

at the request of Pioneer Title Agency, Inc.

When recorded mail to
Richard B. Murphy
Murphy Cordier Casale Axel PLC
4647 N. 32nd Street, Suite 150
Phoenix, AZ 85018

FEE# 2023009707

OFFICIAL RECORDS OF MOHAVE COUNTY
KRISTI BLAIR, COUNTY RECORDER
03/06/2023 02:04 PM Fee \$30.00
PAGE: 1 of 60

SPACE ABOVE THIS LINE FOR RECORDER'S USE

CAPTION HEADING: DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE VILLAS AT HAVASU FOOTHILLS ESTATES (PHASES I, II AND III.

DO NOT REMOVE

THIS IS PART OF THE OFFICIAL DOCUMENT

RECORDED AT THE REQUEST OF:
MURPHY CORDIER CASALE AXEL PLC
4647 N. 32nd Street, Suite 150
Phoenix, Arizona 85018

**COVER PAGE
(DO NOT REMOVE)**

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR THE VILLAS AT HAVASU FOOTHILLS ESTATES (PHASES I, II and III)**

The undersigned affirms that:

1. On or about May 25, 2005, a Declaration of Covenants, Conditions and Restrictions was recorded at Fee Number 2005055626 that applied to the property described in "Exhibit A" thereto, corrected by certain Certificates of Correction recorded at Fee Number 2005109039 and Fee Number 2023000472, amended by that certain First Amendment recorded at Fee Number 2017006130, and amended by a certain Second Amendment recorded at Fee Number 2021019343 (collectively, the "**CC&Rs**").

2. On or about January 26, 2018, a "TRACT DECLARATION FOR THE VILLAS AT HAVASU FOOTHILLS ESTATES" was recorded at Fee Number 2018003880 ("**Tract Declaration**") that annexed certain property described as Tract 2379, according to the plat of record in the Office of the County Recorder of Mohave County, Arizona, recorded on or about November 3, 2017, at Fee Number 2017053503 ("**Phase I**").

3. The Tract Declaration applied the CC&Rs to Phase I.

4. On or about October 25, 2022, a "TERMINATION OF TRACT DECLARATION FOR THE VILLAS AT HAVASU ESTATES" was recorded at Fee Number 2022061491 ("**Tract Termination**") wherein the Tract Declaration was terminated and deemed null and void.

5. Since the Tract Termination's effective date of October 24, 2022, Phase I has not been subject to the CC&Rs and has no other governing documents in place.

6. The Tract Declarant, as defined in the Tract Termination ("**Declarant**"), is the governing entity for that certain property described as Tract 2380, according to the plat of record in the Office of the County Recorder of Mohave County, Arizona, recorded on or about June 24, 2020 at Fee Number 2020034508 ("**Phase II**").

7. On or about January 23, 2023, a "DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR PHASE III OF THE VILLAS AT HAVASU FOOTHILLS" was recorded at Fee Number 2023002843 ("**Phase III CC&Rs**").

8. The Phase III CC&Rs applied to that certain property described as Tract 2381, according to the plat of record in the Office of the County Recorder of Mohave County, Arizona, recorded on or about December 13, 2022 at Fee Number 2022069270 ("Phase III").

9. On February ~~12~~²³ ^{AT} 2023, a Certificate of Termination was recorded at Fee No. 2023008013 terminating the Phase III CC&Rs for the purpose described in Paragraph 10.

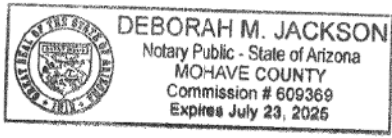
10. Declarant wishes to unify Phase I, Phase II and Phase III under one set of governing documents and hereby records the attached "DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE VILLAS AT HAVASU FOOTHILLS," ("Villas CC&Rs") which is effective immediately upon the recording of this Declaration and applicable to the property described herein (Phase I, with the exception of Lots 1A and 2A; Phase II; and Phase III).

The Villas at Havasu Foothills, LLC, an Arizona limited liability company

By: [Signature]
Name: ROBERT A JANECEK
Its: CORPORATE OFFICER

STATE OF ARIZONA)
) ss.
County of Mohave)

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me this day of February 23RD, 2023, by ROBERT A JANECEK, The Villas at Havasu Foothills, LLC, for and on behalf of the company.



[Signature]
Notary Public

My Commission Expires: 7-23-2025

WHEN RECORDED, RETURN TO:

Richard B. Murphy
Murphy Cordier Casale Axel PLC
4647 N. 32nd Street, Suite 150
Phoenix, Arizona 85018

**DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR THE VILLAS AT HAVASU FOOTHILLS**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (the "Declaration") is made and entered into as of the 16 day of February 2023, by The Villas at Havasu Foothills, LLC, an Arizona limited liability company, its successors, and assigns (herein called "Declarant").

THIS DECLARATION PROVIDES FOR AN EXTENSIVE DEGREE OF CONTROL IN THE DECLARANT, INCLUDING BUT NOT LIMITED TO: (I) CONTROL OF THE ASSOCIATION; (II) CONTROL OF THE USE, AND LIMITATIONS OF USE, OF THE COMMON AREAS; (III) THE RIGHT TO AMEND THIS DECLARATION; (IV) SUBSTANTIAL CONTROL IN DEVELOPING THE PROPERTY, WHICH CONTROL MAY, UNDER THE TERMS OF THIS DECLARATION, EXTEND UNTIL THE DECLARANT HAS SOLD ALL OF THE LOTS; AND (V) CONDITIONS RELATED TO THE RIGHTS OF MEMBERS TO LITIGATE CONSTRUCTION DEFECT-RELATED MATTERS. ARTICLE 10 HEREOF CONTAINS A LIMITATION ON THE LIABILITY OF THE DECLARANT. EACH OWNER, BY ACCEPTING TITLE TO A LOT, AND EACH MEMBER, BY ACCEPTING A MEMBERSHIP, ACKNOWLEDGES, AGREES TO AND ACCEPTS THE DECLARANT'S CONTROL OF THE PROPERTY, THE LIMITED LIABILITY OF THE DECLARANT AS PROVIDED IN THIS DECLARATION, AND THE PROCEDURE FOR RESOLVING DISPUTES. SUCH CONTROL AND CONDITIONS ON LITIGATION SET FORTH IN ARTICLE 10 ARE INTEGRAL PARTS OF THIS DECLARATION, THE GENERAL PLAN OF DEVELOPMENT OF THE VILLAS AT HAVASU FOOTHILLS AND THE MARKETING AND SALES OF THE LOTS. CAPITAL TERMS USED IN THIS PARAGRAPH ARE DEFINED IN THE DECLARATION.

WITNESSETH:

WHEREAS, Declarant is the Owner of certain real property located in Mohave County, Arizona more particularly described in **Exhibit A**, as hereinafter described, and commonly known as “The Villas at Havasu Foothills,” a subdivision, the Plats of which are on file and of record in the office of the Mohave County Recorder, Fee Numbers 2017053503, 2020034508 and 2022069720.

WHEREAS, Declarant is desirous of subjecting said real property to the covenants, conditions and restrictions hereinafter set forth, each of which is and are for the benefit of said property and for each owner thereof, and shall inure to the benefit of and pass with the said property, and every parcel thereof except for the Special Lots defined herein, and any owner thereof; and

NOW THEREFORE, the Declarant hereby declares that the real property hereinafter described is and shall be held, transferred, sold, and conveyed subject to the covenants, conditions and restrictions hereinafter set forth.

ARTICLE 1
DEFINITIONS

1.1 “Alleged Defect” means an alleged defect(s) in the planning, design, engineering, grading, construction, or other development of any portion of the Common Area, Areas of Association Responsibility, any Lot and/or any Improvements constructed on or within The Villas at Havasu Foothills by Declarant, its agents, consultants, contractors, or subcontractors, or that the Declarant, its agents, contractors, employees, subcontractors, architects, engineers or consultants were negligent in any manner in the planning, design, engineering, grading, construction or development thereof.

1.2 “Alleged Defect Costs” means the costs of repairing or replacing any defective portion of the Common Area, Areas of Association Responsibility, any Lot and/or any Improvements constructed on or within The Villas at Havasu Foothills by Declarant, its agents, consultants, contractors, or subcontractors.

1.3 “Annual Assessment” means the assessments levied against each Lot and the Owner thereof, pursuant to Section 6.3 of this Declaration.

1.4 “Architectural Committee” means the committee of the Association created pursuant to Section 5.12 of this Declaration.

1.5 “Architectural Committee Rules” means the rules, guidelines and procedures adopted by the Architectural Committee pursuant to Section 5.12 of this Declaration and the Bylaws, as they may, from time to time, be amended.

1.6 **“Areas of Association Responsibility”** shall mean: (i) all Common Areas, Improvements, and landscaping situated thereon, including, without limitation, the private streets for the Property, if any; (ii) any other land, and the Improvements situated, situated within the boundaries of a Lot which the Association acknowledges in this Declaration or in another recorded document is land which is to be maintained and repaired by the Association; (iii) all real property and the Improvements situated thereon, if any, within The Villas at Havasu Foothills located within and improved as dedicated rights-of-way with respect to which the State of Arizona or any county or municipality has not accepted responsibility for the maintenance thereof, but only until such time as the State of Arizona or a county, city or town has accepted the responsibility for the maintenance, repair and replacement of such areas; and (iv) any entry features constructed within The Villas at Havasu Foothills (although, unless shown on the Plat, Declarant shall have no obligation to install any entry feature).

1.7 **“Articles”** means the Articles of Incorporation of the Association, as they may, from time to time, be amended.

1.8 **“Assessment”** means an Annual Assessment, Special Assessment, or Lot Specific Assessment pursuant to Article 6 of this Declaration.

1.9 **“Association”** means Villas at Havasu Foothills Owners Association, Inc., an Arizona nonprofit corporation, and its successors and assigns.

1.10 **“Association Lien”** means a lien created and imposed pursuant to Article 6 of this Declaration.

1.11 **“Association Rules”** means the rules, regulations, guidelines, procedures, and other requirements adopted by the Board pursuant to Section 5.3 of this Declaration, as they may, from time to time, be amended.

1.12 **“Board”** means the Board of Directors of the Association.

1.13 **“The Villas at Havasu Foothills”** means all real property and the Improvement(s) thereon, described on the Plat or otherwise subject to this Declaration.

1.14 **“Bylaws”** means the Bylaws of the Association as they may, from time to time, be amended.

1.15 **“Collection Costs”** means all costs, fees, charges and expenditures (including, without limitation, attorneys’ fees, court costs, filing fees and recording fees) incurred by the Association in collecting and/or enforcing payment of Assessments, monetary penalties, late fees, interest or other amounts payable to the Association pursuant to this Declaration or the Condominium Act.

1.16 **“Common Area”** means all land and the Improvements situated thereon owned by the Association, including all land and the Improvements situated thereon, within the Plat, Recorded Tract Declaration, or other Recorded instrument as indicated in this Declaration.

“Common Area” shall not include any real property, improvements or personal property acquired by the Association in lieu of foreclosure or trustee’s sale or through attachment, foreclosure, Sheriff’s sale, Trustee’s sale, tax sale, redemption or any other judicial, quasi-judicial, bankruptcy or regulatory action.

1.17 **“Common Expenses”** means expenditures made by or financial liabilities of the Association, together with any allocations to reserves.

1.18 **“Declarant”** means The Villas at Havasu Foothills, LLC, an Arizona limited liability company, its successors and assigns, or any person to whom the Declarant’s rights hereunder are assigned by Recorded instrument. Notwithstanding the foregoing, The Villas at Havasu Foothills, LLC shall cease being Declarant at such time as it no longer owns any Lot.

1.19 **“Declaration”** means this Declaration of Covenants, Conditions and Restrictions, as it may, from time to time, be amended.

1.20 **“Documents”** means the Architectural Committee Rules, the Articles, the Association Rules, the Bylaws, this Declaration, the Plat and/or any Tract Declaration, all as such may be amended from time to time.

1.21 **“Exterior Alteration”** means any construction, installation, addition alteration, repair change, change of color, landscaping, removal, demolition, or other work that alters the exterior appearance of a Lot or the Improvements located thereon.

1.22 **“First Mortgage”** means a Mortgage or deed of trust that is the first and most senior of all Mortgages and deeds of trust upon the same property.

1.23 **“First Mortgagee”** means the holder or beneficiary of a First Mortgage.

1.24 **“Improvement”** means any Residential Unit, building, fence, wall or other structure, or any swimming pool, tennis court, road, driveway, parking area, or any trees, plants, shrubs, grass or other landscaping improvements of every type and kind.

1.25 **“Lessee”** means the lessee, a third-party lessee, sublessee, tenant, or subtenant under a lease, whether oral or written, of any Lot, together with his, her or its respective family members, guests, and other invitees.

1.26 **“Lot”** means each of Lots 3 through 48, inclusive, as depicted on the Phase I Plat, Lots 1 through 56, inclusive, as depicted on Phase II Plat, and Lots 1 through 50, inclusive, as depicted on Phase III Plat, and, where the context indicates or requires, shall include any Residential Unit, building, structure, or other Improvement situated on such Lots.

1.27 **“Special Lot”** means those lots identified on the Phase I Plat as lot 1 and lot 2 and more particularly described in Exhibit A.

1.28 **“Lot Specific Assessment”** means any assessment levied and assessed pursuant to Section 6.7 of this Declaration.

1.29 **“Member”** means any Person who is a member of the Association.

1.30 **“Membership”** means a membership in the Association.

1.31 **“Mortgage”** means any recorded, filed or otherwise perfected instrument given in good faith and for valuable consideration as security for performance of an obligation, including, without limitation, a deed of trust, but shall not include any instrument creating or evidencing solely a secured interest arising under the Uniform Commercial Code.

1.32 **“Mortgagee”** means the holder of a note secured by a Mortgage, including the trustee, and beneficiary under any deed of trust.

1.33 **“Mortgagor”** means the party executing a Mortgage.

1.34 **“Owner”** means the record owner, whether one or more Persons of beneficial or equitable title (and legal title if the same has merged with the beneficial or equitable title) to the fee simple interest in a Lot. Owner shall not include: (i) Persons having an interest in a Lot merely as security for the performance of an obligation; or (ii) a Lessee. Owner shall include a Purchaser under a contract for the conveyance of real property subject to the provisions of A.R.S. §33-741 et seq. Owner shall not include a Purchaser under a purchase contract, escrow instructions, or similar executory contracts which are intended to control the rights and obligations of the parties to the executory contracts pending the closing of a sale or purchase transaction. In the case of Lots, the fee simple title to which is vested in a trustee pursuant to A.R.S. §33-801, et seq., the trustor shall be deemed the Owner.

1.35 **“Period of Declarant Control”** means the period commencing on the date of the Recording of this Declaration and ending on the earlier of: (a) December 31, 2026; (b) the date upon which Declarant ceases to own any of the Lots; or (c) the date the Declarant Records a written instrument terminating the Period of Declarant Control.

1.36 **“Person”** means any natural person, corporation, partnership, trust, or other legal entity.

1.37 **“Plat” or “Plats”** refer(s) to each of the maps defined as Phase I Plat, Phase II Plat, and Phase III Plat.

1.38 **“Phase I Plat”** means the plat of subdivision recorded as The Villas at Havasu Foothills, recorded at Fee Number 017053503 Official Records of Mohave County, Arizona.

1.39 **“Phase II Plat”** means the plat of subdivision recorded as Phase II of the Villas at Havasu Foothills, recorded at Fee Number 2020034508 Official Records of Mohave County, Arizona

1.40 “Phase III Plat” means the plat of subdivision recorded as Phase III of the Villas at Havasu Foothills, recorded at Fee Number 2022069270 Official Records of Mohave County, Arizona.

1.41 “Property” means the property described within the Phase I Plat, Phase II Plat, and Phase III Plat, collectively, known together to be The Villas at Havasu Foothills.

1.42 “Property Transfer Payment” means the fee created and imposed by Section 6.10 of this Declaration.

1.43 “Purchaser” means any Person who or which becomes the Owner of a Lot, whether by voluntary or involuntary transfer and whether for valuable consideration.

1.44 “Recording” / “Recorded” means placing an instrument of public record in the office of the County Recorder of Mohave County, Arizona, and **“Recorded”** means having been so filed in the public record.

1.45 “Resident” means an individual residing in any Residential Unit, together with his or her respective family members, guests, and other invitees.

1.46 “Residential Unit” means a structure that is devoted exclusively to residential use and occupancy, including all entryways, patios, garages and structures and other Improvements constructed thereon or in connection therewith, whether consisting of a wholly separate freestanding building or attached to an adjacent Residential Unit.

1.47 “Rules” means the rules and regulations adopted by the Association, as amended from time to time.

1.48 “Single Family” means one (1) person, or a group of two (2) 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 Residential Unit.

1.49 “Special Assessment” means any assessment levied and assessed pursuant to Section 6.6 of this Declaration.

1.50 “Special Declarant Rights” means the right or combination of rights which are hereby established, reserved by or granted to the Declarant in this Declaration, unless expressly provided otherwise elsewhere in this Declaration, Declarant shall have the right to do any of the following:

- (a) construct Improvements provided for in this Declaration or shown on the Plat;
- (b) exercise any Development Right;

(c) maintain sales and management offices, models, signs and any other actions which Declarant believes to be reasonably necessary or desirable to market and sell the Residential Units;

(d) use easements through the Common Elements for the purpose of making Improvements; and

(e) appoint or remove any officer of the Association or any member of the Board of Directors during the Period of Declarant Control.

1.51 “Special Lot” means lot 1 and 2, inclusive, as depicted on the Plat, and, where the context indicates or requires, shall include any Residential Unit, building, structure, or other Improvement situated on such Lots.

1.52 “Tract Declaration” means a declaration referred to in Section 2.2 of this Declaration.

1.53 “Visible From Neighboring Property” means, with respect to any given object, that such object is, or would be, visible to a person six feet tall, standing at ground level on any part of any neighboring property unless only by reason of being able to see the object through a view fence and such object would not be visible to such person if the view fence were a solid fence.

ARTICLE 2
PLAN OF DEVELOPMENT

2.1 **Property Subject to the Declaration**

This Declaration is being Recorded to establish a general plan for the development and use of the property within The Villas at Havasu Foothills to protect and enhance its value and desirability. All property within The Villas at Havasu Foothills shall be held, sold, and conveyed subject to this Declaration except for the Special Lots. By acceptance of a deed or by acquiring any interest in any of the property subject to this Declaration, each Person or entity, for himself or itself, his heirs, personal representatives, successors, transferees and assigns, binds himself, his heirs, personal representative, successors, transferees and assigns, to all of the provisions, obligations, limitations, covenants, conditions and restrictions, rules and regulations now or hereafter imposed by this Declaration and any amendments thereto. In addition, each such Person by so doing thereby acknowledges that this Declaration sets forth a general scheme for the development and use of The Villas at Havasu Foothills and hereby evidences the Person’s interest that all the provisions, obligations, limitations, covenants, conditions, restrictions, rules, and regulations contained in this Declaration shall run with Property and be binding on all current, subsequent, and future Owners, grantees, Purchasers, assignees, Lessees, and transferees thereof. Furthermore, each such Person fully understands and acknowledges that this Declaration shall be mutually beneficial, prohibitive, and enforceable by the Association and all Owners. Declarant, its successors, assigns and grantees, covenants and agrees that the Lots and the membership in the Association and the other rights created by his Declaration shall not be separated or separately

conveyed, and each shall be deemed to be conveyed or encumbered with its respective Lot even though the description in the instrument of conveyance or encumbrance may refer only to the Lot.

2.2 Development Plan; Tract Declaration

Notwithstanding any other provision of this Declaration to the contrary, Declarant, with consent of any other Owner or Person affected, shall have, the right to make changes or modifications to its development plans with respect to The Villas at Havasu Foothills in any way which the Declarant desires, including, but not limited to, changing the density of all or any portion of The Villas at Havasu Foothills or changing the nature or extent of the uses to which it may be devoted.

The Declarant reserves the right, but not the obligation, to Record one or more Tract Declarations with respect to Lots within the Property and with respect to portions of the additional Property, in connection with, or subsequent to, the annexation and subsection of such portions to this Declaration pursuant to Section 2.2.

Declarant reserves the right to annex additional real property, if any, adjacent to The Villas at Havasu Foothills by recording a Tract Declaration that: (a) identifies the property to be annexed; and (b) uses for which the annexed property may be used. Declarant does not require consent for an annexation.

A Tract Declaration may designate Common Areas and impose such additional covenants, conditions and restrictions as may be appropriate for the property subject to the Tract Declaration. Each recorded Tract Declaration shall be construed as a supplement to this Declaration as if all the provisions of the Tract Declaration were set forth in this Declaration. A Tract Declaration may only be amended with the written approval or the affirmative vote, or any combination thereof, of Owners representing not less than sixty-seven percent (67%) of the votes entitled to be cast by the Owners subject to such Tract Declaration.

2.3 Disclaimer of Representations

The Declarant makes no representations or warranties whatsoever that: (a) The Villas at Havasu Foothills will be completed in accordance with the plans for the Property as they exist on the date this Declaration is Recorded, (b) any property subject to this Declaration will be committed to or developed for a particular use or for any use; (c) any property not now subject to this Declaration will be subjected to the provisions hereof; or (d) the use of any property subject to this Declaration will not be changed in the future. Nothing contained in this Declaration and nothing that may be represented by brokers or salespeople representing the Declarant shall be deemed to create any covenants or restrictions, implied or express, with respect to the use of any property subject to this Declaration.

2.4 Withdrawal of Property

At any time on or before December 31, 2043, the Declarant shall have the right to withdraw a Lot from the Property without the consent of any other Owner or Person other than the Owner

of the Lot being withdrawn, except as otherwise provided in any Tract Declaration with respect to such Lot. The withdrawal of all or any portion of the Property shall be affected by the Declarant recording a written instrument setting forth the legal description of the Lot being withdrawn. Upon the withdrawal of any Lot from the Property pursuant to this Section, such property shall no longer be subject to any of the covenants, conditions, and restrictions set forth in this Declaration.

2.5 Common Area Amenities

The amenities to be constructed within the Common Area (the “Amenities”) shall be a private facility for the exclusive use of the Residents and their guests and other invitees. The Association shall be solely responsible for the upkeep, maintenance, and repair of the Amenities. Each Resident hereby agrees to assume the risks associated with the use of the Amenities. Neither the Declarant, nor the Association or any director, officer, agent or employee of the Declarant or the Association shall be liable to any Resident, or any other Person, for any claims or damages resulting directly or indirectly from the construction, existence, maintenance or use of the Amenities.

2.6 Zoning and Development Plan

Each Owner, by accepting title to a Residential Unit and becoming an Owner, acknowledges that the development of the Property may extend over many years, and agrees, so long as each is the Owner of the Residential Unit, not to protest or otherwise object to (a) zoning or changes in zoning or to uses of, or changes in density of, the Property; (b) subdivision, development or improvement of the adjacent property, or (c) changes in any conceptual or development plan; provided that, in all cases, said zoning, subdivision, improvement, density, or conceptual, development plan revision is or would be lawful (including without limitation lawful by special use permit, variance or the like). The provisions of this Section shall be enforceable to the fullest extent allowed by law.

2.6 Architectural Control

In addition to any requirements imposed by the State of Arizona, Mohave County, or Lake Havasu City:

2.6.1 All Improvements constructed on the Lots within shall be of new construction, and no building or other structures shall be moved from other locations onto any lot.

2.6.2 No excavation or grading work shall be performed on any Lot without the prior written approval of the Architectural Committee.

2.6.3 No Improvement shall be constructed or installed on any Lot without the prior written approval of the Architectural Committee.

2.6.4 No addition, alteration, repair, change (including a change in paint color), replacement or other work on any Improvement which in any way alters the exterior appearance of any Lot shall be made or done without the prior written approval of the Architectural Committee. With respect to paint colors, an Owner may review a list of colors to be maintained by the Association and may request in writing that a color desired by such Owner be approved as being the same, similar or substantially similar to a color on such list. Such approval shall be subject to any other relevant factors and shall be at the sole discretion of the Architectural Committee or another person designated by the Board for such purpose. Any such approval shall constitute approval by the Architectural Committee. If such request is denied, the Owner may submit a written request for approval to the Board in accordance with Section 5.12.4.

2.6.5 Any Owner desiring approval of the Architectural Committee for any construction, installation, addition, alteration, repair, change or replacement of any Improvement which would alter the exterior appearance of his Lot, including the Improvements located thereon, shall submit to the Architectural Committee a written request for approval specifying in detail the nature and extent of any construction, installation, addition, alteration, repair, change, replacement or other work which the Owner desires to perform. Any Owner requesting the approval of the Architectural Committee shall also submit to the Architectural Committee any additional information, plans and specifications and payment of any fees, charges and expenses pursuant to section 2.6, which the Architectural Committee may request. In the event that the Architectural Committee fails to approve or disapprove an application within sixty (60) days after its receipt of such request and of all supporting information, plans, specifications and payment of fees, charges and expenses required by the Architectural Committee pursuant to Section 2.6, the date of such receipt to be determined in writing by the Architectural Committee, this Section shall be deemed to have been complied with and such plans shall be deemed to be approved.

2.6.6 The approval by the Architectural Committee of any construction, installation, addition, alteration, repair, change, replacement or other work pursuant to this Section, including plans deemed approved as a result of the Architectural Committee's failure to act, shall not be deemed a waiver of the Architectural Committee's right to withhold approval of any similar construction, installation, addition, alteration, repair, change, replacement or other work subsequently submitted for approval by any Owner.

2.6.7 Upon receipt of approval from the Architectural Committee for any Exterior Alteration, including plans deemed approved as a result of the Architectural Committee's failure to act, the Owner who requested such approval shall diligently pursue such work so that it is completed as soon as reasonably practicable and within such time as may be prescribed by the Architectural Committee.

2.6.8 Any change, deletion or addition to the plans and specifications approved by the Architectural Committee, including plans deemed approved as a result of the Architectural Committee's failure to act, must be submitted in writing to and approved in writing by the

Architectural Committee in accordance with Section 2.6. Failure to submit changes, deletions or additions to previously approved plans shall void the original approval.

2.6.9 The provisions of this Section do not apply to, and approval of the Architectural Committee Architectural shall not be required for, any Exterior Alteration done by, for, or on behalf of the Declarant.

2.6.10 The Architectural Committee shall have the right to seek prepayment and/or reimbursement from an Owner of all third-party fees, charges and expenses incurred or to be incurred by the Architectural Committee in reviewing requests for approval of any construction, installation, alteration, addition, repair, change, replacement or other work pursuant to this Section. An estimate of such third-party fees, charges and expenses shall be provided to the Owner and shall, if requested, be payable prior to such fees, charges and expenses being incurred.

2.6.11 The Architectural Committee may require an Owner, before commencing construction of any Improvements, to deposit monies to be used by the Association to remove any construction debris that is allowed to accumulate and/or repair any damage to the Common Area. The deposit will be refunded upon the completion of construction of the Improvements, less any expenses incurred by the Association, upon written request of the Owner.

2.6.12 The approval required of the Architectural Committee pursuant to this Section shall be in addition to, and not in lieu of, any approvals or permits which may be required under any federal, state, or local law, statute, ordinance, rule or regulation.

2.6.13 Any Owner shall have the right to appeal to the Board any decision made by the Architectural Committee in accordance with the rules, guidelines and procedures established by the Board.

2.6.14 Any approval of plans or specifications and/or proposed work given by the Architectural Committee shall be only for the purpose of permitting the construction, installation, addition, alteration, repair, change, or replacement of such Improvements or proposed Improvements. Such approval shall not constitute an approval, ratification, or endorsement of the quality of architectural, their conformance with governmental requirements, or the engineering soundness of the proposed work or Improvements. The Architectural Committee and its members, the Board and its members, the Association and any officers and committees of the Association, any property manager and other employees of the Association shall not have any liability for any design faults, defects or omissions in the plans, specifications, proposed work or proposed Improvements.

2.6.15 In reviewing plans and specifications for any Exterior Alteration, the Architectural Committee may consider any and all factors which, in its sole and absolute discretion, determines to be relevant.

2.6.16 The Architectural Committee, acting on behalf of and at the expense of the Association, shall have the right, power, and authority to order that any Improvement or other

work which the Architectural Committee determines was or is commenced, undertaken, performed or completed, or is being performed in violation of Section 2.6. be immediately stopped, halted and/or removed (as directed at the sole and absolute discretion of the Architectural Committee) by the Owner of the applicable Lot or other portion of the Property, and to take such actions as the Architectural Committee deems necessary to cause the same to be stopped, halted and/or removed (including, without limitation, commencement of legal action, whether for injunctive relief or otherwise, and/or entry upon the applicable property for purposes of removing or correcting the violation); all expenses incurred by the Association and/or the Architectural Committee in taking such actions (including, without limitation, court costs and attorneys' fees) shall be the responsibility of the applicable Owner, shall be paid by such Owner to the Association and/or the Architectural Committee immediately upon demand (with interest at the rate established by the Board for delinquent Assessments pursuant to **Section 6.14** from the date incurred until fully paid), and shall be secured by the Association Lien against all property in the Property owned by such Owner.

2.6.17 The Architectural Committee may condition its approval of plans and specifications upon the agreement by the Owner submitting such plans and specifications to furnish to the Association a bond or other security acceptable to the Architectural Committee in an amount determined by the Architectural Committee to be reasonably sufficient to: (a) assure the completion of the proposed Improvements or the availability of funds adequate to remedy any nuisance or unsightly conditions occurring as a result of the partial completion of such Improvement, and (b) repair any damage which might be caused to any Common Area as a result of such work. Provided there is no damage caused to any Common Area by the Owner or its agents or contractors, any such bond shall be released or security shall be fully refundable to the Owner upon the completion of the Improvements in accordance with the plans and specifications approved by the Architectural Committee and the Owner's written request to the Architectural Committee.

2.6.18 In order to promote and provide for harmonious development of the Property, no Owner or other Person shall use any builder for the development and construction on any Lot within the Property of any Residential Unit or related structure unless (a) such builder has been specifically approved by the Declarant, in advance and in writing, in response to the written request for such approval by the Owner or other Person seeking to use such builder; or (b) such builder is included on the then-current list of builders approved by the Declarant for the construction of Residential Units and related structures within the Property. Approval or disapproval of any builder shall be in the sole and absolute discretion of the Declarant. Approval by the Declarant of a builder for the construction of a Residential Unit or other structure on one Lot shall not constitute approval by the Declarant of the same builder for the construction of a Residential Unit or other structure on any other Lot (unless such builder is listed on the then-current list of builders approved by the Declarant for construction within the Property). The Declarant shall have the right to prepare such a list of builders it has approved for construction of Residential Units or related structures within the Property, and from time to time, revise such list, either to delete one or more builders therefrom or to add one or more builders thereto, or both, all in the Declarant's sole and absolute discretion and without liability or responsibility to any Owner or other Person (including, without limitation, any builder). At any time and from time to time, the Declarant may delegate any or all of its rights and responsibilities under this Subsection 2.6.18 to

the Architectural Committee (subject to any conditions on such delegation as the Declarant may impose, in its sole and absolute discretion) and, having made any such delegation, may at any time and from time to time wholly or partially revoke such delegation (or impose, alter, modify or revoke any conditions on such delegation, in its sole and absolute discretion). It shall be the responsibility of each Owner or other Person seeking to use a builder for the development and construction of any Residential Unit or other structure within the Property to first obtain from the Declarant or the Architectural Committee the then-current list of approved builders contemplated by this Subsection 2.6.18. Any violation of, or non-compliance with, this Subsection 2.6.18 by any Owner or other Person shall be deemed a violation of this Declaration, and shall subject such Owner or other Person to all remedies as may be available hereunder or at law or equity for violation of this Declaration; without limiting the generality of the foregoing, the Declarant or the Architectural Committee (or both) shall also have the right to take such legal action as either or both of them may see fit under the circumstances in connection with such violation, which may include, without limitation, an action for an injunction or other equitable relief (including, without limitation, a preliminary injunction or similar temporary relief while the matter is subject to litigation) to halt any construction or related activities by the applicable Owner or other Person (including without limitation, any unapproved builder), regardless of the stage of construction at the time such action is taken. Any and all costs incurred by the Declarant or the Architectural Committee (or both) in seeking to enforce the provisions of this Subsection 2.6.18 (including, without limitation, court costs, filing fees, and attorneys' fees and costs) shall be paid by the Owner of the Lot in question (unless, as a result of the enforcement action, it is finally determined by a court of competent jurisdiction, after exhaustion of any and all appeals, that there was no violation with respect to such Lot of this Subsection 2.6.18.)

2.7 Special Lots

The Special Lots are not subject to this Declaration in whole or in part.

ARTICLE 3 PERMITTED USES AND RESTRICTIONS

3.1 Vehicle/Equipment Control

In addition to any requirements imposed by the State of Arizona, Mohave County or Lake Havasu City, the Board shall have the right to adopt rules and regulations, at a meeting duly called for such purpose, prohibiting or restricting the parking, maintenance, construction, reconstruction, repair or use of any Vehicle/Equipment on the Lots or the Common Area. For purposes of this Section and Section 3.3, the term "Vehicle/Equipment" is to be interpreted in its broadest sense to include any vehicle, means of transport or item capable of being transported. By way of illustration but not limitation, such term shall include passenger cars, trucks, multi-purpose vehicles, vans, buses, motorcycles, motorbikes, dirt bikes, all-terrain vehicles, go-peds, snow mobiles, golf carts, electric carts, aircraft, boats, boat trailers, mobile homes, motor homes, horse trailers, travel trailers, tent trailers, camper shells, detached campers, recreational vehicles or other similar vehicles or equipment. Notice of such rules and regulations shall be provided to the Owners in a manner determined by the Board. The Board shall administer such rules and regulations. All Owners' and Residents' Vehicles/Equipment must be parked, maintained and stored on the Lot's

driveway, carport, and/or garage unit. Guests of the Owner or Resident may park in adjacent streets and roadways for a reasonable amount of time but at no point greater than forty-eight (48) consecutive hours.

3.2 RVs and Motor Homes

Notwithstanding anything to the contrary in Subsection 3.1, recreational vehicles, motor homes and similar Vehicles owned or leased by an Owner or Resident which exceed 7 feet in height and/or exceed 18 feet in length may be parked in the driveway on a Lot for the purpose of loading or unloading, but in no event shall such a recreational vehicle, motor home or similar vehicle be parked in the driveway for more that twenty-four (24) consecutive hours or for more that forty-eight (48) hours within any seven (7) day period.

3.3 Towing of Vehicles/Equipment

In the event compliance is not made with a written demand from the Association to move any Vehicle/Equipment as defined in Section 3.1, the Board shall have the right to have any such Vehicle/Equipment which is parked, maintained, constructed, reconstructed, repaired or used in violation of any Documents (including rules and regulations adopted pursuant to Section 3.1) towed or impounded. If an Owner, or an Owner's Lessee, or their respective families, guests or other invitees, own such Vehicle/Equipment, all expenses incurred by the Association in connection with such towing shall be levied as a Lot Specific Assessment, shall be paid by such Owner and shall be secured by an Association Lien established pursuant to Article 6.

3.4 Temporary Buildings Use

No trailer, incomplete building, tent, shack, garage, temporary buildings or structures of any kind shall be used as a residence. Temporary buildings, trailers or other structures used during the construction, installation, addition, alteration, repair, change or replacement of any Improvements or Exterior Alterations approved by the Architectural Committee, interior remodeling, reroofing or other work require the prior written approval of the Architectural Committee and will be removed immediately after the completion of construction, and in no event shall any such buildings, trailer or their structures be maintained or kept on any property for a period in excess of one month without the prior written approval of the Architectural Committee.

3.5 Maintenance of Lawns and Plantings

Each Owner of a Lot shall keep all shrubs, trees, hedges, grass and plantings of every kind on a Lot properly trimmed and cultivated and free of trash, weeds and other unsightly material. No Owner shall be responsible for maintenance of any area over which: (a) the Association assumes the responsibility in writing; (b) the Association has been given such responsibility by this Declaration or a Recorded Tract Declaration; or (c) Mohave County or Lake Havasu City assumes responsibility, for so long as the Association, Mohave County or Havasu City assumes or has responsibility.

3.6 Nuisances

No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot or other property, and no odors or loud noises shall be permitted to arise or emit therefrom, so as to render any such property or any portion thereof, or activity thereon, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to the Resident of such other property. No other nuisance shall be permitted to exist or operate upon any Lot or other property to be offensive or detrimental to any other property in the vicinity thereof or to its Resident. Normal construction activities and parking in connection with the building of Improvements on a Lot shall not be considered a nuisance or otherwise prohibited by this Declaration, but Lots and other property shall be kept in a neat and tidy condition during construction periods, trash and debris shall not be permitted to accumulate. Supplies of brick, block, lumber, and other building materials shall be piled only in such areas as may be approved in writing by the Architectural Committee. The Board in its sole discretion shall have the right to determine the existence of any nuisance.

3.7 Diseases and Insects

No Person shall permit anything or condition to exist upon any Lot or other property which may induce, breed or harbor infectious plant diseases or noxious insects.

3.8 Repair of Building

No Improvement situated on any Lot or other property shall be permitted to fall into disrepair, and each Improvement shall, at all times, be kept in good condition and repair and adequately painted or otherwise finished. If any Improvement is damaged or destroyed, then, subject to the approvals required by Section 2.6 of this Declaration, such Improvement shall be immediately repaired or rebuilt or shall be demolished.

3.9 Antennas

Unless, and only to the extent, permitted by applicable law, no antenna or other device for the transmission or reception of television or radio signals or any other form of electromagnetic radiation, including, without limitation, satellite or microwave dishes, shall be erected, used, or maintained on any Lot so as to be Visible From Neighboring Property without the prior written approval of the Architectural Committee. Notwithstanding the foregoing, subject to the provisions of applicable Arizona law, the Architectural Committee may adopt a rule or regulation permitting an Owner or Resident to install and maintain a flagpole upon the Owner's or Resident's Lot, provided that the location and size of such flagpole (and the number and size of any flag(s) mounted thereon) may be regulated by the Architectural Committee and may, if so provided in such rule or regulation, be made subject to the prior approval thereof by the Architectural Committee. Nothing in this Section shall be deemed to prohibit the Declarant or any Developer from installing and maintaining flagpoles on, at or adjacent to model homes within the Property. Poles to which basketball backboards, goals and related equipment are affixed shall be governed by Section 3.29.

3.10 Mineral Exploration

No Lots or other property 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.

3.11 Trash Containers and Collection

No garbage or trash shall be placed or kept on any Lot or other property, except in covered containers of a type, size and style approved by the Architectural Committee. In no event shall such containers be located to be visible from the street adjacent to the Lot, except when placed at the curb for collection and then only for the shortest time reasonably necessary to effect such collection. All rubbish, trash, or garbage shall be removed from Lots and other property and shall not be allowed to accumulate thereon. No outdoor incinerators shall be kept or maintained on any Lot or other property.

3.12 Clothes Drying Facilities

No outside clotheslines or other outside facilities for drying or airing clothes shall be erected, placed, or maintained on any Lot or other property so as to be Visible from Neighboring Property.

3.13 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 or upon any Lot or other property unless the same shall be contained in conduits or cables installed and maintained underground or concealed in, under or on buildings or other structures in a manner approved by the Architectural Committee. However, the foregoing restriction shall not prohibit service pedestals and aboveground switch cabinets and transformers, where required. Additionally, utility meters and related panels and similar equipment may be placed on outside building walls exposed to view from a street in order to comply with the requirement, regulations, orders, conditions or specifications of any public, quasi-public or private utility or any governmental agency or body, provided that reasonable efforts shall be made to avoid placing meters, panels and other equipment on the outside wall of a Residential Unit facing the street running directly in front of such Residential Unit. This restriction shall also not prohibit temporary power or telephone structures approved by the Architectural Committee and which are incident to the construction of any Improvements.

3.14 Landscape Encroachments

No tree, shrub, planting or other property of any kind on any Lot or Common Area shall be allowed to overhang or otherwise to encroach upon any sidewalk, street, pedestrian way or other area from ground level to a height of eight (8) feet.

3.15 Residential Use

All Residential Units shall be used, improved, and devoted exclusively to residential use. No trade or business may be conducted on any Lot or in or from any Residential Unit, except that a Resident of a Residential Unit may conduct a business activity within a Residential Unit so long as: (a) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell from outside the Residential Unit; (b) the business activity conforms to all applicable zoning ordinances and Association requirements; (c) the business activity does not involve the door-to-door solicitation within The Villas at Havasu Foothills; (d) the business activity is consistent with the residential character of The Villas at Havasu Foothills and does not constitute a nuisance or a hazardous or offensive use or threaten the security, health or safety of others within The Villas at Havasu Foothills; (e) the trade or business shall be conducted only inside the Residential Unit or inside an accessory building or garage, and shall not involve the viewing, purchase or taking delivery of good or merchandise at, to, from or in any Residential Unit; (f) the trade or business shall be conducted by a Resident or Residents of the Residential Unit with no more than one (1) employee working in or from such Residential Unit who is not a Resident thereof; (g) no more than twenty percent (20%) of the total floor area of the Residential Unit shall be used for trade or business; (h) the Residential Unit used for trade or business shall not be used as a storage facility for a business conducted elsewhere; (i) the volume of vehicular or pedestrian traffic or parking generated by such trade or business shall not result in congestion or be in excess of what is customary in a residential neighborhood; (j) a trade or business shall not utilize flammable liquids or hazardous materials in quantities not customary to a residential use; and (k) a trade or business shall not utilize large vehicles not customary to residential use. The leasing of a Residential Unit by the Owner thereof shall not be considered a trade or business within the meaning of this Section. The terms "business" and "trade" as used in this Section shall be construed to have 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 (a) such activity is engaged in full or part time, (b) such activity is intended or does generate a profit, or (c) a license is required for such activity. The leasing of a Residential Unit by the Owner thereof for periods of not less than thirty (30) consecutive days and with the consent of the Association shall not be considered a trade or business within the meaning of this Section.

3.16 Health, Safety and Welfare

Without limiting any other provision in this Article 3, each Owner covenants and agrees to maintain and keep his Lot at all times in a safe, sound and sanitary condition and repair and shall correct any condition or refrain from any activity which might interfere with the reasonable enjoyment by other Residents of their respective Lots or the Common Areas. If additional uses, activities or facilities are deemed by the Board to be a nuisance or to adversely affect the health, safety, or welfare of Residents, the Board may make rules restricting or regulating their presence in The Villas at Havasu Foothills as part of the Association Rules or may direct the Architectural Committee to propose rules for Board approval governing their presence on Lots or other property as part of the Architectural Committee Rules.

3.17 Incidental Uses

The Architectural Committee may approve of uses of property within a particular land use which are incidental to the full enjoyment of the Owners and Residents of the property within that land use. Such approval may be subject to such regulations, limitations, and restrictions, including termination of the use, as the Architectural Committee may wish to impose, in its sole discretion, for the benefit of the Property as a whole.

3.18 Model Homes

Any provisions of this Declaration, which prohibit non-residential use of Lots and regulate parking of vehicles shall not prohibit the construction and maintenance of model homes or other model Residential Units of any kind (including, without limitation, any used in whole or in part as sales offices) (collectively, "Models") by Persons engaged in the construction of Residential Units in the Property, or parking incidental to the visiting of such Models, so long as the construction, operation and maintenance of such Models and parking otherwise comply with all of the provisions of this Declaration. The Architectural Committee may also permit Lots and other areas to be used for parking in connection with the showing of Models. Any homes or other structures constructed as Models shall cease to be used as Models at any time the Owner thereof is not actively engaged in the construction and sale of Residential Units in the Property, and no home or other structure shall be used as a Model for the sale of homes or other structures no located in the Property. Neither the provisions of this Section nor the provisions of any other Section of this Declaration shall restrict or prohibit the right of the Declarant or its affiliates to construct, operate and maintain Models in the Property.

3.19 Animals

No fowl, poultry or livestock may be kept on any Lot for any purpose. No animal, bird, or reptile may be kept on any Lot for commercial purposes. Domestic pets are permitted; however, in the case of dogs and cats, each Lot shall be limited to a cumulative total of three dogs and/or cats. All pets shall be trained and kept under safe and sanitary conditions so as not to become a nuisance, whether noise, odor or otherwise, to neighboring Residents. All pets shall be safely restrained when being walked throughout The Villas at Havasu Foothills and no person owning or in the custody of a pet shall allow the pet to stray or go upon another Lot. The person walking the pet shall be responsible for picking up their pet's fecal matter and disposing of it in a safe and sanitary manner. No pet shall be permitted to cause a nuisance upon any Lot or Common Area to be offensive or detrimental to such property or to any other property or in the vicinity thereof or to its Resident. Upon the written request of any Resident, the Board shall conclusively determine, in its sole and absolute discretion, whether, for the purpose of this Section, and in accordance with Section 3.6, a particular animal is a nuisance or making an unreasonable amount of noise.

3.20 Machinery and Equipment

No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot, except (a) such machinery or equipment as is usual and customary in connection with the use, maintenance or construction (during the period of construction) of a

building, appurtenant structures, or other Improvements; or (b) that which the Association may require for the operation and maintenance of The Villas at Havasu Foothills.

3.21 Signs

No signs whatsoever which are Visible From Neighboring Property shall be erected or maintained on any Lot, except: (a) signs required by legal proceedings; (b) residence identification signs, provided the size, color, content and location of such signs have been approved in writing by the Architectural Committee; (c) such construction job identification signs, business identification signs and subdivision identification signs which are in conformance with the requirements of Lake Havasu City, Mohave County or other governmental body having jurisdiction; temporary "Open House" signs indicating that a Residential Unit is available for inspection by interested parties, but such signs may only be erected or maintained during the hours of 10:00 A.M. through 5:00 P.M. on Saturdays, Sundays, or legal holiday weekends or as otherwise designated by the Board; (d) political signs allowed pursuant to A.R.S. §33-1808 and Architectural Committee Rules; and (e) "For Sale" signs, "cautionary signs" or any other sign allowed pursuant to A.R.S. §33-1808 and the Architectural Committee Rules.

3.22 Restriction on Subdivision and Property Restrictions

All proposed site plans and subdivision plats for any Lot or portion thereof, must be approved in writing by the Architectural Committee. No Owner shall record further covenants, conditions and or restrictions or easements against any Lot without the provisions thereof having been first approved in writing by the Board. No application for variances or use permits pertaining to any Lot shall be filed with any governmental authority by any Person unless the Architectural Committee has approved the application and the proposed use otherwise complies with this Declaration and any applicable Tract Declaration.

3.23 Change of Use of Common Area

Except as otherwise provided herein, upon: (i) 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 Area is no longer in the best interests of the Owners; and (ii) the written approval or the affirmative vote, or any combination thereof, of such resolution by Owners representing more than fifty percent (50%) of the votes entitled to be cast in the Association and who are entitled to use such Common Area under the terms of this Declaration or any Tract Declaration, 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 shall be for the benefit of the Owners and shall be consistent with any zoning ordinances and Association requirements.

3.24 Drainage

No Improvement shall be constructed, installed, placed, or maintained in any manner that would obstruct, interfere with or change the direction or flow of water in accordance with the original Improvements to the Lots and/or the drainage plans for The Villas at Havasu Foothills, or

any part thereof, as shown on any approved drainage plans on file with Lake Havasu City or Mohave County. The Association shall be responsible for maintaining all drainage improvements, including gutters and downspouts, to keep them properly functioning at all times.

3.25 Garages and Driveways

The interior of all garages shall be maintained in a neat and clean condition. Garage doors shall not remain open for unreasonable amounts of time.

3.26 Rooftop Air Conditioners

No air conditioning units or appurtenant equipment may be mounted, installed, or maintained on the roof of any Residential Unit or other building or structure or other Improvement so as to be Visible from Neighboring Property.

3.27 Exterior Lights

Exterior lighting shall be permitted on a Lot so long as: (a) the source of such lighting is not Visible From Neighboring Property; (b) such lighting is limited to that which is reasonably necessary for the safety and convenience of the Residents of such Lot; and (c) such lighting conforms to such other requirements as may be imposed by the Architectural Committee. Notwithstanding the foregoing, but subject to reasonable regulation by the Architectural Committee, Owners or Residents of Lots may display temporary holiday lighting during the period from November 1, through the immediately following January 31, and during the period beginning one (1) week before and ending one (1) week after the nationally recognized holiday not falling within such November 1 through January 31 period.

3.28 Solar Collecting Panels or Devices

The Declarant recognizes the benefits to be gained by permitting the use of solar energy as an alternative source of electrical power. At the same time, the Declarant desires to promote and preserve the attractive appearance of the Property and the Improvements thereon, thereby protecting the value generally of the Property and the various portions thereof, and of the various Residents' respective investments therein. Therefore, subject to prior approval of the plans by the Architectural Committee, solar collecting panels and devices may be placed, constructed or maintained upon any Lot with the Property so long as such solar collecting panels and devise are placed, constructed and maintained in such location(s) and with such means of screening or concealment as the Architectural Committee may reasonably deem appropriate to limit, to the extent possible, the visual impact of such solar collecting panels and devices when viewed from any street or from any other property (whether within or outside the Property). Notwithstanding any other provision of this Declaration to the contrary, the Declarant (during the Period of Declarant Control) or the Board (after the expiration or termination of the Period of Declarant Control) shall have the right without the consent or approval of any Owner or other Person, to amend this Section (which amendment may, without limitation, impose additional or different restrictions on solar collecting panels and devices) as the Declarant or the Board (as applicable)

deems appropriate in the event that, after the date of this Declaration is Recorded, Section 33-439 of the Arizona Revised Statutes (or any successor thereto) is amended, repealed or replaced.

3.29 Basketball Goals or Play Structures

No basketball goal, backboard or similar structure or device shall be placed or constructed: (a) on the front wall or other front surface of any Residential Unit or other structure on any Lot (including without limitation, over any garage door); or (b) without the prior written approval of the Architectural Committee (including, without limitation, approval as to appearance and location), on any other portion of the Lot. No swingsets or other play structures shall be placed or constructed on any portion of a Lot without the prior written approval of the Architectural Committee (including, without limitation, approval as to appearance and location).

3.30 Tanks

No tanks of any kind (including tanks for the storage of fuel) shall be erected, placed or maintained on any Lot unless such tanks are buried underground. Nothing herein shall be deemed to prohibit use or storage upon any Lot of an aboveground propane or similar fuel tank with a capacity of twenty (20) gallons or less used in connection with a normal residential gas barbecue, grill or fireplace or a spa or "hot tub," so long as any such tank either: (a) has a capacity of twenty (20) gallons or less; or (b) is appropriately stored, used and/or screened, in accordance with the Design Guidelines or as otherwise approved by the Architectural Committee, so as not to be Visible from Neighboring Property.

3.31 Leases

No Owner may lease less than the Owner's entire Lot and the Residential Unit situated thereon (together herein, the "Premises"). Any lease or sublease an Owner creates must be approved by the Association. The requirements and guidelines for the approval of leases and subleases shall be set by the Board of Directors of the Association. All Owners of lots that are leased or subleased, including those that may be leased without the consent of the Association, hereby grant to the Association a power of attorney to enforce against the Lessee those provisions of such leases or subleases that relate to violations by the Lessee or by such Lessee's visitors, guests, invitees, employees or contractors of the Property Documents or the lease agreement (except those provisions that relate to the payment of rent.) The power of attorney granted hereby authorizes the Association to take any lawful action to enforce the Property Documents and the lease agreement, including, without limitation, bringing actions at law or in equity and to recover, from the Owner and/or the Lessee against whom any enforcement effort or action is brought, the costs of enforcing the terms of the Property Documents and the lease or sublease with respect to violations thereof by the Lessee or by such Lessee's visitors, guests, invitees, employees or contractors. The "costs of enforcing" shall include properly levied fines and penalties, penalty late fees and interest, costs of collection (including legal fees incurred in matters where court action is not taken or where an action is taken but is resolved short of court action), attorneys' fees, court costs, property damage, etc. All leases must provide that the terms of the lease are subject in all respects to the provisions of the Documents and that any violation of any of the foregoing by the Lessee, any other person residing on the Premises, or their guests or invitees, during the lease term

shall be a default under the lease, and, if such default is determined by the Board to constitute a nuisance or detract from the general welfare of The Villas at Havasu Foothills, the lease shall automatically terminate. No Premises may be rented or leased for a term of less than thirty (30) days and no Premises may be leased more than three (3) times during any consecutive twelve (12) month period without the prior written approval of the Board. Within seven (7) days following the execution and delivery of a lease of a Premises, the Owner shall provide the Association with a fully executed copy thereof (the monetary terms of which may be deleted) or warrant to the Association the terms thereof comply with this Section 3.30, and with the address and telephone number at which the Owner can be contacted by the Association during the lease term. The Owner shall also provide the Association with a fully executed copy of any amendment to a lease of a Premises or warrant to the Association the terms thereof comply with this Section 3.26, if any, within seven (7) days following the execution and delivery thereof, and such lease, as amended, must continue to comply with the provisions of this Section 3.30. The Owner shall notify the Association in writing within seven (7) days following the termination of a lease for any reason prior to the expiration of the lease. An Owner must provide the Lessee with copies of the Documents. The Owner shall be liable for any violation thereof by the Lessee, or any other person residing in the Premises, or their guests or invitees, during the lease term. Within seven (7) days after taking occupancy of the Premises, the Lessee shall register with the Association and furnish all information reasonably requested by the Association.

3.32 Variances

The Board may, at its option and in extenuating circumstances, grant variances from the restrictions set forth in this Declaration or in any Tract Declaration if the Board determines in its discretion that: (i) a restriction would create an unreasonable hardship or burden on an Owner, Lessee or Resident, or a change of circumstances since the Recording of this Declaration has rendered such restriction obsolete; and (ii) that the activity permitted under the variance will not have any substantial adverse effect on the Owners, Lessees and Residents of Villas at Havasu Foothills and is consistent with the high standards and quality of life intended for Residents, and (iii) the conditions justifying the variance are not unreasonably self-imposed.

3.33 Special Lots

The Special Lots are not subject to Section 3.15. Any Improvement built upon a Special Lot may be used for residential or commercial purposes subject only to the Declarant's discretion.

ARTICLE 4 **EASEMENTS**

4.1 Owner's Easements of Enjoyment

Every Resident shall have a right and easement of enjoyment in and to the Common Area, which right shall be appurtenant to, and shall pass with, the title to every Lot or rights under any lease, subject to the following provisions: (a) the right of the Association to dedicate, convey, transfer or encumber the Common Area; (b) the right of the Association to regulate the use of the Common Area through the Association Rules and to prohibit access to such portions of the

Common Area, such as landscaped areas, not intended for use by the Owners or Lessees; and (c) the right of the Association to suspend or restrict the right of an Owner (and such Owner's family, guests or other invitees), Lessee or Resident to use the Common Area if such Owner is more than fifteen (15) days delinquent in the payment of Assessments or other amounts due to the Association or if the Owner or Lessee has violated any other provisions of the Property Documents and has failed to cure such violation with fifteen (15) days after the Association notifies the Owner of the violation.

4.1.1 If a Lot is leased or rented by the Owner thereof, the Lessee and the members of his family residing with such Lessee shall have the right to use the Common Area during the term of the Lease, and the Owner of such Lot (and such Owner's family, guests, or other invitees), shall have no right to use the Common Area until the expiration or other termination of such lease; and

4.1.2 The Lessee and the members of their family residing with the Lessee, the guests and other invitees of any Owner or other person entitled to use the Common Area pursuant to this Declaration may use any recreational facility located on the Common Area, provided they are accompanied by an Owner or other person entitled to use the Common Area pursuant to this Declaration. The Board shall have the right to limit the number of guests and invitees who may use the recreational facilities located on the Common Area at any one time and may restrict the use of the recreational facilities by guests and invitees to certain specified days and times.

4.1.3 Except for permitted rentals, no Member may delegate his right of use and enjoyment of the Common Areas to any Person, except to the members of his immediate family or to his guests as permitted by the Association Rules.

4.1.4 No Member may exempt himself, and no Member shall be exempt, from personal liability for Assessments or release any Lot owned by him from the liens, charges and other provisions of the Documents, by voluntary waiver of or suspension or restriction of such Member's right to the use and enjoyment of the Common Areas, or the abandonment of such Member's Lot or Membership.

4.2 Utility Easement

There is hereby created an easement upon, across, over and under the Common Area and Lots for reasonable ingress, egress, installation, replacing, repairing or maintaining of all utilities, including, but not limited to, gas, water, sewer, telephone, cable television and electricity. By virtue of this easement, it shall be expressly permissible for the providing utility company to reasonably erect and maintain the necessary equipment on the Common Area and Lots, but no sewers, electrical lines, water lines, or other utility or service lines may be installed or located on the Common Area or Lots, except as initially designed, approved and constructed, or as approved by the Board.

4.3 Easement in Favor of the Association

The Lots are hereby made subject to the following easements in favor of the Association and its directors, officers, committees, agents, employees, and independent contractors. With respect to 4.3.2, 4.3.3 and 4.3.4, reasonable notice shall be given by the Association unless the property is unoccupied, abandoned or otherwise vacant.

4.3.1 For correction of emergency or health and safety conditions on one or more Lots;

4.3.2 For Inspection of the Lots, including the exterior of any Improvement, in order to verify the performance by Owners of all items of maintenance and repair for which they are responsible;

4.3.3 For the inspection of the Lots and Common Area, including the exterior of any Residential Unit, in order to verify that the provisions of the Documents are being complied with by the Owners, Lessees, Residents and their respective families, guests or other invitees; and

4.3.4 For the purpose of enabling the Association, the Board, the Architectural Committee, or any other committees appointed by the Board, to exercise and discharge their respective rights, powers, and duties under the Documents.

4.4 Easements for Ingress and Egress

There are hereby created easements and egress for pedestrian traffic over, through and across paths, walks and lanes that from time to time may exist upon the Common Area. There is also created an easement for ingress for pedestrian and vehicular traffic over, through and across such driveways and parking areas that from time to time may be paved and intended for such purposes. Such easements shall run in favor of and be for the benefit of the Members and Residents of the Lots and their families, tenants, and invitees. There is also hereby created an easement upon, across and over the Common Area and all private streets, private roadways, private driveways and private areas within the Property for vehicular and pedestrian ingress and egress for police, fire, medical and other emergency vehicles and personnel.

4.5 Encroachment Easement

If any portion of the Common Areas or any Improvement constructed thereon shall actually encroach upon any Lot, or if any Improvement constructed upon any Lot shall actually encroach upon any portion of the Common Areas, or if any Improvement constructed upon any Lot shall actually encroach upon any other Lot, whether such encroachment results from the initial construction or from subsequent repair, reconstruction, settlement or shifting, there shall be deemed to be mutual easements in favor of the Association as owner of the Common Area and the respective Lot Owners affected to the extent of such encroachment so long as the same shall exist provided, however, that such easement shall not result from any alteration, addition or improvement made by an Owner, except Declarant, without the prior written approval of the Board. The Association shall have the right to maintain any Common Area now existing or hereafter constructed, regardless of any encroachment now or hereafter existing of any such Common Area on any Lot.

4.6 Declarant's Use and Easement

4.6.1 Declarant shall have the right and an easement to maintain sales or leasing offices, management offices and models throughout The Villas at Havasu Foothills and to maintain one or more advertising signs on the Common Area with respect to the sales of Lots. The Declarant reserves the right to place models, management offices and sales and leasing offices on any of its Lots and on any portion of the Common Area in such number, of such size and in such locations as the Declarant deems appropriate.

4.6.2 So long as Declarant is marketing Lots or other portions of The Villas at Havasu Foothills, Declarant shall have the right to restrict the use of the parking spaces on the Common Area, if any. Such right shall include reserving such spaces for use by prospective Purchasers, Declarant's employees and others engaged in sales, leasing, maintenance, construction, or management activities.

4.6.3 The Declarant shall have the right and an easement on and over the Common Area to construct all Improvements the Declarant may deem necessary and to use the Common Area and any Lots and other property by the Declarant for construction or renovation – related purposes including the storage of tools, machinery, equipment, building materials, appliances, supplies and fixtures, and the performance of work within The Villas at Havasu Foothills.

4.6.4 The Declarant shall have the right and an easement upon, over and through the Areas of Association Responsibility as may be reasonably necessary for the purpose of discharging its obligations exercising the rights granted to or reserved by the Declarant in this Declaration.

ARTICLE 5
THE ASSOCIATION; ORGANIZATION; MEMBERSHIP AND VOTING RIGHTS

5.1 Formation of the Association

The Association is a non-profit Arizona corporation charged with the duties and invested with the powers prescribed by law and set forth in the Articles, Bylaws, and this Declaration. In the event of any conflict or inconsistency between this Declaration and the Articles, Bylaws, Association Rules or Architectural Rules, this Declaration shall control.

5.2 Board 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 Bylaws. Unless the Documents specifically require the vote or written approval of the Membership, approvals or actions given or taken by the Board shall be valid and binding.

5.3 The Association Rules

The Board may, from time to time, subject to the provisions of this Declaration, adopt, amend and repeal rules, regulations, guidelines, procedures and other requirements pertaining to all aspects of the Association's rights, activities and duties, including, but not limited to, the management, operation and use of all Common Area and in furtherance of rights and duties assigned to the Board pursuant to this Declaration (the "Association Rules"). Except as limited herein, the Association Rules may be adopted, amended and repealed by a majority of the members of the Board. In the event that the Association Rules establish restrictions or limitations on the use and maintenance of Lots as contemplated by Article 3 such rules and regulations may be adopted, amended or repealed by three-fourths (3/4ths) of the members of the Board. In the event of any conflict or inconsistency between the provisions of this Declaration and the Association Rules, the provisions of this Declaration shall prevail.

5.4 Personal Liability

No member of the Board or of any committee of the Association, no officer of the Association, and no manager or other employee of the Association, when acting within his or her scope of authority, shall be personally liable to any Member, the Association or any other Person for any mistake of judgment or for any other acts or omissions of any nature whatsoever (including, without limitation, any mistake of judgment, negligence, malfeasance or nonfeasance) except for willful or intentional misconduct. The Association shall indemnify and hold harmless the members of the Board, members of committees of the Association, officers of the Association, and managers or other employees of the Association, and their respective heirs and legal representatives, for, from and against all contractual and other liabilities arising out of: (a) contracts made or entered into on behalf of the Association within the scope or course of performing their duties hereunder; (b) acts or omissions of such members; or (c) their status as members of the Board, members of committees of the Association, officers of the Association, or managers or other employees of the Association; provided, however, that such indemnification shall not be applicable where any such contract, act or omission constitutes willful or intentional misconduct or fraud. The foregoing indemnification shall include indemnification against all costs and expenses (including, but not limited to, reasonable attorney's fees and disbursements, amounts of judgments paid and settlement amounts) actually and reasonably incurred in connection with the defense of any claim, action, suit or proceeding, whether civil, criminal, administrative or other. The foregoing indemnity shall not be operative with respect to: (i) any matter as to which members of the Board, members of committees of the Association, officers of the Association, or managers or other employees of the Association shall have been finally adjudged in such action, suit, or proceeding to be liable for willful or intentional misconduct or fraud in the performance of his or her duties; or (ii) any settlement or compromise resulting, in the opinion of independent counsel selected by the Board, from the intentional misconduct or fraud of members of the Board, members of committees of the Association, officers of the Association, or managers or other employees of the Association in the performance of their duties.

5.5 Implied Rights

The Association may exercise any right or privilege given to the Association expressly by the Documents and every other right or privilege reasonably to be implied from the existence of any right or privilege given to the Association by the Documents or reasonably necessary to effectuate any such right or privilege.

5.6 Declarations and Associations

No Declaration (nor any amendment to any such declaration) shall be Recorded by any Person other than the Declarant and, if Recorded, such Declaration or amendment shall not be effective unless it has been expressly approved in a written Recorded Instrument which may be attached to such Declaration or amendment by: (a) the Declarant, so long as the Declarant or its affiliates owns any Lot; or (b) the Board, if at the time neither the Declarant nor any affiliate thereof, owns a Lot. Likewise, no articles of incorporation, bylaws, or similar formative or governing documents or any amendment thereto of an Association formed by any Person other than the Declarant shall be filed or effective unless they have been expressly approved in writing by: (a) the Declarant, so long as the Declarant or its affiliates owns any Lot; or (b) the Board, if at the time neither the Declarant nor any affiliate thereof, owns a Lot.

5.7 Membership and Votes in the Association

The Association shall have two (2) classes of voting memberships:

5.7.1 Class A - Class A Members shall be all Owners except the Declarant until the termination of the Class B membership, of lots. Each Class A member shall be entitled to one (1) vote for each Lot owned.

5.7.2 Class B - The Class B Member shall be the Declarant and shall be entitled to the number of votes shall be entitled to three (3) votes for each Lot owned. Following expiration or termination of the Period of Declarant Control or the date on which the votes entitled to be cast by the Class A members equals or exceeds the votes entitled to be cast by the Class B member or when the Declarant notifies the association in writing that it relinquishes Class B membership, the Association shall be deemed to have a single class of Membership. When Class B membership ceases to exist, Declarant will still be entitled to one (1) vote for each Lot owned. Notwithstanding the foregoing, however, except as otherwise expressly provided in this Declaration or in any of the other Documents, any issue put to a vote at a meeting of Members at which a quorum is present shall be decided by a simple majority of all votes represented in person or by valid proxy at such meeting, regardless of whether such votes are deemed to be Class A votes or Class B votes.

5.8 Assignment of Declarant's Voting Rights

If any lender to whom the Declarant has assigned, or hereafter assigns, as security all or substantially all of its rights under this Declaration, succeeds to the interests of the Declarant by virtue of said assignment, the absolute voting rights of the Declarant as provided in this Article V shall not be terminated thereby, and such lender shall hold the Declarant's membership and voting rights on the same terms as they were held by the Declarant pursuant hereto.

5.9 Voting Procedures

No change in the ownership of a Lot shall be effective for voting purposes unless and until the Board is given actual written notice of such change and is provided satisfactory proof thereof. The vote for each such Lot must be cast as a unit, and fractional votes shall not be allowed. In the event that more than one Person owns a Lot, 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 Lot, it will thereafter be conclusively presumed for all purposes that he is acting with the authority and consent of all other Owners of the same Lot unless objection thereto is made at the time the vote is cast. In the event more than one (1) vote is cast with respect to a particular Lot, none of the votes shall be counted and all of the votes shall be deemed void.

5.10 Transfer of Membership

The rights and obligations of any Member may not be assigned, transferred, pledged, conveyed, or alienated in any way, except upon transfer of ownership of a Lot and then only to the new Owner of the Lot. A transfer of ownership to a Lot may be affected by deed, intestate succession, testamentary disposition, foreclosure of a mortgage of record or such other legal process as now in effect or as may hereafter be established under or pursuant to the laws of the State of Arizona. Any transfer of ownership of a Lot shall operate to transfer the Membership appurtenant to said Lot to the new Owner. Each Person shall be subject to all the terms, conditions and obligations set forth in this Declaration upon becoming the Owner of the Lot.

5.11 Suspension of Voting Rights

If a Member, otherwise entitled to vote, is delinquent in the payment of any Assessments, Property Transfer Payment or other fees, charges, fines and penalties, together with interest and late charges, costs of enforcement /collection, including attorney's fees, whether or not suit is filed, or other monies owed to the Association, or is otherwise not in compliance with the terms of the Documents, the Board may, in its sole discretion, certify that such Member is not in good standing and such Member's right to vote shall, with respect to all Lots owned by such Member, be suspended until the delinquency, breach or violation is paid, cured or corrected.

5.12 Architectural Committee

5.12.1 The Association shall have an Architectural Committee to perform the functions assigned to it as set forth in this Declaration. Until expiration or termination of the Period of Declarant Control, the Architectural Committee shall consist of at least three (3) regular members and at least one (1) alternate member, each of whom shall be appointed by, and serve at the pleasure of, the Declarant. After expiration or termination of the Period of Declarant Control, the Architectural Committee shall consist of such number of regular and alternate members as the Board may deem appropriate from time to time (but in no event less than three (3) nor more than seven (7) regular members, nor less than one (1) nor more than three (3) alternate members), each of whom shall be appointed by the Board, shall serve for a term of one (1) year and may be reappointed. Notwithstanding the foregoing, the Declarant may at any time prior to expiration or

termination of the Period of Declarant Control voluntarily surrender in a Recorded instrument its right, as the Declarant, to appoint and remove some or all of the members of the Architectural Committee pursuant to this Section and in that event the Declarant may require, for so long as Declarant owns any Lot or other property within The Villas at Havasu Foothills, that specified actions of the Architectural Committee, as described in a Recorded instrument executed by the Declarant, be approved by the Declarant before they become effective, and may further provide in such Recorded instrument for the resumption by Declarant of its right to appoint all members of the Architectural Committee, on such terms and conditions as Declarant may provide in such Recorded instrument. The Architectural Committee shall promulgate architectural guidelines and standards to be used in rendering its decisions (the "Architectural Committee Rules"). The decision of the Architectural Committee shall be final on all matters submitted to it pursuant to this Declaration. The Architectural Committee may establish a reasonable processing fee to defer the costs of the Association in considering any request for approval submitted to the Architectural Committee, which fee shall be paid at the time the request for approval is submitted.

5.12.2 A quorum of the Architectural Committee shall consist of a majority of the committee members, and the affirmative vote of a majority of such members shall be necessary for any decision of the Architectural Committee. The Architectural Committee shall keep and maintain a record of all actions taken at its meetings.

5.12.3 The Architectural Committee may promulgate written architectural and design standards (including but not limited to, color palettes and plant materials) to be used in rendering its decisions, procedures to be followed by Owners in preparing and submitting plans, specifications to be used by the Architectural Committee in reviewing plans and specifications for proposed Improvements, and other rules contemplated in this Declaration or otherwise to assist it in rendering its decisions and otherwise performing its functions under this Declaration (the "Architectural Rules").

5.12.4 Any Owner or Resident dissatisfied with a decision by the Architectural Committee may appeal the decision to the Board in accordance with the procedures to be established by the Board. If the Board overrules the decision of the Architectural Committee on any issue, the prior decision of the Architectural Committee shall be deemed modified to the extent specified by the Board.

5.12.5 As provided in Section 2.6, the Architectural Committee may establish a reasonable fee to defer the costs of considering requests for approvals submitted to the Architectural Committee, which fee shall be paid at the time the request for approval is submitted. The Architectural Committee may vary such fee from application to application if, in the reasonable discretion of the Architectural Committee, differences in the proposed Improvements, or other features relating to the respective applications for approval appear likely to lead to differences in the costs the Architectural Committee is likely to incur in reviewing the respective applications. In the event of any conflict between this Declaration and the guidelines adopted by the Architectural Committee, this Declaration shall control.

5.12.6 No member of the Architectural Committee shall be personally liable to any Member, the Association or any other Person for any mistake of judgment or for any other acts or

omissions of any nature whatsoever (including, without limitation, any mistake of judgment, negligence, malfeasance or nonfeasance) except for willful or intentional misconduct. The Association shall indemnify and hold harmless the members of the Architectural Committee and their respective heirs and legal representatives, for, from and against all contractual and other liabilities arising out of: (a) contracts made by the Architectural Committee, within the scope of course of performing its duties hereunder; (b) acts or omissions of such members of the Architectural Committee; or (c) their status as members of the Architectural Committee; provided, however, that such indemnification shall not be applicable where any such contract, act or omission constitutes willful or intentional misconduct or fraud. The foregoing indemnification shall include indemnification against all costs and expenses (including, but not limited to, reasonable attorney's fees and disbursements, amounts of judgments paid and settlement amounts) actually and reasonably incurred in connection with the defense of any claim, action, suit or proceeding, whether civil, criminal, administrative or other, in which any such member of the Architectural Committee may be involved by virtue of being or having been a member of the Architectural Committee. The foregoing indemnity shall not be operative with respect to: (i) any matter as to which the member of the Architectural Committee shall have been finally adjudged in such action, suit, or proceeding to be liable for willful or intentional misconduct or fraud in the performance of his or her duties as such member of the Architectural Committee; or (ii) any settlement or compromise resulting, in the opinion of independent counsel selected by the Board, from the intentional misconduct or fraud of a member of the Architectural Committee in the performance of his or her duties.

5.12.7 Subject to the provisions of Section 5.12.6, neither the Association, the Board, nor the Architectural Committee, nor any of the members of any of them, shall be liable for damages or otherwise to anyone submitting plans and specifications for approval or to an Owner affected by this Declaration by reason of mistake of judgment, negligence or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any plans and specifications. Further, the design and construction of an Improvement shall be the sole responsibility of the Owner and any recommendation, requirement or condition with respect to my plans and specifications or the means or method of construction made by the Architectural Committee or any member thereof shall not alter the Owner's responsibility for the safe and proper design and construction of said Improvement, nor shall it give rise to any claim by anyone against the Association, the Board or the Architectural Committee or any member of any of them for any defect in design or of any Improvement. Approval by the Architectural Committee shall not be deemed to be a representation or warranty that the plans or specifications or the actual construction of the Improvement complies with applicable ordinances or regulations. It shall be the sole responsibility of the Owner, Member or other Person submitting plans or performing construction to comply with all such ordinances, regulations, and codes.

5.12.8 Unless authorized by the Board, the members of the Architectural Committee shall not receive any compensation for services rendered, but all members thereof shall be entitled to reimbursement from the Association funds for reasonable expenses incurred in connection with the performance of any Committee function or duty. Professional consultants shall only be retained by the Architectural Committee as a whole and shall be paid such compensation as the Architectural Committee determines. The Architectural Committee may delegate its plan

review responsibilities, except final plan approval, to one or more of its members or to the consultants retained by the Committee.

ARTICLE 6
COVENANT FOR ASSESSMENTS, PROPERTY TRANSFER PAYMENT AND OTHER
FEES, CHARGES, FINES AND/OR PENALTIES AND RELATED AMOUNTS;
CREATION OF LIEN

6.1 Creation of Lien and Personal Obligation of Assessments

The Declarant, for each Lot owned by it, and each Owner, by becoming the Owner of a Lot, is deemed to have covenanted and agreed to pay Assessments, fees, charges, fines, and penalties to the Association in accordance with this Declaration. All Assessments, fees, charges, fines, and penalties shall be established and collected as provided in this Declaration. The Assessments, fees, charges, fines and penalties, together with interest, late charges and all costs, including, but not limited to, reasonable attorney's fees incurred by the Association in collecting or attempting to collect delinquent Assessments, fees, charges, fines and penalties whether or not suit is filed, shall be a charge on the Lot and shall be secured by a continuing Association Lien upon the Lot against which each such Assessment, fee, charge, fine and penalty is levied or made. Recording of this Declaration constitutes recorded notice and perfection of the lien established hereby. Each Assessment, fee, charge, fine and penalty, together with interest and all costs, including, but not limited to, reasonable attorney's fees incurred by the Association in collecting or attempting to collect delinquent Assessments, fees, charges, fines and penalties whether or not suit is filed, shall also be the personal obligation of the Person who was the Owner of the Lot at the time when the Assessment, fee, charge, fine and penalty became due. The personal obligation for delinquent Assessments, fees, charges, fines and penalties shall not pass to the successors in title of the Owner unless expressly assumed by such successors, but the Association Lien upon the Lot shall continue to exist.

6.2 Purposes for Which Association's Funds May Be Used

The Association shall apply all funds and property collected and received by it (including the Assessments, Property Transfer Payment and other fees, loan proceeds, surplus funds and all funds and property received by it from any other source) for the common good and benefit of the Association and the Owners by devoting said funds and property, among other things, to the funding of reserves and to the acquisition, construction, alteration, maintenance, provision and operation, by any manner or method whatsoever, of any and all land, properties, Improvements, facilities, services, projects, programs, studies and systems, within or without The Villas at Havasu Foothills, which may be necessary, desirable or beneficial to the general common interests of the Association and the Owners. 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 Common Areas, private rights-of-way and drainage areas within The Villas at Havasu Foothills; recreation and other liability insurance; communications; ownership and operation of maintenance storage areas; education; transportation; health; utilities; public services; safety; indemnification of officers and directors of the Association; and any other purposes permitted by applicable statutes or the Documents.

6.3 Annual Assessments

In order to provide for the operation and management of the Association and to provide funds for the Association to pay all Common Expenses and to perform its duties and obligations under the Documents, including the establishment of replacement and maintenance reserves, the Board, for each Assessment period, shall levy an Annual Assessment against each Lot, subject to applicable Arizona law. The Board shall not levy an Annual Assessment that is more than twenty percent (20%) greater than the immediately preceding fiscal year's Annual Assessment without the approval of a majority of the Members of the Association. The Board shall give notice of the Annual Assessment to each Owner at least thirty (30) days prior to the beginning of each Assessment period, but the failure to give such notice shall not affect the validity of the Annual Assessment established by the Board, nor relieve any Owner from such Owner's obligation to pay the Annual Assessment. If the Board determines during any Assessment Period that the funds budgeted for that Assessment period that the funds budgeted for the Assessment period are, or will, become inadequate to meet all common expenses for any reason, including, without limitation, nonpayment of Assessment by Members, it may, subject to the twenty percent (20%) limit set forth, increase the Annual Assessment for that Assessment Period and the revised Annual Assessment shall commence on the date designated by the Board.

6.4 Annual Assessment Period

The period for which the Annual Assessment is to be levied (the "Assessment Period") shall be the Association's fiscal year.

6.5 Rate of Annual Assessment

The amount of the Annual Assessment against each Lot shall be determined as follows:

6.5.1 The term "Annual Assessment" shall mean: (i) each fiscal year, commencing with the fiscal year in which the first Lot is conveyed to a Purchaser, and (ii) for each subsequent fiscal year, the amount equal to the total budget of the Association for the applicable Assessment Period divided by the total number of Memberships in the Association (subject to Subsection 6.5.2 below).

6.5.2 Except for Lots owned by Declarant, which are exempt from assessment under Section 6.5.3, each Lot shall be assessed an Annual Assessment. Notwithstanding any provision of this Declaration to the contrary, *beginning* with the Assessment Period ending with the first fiscal year in which the first Lot is conveyed to a Purchaser, the Annual Assessment provided for herein shall not for any Assessment Period exceed the Maximum Membership Assessment determined in accordance with this Section. For the Assessment Period ending with the first fiscal year in which a Lot is conveyed to a Purchaser, the Maximum Membership Assessment shall be Five Hundred Dollars (\$500.00). Thereafter, unless a greater increase is approved by the affirmative vote of two-thirds (2/3) of the votes of each class of Members represented in person or by valid proxy at a meeting of Members duly called for such purpose, the Maximum Membership Assessment for any Assessment Period (a "New Assessment Period")

shall be the Maximum Membership Assessment for the immediately preceding Assessment Period (the "Prior Assessment Period") increased at a rate equal to the greater of: (i) the percentage increase in the CPI from the Base Month to the Index Month (as each term is defined below), or (ii) fifteen percent (15%). Nothing herein shall obligate the Board to establish in any Assessment Period, a budget which results in Annual Assessments, as calculated pursuant to Section 6.5.1 above, to be in the full amount of the Maximum Membership Assessment for any Assessment Period nor prevent the Board from establishing a budget in subsequent Assessment Periods such that the Annual Assessment for such subsequent fiscal year is equal to a Maximum Membership Assessment calculated as if the Maximum Membership Assessment had been assessed for each Prior Assessment Period (as determined in accordance with this Section). For purposes hereof: (x) the term "CPI" means the Consumer Price Index - All Urban Consumers - All Items, published by the Bureau of Labor Statistics of the U.S. Department of Labor (or its successor governmental agency), or, if such index is no longer published by said Bureau or successor agency, in the index most similar in composition to such index, (y) the term "Index Month" means the month of July immediately prior to the New Assessment Period, and (z) the term "Base Month" means the month of July one year immediately prior to the beginning of the Prior Assessment Period; provided, that if the Board changes the Assessment Period, the Board shall have the right to change the calendar month used for purposes of clauses (y) and (z) (so long as the same calendar month in successive years is used for both clauses).

6.5.3 Notwithstanding any other provision of this Declaration to the contrary, no Annual Assessment shall be levied against Lots owned by the Declarant. During the Period of Declarant Control, the Declarant shall subsidize the Association for the amount by which (i) the cost of operating and administering the Association exceeds (ii) the total amount of Assessments levied against Lots owned by Owners other than Declarant. The subsidy required of Declarant under this Section may be in the form of cash or in the form of "in kind" contributions of goods or services, or in any combination of the foregoing, and any subsidies made by Declarant in the form of "in kind" contributions of goods or services shall be valued at the fair market value of the goods or services contributed. Declarant shall make payments or contributions in respect to its subsidy obligations under this Section at such times as the Board may reasonably request from time to time (but shall not be required to make such payments or contributions more often than monthly). At the end of each fiscal year of the Association, either: (1) Declarant shall pay or contribute to the Association such additional funds, goods or services (or any combination thereof) as may be necessary, when added to all other funds, goods and services paid or contributed by Declarant during such fiscal year, to satisfy in full Declarant's subsidy obligations for such fiscal year; or (2) the Association shall pay to Declarant or credit against Declarant's subsidy obligation for the immediately following fiscal year, as Declarant may elect, the amount, if any, by which the total of all payments or contributions paid or made by a Declarant during such fiscal year exceeded the total subsidy obligation of Declarant for such fiscal year.

6.6 Special Assessments

The Association may levy against each Lot in any Assessment Period, a Special Assessment for reasons including, but not limited to, defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of an Improvement upon the Common Area, including fixtures and personal property related thereto, provided that any Special Assessment is

approved by the affirmative vote of two-thirds (2/3) of the votes of each class of Members represented in person or by valid proxy at a meeting of Members duly called for such purpose.

6.7 Lot Specific Assessments

Lot Specific Assessments shall be levied by the Board against Lots with respect to which particular costs have been incurred by the Association, including, but not limited to, those Lot Specific Assessments levied pursuant to this Article 6 and Article 7. Further, in the event the Association undertakes to provide work, materials or services on or with respect to a Lot which are necessary to cure or remedy a breach or violation of the Documents that the Owner has refused to cure or remedy, such Owner, by refusing to undertake or complete the required cure or remedy, shall be deemed to have agreed in writing that all of the costs and expenses incurred in connection therewith shall be Lot Specific Assessments.

6.8 No Offsets

All Assessments shall be payable in the amount specified by the Assessment and no offsets against such amount shall be permitted for any reason, including, without limitation, a claim that the Association is not properly exercising its duties of maintenance of all or any portion of the Common Area or other area of Association responsibility, or that the Association is not enforcing the Documents.

6.9 Rules Regarding Billing and Collection Procedures for Assessments

Annual Assessments shall be collected monthly, or on such other basis as may be selected by the Board. Special Assessments and Lot Specific Assessments may be collected as specified by the Board. The Board shall have the right to adopt rules and regulations setting forth procedures for the purpose of making Assessments and for the billing and collection of such Assessments. The Association shall be under no duty to refund any payments received by it even though the ownership of a Lot changes during an Assessment Period. Successor Owners of Lots shall be given credit for prepayments, on a prorated basis, made by prior Owners.

6.10 Property Transfer Payment, Creation of Lien and Personal Obligation of Property Transfer Payment

6.10.1 To ensure that the Association shall have sufficient funds to establish adequate operating, capital improvement and reserve funds and to meet its expenses or purchase necessary equipment or services, each Purchaser of a Lot shall, except as hereinafter provided, pay to the Association immediately upon becoming the Owner of the Lot, a Property Transfer Payment in a sum equal to \$1,000.00. Until the expiration of the Period of Declarant Control, all Property Transfer Payments shall be deposited into a separate reserve account and may be used by the Association only for the repair and replacement of Common Elements and all other Improvements to be maintained by the Association pursuant to this Declaration.

6.10.2 All payments made to the Association pursuant to this Section 6.10 shall be non-refundable and shall not be considered as an advance payment of any Assessments levied by the Association pursuant to this Declaration.

6.10.3 No Property Transfer Payment shall be payable with respect to: (a) the transfer or conveyance of a Lot by devise or intestate succession; (b) a transfer or conveyance of a Lot to a family trust, family limited partnership or other Person for bona fide estate planning purposes; (c) a transfer or conveyance of a Lot to a corporation, partnership or other entity in which the grantor owns a majority interest unless the Board determines, in its sole discretion, that a material purpose of the transfer or conveyance was to avoid payment of the Property Transfer Payment in which case a Property Transfer Payment shall be payable with respect to such transfer or conveyance; (d) the conveyance of a Lot by a trustee's deed following a trustee's sale under a deed of trust; or (e) a conveyance of a Lot as a result of the foreclosure of a realty mortgage or the forfeiture of foreclosure of a purchaser's interest under a recorded contract for the conveyance of real property subject to A.R.S. § 33-741, et seq.

6.10.4 Any owner of a Lot who sells or refinances his or her Lot and requires a status or disclosure statement from the Association in connection therewith shall pay to the Association a refinance or disclosure fee in such amount as is established from time to time by the Board.

6.10.5 Fees charged pursuant hereto shall be secured by the Association Lien established pursuant to Section 6.1.

6.10.6 Reserves. In addition to the Property Transfer Payment, the budget adopted by the Board of Directors shall include reasonable amounts as determined by the Board of Directors collected as reserves for the future periodic maintenance, repair or replacement of all or a portion of the Common Elements, or any other purpose as determined by the Board of Directors.

6.10.7 Working Capital Fund. To provide the Association with operating funds, each Purchaser of a Lot from the Declarant shall pay to the Association, immediately upon becoming the Owner of the Lot, a sum equal to three (3) monthly installments of the Common Expense Assessment for the Unit. Such amount shall be non-refundable and shall not be considered as an advance payment of any Assessments levied by the Association pursuant to this Declaration.

6.10.8 Surplus Funds. Surplus funds of the Association remaining after payment of the provisions for Common Expenses and any prepayment of reserves may, in the sole discretion of the Board of Directors, either remain in the reserves or as working capital, be returned to the Owners, or be credited to the Owners to reduce each Owner's future Common Expense Assessments. In no event shall the Association be compelled or obligated to return any surplus funds to an Owner, and the Association shall have no liability in connection therewith.

6.10.9 Notwithstanding the requirements of Section 9.4, this Section 6.10, including the amount of the Property Transfer Payment, may be amended at any time by the affirmative vote of two-thirds (2/3) of the votes of each class of Members represented in person or

by valid proxy at a meeting of Members duly called for such purpose. Any amendment pursuant to this Section 6.10 of this Declaration shall be signed by the President or Vice President of the Association and attested by the Secretary of the Association, with their signatures acknowledged, and shall be Recorded with the County Recorder of Mohave County, Arizona. Any such amendment shall certify that the amendment has been approved as required by this Section.

6.10.10 The Property Transfer Payment together with interest, late charges and all costs, including, but not limited to, reasonable attorney's fees incurred by the Association in collecting or attempting to collect delinquent Property Transfer Payment(s) whether or not suit is filed, shall be a charge on the Lot and shall be secured by a continuing Association Lien upon the Lot against which each such Property Transfer Payment is levied or made. Recording of this Declaration constitutes Recorded notice and perfection of the lien established hereby. Similar to the Association Lien created and imposed pursuant to Section 6.1, each Property Transfer Payment, together with interest and all costs including, but not limited to, reasonable attorney's fees incurred by the Association in collecting or attempting to collect delinquent Property Transfer Payment(s), whether or not suit is filed, shall also be the personal obligation of the person who was the Purchaser of the Lot at the time when the Property Transfer Payment became due. The personal obligation for delinquent Property Transfer Payment(s) shall not pass to the successors in title of the Purchaser unless expressly assumed by such successors, but the Association Lien upon the Lot shall continue to exist.

6.11 Fees for Disclosure Statements

Any Owner of a Lot who sells or refinances his Lot and requires a disclosure statement shall pay to the Association a disclosure fee in such amount as is established from time to time by the Board. Fees for such disclosure statement charged pursuant hereto shall be secured by an Association Lien established pursuant to this Article 6.

6.12 Charges, Fines and/or Penalties

In addition to any other rights or remedies which the Association may have under this Declaration or at law or in equity as a result of the violation of this Declaration or other Documents, the Association shall have the right, subject to applicable law, to levy reasonable charges, fines and/or penalties against an Owner for any violation of the Documents by an Owner (or its respective families, guests or other invitees), Lessee, or Resident. The Board shall have the right to adopt rules and procedures regarding notice of and opportunity to be heard on such violation. The amount of the charge, fine and/or penalty for each violation shall be levied pursuant to a Board-approved schedule of charges, fines and/or penalties. The Association Lien established pursuant to this Article 6 shall secure any charges, fines and/or penalties levied pursuant hereto.

6.13 Costs of Enforcement/Collection

Any costs incurred by the Association in enforcing this Declaration or the Documents shall be the obligation of the Owner against which enforcement is sought. Such costs of enforcement/collection shall include, but not be limited to, reasonable attorney's fees, whether any

lawsuit is filed. The obligation to pay the costs of enforcement/collection shall be secured by the Association Lien established pursuant to this Article 6.

6.14 Effect of Nonpayment of Assessments, Property Transfer Payment and Other Fees, Charges, Fines and/or Penalties; Remedies of the Association

6.14.1 Any Assessment, Property Transfer Payment or other fee, charge, fine and/or penalty, or any installment of an Assessment, Property Transfer Payment or other fee, charge, fine and/or penalty, not paid within fifteen (15) days after the Assessment, Property Transfer Payment or other fee, charge, fine and/or penalty, or the installment thereof, first became due shall bear interest from the due date at the rate established, from time to time, by the Board. In addition, the Board may establish a late fee to be charged to any Owner who has not paid any Assessment, Property Transfer Payment or other fee, charge, fine and/or penalty, or any installment of an Assessment, Property Transfer Payment or other fee, charge, fine and/or penalty, within fifteen (15) days after such payment is due.

6.14.2 As set forth in this Article 6, the Association shall have an Association Lien levied against or charged to a Lot or the Owner thereof for all Assessments, Property Transfer Payment or other fees, charges, fines and/or penalties, together with interest and late charges, and all costs of enforcement/collection, including reasonable attorney's fees, whether or not suit is filed. The Association may, at its option, record a Notice of Lien setting forth the name of the delinquent Owner as shown in the records of the Association, the legal description and/or street address of the Lot against which the Notice of Lien is recorded and the amount claimed to be past due as of the date of the Recording of the Notice of Lien, including late charges, interest, costs of enforcement/collection, lien Recording fees, lien release fees, reasonable attorney's fees and the cost of preparing the Notice of Lien.

6.14.3 Subject to applicable Arizona law, an Association Lien created by this Article 6 shall have priority over all liens or claims, except for: (i) tax liens for real property taxes, and (ii) assessments in favor of any municipal or other governmental body; and (iii) previously existing First Mortgage liens.

6.14.4 The Board may suspend for the entire period during which any Assessments, Property Transfer Payment or other fees, charges, fines and/or penalties, together with interest and late charges, and costs of enforcement/ collection, including reasonable attorney's fees, whether or not suit is filed, remain delinquent, the obligated Owner's right, if any, to the use of the Common Area and the obligated Owner's right to vote on any matter at regular or special meetings of the association.

6.14.5 The Board may enforce the Association Lien established pursuant to this Article 6 as provided by Arizona law.

6.15 Surplus Funds

The Association shall not be obligated to spend in any year all the Assessments and other sums received by it in such year and may carry forward as surplus any balances remaining. The

Association shall not be obligated to reduce the amount of the Annual Assessment in the succeeding year if a surplus exists from a Prior Assessment Period, 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.

6.16 Notice and Quorum for Certain Meetings

Notwithstanding any other provision hereof or of the Articles, Bylaws, or Association Rules, written notice of any meeting called for the purpose of establishing a Special Assessment shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days prior to the date of said meeting. A quorum of sixty percent (60%) of all Members in person or by proxy must appear at said meeting. If a quorum of sixty percent (60%) is not reached, a second meeting may be called within thirty (30) days where a quorum of fifty percent (50%) must be present.

**ARTICLE 7
MAINTENANCE**

7.1 Areas of Association Responsibility

7.1.1 The Association, or its duly delegated representative, shall manage, maintain, repair, and replace (i) the Common Areas and all Improvements located thereon, (ii) all Areas of Association Responsibility; and (iii) all other Association property. The Association is not responsible for areas which any governmental entity or any utility company is responsible for maintenance.

7.1.2 The Board shall be the sole judge as to the appropriate maintenance of all areas of Association responsibility and other properties maintained by the Association. Any cooperative action necessary or appropriate to the proper maintenance and upkeep of such properties shall be taken by the Board or by its duly delegated representative(s).

7.2 Lots

Each Owner shall be responsible for maintaining his or her Lot. Each Owner shall be responsible for maintaining, repairing or replacing and all buildings, Residential Units, landscaping or other Improvements situated on his or her Lot. All buildings, Residential Units, landscaping and other Improvements shall at all times be kept in good condition and repair. All grass, hedges, shrubs, vines and plants of any type on a Lot that are the responsibility of the Owner thereof shall be irrigated, mowed, trimmed and cut at regular intervals so as to be maintained in a neat and attractive manner. Trees, shrubs, vines, plants, and grass which die shall be promptly removed and replaced with living foliage of like kind, unless different foliage is approved in writing by the Architectural Committee. No yard equipment, woodpiles or storage area may be maintained so as to be Visible from Neighboring Property.

7.3 Installation of Landscaping

The Owner of a Lot shall install (if not already installed) grass, trees, plants and other landscaping improvements (together with an irrigation system sufficient to adequately water any grass, trees, plants and other landscaping improvements): (a) in the front yard of the Lot and in any side or back yard of the Lot which is not fully enclosed by a solid fence or wall at least five (5) feet high, not later than ninety (90) days after the date on which the Residential Unit on the Lot is completed; and (b) in any side or back yard of the Lot which is fully enclosed by a solid fence or wall at least five (5) feet high, not later than three hundred sixty-five (365) days after the date on which the Residential Unit on the Lot is completed. All landscaping must be installed in accordance with plans approved in writing by the Architectural Committee. If landscaping and an irrigation system are not installed on a Lot in the manner and by the applicable dates provided for in this Section, the Association shall have the right, but not the obligation, to enter upon such Lot to install such landscaping improvements as the Association deems appropriate (together with an irrigation system adequately water the same), and the cost of any such installation shall be paid to the Association by the Owner of the Lot, upon demand from the Association. Any amounts payable by an Owner to the Association pursuant to this Section shall be secured by the Assessment Lien, and the Association may enforce collection of such amounts in the same manner and to the same extent as provided elsewhere in this Declaration for the collection and enforcement of Assessments.

7.4 Common Walls

Each wall, including patio, terrace or carport and garage wall, which is constructed as part of the original construction of any Improvement any part of which is placed on or near the dividing line between separate Lots, masonry fencing, view fencing or any combination thereof lying between adjacent Lots or a Lot and the Common Area shall be deemed to be a "Common Wall." The rights and duties of an Owner of such a Lot, and the Association with respect to the Common Area, (Common Wall Party) relating to a Common Wall shall be as follows:

7.4.1 With respect to any such Common Wall, each of the adjoining Owners shall assume the burdens and be entitled to the benefits of these covenants. In addition, to the extent not inconsistent herewith, the general rules of law regarding so-called "party walls" or "common walls" shall be applied.

7.4.2 No Resident shall make or caused to be made any improvement, addition, deletion or alteration of any kind to the interior of a Residential Unit, which improvements, addition, deletion or alteration could in any manner affect the structural integrity, sound transfer characteristics, or other design and/or engineering characteristics of a Common Wall.

7.4.3 If any Common Wall is damaged or destroyed through the act of the Resident(s) of one adjoining Residential Unit, or any of its guests, licensees, agents or members of his family or other Person for whom such Resident is responsible (whether or not such act is negligent or otherwise culpable) so as to deprive the Owner of the other adjoining Residential Unit of the full use and enjoyment of such Common Wall, then the Owner responsible for such Resident's damage shall forthwith at his sole expense proceed to rebuild or repair the same in as good condition as formerly existed.

7.4.4 Any Owner who, by his negligent or willful act, or by the negligent or willful act of a Resident of its Lot, or their licensees, agents or family members, causes any Common Wall to be exposed to the elements shall at its expense promptly restore the Common Wall to its original condition and shall furnish all necessary protection against the elements until the Common Wall is restored.

7.4.5 The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the subject Lots and shall pass to the successors in title of each such Owner.

7.4.6 In addition to satisfying the other requirements of this Declaration, any Owner proposing to modify, make additions to or rebuild a Residential Unit in any manner which requires the extension or other alteration of any Common Wall shall first obtain the written consent of the Board and any adjoining Owner, which consent cannot be unreasonably withheld, and shall complete such alterations in accordance with the provisions of the Documents and any building code or similar regulations or ordinances.

7.4.7 In the event of a dispute between Owners with respect to the repair or rebuilding of a Common Wall or with respect to the sharing of the cost thereof, then upon written request of one of such Owners addressed to the Association, the matter shall be decided by the Board, whose determination shall be final and binding on the Owners.

7.4.8 Each Owner that shares a Common Wall Party shall notify the other Owner if it has any actual knowledge of any dangerous condition relating to the integrity of any Common Wall shared between them.

7.5 Assessment of Certain Costs of Maintenance and Repair

If the need for maintenance or repair of an Area of Association Responsibility is caused by the willful or negligent act of any Owner, its Lessee, a Resident of the Owner's Lot, or their respective families, guests or other invitees, the cost of such maintenance or repair shall be levied as a Lot Specific Assessment and shall be secured by an Association Lien. Any charges or fees to be paid by the Owner of a Lot in connection with a contract entered into by the Association with an Owner for the performance of the Owner's maintenance responsibilities shall also be levied as a Lot Specific Assessment and shall be secured by an Association Lien established pursuant to Article 6.

7.6 Improper Maintenance and Use of Lots

In the event any: (a) exterior of a Residential Unit, including painting, roofing and other exterior surfaces and finishes, or any other buildings or structures or other Improvements situated in the front yards of the Lots, is damaged or falls into disrepair due to the act or omission of an Owner, its Lessee, a Resident of the Owner's Lot, or any of their respective guests, licensees, agents or members of their family or other person for whom such Owner is responsible (whether or not such act is negligent or otherwise culpable), or (b) portion of a Lot is so maintained as to present a public or private nuisance or as to substantially detract from the appearance or quality of

the surrounding Lots or other areas of The Villas at Havasu Foothills which are substantially affected thereby or related thereto; (c) portion of a Lot is used in a manner which violates this Declaration; or (d) in the event the Owner of any Lot fails to perform any of such Owner's obligations under the Documents, the Board may make a finding to that effect, specifying the particular condition or conditions which exist or exists, and pursuant thereto give notice thereof to the offending Owner that unless corrective action is taken within fifteen (15) days, the Board may cause such action to be taken at such Owner's expense. If at the expiration of such fifteen (15) day period 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 levied as a Lot Specific Assessment to which the offending Owner and the Owner's Lot is subject and shall be secured by an Association Lien established pursuant to Article 6.

7.7 Improper Maintenance of Common Area

If any Common Area is so maintained as to present public or private nuisance, or as to substantially detract from the appearance or quality of the surrounding Lots or other areas of the Property which are substantially affected thereby or related thereto, or if any portion of the Common Area is being used in a manner which violates this Declaration, any Tract Declaration or Declaration applicable thereto or if the Common Area is not maintained in the manner required by this Declaration, or any Tract Declaration applicable thereto, the Board may make a finding to such effect specifying the particular condition or conditions which exist, and pursuant thereto give notice thereof to the Association responsible for the maintenance of such Common Area that unless corrective action is taken within fifteen (15) days the Board may cause such action to be taken and the cost thereof shall be payable to the Association by the Association within fifteen (15) days after the demand therefor is made by the Association.

ARTICLE 8
INSURANCE

8.1 Scope of Coverage

Commencing not later than the time of the first conveyance of a lot to a purchaser, the Association shall maintain, to the extent reasonably available, the following insurance coverage:

8.1.1 Comprehensive general liability insurance, including medical payment insurance, in an amount determined by the Board, but not less than \$1,000,000. Such insurance shall cover all occurrences commonly insured against for death, bodily injury and property damage arising out of, or in connection with the use, ownership or maintenance of the Areas of Association Responsibility and all other portions of The Villas at Havasu Foothills which the Association is obligated to maintain under this Declaration, and shall also include hired automobile and non-owned automobile coverage with cost liability endorsements to cover liabilities of the Owners as a group to an Owner;

8.1.2 Property insurance on all Areas of Association Responsibility (excepting therefrom Areas of Association Responsibility within the boundaries of a Lot) insuring against all risk of direct physical loss, insured against in an amount equal to the maximum insurable

replacement value of such Areas of Association Responsibility, as determined by the Board; provided, however, that the total amount of insurance after application of any deductibles shall not be less than one hundred percent (100%) of the current replacement cost of the insured property, exclusive of land, excavations, foundations and other items normally excluded from a property policy;

8.1.3 Workmen's compensation insurance to the extent necessary to meet the requirements of the laws of Arizona; and

8.1.4 Such other insurance as the Association shall determine from time to time to be appropriate.

8.2 Policy Provisions

The insurance policies purchased by the Association shall, to the extent reasonably available, contain the following provisions;

8.2.1 That there shall be no subrogation with respect to the Association, its agents, servants, and employees, with respect to Owners, Lessees and members of their respective households;

8.2.2 No act or omission by any Owner, unless acting within the scope of his authority on behalf of the Association, will void the policy or be a condition to recovery on the policy;

8.2.3 That the coverage afforded by such policy shall not be brought into contribution or proration with any insurance which may be purchased by Owners or their Mortgagees or beneficiaries under deeds of trust;

8.2.4 For policies of hazard insurance, a standard mortgagee clause providing that the insurance carrier shall notify any Mortgagee named in the policy at least ten (10) days in advance of the effective date of any substantial modification, reduction or cancellation of the policy;

8.2.5 A "severability of interest" endorsement which shall preclude the insurer from denying the claim of an Owner because of the negligent acts of the Association or other Owners or Lessees or their respective households; and

8.2.6 A statement that the name of the insured is the Association.

8.3 Certificates of Insurance

An insurer which has issued an insurance policy under this Article shall issue a certificate of insurance or a memorandum of insurance to the Association and, upon request to any Owner or Mortgagee. Any insurance obtained pursuant to this Article shall not be cancelled until thirty (30)

days after notice of the proposed cancellation has been mailed to the Association and to each Owner and each Mortgagee to whom certificates of insurance have been issued.

8.4 Payment of Premiums

The premiums for any insurance obtained by the Association pursuant to Section 8.1 of this Declaration shall be included in the budget of the Association and shall be paid by the Association.

8.5 Payment of Insurance Proceeds

With respect to any loss to any Area of Association Responsibility covered by property insurance obtained by the Association in accordance with this Article, the loss shall be adjusted with the Association and the insurance proceeds shall be payable to the Association, and not to any mortgagee or beneficiary under a deed of trust. Subject to the provisions of Section 8.6 of this Declaration, the proceeds shall be disbursed for the repair or restoration of the damage to the Area of Association Responsibility.

8.6 Repair and Replacement of Damaged or Destroyed Common Area

Any portion of the Common Area which is damaged or destroyed shall be repaired or replaced promptly by the Association unless (i) repair or replacement would be illegal under any state or local health or safety statute or ordinance, or (ii) Owners representing at least eighty percent (80%) of the total authorized votes in the Association vote not to rebuild. The cost of repair or replacement in excess of insurance proceeds and reserves shall be paid by the Association. If all of the Common Area is not repaired or replaced, insurance proceeds attributable to the damaged Common Area shall be used to restore the damaged area to a condition which is not in violation of any state or local health or safety statute or ordinance and the remainder of the proceeds shall either (i) be retained by the Association as an additional capital reserve, or (ii) be used for payment of operating expenses of the Association if such action is approved by the affirmative vote or written consent, or any combination thereof, of Members representing more than fifty percent (50%) of the votes in the Association.

8.7 Owner and Lessee Insurance

Property of any Owner and/or Lessee shall be the responsibility of the Owner or Lessee to insure, including general liability coverage and any other coverage the Owner or Lessee deems necessary. The Association is not responsible for any insurance coverage relating to any Lot, any Owner or Lessee, and their private property, including general liability coverage.

**ARTICLE 9
GENERAL PROVISIONS**

9.1 Enforcement

The Association or any Owner shall have the right, but not the duty or obligation, to enforce the Documents and/or any and all covenants, conditions and restrictions, reservations, charges, servitudes, assessments, liens or easements provided for in any contract, deed, declaration or other instrument which (i) shall have been executed pursuant to, or subject to, the provisions of this Declaration; or (ii) shall otherwise indicate that the provisions of such instrument were intended to be enforced by the Association or any Owner. The failure of the Association or an Owner to take enforcement action with respect to a violation of the Documents shall not constitute or be deemed a waiver of the right of the Association or any Owner to enforce the Documents in the future. All rights and remedies of the Association and the Owners under the Documents or at law or in equity are cumulative, including but not limited to the assessment of any monetary fine, suspending an Owner's right to vote, suspending any Resident's right to use facilities in the Common Areas, and requiring an Owner and/or Resident to remove any structure or Improvement on such Lot in violation of the Declaration at their expense. The exercise of one right or remedy shall not waive the right to exercise another right or remedy. If the Association retains or consults with an attorney with respect to any violation of the Documents by an Owner, the Lessees of an Owner or the Residents of the Owner's Lot, all attorney fees incurred by the Association shall be assessed against the Owner, whether or not a lawsuit is filed by the Association, and all such attorney fees shall be paid by the Owner to the Association on demand and shall be secured by the Lot Specific Assessment lien. In the event of any litigation or arbitration by or against the Association, the prevailing party in such litigation or arbitration shall be entitled to recover from the non-prevailing party all attorneys' fees, costs and expert witness fees incurred by the prevailing party.

9.2 Enforcement by Owners & Residents

Each Owner and Resident shall have the right to enforce the Declaration in any manner available at law or in equity.

9.3 Method of Termination

This Declaration shall continue in full force and effect for a term of twenty (20) years from the date this Declaration is Recorded, after which time, this Declaration shall be automatically extended for successive periods of ten (10) years each. This Declaration may be terminated at any time if such termination is approved by the written approval or the affirmative vote, or any combination thereof, of Owners representing not less than [eighty or ninety percent] (80/90%) of the votes entitled to be cast in the Association. If the necessary votes and consents are obtained, the Board shall cause to be Recorded with the County Recorder of Mohave County, Arizona, a Certificate of Termination, duly signed by the President or Vice President of the Association and attested by the Secretary of the Association, with their signatures acknowledged. Thereupon, this Declaration shall have no further force and effect, and the Association shall be dissolved pursuant to the terms set forth in its Articles. Following the Recording of a Certificate of Termination, this Declaration shall have no further force and effect, and the Association shall be dissolved pursuant to the terms set forth in its Articles. No termination of this Declaration shall affect or diminish Declarant's Right to Cure Alleged Defects.

9.4 Amendments

9.4.1 This Declaration may be amended at any time by the affirmative vote of two-thirds (2/3) of the votes of each class of Members represented in person or by valid proxy at a meeting of Members duly called for such purpose.

9.4.2 Notwithstanding the requirements of Section 9.4.1, the Board may amend this Declaration or the Plat without obtaining the approval or consent of any Owner in order to conform the Declaration to changes in federal, state or local law or ordinance, to correct typographical errors in the Declaration, or to remove obsolete provisions from the Declaration. Notice of such changes shall be provided to the Owners in a manner that is decided by the Board.

9.4.3 Any amendment pursuant to Section 9.4 and Subsections 9.4.1 and 9.4.2 of this Declaration shall be signed by the President or Vice President of the Association and attested by the Secretary of the Association, with their signatures acknowledged, and shall be Recorded with the County Recorder of Mohave County, Arizona. Any such amendment shall certify that the amendment has been approved as required by this Section.

9.4.4 Declarant reserves the right to amend the Plat without the consent of the Board or the Members at any time, provided, however, that no such amendment shall have the effect of changing the boundaries of any Owner's Lot without the consent of the Owner or allocating distribution of hazard insurance proceeds.

9.5 Interpretation

Except for judicial construction, the Association 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 benefited or bound by this Declaration. In the event of any conflict between this Declaration and the Bylaws, Association Rules, or Architectural Committee Rules, this Declaration shall control. In the event of any conflict between the Articles and the Bylaws, the Articles shall control. In the event of any conflict between the Bylaws and the Association Rules or Architectural Committee Rules, the Bylaws shall control.

9.6 Severability

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

9.7 Change of Circumstances

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

9.8 Laws, Ordinances and Regulations

9.8.1 The covenants, conditions and restrictions set forth in this Declaration and the provisions requiring Owners and other persons to obtain the approval of the Board or the Architectural Committee with respect to certain actions are independent of the obligation of the Owners and other persons to comply with all applicable laws, ordinances and regulations, and compliance with this Declaration shall not relieve an Owner or any other person from the obligation to also comply with applicable laws, ordinances and regulations.

9.8.2 Any violation of any state, municipal or local law, ordinance or regulation pertaining to the ownership, occupation or use of any property within The Villas at Havasu Foothills is hereby declared to be a violation of this Declaration and subject to any or all of the enforcement procedures set forth herein.

9.8.3 Any violation of any state, municipal or local law, ordinance or regulation pertaining to the ownership, occupation or use of any property within The Villas at Havasu Foothills is hereby declared to be a violation of this Declaration and subject to any or all of the enforcement procedures set forth herein.

9.9 References to this Declaration in Deeds

Deeds to and instruments affecting any Lot or any part of The Villas at Havasu Foothills may contain the covenants, conditions and restrictions herein set forth by reference to this Declaration; but regardless of whether any such reference is made in any deed or instrument, each, and all of the provisions of this Declaration shall be binding upon the grantee-Owner or other person claiming through any such instrument and their respective heirs, executors, successors and assigns.

9.10 Gender and Number

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

9.11 Captions and Titles

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

9.12 Notices

If notice of any action or proposed action by the Board or any committee or of any meeting is required by applicable law, this Declaration or resolution of the Board to be given to any Owner, Lessee or other 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 either: (a) sent, via U.S. Mail, to the Member's address on record with the Association; (b) posted at established posting locations throughout the Association; (c) e-mailed to Members who have provided their e-mail address to the Association; and/or (d) published in an Association newsletter article. This Section shall not be construed to require that any notice be given if not otherwise required and shall not prohibit satisfaction of any notice requirement in any other manner.

9.13 Indemnification

The Association shall indemnify each and every officer and director of the Association, each and every member of the Architectural Committee, and each and every member of any committee appointed by the Board (including, for purposes of this Section, former officers and directors of the Association, former members of the Architectural Committee, and former members of committees appointed by the Board) (collectively, "Association Officials" and individually an "Association Official") against any and all expenses, including attorneys' fees, reasonably incurred by or imposed upon an Association Official in connection with any action, suit or other proceeding (including settlement of any suit or proceeding, if approved by the Board serving at the time of such settlement) to which he or she may be a party by reason of being or having been an Association Official, except for his or her own individual willful misfeasance, malfeasance, misconduct or bad faith. No Association Official shall have any personal liability with respect to any contract or other commitment made by them or action taken by them, in good faith, on behalf of the Association (except indirectly to the extent that such Association Official may also be a Member of the Association and therefore subject to Assessments hereunder to fund a liability of the Association), and the Association shall indemnify and forever hold each such Association Official free and harmless from and against any and all liability to others on account of any such contract, commitment or action. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any Association Official may be entitled. If the Board deems it appropriate, in its sole discretion, the Association may advance funds to or for the benefit of any Association Official to meet on-going costs and expenses of defending himself or herself in any action or proceeding brought against such Association Official by reason of his or her being, or having been, as Association Official. In the event it is ultimately determined that an Association Official to whom, or to whose benefit, funds were advanced pursuant to the proceeding sentence does not qualify for indemnification pursuant to this Section 9.13 or otherwise under the Articles, Bylaws or applicable law, such Association Official shall promptly upon demand repay to the Association the total of such funds advanced by the Association to him or her, or for his or her benefit, with interest (should the Board so elect) at a rate not to exceed ten percent (10%) per annum from the date(s) advanced until paid.

9.14 Number of Days

In computing the number of days for purposes of any provision of this Declaration or the Articles or Bylaws, all days shall be counted including Saturdays, Sundays and holidays; provided however, that if the final day of any time period falls on a Saturday, Sunday or legal holiday, then the final day shall be deemed to be the next day which is not a Saturday, Sunday or legal holiday.

9.15 Notice of Violation

The Association shall have the right to Record a written notice of a violation by any Owner or Resident of any restriction or provision of the Documents. The notice shall be executed and acknowledged by an officer of the Association and shall contain substantially the following information: (a) the name of the Owner or the Resident; (b) the legal description of the Lot against which the notice is being Recorded; (c) a brief description of the nature of the violation; (d) a statement that the notice is being Recorded by the Association pursuant to this Declaration; and (e) a statement of the specific steps which must be taken by the Owner or Resident to cure the violation. Recordation of a notice of violation shall serve as notice to the Owner and Resident, and to any subsequent purchaser of the Lot, that there is such a violation. If, after the Recordation of such notice, it is determined by the Association that violation referred to in the notice does not exist or that violation referred to in the notice has been cured, the Association shall Record a notice of compliance which shall state the legal description of the Lot against which the notice of violation was recorded, the Recording data of the notice of violation, and shall state that the violation referred to in the notice of violation has been cured or, if such be the case, that it did not exist. Notwithstanding the foregoing, failure by the Association to Record a notice of violation shall not constitute a waiver of any existing violation or evidence that no violation exists.

9.16 Disclaimer of Representations

Notwithstanding anything to the contrary herein, neither the Declarant nor any affiliate of Declarant makes any warranties or representations whatsoever that the plans presently envisioned for the complete development of the Property can or will be carried out, or that any real property now owned or hereafter acquired by the Declarant or by an affiliate of Declarant is or will be subjected to this Declaration, or that any such real property (whether or not it has been subjected to this Declaration) is or will be committed to or developed for a particular (or any) use, or that if such real property is once used for a particular use, such use will continue in effect. While neither the Declarant nor any affiliate of Declarant believes that any of the restrictive covenants contained in this Declaration is or may be invalid or unenforceable for any reason or to any extent, neither the Declarant nor the affiliate of Declarant makes any warranty or representation as to the present or future validity or enforceability of any such restrictive covenant. Any Owner acquiring a Lot in reliance on one or more of such restrictive covenants shall assume all risks of the validity and enforceability thereof and by accepting a deed to the Lot agrees to hold the Declarant and all affiliate of Declarant harmless therefrom.

9.17 Amendments Affecting Declarant Rights

Notwithstanding any other provision of this Declaration to the contrary, no provision of this Declaration (including but not limited to, this Section) which grants to or confers upon the Declarant or upon any affiliate of Declarant any rights, privileges, easements, benefits or exemptions (except for rights, privileges, easements, benefits, or exemptions granted to or conferred upon Owners generally) shall be modified, amended or revoked in any way, so long as the Declarant, any affiliate of Declarant or a trustee for the benefit of the Declarant or any Declarant Affiliate owns any portion of the Property, without the express written consent of the Declarant.

ARTICLE 10
CLAIM AND DISPUTE RESOLUTION/LEGAL ACTIONS

It is intended that the Common Area, Areas of Association Responsibility, and all Improvements constructed on the Property by or for Declarant will be constructed in substantial compliance with all applicable building codes and ordinances and that such Improvements will be of a quality that is consistent with good construction and development practices in the area where the Property is located. Nevertheless, due to the complex nature of construction and the subjectivity involved in evaluating such quality, disputes may arise as to whether a defect exists and the responsibility therefor. It is intended, to the fullest extent permitted by law, that all disputes and claims regarding Alleged Defects will be resolved amicably, without the necessity of time-consuming and costly litigation. Accordingly, the Declarant, the Association, the Board, and all Owners shall be bound by the following claim resolution procedures.

10.1 Efforts to Resolve Certain Disputes Without Litigation

As used in this Article 10, the term “Claim” shall mean: (a) any claim or cause of action arising out of or related in any way to the planning, design, engineering, grading, construction or development of the Common Area or any Lot or any Improvements situated thereon, including, without limitation, any claim or cause of action that the Common Areas are defective or that the Declarant or its agents, contractors, employees, subcontractors, architects, engineers or consultants were negligent in the planning, design, engineering, grading, construction or development thereof; of (b) any claim or cause of action against the Declarant or any employee, agent, director, member or officer of Declarant arising out of or in any way related to the development of the Property or the management or operation of the Association, including, without limitation, any claim for simple negligence. The Association, the Declarant, all Owners, Lessees, Residents and other Persons bound by this Declaration, and any Person not otherwise bound by this Declaration who agrees to submit to this Article (individually, a “Bound Party”, and collectively, the “Bound Parties”) agree that the dispute resolution procedures set forth in this Article shall apply to all Claims.

10.2 Notice of Claim

Any Bound Party having or alleging to have a Claim (a “Claimant”) against any other Bound Party (a “Respondent”) shall notify each Respondent in writing of the Claim (the “Claim Notice”), stating plainly and concisely: (a) the nature of Claim, including, date, time, location, Persons involved, and Respondent’s role in the Claim; (b) the factual and legal basis of the Claim; and (c) what Claimant wants Respondent to do or not do to resolve the Claim. In the event the Claimant is the Association and the Claim involves an Alleged Defect (as defined in Section 1.1), the Association must provide written notice to all Members prior to delivering a Claim Notice or commencing any legal action, cause of action, proceeding, reference or arbitration against a Bound Party which notice shall at a minimum include: (a) a description of the Claim, (b) a description of the attempts of the Declarant or other Bound Parties to correct such Alleged Defect and the opportunities provided to Declarant or other Bound Parties to correct such Alleged Defect, (c) the estimated cost to repair such Alleged Defect, (d) the name and professional background of the

attorney retained by the Association to pursue the Claim and a description of the relationship between such attorney and member(s) of the Board (if any), (e) a description of the fee arrangement between such attorney and the Association, (f) the estimated attorneys' fees and expert fees and costs necessary to pursue the Claim and the source of the funds which will be used to pay such fees and expenses, (g) the estimated time necessary to conclude the action, (h) a description of the manner in which the action will be funded and a description of any demands, notices, offers to settle or responses to offers to settle made either by the Association or a Bound Party, and (i) an affirmative statement from the Board that the action is in the best interests of the Association and its Members. If the Alleged Defect is alleged to be the result of an act or omission of a person licensed by the State of Arizona under Title 20 or Title 32 of the Arizona Revised Statutes (a "Licensed Professional"), then the notice from the Association must be accompanied by an affidavit from a Licensed Professional in the same discipline as the Licensed Professional alleged to be responsible for the Alleged Defect. The affidavit must contain the information required to be contained in a preliminary expert opinion affidavit submitted pursuant to Section 12-2602(B) of the Arizona Revised Statutes.

10.3 Right to Enter, Inspect Repair and/or Replace

10.3.1 After discovery of an Alleged Defect, and as a condition to any right of recovery against Declarant, the Claimant shall give a written notice of Alleged Defect ("Notice of Alleged Defect") to Declarant as provided in Section 10.2.

10.3.2 Within a reasonable time after the receipt by the Declarant or other Bound Party of a Claim Notice, the Declarant shall have the right, upon reasonable notice to Claimant and during normal business hours, to enter onto or into, as applicable, the Common Area, any Lot, including any Residential Unit constructed thereon, and/or any Improvements for the purposes of inspecting and/or conducting testing to determine the validity of the Claim and, if deemed necessary by the Declarant or other Bound Party, to correct, repair and/or replace the alleged deficiency in the planning, design, engineering, grading, construction or development of the Common Area or any Lot, or any Improvement constructed on the Common Area or a Lot which is the basis for the Claim (the "Alleged Defect"). In conducting such inspection, testing, repairs and/or replacement, Declarant or other Bound Party shall be entitled to take any actions as it shall deem reasonable and necessary under the circumstances.

10.3.3 Nothing set forth in this Section shall be construed to impose any obligation on the Declarant or other Bound Party to inspect, test, repair, or replace any item or Alleged Defect for which the Declarant or other Bound Party is not otherwise obligated under applicable law, or any limited warranty provided by the Declarant or other Bound Party in connection with the sale of the Lots and/or the Improvements constructed thereon. The right of the Declarant and other Bound Parties to enter, inspect, test, repair and/or replace reserved hereby shall be irrevocable and may not be waived or otherwise terminated except by a writing, in recordable form, executed and Recorded by the Declarant or other Bound Party. In no event shall any statutes of limitations be tolled during the period in which the Declarant or other Bound Party conducts any inspection or testing of any Alleged Defects. The rights of the Declarant and other Bound Parties under this Section shall also extend to their respective employers, agents, contractors, subcontractors and suppliers.

10.4 Mediation

If the Parties do not resolve the Claim through negotiation within thirty (30) days after the date of the Claim Notice or within such longer period as may be agreed upon by the Parties (“Termination of Negotiations”), Claimant shall have thirty (30) additional days within which to submit the Claim to mediation under the auspices of the American Arbitration Association or such other mediator or mediation service agreed upon by the Parties. If Claimant does not submit the Claim to mediation within thirty (30) days after Termination of Negotiations, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant on account of such Claim. If the Parties do not settle the Claim within thirty (30) days after submission of the matter to the mediation process, or within such time as determined reasonable or appropriate by the mediator, the mediator shall issue a notice of termination of the mediation proceedings (“Termination of Mediation Notice”). The Termination of Mediation Notice shall set forth when and where the Parties met, that the Parties are at an impasse, and the date that mediation was terminated. A Termination of Mediation Notice must be issued prior to the commencement of any arbitration proceeding under this Article 10. Any claim not resolved pursuant to this Section 10.4, or otherwise waived, is subject to binding arbitration pursuant to Section 10.6.

10.4.1 Position Memoranda: Pre-Mediation Conference

Within ten (10) days of the selection of the mediator, each party shall submit a brief memorandum setting forth its position with regard to the issues that need to be resolved. The mediator shall have the right to schedule a pre-mediation conference and all parties shall attend unless otherwise agreed. The mediation shall be commenced within ten (10) days following the submittal of the memoranda and shall be concluded within fifteen (15) days from the commencement of the mediation unless the parties mutually agree to extend the mediation period.

10.4.2 Conduct of Mediation

The mediator has discretion to conduct the mediation in the manner in which the mediator believes is most appropriate for reaching a settlement of the dispute, consistent with the Construction Industry Mediation Rules of the American Arbitration Association. The mediator is authorized to conduct joint and separate meetings with the parties and to make oral and written recommendations for settlement. Whenever necessary, the mediator may also obtain expert advice concerning technical aspects of the dispute, provided the parties agree and assume the expenses of obtaining such advice. The mediator does not have the authority to impose a settlement on the parties.

10.4.3 Exclusion Agreement

Any admissions, offers of compromise or settlement negotiations or communications at the mediation shall be excluded in any subsequent dispute resolution forum.

10.4.4 Parties Permitted at Sessions

Persons other than the parties, their representatives, and the mediator may attend mediation sessions only with the permission of both parties and the consent of the mediator. Notwithstanding the foregoing, applicable contractors, subcontractors, suppliers, architects, engineers, brokers and any other Person providing materials or services in connection with the construction of any Improvement upon or benefitting the Property designated by Declarant may attend mediation sessions and may be made parties to the mediation. Confidential information disclosed to a mediator by the parties or by witnesses in the course of the mediation shall be confidential. There shall be no stenographic record of the mediation process.

10.4.5 Expenses

The expenses of witnesses for either side shall be paid by the party producing such witnesses. All other expenses of the mediation, including, but not limited to, the fees and costs charged by the mediator and the expenses of any witnesses or the cost of any proof or expert advice produced at the direct request of the mediator, shall be borne equally by the parties unless they agree otherwise. Each party to the mediation shall bear its own attorneys' fees and costs. In connection with such mediation.

10.5 Use of Funds

In the event the Association recovers any funds from the Declarant or any other Person as a result of a claim involving an Alleged Defect, such funds shall first be used to correct and or repair the Alleged Defect or to reimburse the Claimant for any costs actually incurred by such Claimant in correcting and/or repairing the Alleged Defect, and any excess funds shall be paid into the Association's reserve fund.

10.6 Approval of Arbitration; Arbitration Procedure

10.6.1 The Association shall not deliver a Claim Notice to any Bound Party, commence any arbitration proceeding against any Bound Party or incur any expenses (including, without limitation, attorneys' fees) in connection with any Claim without the written approval of Owners entitled to cast more than seventy-five percent (75%) of the total votes in the Association, excluding the votes of any Owner who would be a defendant in such proceedings. The Association must pay for any such legal action with monies that are specifically collected for such purposes and may not borrow money or use reserve funds or other monies collected for specific Association obligations other than legal fees. If the Association commences any arbitration involving a Claim, all Owners must notify prospective purchasers of such legal action and must provide such prospective purchasers with a copy of the notice received from the Association in accordance with Section 10.2.

10.6.2 Should the parties not be successful in resolving any Dispute or Claim, within thirty (30) days after the date of the Claims Notice or such longer period as may be mutually agreed upon in writing by the parties, such Claim or Dispute shall be resolved by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration

Association as modified or as otherwise provided in this Section. The parties shall cooperate in good faith to attempt to cause all necessary and appropriate parties to be included in the arbitration proceeding. Subject to the limitations imposed in this Section, the arbitrator shall have the authority to try all issues, whether of fact or law. If the Claim is not resolved by mutual agreement of the parties, and if such Claim and the parties are therefore subject to mandatory arbitration in accordance with this Section, the arbitration shall be conducted in accordance with the following rules:

(a) The proceedings shall be heard in Mohave County or such other place mutually agreed upon.

(b) A single arbitrator shall be selected in accordance with the rules of the American Arbitration Association from panels maintained by the Association with experience in relevant real estate matters or construction. The arbitrator shall not have any relationship to the parties or interest in the Condominium. The parties to the Dispute shall meet to select the arbitrator within ten (10) days after the Claim or Dispute becomes subject to mandatory arbitration as provided in this Section.

(c) The arbitrator shall promptly commence the proceeding at the earliest convenient date in light of all of the facts and circumstances and shall conduct the proceeding without undue delay.

(d) The arbitrator may require one or more pre-hearing conferences.

(e) The parties shall be entitled only to limited discovery, consisting of the exchange between the parties of only the following matters: (i) witness lists; (ii) expert witness designations; (iii) expert witness reports; (iv) exhibits; (v) reports of testing or inspections of the property subject to the Dispute, including but not limited to, destructive or invasive testing; and (vi) trial briefs. The parties shall also be entitled to conduct further tests and inspections as provided in this Section. Any other discovery shall be permitted by the arbitrator upon a showing of good cause or based on the mutual agreement of the parties. The arbitrator shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

(f) The arbitrator shall not have the power to award punitive or consequential damages. As further provided below, the right to punitive and consequential damages is waived by the parties. The arbitrator shall have the power to grant all other legal and equitable remedies and award compensatory damages in the proceeding.

(g) The arbitrator shall have the power to hear and dispose of motions, including motions to dismiss, motions for judgment on the pleadings and summary judgment motions, in the same manner as a trial court judge, except the arbitrator shall also have the power to adjudicate summarily issues of fact or law including the availability of remedies, whether or not the issue adjudicated could dispose of an entire cause of action or defense.

(h) The arbitrator's award may be enforced as provided for in the Uniform Arbitration Act, A.R.S. § 12-1501, et seq., or such similar law governing enforcement of awards in the Arizona Courts.

10.6.3 Nothing in this Article 10 shall be considered to toll, stay, reduce or extend any applicable statute of limitations.

10.6.4 Neither this Article 10 may be amended at any time except in accordance with this Declaration and with the express written consent of the Declarant.

10.7 No Additional Obligations or Extension of Warranty

10.7.1 Nothing set forth in this Article 10 shall be construed to impose any obligation on a Declarant to inspect, test, repair, or replace any item or Alleged Defect for which Declarant is not otherwise obligated under applicable law. The rights reserved to Declarant to enter, inspect, test, repair and/or replace an Alleged Defect shall be irrevocable and may not be waived or otherwise terminated with regard to Declarant except by a written document executed by Declarant and Recorded.

10.7.2 The existence of the right to notice and an opportunity to inspect and/or cure shall not be deemed to extend any applicable warranty of any builder, contractor, subcontractor, materialman or Declarant that may be applicable to the Lots, Improvements, Areas of Association Responsibility or Common Area. Notwithstanding anything in this Declaration to the contrary, the provisions of this Section 10.7 may not be modified, amended, waived, or terminated in any manner.

10.8 Legal Actions

All legal actions initiated by a Claimant shall be brought in accordance with and subject to Article 10 of this Declaration. If a Claimant initiates any legal action, cause of action, regulatory action, proceeding, reference, mediation, or arbitration against Declarant alleging: (i) damages for Alleged Defect Costs, (ii) for the diminution in value of any real or personal property resulting from such Alleged Defect, or (iii) for any damages resulting from such Alleged Defect, any judgment or award in connection therewith shall first be used to correct and or repair such Alleged Defect or to reimburse the Claimant for any costs actually incurred by such Claimant in correcting and/or repairing the Alleged Defect. If the Association as a Claimant recovers any funds from Declarant (or any other Person) to repair an Alleged Defect, any excess funds remaining after repair of such Alleged Defect shall be paid into the Association's reserve fund. If the Association is a Claimant, the Association must provide a written notice to all Members prior to initiation of any legal action, regulatory action, cause of action, proceeding, reference, mediation or arbitration against Declarant which notice shall include at a minimum: (a) a description of the Alleged Defect; (b) a description of the attempts of the Declarant correct such Alleged Defect and the opportunities provided to the Declarant to correct such Alleged Defect; (c) a certification from an architect or engineer licensed in the State of Arizona that such Alleged Defect exists along with a description of the scope of work necessary to cure such Alleged Defect and a resume of such architect or

engineer; (d) the estimated Alleged Defect Costs; (e) the name and professional background of the attorney retained by the Association to pursue the claim against the Declarant and a description of the relationship between such attorney and member(s) of the Board or the Association's management company, if any; (f) a description of the fee arrangement between such attorney and the Association; (g) the estimated attorneys' fees and expert fees and costs necessary to pursue the claim against the Declarant and the source of the funds that will be used to pay such fees and expenses; (h) the estimated time necessary to conclude the action against the Declarant; and (i) an affirmative statement from a majority of the members of the Board that the action is in the best interests of the Association and its Members.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

DECLARANT:

The Villas at Havasu Foothills, LLC, an Arizona limited liability company

By: ROBERTA JANECEK
Name: R. A. Janecek
Its: CORPORATE OFFICER

STATE OF ARIZONA)
) ss.
County of Mohave)

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me this 16th day of February, 2023, by Roberta Janecek, the Villas at Havasu Foothills, LLC, for and on behalf of the company.



Notary Public

My Commission Expires:

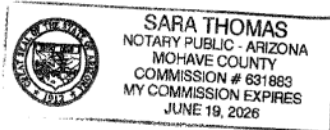


Exhibit A

PHASE I:

TRACT 2379 THE VILLAS AT HAVASU FOOTHILLS, A PLANNED UNIT DEVELOPMENT SUBDIVISION LOCATED IN SECTION 33, T.14N., R.19W., G.&S.R.M., MOHAVE COUNTY, ARIZONA

EXCEPT FOR

LOT 1A AS SHOWN ON PARCEL PLAT RECORDED SEPTEMBER 28, 2018 IN BOOK 36 OF PARCEL PLATS, PAGES 67-67A IN THE OFFICE OF THE COUNTY RECORDER OF MOHAVE COUNTY, ARIZONA; THE COMBINATION AND DIVISION OF LOTS 1 AND 44 THROUGH 48, INCLUSIVE, THE VILLAS AT HAVASU FOOTHILLS ESTATES, TRACT 2379 ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE COUNTY RECORDER OF MOHAVE, ARIZONA, RECORDED NOVEMBER 3, 2017 AT FEE NO. 2017053503.

EXCEPT ALL OIL, GAS, COAL AND MINERALS AS RESERVED IN DEED RECORDED IN BOOK 64 OF DEEDS, PAGE 360, RECORDS OF MOHAVE COUNTY, ARIZONA.

AND

LOT 2A AS SHOWN ON PARCEL PLAT RECORDED SEPTEMBER 28, 2018 IN BOOK 36 OF PARCEL PLATS, PAGES 66-66A IN THE OFFICE OF THE COUNTY RECORDER OF MOHAVE COUNTY, ARIZONA; THE COMBINATION AND DIVISION OF LOTS 2 THROUGH 7, INCLUSIVE, THE VILLAS AT HAVASU FOOTHILLS ESTATES, TRACT 2379 ACCORDING TO THE PLAT OF RECORD IN THE OFFICE OF THE COUNTY RECORDER OF MOHAVE COUNTY, ARIZONA, RECORDED NOVEMBER 3, 2017 AT FEE NO. 2017053503.

EXCEPT ALL OIL, GAS, COAL AND MINERALS AS RESERVED IN DEED RECORDED IN BOOK 64 OF DEEDS, PAGE 360, RECORDS OF MOHAVE COUNTY, ARIZONA.

PHASE II:

TRACT 2380 PHASE II OF THE VILLAS AT HAVASU FOOTHILLS, A PLANNED UNIT DEVELOPMENT SUBDIVISION OF PARCEL "C" OF TRACT 2379 LOCATED IN SECTION 33, T.14N., R.19W., G.&S.R.M., MOHAVE COUNTY, ARIZONA

PHASE III:

TRACT 2381 PHASE III OF THE VILLAS AT HAVASU FOOTHILLS, A PLANNED UNIT DEVELOPMENT SUBDIVISION OF PARCEL "A" OF TRACT 2380 LOCATED IN SECTION 33, T.14N., R.19W., G.&S.R.M., MOHAVE COUNTY, ARIZONA.