute to the Board, the decision of which shall be binding. Notwithstanding any such decision, an Owner may seek indemnity from any party causing the damage.

(e) Notwithstanding the foregoing and unless otherwise indicated in an applicable Declaration of Annexation or other recorded document, in the case of Party Walls (1) between Common Areas and Lots, or (2) constructed by the Co-Declarants or the Association on Common Areas within a Lot, the Association shall be responsible for all maintenance thereof, subject to the provisions of Paragraphs 10.2 and 10.3; except that each Owner of a Lot shall remain responsible for painting and maintaining the surface of the portion of the Party Wall facing his Lot and/or the portion of the Party Wall which is not a portion of the Common Area, and except that an adjoining Owner shall reimburse the Association for one-half (1/2) of the costs incurred by the Association for any structural repair of the Party Wall located on that Owner's property.

(f) The provisions of this Subsection 4.1.16 shall not apply to any Party Wall which separates the interiors of two Dwelling Units or to any Party Wall which also constitutes an exterior wall of a Dwelling Unit. The rights of the Owners of such Dwelling Units with respect to such Party Walls shall be governed by the applicable Declaration of Annexation, by any additional covenants or by the plats recorded by the developer^{Unofficial Document} of the Dwelling Units.

4.1.17 Perimeter Walls. Perimeter walls and other fencing shall be constructed in accordance with Architectural Guidelines to be promulgated by the appropriate Architectural Committee. All fences adjoining the Common Areas, parks or washes shall be constructed and maintained in accordance with specifications established by the appropriate Architectural Committee for the purpose of preserving and protecting the views from adjoining properties and shall be maintained by the Sub-Association which governs the adjoining property except that each Owner shall remain responsible for painting and maintaining the surface of the portion of the perimeter wall facing his Lot and except that the Owner shall reimburse the Association for one-half (1/2) of the costs of any structural repair of that portion of the perimeter wall located on that Owner's property or on or near that Owner's property boundary. The Board shall have sole discretion with respect to the maintenance of the exterior surface facing the arterial right-of-way and the structural repair of the perimeter walls. The Association shall be responsible for the maintenance of all landscaping immediately outside the perimeter walls and fences and adjoining the arterial right-of-way, except any maintenance assumed by the City of Phoenix, by a Sub-Association, or by the Owner of the adjoining Lot.

4.1.18 Utility Service. No lines, wires or other devices for the communication or transmission of electric current or power, including telephone, television and radio signals, shall be erected, placed or maintained anywhere in Foothills Reserve unless the same shall be contained in conduits or cables installed and maintained underground or concealed in, under or on buildings or other structures, except for boxes on the ground for electrical or communication connections,

junctions, transformers and other apparatus customarily used in connection with such underground lines, wires and other devices.

Notwithstanding the foregoing, no above ground electrical apparatus shall be installed without the approval of the Co-Declarants or the appropriate Architectural Committee. All lines for the transmission of water and sewage shall also be installed and maintained underground or concealed in, on or under structures approved by the appropriate Architectural Committee. The installation and location of all utility lines and equipment must be approved in advance by the Co-Declarants or the appropriate Architectural Committee. Temporary above ground power or telephone structures and water lines incident to construction activities, shall be permitted with the prior written approval of the appropriate Architectural Committee.

4.1.19 Overhead Encroachments. No tree, shrub or planting of any kind on any Lot or other area shall be allowed to overhang or otherwise to encroach upon any sidewalk, street, bike path, equestrian trail, pedestrian way or other area from ground level to a height of eight (8) feet without the prior written approval of the appropriate Architectural Committee.

4.1.20 Trucks, Trailers, Campers and Boats. No motor vehicle (classed by manufacturer rating as exceeding 3/4-ton), mobile home, motor home, trailer, camper shell, detached camper, boat, boat trailer or other similar equipment or vehicle may be parked or stored on any area in Foothills Reserve so as to be Visible From Neighboring Property, Common Area or street; provided, however, this provision shall not apply to (i) pickup trucks of less than 3/4-ton capacity with camper shells not exceeding seven (7) feet in height measured from ground level and mini-motor homes not exceeding seven (7) feet in height and eighteen (18) feet in length which are parked as provided in Subsection 4.1.22 below and are used on a regular and recurring basis for basic transportation; or (ii) temporary construction shelters or facilities maintained during, and used exclusively in connection with, the construction of any improvement approved by the appropriate Architectural Committee.

4.1.21 Motor Vehicles. No motor vehicle of any kind shall be constructed, reconstructed or repaired upon any Lot, street or other area in Foothills Reserve, and no inoperable vehicle may be stored or parked so as to be Visible From Neighboring Property or to be visible from Common Areas or streets; provided, however, that this provision shall not apply to (i) emergency vehicle repairs; (ii) the parking of motor vehicles in garages or other parking areas in Foothills Reserve designated or approved by the Co-Declarants or the appropriate Architectural Committee so long as such vehicles are in good operating condition and appearance and are not under repair; and (iii) the storage of motor vehicles in an area designed for such purposes on a Declaration of Annexation or on a site plan approved by the appropriate Architectural Committee.

4.1.22 Parking. Vehicles of all Owners and Residents, and of their employees, guests and invitees, are to be kept in garages, carports and other parking areas designated or approved by the Co-Declarants or the appropriate Architectural Committee; provided, however, this Paragraph shall not be construed to permit the parking or storing in the above described areas of any vehicle whose parking or storage in Foothills Reserve is otherwise prohibited herein. The Foothills Reserve Rules may permit temporary parking on streets or other Foothills Reserve areas for public or private social events or other permitted activities.

4.1.23 Roofs. No solar panel, air conditioning unit, evaporative cooler or other apparatus, structure or object shall be placed on the roof of a Dwelling Unit without the prior written consent of the appropriate Architectural Committee. Any solar panel approved by the appropriate Architectural Committee for placement on a roof must be flush mounted if Visible From Neighboring Property.

4.1.24 Window Treatments. Within one hundred and twenty (120) days of occupancy, each Owner of a Dwelling Unit shall install permanent draperies or suitable window treatments on all windows Visible From Neighboring Property. In no event shall windows be covered with paper, aluminum foil, bed sheets or any other materials or temporary coverings not specifically intended for such purpose. No interior or exterior reflective material shall be used as a window covering unless such material has been approved by the appropriate Architectural Committee. Further, no metal or rigid plastic awnings of any nature whatsoever shall be permitted to be placed or installed on or attached to the outside of any building or elsewhere on a parcel, except as has been approved by the appropriate Architectural Committee.

4.1.25 Drainage. No Owner or Resident shall interfere with or obstruct the drainage pattern over his Lot from or to any other Lot as that pattern may be established or altered by the Co-Declarant or other Developer.

4.1.26 Garage Openings. No garage door shall remain open except when necessary for access to and from the garage. No parking area or garage shall be used to store junk or other unsightly material.

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4.1.27 Right of Entry. During reasonable hours and upon reasonable notice to the Owner or other occupant of a Lot, any member of the appropriate Architectural 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 other area, and the improvements constructed or being constructed thereon (except for the interior portions of any completed and occupied Dwelling Unit), to determine compliance with this Declaration, the Architectural Guidelines, or any approval stipulations issued by the appropriate Architectural Committee or to perform repairs and maintenance as provided in Paragraph 10.3, and such persons shall not be deemed guilty of trespass by reason of such entry. In addition, the Association shall have an easement and right of entry upon any Lot or other area at any time or times without notice in order to perform emergency repairs.

4.1.28 Co-Declarant's Exemption. Nothing contained in this Declaration shall be construed to prevent the erection or maintenance by Co-Declarants or by other Developers or their duly authorized agents of structures, improvements or signs necessary or convenient to the development or sale of property within Foothills Reserve if those structures, improvements or signs have been approved by the Co-Declarants or the appropriate Architectural Committee.

4.1.29 Health, Safety and Welfare. In the event additional uses, activities and facilities are deemed by the appropriate Architectural Committee to be a nuisance or to adversely affect the health, safety or welfare of Owners or Residents, the appropriate Architectural Committee may make rules restricting or regulating their presence in Foothills Reserve as part of the Architectural Guidelines.

4.1.30 Model Homes. The provisions of this Declaration and of Declaration of Annexation which prohibit nonresidential use of Lots and regulate parking of vehicles shall not prohibit the construction and maintenance of model homes and sales offices and parking areas incidental thereto by persons engaged in the construction or marketing of Dwelling Units in Foothills Reserve, provided that the location and the opening and closing hours of such model homes are approved by the Co-Declarants or the appropriate Architectural Committee, and provided that the construction, operation and maintenance of such model homes otherwise comply with all of the provisions of this Declaration and with the ordinances of the City of Phoenix. Any homes constructed as model homes shall cease to be used as model homes at any time the Owner or builder thereof is not actively engaged in the construction and sale of Dwelling Units in Foothills Reserve. No home shall be used as a model home for the sale of homes not located in Foothills Reserve unless expressly permitted to do so in writing by the Co-Declarants.

4.1.31 Incidental Uses. The Co-Declarants or the appropriate Architectural Committee may approve, regulate or restrict incidental uses of property within a parcel. By way of example and not of limitation, the Co-Declarants or the appropriate Architectural Committee may permit: private roadways; tennis and/or swimming clubs intended primarily for the benefit of all or less than all of the Owners and Residents; and tennis courts, swimming pools and other recreational amenities.

4.1.32 Leases. Any agreement for the lease of all or any portion of a Lot must be in writing and must be expressly subject to this Declaration, the Foothills Reserve Rules, the Architectural Guidelines, the Articles and the Bylaws. Any violation of these documents shall be a default under the lease. An Owner shall notify ^{Unofficial Document} the Association regarding the existence of all leases. The Owner shall remain liable for compliance with the Declaration, Articles, Bylaws, Foothills Reserve Rules and Architectural Guidelines and shall be responsible for any violations thereof by his tenant or his tenant's family and guests. All notices shall be sent to the Owner.

4.1.33 General. Lots within Foothills Reserve may be used only for the construction and occupancy of Single Family detached Dwelling Units and typical residential activities incidental thereto, such as the construction and use of private swimming pools, together with common recreational facilities or other common areas or amenities, if any. All Lots shall be used, improved and devoted exclusively to residential uses and no occupation, business, profession, trade or other nonresidential use shall be conducted thereon, except that an Owner or Resident may conduct business activities on a Lot so long as (i) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell from outside the Dwelling Unit; (ii) the business activity conforms to all applicable zoning requirements; (iii) the business activity does not involve door-to-door solicitation of other Owners and Residents; and (iv) the business activity is consistent with the residential character of the property and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other Residents and Owners, as may be determined in the sole discretion of the Board. The terms "business," "occupation," "profession" and "trade," as used in this Sub-Paragraph 4.1.33 and in the immediately following Sub-Paragraph 4.1.34, shall be construed to have their ordinary, generally accepted meanings, and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (i) such activity

is engaged in full or part-time; (ii) such activity is intended to or does generate a profit; or (iii) a license is required therefor. Notwithstanding the above, the leasing of a Dwelling Unit shall not be considered a trade or business as defined herein. This restriction shall not apply to any activity conducted by the Co-Declarants or other Developer with respect to its development and sale of property within Foothills Reserve.

4.1.34 Tenants. The entire Dwelling Unit and Lot may be let to a Single Family tenant or lessee from time to time by the Owner, subject to the provisions of this Declaration, the Foothills Reserve Rules, any applicable Architectural Guidelines and Declaration of Annexation.

4.2 Variances. The Board or Architectural Committee may, at its option and in extenuating circumstances, grant variances from the restrictions set forth in Article IV of this Declaration or in any Declaration of Annexation if the Board or Architectural Committee determines in its discretion (a) either (i) that a restriction would create an unreasonable hardship or burden on an Owner or (ii) that a change of circumstances since the recordation of this Declaration has rendered such restriction obsolete and (b) that the activity permitted under the variance will not have any substantial adverse affect on the Owners and Residents of Foothills Reserve and is consistent with the high quality of life intended for Residents of Foothills Reserve. The request for a variance must be made in writing and must be accompanied by adequate supporting documentation.

ARTICLE V

Unofficial Document ORGANIZATION OF ASSOCIATION

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

5.2 Board of Directors and Officers. The affairs of the Association shall be conducted by the Board and such officers as the Board may elect or appoint in accordance with the Articles and the Bylaws as the same may be amended from time to time. The Board may also appoint various committees and appoint a Manager who shall, subject to the direction of the Board, be responsible for the day-to-day operation of the Association. The Board shall determine the compensation to be paid to the Manager and any employees of the Association. The Board's responsibilities shall include, but not be limited to, the following:

- (a) administration, including administrative support as required for the Architectural Committee;
- (b) preparing and administering an operational budget;
- (c) establishing and administering an adequate reserve fund;

- Members;
- (d) scheduling and conducting the annual meeting and other meetings of the
 - (e) collecting and enforcing the assessments;
 - (f) accounting functions and maintaining records;
 - (g) promulgation and enforcement of the Foothills Reserve Rules (but not the Architectural Guidelines);
 - (h) maintenance of the Common Areas, Exclusive Common Areas and other areas where maintenance has been assumed by the Association; and
 - (i) all the other duties imposed upon the Board pursuant to this Declaration, the Bylaws, the Articles and the Foothills Reserve Rules.

5.3 The Foothills Reserve Rules and Architectural Guidelines. By a majority vote of the Board, the Association may, from time to time and subject to the provisions of this Declaration, adopt, amend and repeal rules and regulations to be known as the Foothills Reserve Rules. The Foothills Reserve Rules may restrict and govern the use of the Common Area by any Member or Resident, by the family of such Member, or by any invitee, licensee or tenant of such Member; provided, however, that the Foothills Reserve Rules shall not discriminate among Members and shall not be inconsistent with this Declaration, the Articles and the Bylaws. In addition, from time to time and subject to the provisions of this Declaration, ^{Unofficial Document} the appropriate Architectural Committee shall have the right to adopt, amend and repeal Architectural Guidelines; provided, however, that such rules and guidelines shall be fair and reasonable and shall be consistent with the provisions of this Declaration, the Articles and Bylaws. The authority granted herein to develop rules and guidelines by the appropriate Architectural Committee and the enforcement powers of the committee, are given for the purpose of insuring that Foothills Reserve is developed and used according to the general descriptions and intent as evidenced by the Foothills Reserve Master Development Plan, as it may from time to time be amended, and this Declaration. Upon adoption, the Foothills Reserve Rules and/or Architectural Guidelines shall be enforceable in the same manner as this Declaration and shall have the same force and effect as if set forth in and a part of this Declaration. The appropriate Architectural Committee is specifically responsible for the administration and enforcement of the provisions of Article IV of this Declaration; the administration and enforcement of the guidelines promulgated by such Committee; and all other duties and obligations designated to such Committee by the Declaration, Articles, Bylaws and Foothills Reserve Rules. Administrative support as required by the Architectural Committees shall be provided by the Board. Upon adoption, the Foothills Reserve Rules and the Architectural Guidelines shall have the same force and effect as if they were set forth in and were a part of this Declaration. In the event of any inconsistency between the rules and regulations adopted by the Board and the guidelines adopted by the Architectural Committees, the guidelines adopted by the Architectural Committees shall control. Copies of the Foothills Reserve Rules and all Architectural Guidelines as adopted or amended shall be available for inspection at the office of the Association during reasonable business hours.

5.4 Personal Liability. No board member, committee member (including, but not limited to, the Architectural Committees), officer or employee of the Association shall be personally liable to any Member or to any other person or entity, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence; provided, however, the limitations set forth in this Paragraph 5.4 shall not apply to any person who has failed to act in good faith or has engaged in willful or intentional misconduct. The Association shall indemnify its committee members, directors and officers when acting on behalf of the Association, to the full extent permitted by law, except for willful misconduct and bad faith acts or omissions.

5.5 Sub-Associations. In the event an Sub-Association is formed by the developer of a Parcel or subdivision in Foothills Reserve, the Articles of Incorporation, Bylaws and other governing documents for such association (including any declaration of restrictions) shall not be effective unless such documents have been approved by the Co-Declarants so long as there are Class B votes, Association and the Architectural Committees. The governing documents for an Sub-Association must specify that such association and the rights of its members are subject to the provisions of this Declaration, the provisions of the Articles and Bylaws of the Association and the provisions of the Foothills Reserve Rules and Architectural Guidelines. The Board may delegate to an Sub-Association the responsibility for billing and collecting for some or all of the Assessments.

ARTICLE VI

MEMBERSHIPS AND VOTING

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6.1 Owners of Lots and Parcels. Every Owner of a Lot which is subject to assessment shall be a Member of the Association. Each Member shall have one (1) Membership for each Lot owned

6.2 Declarant. The Declarant shall be a Member of the Association for so long as the Declarant owns any land in Foothills Reserve.

6.3 Voting. The Association shall have two classes of voting Memberships:

Class A. Class A Memberships shall be all Memberships attributable to the Owners of Lots other than the Co-Declarants. An Owner of a Lot (other than the Co-Declarants) shall be entitled to one vote for each Class A Membership held by the Owner, subject to the authority of the Board to suspend the Owner's voting rights for violations of this Declaration as provided herein.

Class B. The Class B Memberships shall be held by each Co-Declarants. For their Class B Memberships, Co-Declarants shall have three (3) votes for every one Lot owned by the Co-Declarants. The Class B Memberships shall cease on the happening of the first of the following events:

(a) One Hundred and Twenty (120) days after the date when the total votes outstanding in the Class A Memberships equal the total votes outstanding in the Class B Memberships,

(b) Seven (7) years from the date of the recording of this Declaration, or

(c) When both Co-Declarants notify the Association in writing that they both relinquish their Class B. Memberships.

6.4 Right to Vote. No change in the ownership of a Membership shall be effective for voting purposes unless and until the Board is given actual written notice of such change and is provided satisfactory proof thereof. The vote of each such Membership must be cast as a unit; 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 thereafter be conclusively presumed that he was acting with the authority and consent of all other Owners of the same Membership unless objection thereto is made to the Board, in writing at or prior to the time the vote is cast. In the event more than one vote is cast for a particular Membership, all said votes shall be deemed void.

6.5 Membership Rights. Each Member shall have the rights, duties and obligations set forth in this Declaration and such other rights, duties and obligations as are set forth in the Articles, Bylaws, Foothills Reserve Rules, and Architectural Guidelines as the same may be amended from time to time.

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6.6 Transfer of Membership. The rights and obligations of the Owner of a Class A Membership in the Association shall not be assigned, transferred, pledged, designated, conveyed or alienated in any way except upon transfer of ownership to an Owner's Lot and then only to the transferee thereof. A transfer of ownership of a Lot may be effected by deed, intestate succession, testamentary disposition, foreclosure of a mortgage of record or such other legal process as permitted by Arizona law. Any attempt to make a prohibited transfer shall be void. Any transfer or ownership of a Lot shall automatically transfer the Membership(s) appurtenant to said Lot to the new Owner. Upon the transfer of ownership of any Lot (excluding the initial sale by the Co-Declarants), the Board, in its discretion, may assess a reasonable transfer fee to cover administrative costs associated with said transfer of ownership.

6.7 Adjustment in Votes of Class B Members. In the event this Declaration is hereafter amended to exclude real property from Exhibit A or in the event the general plan of development contemplated by the Master Development Plan (or a modification thereof) is not pursued to completion and an affirmative statement of abandonment of any or all parts of the Master Development Plan is recorded in the office of the County Recorder of Maricopa County, Arizona, then, in such event the number of Memberships deemed owned by the Co-Declarants pursuant to Paragraph 6.3 above shall be adjusted. In the event the Co-Declarants shall make a "constructive abandonment" of the Master Development Plan, then the number of Memberships deemed owned by the Co-Declarants pursuant to Paragraph 6.3 above shall also be reduced. For the purposes of this Paragraph, a "constructive abandonment" shall be deemed to have occurred when Co-Declarants

shall fail to record a Declaration of Annexation on any area in Foothills Reserve for a period of five (5) years and all on-site and off-site construction and sales activities at Foothills Reserve shall have ceased for a period of five (5) years and Co-Declarants shall have made no substantial progress towards planning or preparation for continuation of the Master Development Plan for a period of five (5) years. A constructive abandonment shall not occur if the lack of recordation, construction and planning or preparation shall be due to strikes, acts of God, war, riot, insurrection, or other acts which are beyond the control of Co-Declarants. Only areas not then covered by a Declaration of Annexation may be affirmatively or constructively abandoned. In the event annexation of additional land is made in accordance with Paragraph 14.1 hereunder, Co-Declarants shall be entitled to additional votes under Paragraph 6.3, as set forth in the Declaration of Annexation.

ARTICLE VII

COVENANT FOR ASSESSMENTS AND CREATION OF LIEN

7.1 Creation of Lien and Personal Obligation for Assessments and Maintenance Charges. The Declarant, for all Assessable Property which is subject to a Declaration of Annexation, hereby covenants and agrees, and each Owner by acceptance of a deed therefor (whether or not it shall be so expressed in such deed) is deemed to covenant and agree, to accept and be subject to mandatory Membership in the Association, and to pay to the Association the following: (1) Annual Assessments, (2) Special Assessments, (3) Parcel Assessments, (4) Maintenance Charges, (5) Special Use Fees and (6) Remedial Assessments incurred by the Owner or any Resident occupying the Owner's Lot or any portion thereof. The ^{Unofficial Document} Annual Assessments, Special Assessments, Parcel Assessment, Maintenance Charge, Special Use Fees and other fees, fines and charges which are the obligation of an Owner hereunder, together with interest, costs, collection agency fees, and reasonable attorneys' fees of the Association incurred in connection with the enforcement and collection thereof or in otherwise enforcing this Declaration, shall be a charge and continuing servitude and lien upon the Lot against which each such Annual, Special or Parcel Assessment, Maintenance Charge or other charge is made and against the Lot of an Owner liable for a Special Use Fee or other charge and, in addition, shall be the personal obligation of the Owner of such Lot at the time when such payment becomes due and payable. The Annual, Special and Parcel Assessments against each Lot shall be based on the number of Memberships appurtenant to the Lot. The personal obligation for delinquent Assessments and other charges shall not pass to the successors in title of the Owner unless expressly assumed by them; however, the Lot shall remain subject to the lien of the delinquent Assessment except as provided in Paragraph 8.3 below. No Assessments may be charged against any Lot which is not covered by a Declaration of Annexation; however, Maintenance Charges may be assessed against any property initially covered by or annexed under this Declaration. No Owner may waive or otherwise exempt himself from liability for the Assessments provided for herein, including, but not limited to, by nonuse of Common Areas or abandonment of his Lot. The obligation to pay Assessments is a separate and independent covenant on the part of each Owner. No diminution, abatement or set-off shall be allowed by reason of any action or failure to act of the Board or Association.

7.2 Annual Assessments. In order to provide for the uses and purposes specified in Article IX hereof, including the establishment of replacement and maintenance reserves, in each year,

commencing with the first Assessment Period, the Board shall prepare and adopt a budget and shall assess against all Assessable Property an Annual Assessment. Subject to the provisions of Paragraph 7.4 hereof, the amount of the Annual Assessment shall be in the sole discretion of the Board, but shall be determined with the objective of fulfilling the Association's obligations under this Declaration and providing for the uses and purposes specified in Article IX.

7.3 Uniform Rate of Annual Assessment. No Annual, Parcel or Special Assessments shall be levied on any property until the property is made a part of this Declaration by a recorded instrument. The amount of any Annual, Parcel or Special Assessment against each Lot shall be fixed at an equal amount.

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

(a) Until January 1, 2003, the Maximum Annual Assessment against each Owner shall be FOUR HUNDRED EIGHTY and No/100 Dollars (\$480.00) per each Class A Membership, exclusive of any Parcel Assessment.

(b) From and after January 1, 2003, the Maximum Annual Assessment shall be increased effective January 1 of each year without a vote of the Membership by a maximum of five percent (5%) of the Maximum Annual Assessment for the previous year or in applicable conformance with the percentage rise, if any, ^{Unofficial Document} in the Consumer Price Index as hereinafter defined, whichever is greater. The Maximum Annual Assessment attributable to the Consumer Price Index for each such period shall be computed by reference to statistics published in the Monthly Labor Review by the United States Department of Labor, Bureau of Labor Statistics, designated "Consumer Price Index for All Urban Consumers, 1982 Equals 100, All Items," hereinafter called the "Consumer Price Index." The Maximum Annual Assessment shall be computed by the following formula:

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

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

$\frac{(Y - X)}{(X)}$

plus one multiplied by the initial Maximum Annual Assessment figure equals the Maximum Annual Assessment for the year in question.

In the event the Bureau of Labor Statistics shall cease to publish the Consumer Price Index and such information is not available from any other source, public or private, then a new

formula for determining the automatic annual increase of the Maximum Annual Assessment pursuant to Subparagraph (b) shall be adopted by the Board.

(c) From and after January 1, 2003, the Maximum Annual Assessment may be increased above the Maximum Annual Assessment otherwise determined under Subsection (b) above by a vote of two-thirds (2/3) of each class of Members who are voting in person or by proxy at a meeting duly called for such purpose.

(d) Notwithstanding the foregoing limitations described in (a), (b) and (c) above, in the Board's discretion, the Maximum Annual Assessment may be increased as required by increased utility and water costs charged to the Association.

7.5 Special Assessments for Capital Improvements and Extraordinary Expenses. In addition to the Annual Assessments authorized above, the Association may levy a Special Assessment for the purpose of defraying in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Areas, including fixtures and personal property related thereto, or for the purpose of defraying other extraordinary expenses, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of Members who are voting in person or by proxy at a meeting duly called for such purpose. The provisions of this Paragraph are not intended to preclude or limit the assessment, collection or use of Annual Assessments for the aforesaid purposes.

7.6 Rate of Assessment. Subject to Section 7.4 hereof and this Section 7.6, the amount of the Annual Assessments and Special Assessments shall be fixed by the Board, in its sole discretion.

(a) Except as set forth hereinbelow, both annual and special assessments must be fixed at a uniform rate for all Lots within the Covered Property and may be collected on a monthly basis.

(b) Notwithstanding anything contained herein to the contrary, Co-Declarants shall pay only twenty-five percent (25%) of the Annual Assessments for each Lot owned by the Co-Declarants which is within the Covered Property until the earlier of:

(i) the initial conveyance of a Lot thereon to a different Owner other than a Developer as hereinbefore defined; or

(ii) the month following the first closing of any Lot in any Parcel in the Property that (a) is not a model home; and (b) is intended to be occupied by its Owner.

(c) Notwithstanding anything contained herein to the contrary, during any period when Co-Declarants are paying reduced Assessments pursuant to this Section, Co-Declarants shall contribute to the Association such funds as may be required from time to time to meet any budget deficit which results from Co-Declarants having paid such reduced Assessments pursuant to this Section. Co-Declarants may contribute in-kind materials or services which have a value which is not less than any amount owed by the Co-Declarants to the Association in lieu of payments of its reduced Assessments or funding of any Association budget deficit.

7.7 Notice and Quorum for any Action Authorized Under Paragraphs 7.4 and 7.5. Written notice of any meeting called for the purpose of taking any action authorized under Paragraphs 7.4 and 7.5 shall be sent to all Members no less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes (exclusive of suspended voting rights) of each class of Membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

7.8 Establishment of Assessment Period. The period for which the Annual Assessment and Parcel Assessment is to be levied (the "Assessment Period") shall be the calendar year, except that the first Assessment Period shall commence (a) upon the recording of the first Declaration of Annexation covering property which is not Exempt Property; or (b) upon such later date as the Board shall determine and shall terminate on December 31 of such year. The Board in its sole discretion from time to time may change the Assessment Period by recording with the County Recorder of Maricopa County, Arizona, an instrument specifying the new Assessment Period.

7.9 Billing and Collection Procedures. The Board shall have the right to adopt procedures for the purpose of making, billing and collecting the Assessments, provided that said procedures are not inconsistent with the provisions hereof. Annual Assessments and Parcel Assessments may be collected on a monthly, quarterly or annual basis as determined by the Board and Special Assessments may be collected as specified by the Board unless otherwise determined by the resolution of the Members of the Association Unofficial Document approving the Special Assessment. The failure of the Association to send a bill to a Member shall not relieve any Member of his liability for any Assessment or charge under this Declaration, but the Assessment Lien therefor shall not be foreclosed or otherwise enforced until the Member has been given not less than fifteen (15) days written notice prior to such foreclosure or enforcement, at the address of the Member on the records of the Association, that the Assessment or any installment thereof is or will be due and of the amount owing. Such notice may be given at any time prior to or after the delinquency of such payment. Each Member shall be obligated to inform the Association in writing of any change of address. The 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 shall be given credit for prepayments, on a prorated basis, made by prior Owners. In case the Owner of a Membership becomes liable for payment of an increased sum pursuant to Paragraph 7.3 during the Assessment Period, he shall notify the Association, but his failure to notify the Association shall not relieve him of the liability for such amounts. The amount of the Annual and Parcel Assessments against Members who become such during an Assessment Period due to the recordation of a Declaration of Annexation shall be prorated and such new Member shall not be liable for any previously levied Special Assessments.

7.10 Collection Costs and Interest on Delinquent Assessments. Any Assessment or installment thereof not paid when due shall be deemed delinquent and shall bear interest from the due date until paid at a rate equal to the greater of (a) twelve percent (12%) per annum, or (b) the rate set by the Board, and the Member shall be liable for all costs, including attorneys' fees, which may be incurred by the Association in collecting the same. In addition, the Board may charge a late fee

for all delinquent payments. The Board may also record a Notice of Delinquent Assessment against any Lot as to which an Assessment is delinquent and constitutes a lien and may establish a fixed fee to reimburse the Association for the Association's cost in recording such Notice, processing the delinquency and recording a notice of payment, which fixed fee shall be treated as a collection cost of the Association secured by the Assessment Lien. The Association shall not be obligated to release any notice recorded pursuant to this Paragraph until all Delinquent Assessments, interest and collection costs have been paid in full, whether or not all of such amounts are set forth in the Notice of Delinquent Assessment.

7.11 Evidence of Payment of Assessments. Upon receipt of a written request, and within a reasonable period of time thereafter, the Association shall issue to the requesting party a written certificate stating (a) that all Annual, Parcel and Special Assessments, Special Use Fees and Maintenance Charges (including interest, costs and attorneys' fees, if any, as provided in Paragraph 7.10 above) have been paid with respect to any specified Lot as of the date set forth in such certificate, or (b) if such have not been paid, the amounts due and payable as of such date. The Association may make a reasonable charge for the issuance of such certificate. Any such certificate shall be conclusive and binding with respect to any matter therein stated as against any bona fide purchaser of, or lender on, the Lot in question.

7.12 Property Exempted from the Annual, Parcel and Special Assessments. Exempt Property shall be exempt from the Assessment of the Annual, Parcel and Special Assessments, but such property shall not be exempt from fines, Special Use Fees or the Maintenance Charges provided for in Paragraphs 10.2 and 10.3; from attorneys' fees, costs and expenses as described in Paragraph 7.2; or from the Assessment Lien to secure said ^{Unofficial Document} Maintenance Charges, attorneys' fees, fines, costs and expenses; provided, however, that in the event any change of ownership or use of Exempt Property results in all or any part thereof becoming Assessable Property in any year, the same thereupon shall be subject to the assessment of the Annual, Parcel and Special Assessments (prorated as of the date it became Assessable Property) and the Assessment Lien therefor. The Owner of Exempt Property shall not be entitled to any Memberships for such Exempt Property.

7.13 Parcel Assessments. All estimated costs and expenses, including any allocations to reserves, of the Association pertaining to the maintenance, repair and replacement of Parcel Assessment Areas, which shall include Exclusive Common Areas (the "Parcel Expenses") shall be shown separately in the budget adopted by the Board. The Parcel Expenses pertaining to the maintenance, repair and replacement of a Parcel Assessment Area or Exclusive Common Area, together with any other expenses attributable to the Parcel Assessment Area referenced in the applicable Declaration of Annexation, shall be assessed solely against the Lots which are benefitted by the Parcel Assessment Area as established by the applicable Declaration of Annexation or a recorded plat approved by Declarant designating the Parcel Assessment Area. Parcel Assessments shall be used exclusively to pay Parcel Expenses and no Parcel Expense shall be used in computing the Annual Assessments to be levied pursuant to Paragraph 7.2. Parcel Assessments shall be levied against the Lots benefitted by the Parcel Assessment Area at a uniform rate per Membership determined in the sole discretion of the Board, with the objective of fulfilling the Association's obligations to maintain the Parcel Assessment Area. Parcel Assessments shall commence upon the date established by the Board for the particular Parcel Assessment. If the Board determines during any Assessment Period that Parcel Assessments with respect to any Parcel Assessment Area are, or

will become, inadequate to meet all Parcel Expenses pertaining to that Parcel Assessment Area for any reason, including without limitation, non-payment of Parcel Assessments by Members, it may increase the Parcel Assessment for that Assessment Period and the revised Parcel Assessment shall commence on the date designated by the Board. Notwithstanding the foregoing, the applicable Declaration of Annexation may set forth the amount of the Parcel Assessment for specified Lots and may restrict increases in that Parcel Assessment. Such restrictions or increases may be similar to the restrictions regarding the amount of and increases in the Maximum Annual Assessment as set forth in Paragraph 7.4. In no event shall the Association bear any share of the costs or expenses of a Parcel Assessment Area.

7.14 Remedial Assessments. Pursuant to this Declaration, the Board may levy an assessment against any Lot to reimburse the Association for costs incurred in bringing such Lot and its Owners into compliance with the provisions of this Declaration or the Association Rules. Remedial Assessments shall be due ten (10) days after the Board gives written notice thereof to the Owner subject thereto. The provisions of the Section titled "Notice and Quorum for any Action Authorized Under Paragraphs 7.4 and 7.5" of this Article with respect to approval of Special Assessments shall not apply in the case of Remedial Assessments.

ARTICLE VIII

ENFORCEMENT OF PAYMENT OF ASSESSMENTS AND ASSESSMENT LIEN

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8.1 Association as Enforcing Body. As provided in Paragraph 12.2, the Co-Declarants, the Association, the Architectural Committees and the Members shall have the right to enforce the provisions of this Declaration.

8.2 Association's Remedies to Enforce Payment of Assessments. If any Member fails to pay the Annual, Parcel or Special Assessments, Remedial Assessments, Special Use Fees or Maintenance Charges when due, the Association may enforce the payment thereof by taking either or both of the following actions, concurrently or separately (and by exercising either of the remedies hereinafter set forth, the Association does not prejudice or waive its right to exercise the other remedy):

(a) Bring an action at law and recover judgment against the Member personally obligated to pay the Annual, Parcel, Special or Remedial Assessments, Special Use Fees or Maintenance Charges;

(b) Foreclose the Assessment Lien against the Lot in accordance with the then prevailing Arizona law relating to the foreclosure of realty mortgages (including the right to recover any deficiency), and the Lot may be redeemed after foreclosure sale as provided by law. The Association may bid on the subject property at such a foreclosure sale.

Notwithstanding subordination of an Assessment Lien as described in Paragraph 8.3, the delinquent Member shall remain personally liable for the Assessments and related costs after his Membership is terminated for foreclosure or deed in lieu of foreclosure or otherwise.

8.3 Subordination of Assessment Lien. The Assessment Lien provided for herein shall be subordinate to any first mortgage lien held by, or first deed of trust of which the beneficiary is, a lender who has lent funds with the Lot as security, or held by the lender's successors and assigns, and shall also be subject and subordinate to liens for taxes and other public charges which by applicable law are expressly made superior. Except as above provided, the Assessment Lien shall be superior to any and all charges, liens or encumbrances which hereafter in any manner may arise or be imposed upon each Lot. Sale or transfer of any Lot shall not affect the Assessment Lien; provided, however, that if the sale or transfer is pursuant to foreclosure of a mortgage or a deed of trust to which the Assessment Lien is subordinate, or pursuant to any sale or proceeding in lieu thereof, the purchaser at the mortgage foreclosure or deed of trust sale, or any grantee taking by deed in lieu of foreclosure, shall take the Lot free of the Assessment Lien for all Annual, Parcel, Special and Remedial Assessments and Maintenance Charges and Special Use Fees that have accrued up to the date of issuance of a sheriff's or trustee's deed or deed in lieu of foreclosure; provided, however, that such mortgage or deed of trust foreclosure sale purchaser or grantee shall take title subject to all Annual, Parcel, Special and Remedial Assessments, Special Use Fees, Maintenance Charges and the Assessment Lien therefor accruing subsequent to the date of issuance of a sheriff's or trustee's deed or deed given in lieu of foreclosure.

ARTICLE IX

USE OF FUNDS; BORROWING POWER

9.1 Purposes for Which Association's Funds May Be Used. ^{Unofficial Document} The Association shall apply all funds and property collected and received by it (including the Annual and Special Assessments, fees, loan proceeds, surplus funds and all funds and property received by it from any other source, except for the Parcel Assessments) for the common good and benefit of Foothills Reserve and the Members and Residents by devoting said funds and property, among other things, to the acquisition, construction, alteration, maintenance, provision and operation, by any manner or method whatsoever, of any kind and all land, properties, improvements, facilities, services, projects programs, studies and systems, within or without Foothills Reserve, which may be necessary, desirable or beneficial to the general common interests of Foothills Reserve, the Members and the Residents. The following are some, but not all, of the areas in which the Association may seek to aid, promote and provide for such common benefit; social interaction among Members and Residents, maintenance of landscaping on Common Areas and public rights-of-way, maintenance of washes and drainage areas within and adjoining Foothills Reserve, recreation, liability insurance, communications, ownership and operation of recreational and other facilities, vehicle storage areas, transportation, health, utilities, public services, safety and indemnification of officers and directors of the Association. Subject to this Declaration and the Articles and Bylaws, the Association may expend its funds in any manner permitted under the laws of the State of Arizona.

9.2 Borrowing Power. The Association may borrow money in such amounts, at such rates, upon such terms and security, and for such periods of time as is necessary or appropriate.

9.3 Association's Rights in Spending Funds From Year to Year. The Association shall not be obligated to spend in any year all the sums received by it in such year (whether by way of Annual,

Parcel or Special Assessments, fees or otherwise), and may carry forward as surplus any remaining balances. The Association shall not be obligated to reduce the amount of an Annual or Parcel Assessment in the succeeding year if a surplus exists from a prior year and the Association may carry forward from year to year such surplus as the Board in its discretion may determine to be desirable for the greater financial security of the Association and the accomplishment of its purposes.

9.4 Eminent Domain. The term "taking" as used in this Paragraph shall mean condemnation by eminent domain or sale under threat of condemnation. In the event of a threatened taking of all or any portion of the Common Areas, the Owners hereby appoint the Board and such persons as the Board may delegate to represent all of the Members in connection with the taking. The Board shall act in its sole discretion with respect to any awards made or to be made in connection with the taking and shall be entitled to make a voluntary sale to the condemnor in lieu of engaging in a condemnation action. Any awards received on account of the taking shall be paid to the Association. In the event of a total or partial taking, the Board may, in its sole discretion, retain any award in the general funds of the Association or distribute pro rata all or a portion thereof to the Owners and all holders of liens and encumbrances, as their interest may appear of record, at a uniform rate per Membership.

9.5 Insurance.

9.5.1 Authority to Purchase. The Association shall maintain insurance against liability incurred as a result of death or injury to persons or damage to property on the Common Areas or upon other areas maintained by the Association, in the total amount of not less than One Million Dollars (\$1,000,000.00). If reasonably ^{Unofficial Document} available, the Association shall obtain officers and directors liability insurance in an amount deemed prudent by the Board. In addition, the Association may carry any other insurance coverage which the Board in its discretion deems necessary or desirable. The deductible shall be paid by the party who would be liable for the loss or repair in the absence of insurance.

9.5.2 Individual Responsibility. Unless otherwise provided in a recorded Declaration of Annexation or other declaration approved by the Co-Declarants, it shall be the responsibility of each Owner and Resident or other person to provide for himself insurance on his property interests within Foothills Reserve, including, but not limited to, his additions and improvements thereon, furnishings and personal property therein, his personal liability to the extent not covered by the property and public liability insurance obtained by the Association, if any, and such other insurance as such person desires. No person shall maintain any insurance which would limit or reduce in any manner the insurance proceeds payable under the casualty insurance maintained by the Association in the event of damage to the improvements or fixtures on the Common Areas. Neither the Association nor any Board Member nor the Co-Declarants shall be liable to any person or mortgagee if any risks or hazards are not covered by the insurance obtained by the Association or if the amount of insurance is not adequate.

9.5.3 Insurance Claims. The Association is hereby irrevocably appointed and authorized by the Owners to adjust all claims arising under insurance policies purchased by the 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 has full and complete power

to act for the Association in this regard and may, at its discretion, appoint an authorized representative or committee, or enter into an insurance trust agreement wherein the trustee shall have authority, to negotiate losses under any policy purchased by the Association. All proceeds from insurance acquired by the Association shall be payable to the Association. Any proceeds resulting from damage to the Common Areas shall be used to repair the damage, unless otherwise approved by a majority of the votes of each class of Members at a meeting called for such purpose. Any excess proceeds may be retained by the Association as reserves or to reduce future assessments or, if distributed to Members, such proceeds shall be distributed to Members and their mortgagees as their interests may appear of record at a uniform rate per Membership.

9.6 Reserve Fund. From the Annual Assessments received by the Association, the Board shall establish a reserve fund for the maintenance, repair and replacement of the Common Areas.

ARTICLE X

MAINTENANCE

10.1 Common Areas and Public Rights-of-Way.

10.1.1 Areas of Association Responsibility. The Association, or its duly delegated representative, shall maintain and otherwise manage all Common Areas, Parcel Assessment Areas and the improvements thereon; provided, however, the Association shall not be responsible for providing or maintaining the landscaping or structures on any Common Areas which are part of Lots unless (i) such landscaping or structures are available for use by all Owners and Residents or are within easements intended for the general benefit of Foothills Reserve and (ii) the Association assumes in writing the responsibility as set forth in a recorded instrument as hereinafter provided.

(a) The Association shall maintain any landscaping and other improvements not located on Lots which are within the boundaries of Foothills Reserve and are identified on a recorded instrument as Common Areas intended for the general benefit of the Owners and Residents of Foothills Reserve, except the Association shall not be required to maintain (but may elect to maintain) areas which (i) the City of Phoenix, an improvement district or other government entity is maintaining, (ii) an Sub-Association is required under a Declaration of Annexation to maintain or (iii) are to be maintained by the Owners of a Lot pursuant to Paragraph 4.1.4 of this Declaration. Specific areas to be maintained by the Association may be identified on recorded subdivision plats approved by the Co-Declarant, and/or in deeds from the Co-Declarants to the Association or to a transferee of a Lot, but the failure to so identify such areas shall not affect the Association's rights or responsibilities with respect to Common Areas or the Association's rights with respect to other areas intended for the general benefit of Foothills Reserve. Notwithstanding anything to the contrary herein, the Board shall have discretion to enter into an agreement with the City of Phoenix to permit the Association to upgrade and/or maintain landscaping on property owned by the City, or which is owned by the Association, but is maintained by the City, whether or not such property is within Foothills Reserve, if the Board determines such agreement benefits the Association.

(b) Notwithstanding anything to the contrary herein, the Association may assume responsibility for maintenance and management of certain retention or other common areas within a Parcel. Such maintenance and management responsibility shall not be effective unless (i) the Board assumes in writing the responsibility as set forth in a recorded instrument; and (ii) the additional maintenance area is dedicated to the Association and such dedication is accepted in writing by the Association. The costs and expenses for such maintenance and management shall be assessed against the parcel and the Owners thereof, as Parcel Assessments pursuant to Paragraph 7.12.

10.1.2 Standard of Care. The Board shall use a reasonably high standard of care in providing for the repair, management and maintenance of the Common Areas and other properties maintained by the Association; however, the Board shall be the sole judge as to the appropriate maintenance of all such areas. The Common Areas and the Parcel Assessment Areas, including, but not limited to, the trails, bike paths and any playground or other play areas or equipment furnished or maintained by the Association shall be used at the risk of the user; and the Co-Declarants and the Association shall not be liable to any person or entity for any claim, damage, or injury occurring thereon or related to the use thereof.

10.1.3 Delegation of Responsibilities. In the event any subdivision plat, Declaration of Annexation, deed restriction or this Declaration permits the Board to determine whether or not Owners of certain Lots will be responsible for maintenance of certain Common Areas, Parcel Assessment Areas or public right-of-way areas, the Board shall have the sole discretion to determine whether or not it would be in the best interest of the Owners and Residents of Foothills Reserve for the Association or for an individual Owner ^{Unofficial Document} or an Sub-Association 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 Association to contract with others for the performance of the maintenance and other obligations of the Association under this Article X and, in order to promote uniformity and harmony of appearance, the Board may also cause the Association to contract to provide maintenance services to Owners of Lots in exchange for the payment of such fees as the Association and Owner may agree.

10.2 Assessment of Certain Maintenance Costs. In the event that the need for maintenance or repair of Common Areas, structures and other property maintained by the Association is caused through the willful or negligent act of any Owner, or that Owner's family, guests or tenants, the cost of such maintenance or repairs shall be added to and become a part of the Assessment to which such Owner and the Owner's Lot is subject and shall be secured by the Assessment Lien. Any charges or fees to be paid by the Owner of a Lot pursuant to Paragraph 10.1.3 in connection with a contract entered into by the Association with an Owner for the performance of an Owner's maintenance responsibilities shall also become a party of such Assessment and shall be secured by the Assessment Lien as a Remedial Assessment.

10.3 Improper Maintenance and Use of Lots. In the event any portion of any Lot is so maintained as to present a nuisance, or substantially detract from the appearance or quality of the surrounding Lots or other areas of Foothills Reserve which are substantially affected thereby or related thereto, or in the event any portion of a Lot is being used in a manner which violates this Declaration or any applicable Declaration of Annexation, or in the event the Owner of any Lot is

failing to perform any of its obligations under this Declaration, any Declaration of Annexation, the Foothills Reserve Rules or Architectural Guidelines, the Board may by resolution make a finding to such effect, specifying the particular condition or conditions which exist, and pursuant thereto, give written notice thereof to the offending Owner that unless corrective action is taken within fourteen (14) days, the Board may cause such action to be taken at said Owner's cost. If at the expiration of said 14-day period of time the requisite corrective action has not been taken, the Board shall be authorized and empowered 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 is subject and shall be secured by the Assessment Lien as a Remedial Assessment.

10.4 Easement for Maintenance Responsibilities. The Association shall have an easement upon, across, over and under the Lots and all other areas in Foothills Reserve for the purpose of repairing, maintaining and replacing the Common Areas, Common Area improvements, and other areas maintained by the Association and for the purpose of performing all of the Association's other rights, duties and obligations hereunder.

ARTICLE XI

ARCHITECTURAL COMMITTEES

11.1 Establishment. One or more Architectural Committees may be established and, if established, shall perform the functions set forth in this Declaration. A separate Architectural Committee may be established for Parcel A-1, ^{Unofficial Document} for Parcel A-2 and for Parcels C and D. The Committees shall adopt rules, regulations and guidelines for the performance of its duties, including procedures for the preparation, submission and determination of the application for any approvals required by this Declaration or any Declaration of Annexation. The Architectural Committees shall have sole and exclusive authority with respect to all approvals and use decisions regarding Common Areas within their respective areas of Foothills Reserve. The Architectural Committees shall consist of three regular members and not less than one alternate member. During the first fifteen (15) years following the recordation of this document or until such time as the Co-Declarants have relinquished their appointment rights, all members and alternates of the committee shall be appointed by the Co-Declarants. Specifically, SM 320, L.L.C., and its assigns to whom this right has been granted by written recorded instrument, shall have the right to appoint members and alternates of the committee which has jurisdiction over Lots within Parcel A-1 and Parcel A-2 of Foothills Reserve. Woodside Group Arizona, Inc., and its assigns to whom this right has been granted by written recorded instrument, shall have the right to appoint members and alternates of the committee which has jurisdiction over Lots within Parcels C and D of Foothills Reserve. Thereafter, the members of the Parcels A-1 and A-2 Architectural Committee shall be elected by a vote of a majority of the Memberships voting from Parcels A-1 and Parcel A-2 at a meeting called for that purpose and the members of the Parcels C and D Architectural Committee shall be elected by a vote of a majority of the Memberships voting from Parcels C and D at a meeting called for that purpose. Committee members shall be elected to one (1) year terms (or until replaced). Architectural Committee elections shall occur at the same time as the annual elections of the Board. In the event of a temporary or permanent vacancy on a Committee, an alternate member selected by the appropriate Committee shall serve as a replacement until the next election or until the regular Member is again

available. Members of the Architectural Committee need not be architects and need not possess any special qualifications of any type. Committee members appointed by Co-Declarants need not be Owners or Residents. The Co-Declarants may voluntarily relinquish (either temporarily or permanently) its right to appoint all or some of the members of the Architectural Committees by recording an amendment to the Declaration executed by the Co-Declarants alone.

11.2 Meetings; Guidelines. The Architectural Committees shall keep a record of the minutes of all meetings. A quorum for any meeting shall consist of a majority of the regular members of the appropriate Committee and the concurrence of a majority of the regular Committee members shall be necessary for any decision of the Architectural Committee. Alternate member(s) may participate at any meeting in lieu of any absent regular member(s), may constitute a quorum by his (their) presence and shall have all of the authority of a regular member while so participating. As provided in Paragraph 5.3, the Architectural Committees shall promulgate Architectural Guidelines to be used in rendering decisions, including procedures for the preparation, submission and determination of applications for approval. The decision of the appropriate Architectural Committee shall be final on all matters submitted to it pursuant to this Declaration. Members of the Committees shall not be entitled to compensation for their services, unless otherwise approved by the Board.

The Architectural Guidelines shall interpret and implement procedures for the Architectural Committees' review of, and the standards for development within Foothills Reserve, including, but not limited to, architectural design, placement of buildings, landscaping, plant selection, color schemes, exterior finishes and materials, signage, wall design and similar matters and shall have the same force and effect as the Association Rules. The Guidelines may also include provisions requiring the establishment of landscaping on Parcels pursuant to specific timetables.

11.3 Discretion of Committees. The Architectural Committees shall be under no duty or obligation to pass upon, approve or disapprove any structural stability matters or matters pertaining to the stability of footings or foundations or matters pertaining to geological conditions involved in any foundation or footings and may indicate on any plans or specifications or drawings or other materials or in any certificate that the appropriate Committee has not passed upon, approved or disapproved any such referred to matters. All actions of said Committee authorized under this Declaration, including without limitation, the approval or disapproval of plans, specifications, drawings, plot plans, grading plans and height, as well as other matters in which the appropriate Committee is authorized hereunder to act, shall be in the sole and complete discretion of said Committee. Neither the Architectural Committees nor any member thereof shall be liable to any Owner, or to any other party, for any damage, loss or prejudice suffered or claimed on account of

- (a) the approval or disapproval of any plans, drawings or specifications, whether or not defective;
- (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications;
- (c) the development of any property within Foothills Reserve;

(d) the execution of any estoppel certificate, whether or not the facts therein are correct; or

(e) the enforcement of this Declaration and the Committees' Architectural Guidelines;

provided, however, that with respect to the liability of a Committee member, such member has acted in good faith on the basis of such information as may be possessed by him. The approval by the appropriate Architectural Committee of any plans, specifications or other matter shall not be deemed to constitute a waiver of any right to withhold approval of any similar plans, specifications or other matter subsequently submitted for approval. Subject to Paragraph 11.1, the vote or written consent of a majority of its regular members, at a meeting or otherwise, shall constitute the act of the appropriate Architectural Committee.

11.4 Response Within Forty-five (45) Days. Any approval required under this Declaration by the appropriate Architectural Committee shall not be withheld unreasonably. Failure by such Committee to approve or disapprove a request within forty-five (45) days after such request is filed with the Committee (or within any shorter period of time set forth in the applicable Architectural Guidelines) shall waive the approval requirement. Notice of disapproval shall be written and it shall set forth the reason or reasons for the disapproval. Notwithstanding Paragraph 15.10, no request shall be deemed filed with the appropriate Committee until it is actually received by the appropriate Committee, and all submissions to the appropriate Committee shall be made by certified mail or personal delivery. In any event, after the expiration of one (1) year from the completion of construction of any structure, work, improvement or alteration, the said structure, work, improvement or alteration shall, in favor of purchasers or encumbrances in good faith and for value, be deemed to be in compliance with this Declaration and the applicable Architectural Guidelines, unless actual notice of non-compliance executed by the appropriate Architectural Committee shall appear of record in the office of the County Recorder of Maricopa County, or a complaint has been filed to enforce compliance.

11.5 Committees' Certificate. Any approval of any plans and specifications or other matter by the appropriate Architectural Committee given or made pursuant to the provisions of this Declaration which is evidenced by a certificate signed by at least a majority of the members of said Committee shall be irrevocable and not subject to change by such Committee. Any such certificate may be conclusively relied upon by all parties, including, but not limited to, any Owner, tenant or purchaser of any Lot or of any interest therein; by any lender taking any Lot as security; and by any title insurance company. Any such certificate may be recorded by said Committee in the office of the Maricopa County Recorder.

11.6 Fee. The Board may establish a reasonable processing fee to defer the costs of the Association and the appropriate Architectural Committee in considering any requests for approvals submitted to it, which fee shall be paid at the time the request for approval is submitted.

ARTICLE XII

RIGHTS AND POWERS OF ASSOCIATION

12.1 Association's Rights and Powers As Set Forth in Articles and Bylaws. In addition to the rights and powers of the Association set forth in this Declaration, the Association shall have such rights and powers as are set forth in its Articles and Bylaws, which shall include all rights and powers as may be reasonably necessary in order to effect the purposes of the Association as set forth herein. After incorporation of the Association, a copy of the Articles and Bylaws of the Association shall be available for inspection by Members, prospective purchasers, mortgagees and other persons or entities with an interest in Foothills Reserve at the office of the Association during reasonable business hours.

12.2 Enforcement of Provisions of This and Other Instruments. The Association, in the first instance, and the Architectural Committees, each as the agent and representative of the Owners or any Owner (including Co-Declarants, so long as Co-Declarants are Owners), shall have the right (without obligation) to enforce, by any proceeding at law or in equity, the Covenants set forth in this Declaration, the Articles, Bylaws, Foothills Reserve Rules and Architectural Guidelines and 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 Declaration, or (b) otherwise shall indicate that the provisions of such instrument were intended to be enforced by the Association or by Co-Declarants. The Association is authorized to impose sanctions for violations without court approval. Such sanctions may include reasonable ^{Unofficial Document} monetary fines and suspension of the right to vote or use any recreational facilities on the Common Area as provided in Paragraph 3.1.2. In the event suit is brought or arbitration is instituted or an attorney is retained by the Association or the appropriate Architectural Committee to enforce the terms of this Declaration or other document as described in this Paragraph 12.2 and the Association or the appropriate Architectural Committee prevails, the Association or Architectural Committees, as applicable, shall be entitled to recover, in addition to any other remedy, reimbursement for attorneys fees, court costs, costs of investigation and other related expenses incurred in connection therewith, including, but not limited to, the Association's administrative costs and fees. Said attorneys' fees, costs and expenses shall be the personal liability of the breaching Owner and shall also be secured by the Assessment Lien against said Owner's Lot. If the Association and the appropriate Architectural Committees shall fail or refuse to enforce this Declaration or any provisions hereof for an unreasonable period of time after written request by a Member to do so, then any Member may enforce the provisions of the Declaration at his own expense by any appropriate action, whether in law or in equity, but regardless of the outcome, no expenses of the action shall be paid for by the Association.

12.3 Contracts with Others for Performance of Association's Duties. Subject to the restrictions and limitations contained herein, the Association may enter into contracts and transactions with others, including the Co-Declarants and their affiliated companies, and such contracts or transactions shall not be invalidated or in any way affected by the fact that one or more directors or officers of the Association or members of any committee are employed by or otherwise connected with Co-Declarants or their affiliates, provided that the fact of such interest shall be disclosed or known to the other directors acting upon such contract or transaction, and provided

further that the transaction or contract is fair and reasonable. Any such director, officer of committee member may be counted in determining the existence of a quorum at any meeting of the Board or committee of which he is a member which shall authorize any contract or transaction described above or grant or deny any approval sought by the Co-Declarants, its affiliated companies or any competitor thereof and may vote thereat to authorize any such contract, transaction or approval with like force and effect as if he were not so interested. Notwithstanding anything to the contrary contained herein, during the period when the Co-Declarants has a Class B vote, any professional management contract entered into by the Association must be terminable with or without cause, upon no more than ninety (90) days written notice and without payment of any penalty.

12.4 Procedure for Change of Use of Common Areas. 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 Common Areas or of the Association's interest in other Common Areas is no longer in the best interests of the Owners and Residents and (b) the approval of such resolution by a majority of the votes of each class of Members at a meeting duly called for such purpose, the Board shall have the power and right to 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 Residents, and (ii) shall be consistent with any deed restrictions and zoning regulations restricting or limiting the use of the land. Alternatively, the Board, upon satisfaction of Subsection (a) above, may, in lieu of calling a meeting, notify in writing all Owners of the proposed change of use and of their right to object thereto and, if no more than ten percent (10%) of the Class A Memberships eligible to vote object in writing within thirty (30) days after receipt of such notice, the proposed transaction shall be deemed approved by the Members and a meeting of the Members shall not be necessary.

12.5 Procedure for Alteration of Common Area; Contracts Concerning the Common Area. The Association shall have the right to dedicate or transfer all or any part of the Common Areas to any public authority or utility as provided in Paragraph 3.1.3. In addition, the Association shall have the right to change the size, shape or location of the Common Areas, to exchange the Common Areas for other property or interests which become Common Areas, and to abandon or otherwise transfer Common Areas (to a non-public authority) upon (i) the adoption of a resolution by the Board stating that ownership and/or use of the relevant Common Areas is no longer in the best interests of the Owners and Residents and that the change desired shall be for their benefit and shall not substantially adversely affect them and (ii) the approval of such resolution by a majority of the votes of each class of Members, voting in person or by proxy, at a meeting called for such purpose. Alternatively, the Board, upon satisfaction of Subsection (i) above, may, in lieu of calling a meeting pursuant to Subsection (ii) above, notify in writing all Owners of the proposed transaction and of their right to object thereto and, if no more than ten percent (10%) of the Class A Members eligible to vote object in writing within thirty (30) days after receipt of such notice, the proposed transaction shall be deemed approved by the Members and a meeting of the Members shall not be necessary.

ARTICLE XIII

TERM; AMENDMENTS; TERMINATIONS

13.1 Term; Method of Termination. This Declaration shall be effective upon the date of recordation hereof and, as amended from time to time, shall continue in full force and effect for a term of twenty (20) years from the date this Declaration is recorded. From and after said date, this Declaration, as amended, shall be automatically extended for successive periods of ten (10) years each. Subject to FHA and/or VA approval as provided in Paragraph 15.11 below, this Declaration may be terminated at any time if seventy-five percent (75%) of the authorized votes of each class of Members shall be cast in favor of termination at an election duly called and held for such purpose. If the necessary votes are obtained, the Board shall cause to be recorded with the County Recorder of Maricopa County, Arizona, a Certificate of Termination, duly signed by the President or Vice President and attested by the Secretary or Assistant Secretary of the Association, with their signatures acknowledged. Thereupon, these Covenants shall have no further force and effect, and the Association shall be dissolved pursuant to the terms set forth in its Articles. Any Association funds remaining following such termination and dissolution shall be distributed to the Members and their mortgagees as their interest may appear at a uniform rate per Membership.

13.2 Amendments. Until the first sale of a Lot within the Property to an Owner for use and occupancy as a Dwelling Unit, this Declaration may be amended by recorded instrument duly executed by Declarant, without the necessity of calling a meeting of Owners or obtaining the consent of Owners. Thereafter, this Declaration may be amended either at any time during the initial twenty-year term or during any extension thereof, pursuant to Paragraph 13.1 by recording with the County Recorder of Maricopa County, Arizona, a Certificate of Amendment, duly signed and acknowledged as required for a Certificate of Termination in Paragraph 13.1. The Certificate of Amendment shall set forth in full the amendment adopted, and, except as provided hereafter, shall certify that at an election duly called and held for this purpose pursuant to the provisions of the Articles and Bylaws, the Members casting seventy-five percent (75%) of the votes cast at the election voted affirmatively for the adoption of the amendment. The Declaration may be amended with respect to all or any portion of the Lots covered hereby. A Supplemental Declaration or Declaration of Annexation may be amended in the same manner as this Declaration, with the approval of sixty-seven percent (67%) of the votes attributable to the Owners of all Lots subject to the Supplemental Declaration or Declaration of Annexation. So long as there is a Class B Membership, any amendment or termination of this Declaration or any Declaration of Annexation shall require the approval of FHA or VA, as applicable, if such agency has guaranteed or insured any loan on a Lot subject to the Declaration of Annexation. Within fifteen (15) years from the date of recording this Declaration and so long as the Co-Declarants are the Owners of any Lot in Foothills Reserve, this Declaration and any Declaration of Annexation may be amended or terminated only with the written approval of the Co-Declarants. Thereafter, except as otherwise provided herein, any amendment to a Declaration of Annexation must be approved by the Board. This Declaration may not be amended to reduce or alter the rights of the Co-Declarants without the approval of the Co-Declarants. The Co-Declarants alone may amend this Declaration at any time (a) to annex additional property hereunder as provided in Article XIV, (b) to exclude from Exhibit A any property not then covered by a recorded Declaration of Annexation, (c) to relinquish its right to appoint the members of the Architectural Committees as provided in Section 11.1, or (d) to amend as permitted in Section 13.3 hereafter. In

addition, at any time, the Co-Declarants alone shall have the right to amend the Declaration or any Declaration of Annexation to comply with applicable law or to correct any error or inconsistency in the Declaration or the Declaration of Annexation if the amendment does not adversely affect the rights of any Owner.

13.3 Right of Amendment if Requested by Governmental Agency or Federally Chartered Lending Institutions. Anything in this Article to the contrary notwithstanding, Co-Declarants reserve the right to amend all or any part of this Declaration to such extent and with such language as may be requested by the Federal Housing Administration ("FHA"), the Veterans Administration ("VA"), the Federal Home Loan Mortgage Corporation ("FHLMC") or the Federal National Mortgage Corporation ("FNMA") and to further amend to the extent requested by any other federal, state or local government agency which requests such an amendment as a condition precedent to such agency's approval of the Declaration, or by any federally chartered lending institution as a condition precedent to lending funds upon the security of any Lot(s) or any portions thereof. Any such amendment shall be effected by the recordation by Co-Declarants of the Amendment duly signed by or on behalf of the authorized agents of Co-Declarants with their respective signatures acknowledged, specifying the federal, state or local government agency or the federally chartered lending institution requesting the amendment and setting forth the amendatory language requested by such agency or institution. Recordation of such Amendment shall be deemed conclusive proof of the agency's or institution's request for such an amendment, and such Amendment, when recorded, shall be binding upon all of the Foothills Reserve and all persons having an interest therein.

Unofficial Document
ARTICLE XIV

ANNEXATION OF ADDITIONAL PROPERTY; WITHDRAWAL

14.1 Right of Annexation. Co-Declarants hereby expressly reserve the right until fifteen (15) years from the date of recording of this Declaration to expand Foothills Reserve, without the consent of any Owner, Mortgagee or any other party with an interest in Foothills Reserve, by annexing all or any portion of the Annexable Property. The annexation of any or all of the Annexable Property shall be accomplished by the Co-Declarants recording with the County Recorder of Maricopa County, Arizona, a Declaration, which establishes the property being annexed. Co-Declarants shall not be obligated to annex all or any portion of the Annexable Property. The Co-Declarants may annex non-contiguous property hereunder. A Declaration of Annexation annexing property as permitted hereunder may contain such complementary additions and modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the annexed property and as are not inconsistent with the plan of this Declaration. In no event, however, shall any such document revoke, modify or add to the Covenants established by this Declaration and applicable to property previously covered by a Declaration of Annexation.

14.2 Declarations of Annexation. The annexations authorized under Paragraph 14.1 shall be made by recording a Declaration of Annexation. A Declaration of Annexation may contain such complementary additions to and modifications of this Declaration as may be necessary to reflect the different character, if any, of the Annexable Property (or the applicable portion or portions thereof).

In no event, however, shall any such Declarations of Annexation revoke, conflict with, modify or add to the covenants established by this Declaration with respect to property previously covered by this Declaration.

14.3 Withdrawal. Notwithstanding any other provisions of this Declaration, Co-Declarants reserve the right to amend this Declaration so long as they have the right to annex additional property pursuant to this Article, for the purpose of removing property then owned by the Co-Declarants or their assignees from coverage of this Declaration, to the extent originally included in error or as a result of any changes in Co-Declarants' plans for the Property, provided such withdrawal is not unequivocally contrary to the overall scheme of development for the Property.

ARTICLE XV

MISCELLANEOUS

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

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

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

15.4 Rules and Regulations. In addition to the right to adopt rules and regulations on the matters expressly mentioned elsewhere in this Declaration, the Association (through its Board and Committee) shall have the right to adopt rules and regulations with respect to all other aspects of the Association's rights, activities and duties, provided said rules and regulations are not inconsistent with the provisions of this Declaration or any applicable Architectural Guidelines.

15.5 Co-Declarants' Disclaimer of Representations. Anything to the contrary in this Declaration notwithstanding, and except as otherwise may be expressly set forth on a recorded plat or other instrument recorded in the office of the County Recorder of Maricopa County, Arizona, Co-Declarants make no warranties or representations whatsoever that the plans presently envisioned or the complete development of Foothills Reserve can or will be carried out, or that any land now owned or hereafter acquired by the Co-Declarants is or will be subjected to this Declaration or any other declaration, or that any such land (whether or not it has been subjected to this Declaration) is or will be committed to or developed for a particular (or any) use, or if that land is one used for a particular use, such use will continue in effect. Not as a limitation of the generality of the foregoing,

the Co-Declarants expressly reserve the right at any time and from time to time to amend the Master Development Plan.

15.6 No Warranty of Enforceability. While Co-Declarants have no reason to believe that any of the Covenants contained in this Declaration are or may be invalid or unenforceable for any reason or to any extent, Co-Declarants make no warranty or representation as to the present or future validity or enforceability of any such Covenants. Any Owner acquiring a Lot in Foothills Reserve in reliance on one or more of the Covenants shall assume all risks of the validity and enforceability thereof and by acquiring any Lot agrees that Co-Declarants shall have no liability therefor.

15.7 References to the Covenants in Deeds. Deeds or any instruments affecting any part of Foothills Reserve may contain the Covenants herein set forth by reference to this Declaration; but regardless of whether any such reference to this Declaration is made in any Deed or instrument, each and all of the Covenants shall be binding upon the grantee Owner or other person claiming through any instrument and his heirs, executors, administrators, successors and assigns.

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

15.9 Captions and Titles. All captions, titles or headings of the Articles and Paragraphs in this Declaration are for the purpose of reference and convenience only and are not to be deemed to limit, modify or otherwise affect any of the ^{Unofficial Document} provisions hereof or to be used in determining the intent or context thereof.

15.10 Notices. If notice of any action or proposed action by the Board of or any committee or of any meeting is required by applicable law, this Declaration or resolution of the Board to be given to any Owner or Resident then, unless otherwise specified herein or in the resolution of the Board, such notice requirement shall be deemed satisfied if notice of such action or meeting is published once in any newspaper in general circulation within the City of Phoenix or Foothills Reserve. This Paragraph 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. If notice is made by mail, it shall be deemed to have been received twenty-four (24) hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to such person at the address given by that person to the Association for the purpose of service of such notice, or to the address if the Lot owned by such person if no address has been given. Notice to the Board or to the appropriate Architectural Committee shall be delivered or sent certified mail to the office of the Association.

15.11 FHA/VA Approval. If this Declaration has been approved by FHA or VA in connection with any loan programs made available by FHA or VA, then as long as there is a Class B Membership, the dedication of Common Areas (except where such dedication is required by the City of Phoenix), the annexation of Annexable Property, and the termination or amendment of this Declaration will require the prior approval of FHA or VA, as applicable, unless the need for such approval has been waived by FHA or VA.

15.12 Litigation. No judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by Members holding seventy-five (75%) percent of the outstanding votes. This Paragraph shall not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including, without limitation, the foreclosure of liens), (b) the imposition and collection of Assessments as provided in Article VII hereof, (c) proceedings involving challenges to taxation, or (d) counterclaims brought by the Association in proceedings instituted against it. This Paragraph shall not be amended unless such amendment is made by the Co-Declarants or is approved by the percentage votes necessary to institute proceedings as provided above.

15.13 Use of the Words "Foothills Reserve" or "Foothills Reserve Master Owners' Association". No person shall use the words "Foothills Reserve" or "Foothills Reserve Master Owners' Association" or any derivative thereof in any printed or promotional material without the prior written consent of the Co-Declarants. However, Owners may use the terms "Foothills Reserve" or "Foothills Reserve Master Owners' Association" in printed or promotional material where such term is used solely to specify the particular property is located within Foothills Reserve.

15.14 Exhibits. The following exhibits are attached to this Declaration, and, except as otherwise indicated, are incorporated herein.

- Exhibit A: Covered Property
- Exhibit B: Annexable Property

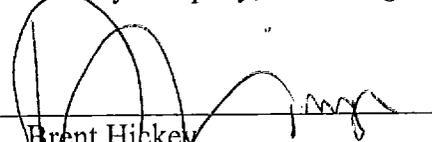
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IN WITNESS WHEREOF, the undersigned has executed this Declaration as of the day and year first above written.

“Co-Declarant”

SM320 L.L.C., an Arizona limited liability company

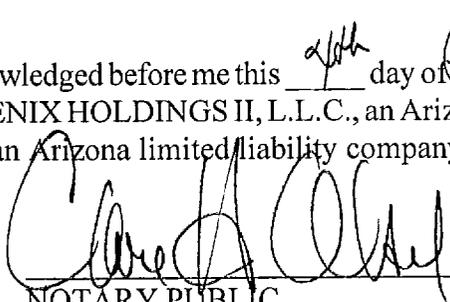
BY: PHOENIX HOLDINGS II, L.L.C., an Arizona limited liability company, Its Manager

By: 
 Brent Hickey
 Its: Manager

20010933577

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 21st day of October 2001, by BRENT HICKEY, the Manager of PHOENIX HOLDINGS II, L.L.C., an Arizona limited liability company, the Manager of SM320 L.L.C., an Arizona limited liability company, for and on behalf thereof.



NOTARY PUBLIC

My Commission Expires:

December 11, 2003



Unofficial Document

“Co-Declarant”

WOODSIDE HOMES OF ARIZONA, INC.
An Arizona corporation

By: *Norman R. Schrock*
Norman R. Schrock
Its: Vice President

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 2nd day of October, 2001,
by Norman R. Schrock, the Vice President of WOODSIDE HOMES OF ARIZONA, INC., an
Arizona corporation, for and on behalf thereof.

Clare H. Abel
NOTARY PUBLIC

Unofficial Document

My Commission Expires:
December 11, 2003

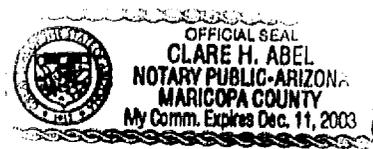


EXHIBIT "A"

Covered Property

Lots 1 through 268, inclusive and Tracts A through E, inclusive, of Foothills Reserve Parcel C, according to the Plat recorded in Book 552 of Maps Page 37 thereof, and at Instrument No. 2001-0035533, Official Records of Maricopa County, Arizona.

And

Lots 1 through 140, inclusive and Tracts A through D, inclusive of Foothills Reserve Parcel D, according to the Plat recorded in Book 569 of Maps, Page 39 thereof, and at Instrument No. 2001-0731292, Official Records of Maricopa County, Arizona.

EXHIBIT "B"**Annexable Property**

Lots 1 through 86, inclusive and Tracts A through J, inclusive, of Foothills Reserve Parcel A-1, according to the Plat recorded in Book 549 of Maps Page 48 thereof, and at Instrument No. 2000-0937297, Official Records of Maricopa County, Arizona.

And

Lots 1 through 117, inclusive and Tracts A through G, inclusive of Foothills Reserve Parcel A-2, according to the Plat recorded in Book 549 of Maps, Page 49 thereof, and at Instrument No. 2000-0937346, Official Records of Maricopa County, Arizona.

Unofficial Document

Note: This exhibit "B" is for illustrative purposes only. The property described in this Exhibit "B" is not made a part of the Declaration by its description herein. A separate instrument annexing the property herein described must be recorded to subject the real property to the Declaration.