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Yavapai County, Arizona
Patsy Jenney-Colon, Recorder
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Upon recording, return to:

Carson Messinger Elliott
Laughlin & Ragan, P.L.L.C.
Attention: G. Wayne McKellips, Jr.
3300 N. Central Avenue, Suite 1900
Phoenix, Arizona 85012

**DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS
FOR
BRIGHT STAR**

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THIS DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS ("Declaration") is made this 22nd day of August, 2003, by **Granite Investment & Development (Meadow Ridge Ranch), L.L.C.**, an Arizona limited liability company ("Declarant").

Article I Creation of the Community

1.1. Purpose and Intent.

Declarant, as owner of the real property described in Exhibit "A," intends by Recording this Declaration to create a general plan of development for the planned community known as Bright Star, a master-planned community in Chino Valley, Arizona. This Declaration provides a flexible and reasonable procedure for the future expansion of Bright Star and provides for the overall development, administration, maintenance, and preservation of the real property now and hereafter comprising Bright Star. An integral part of the development plan is the creation of Bright Star Community Association, Inc., an association comprised of all Lot Owners within Bright Star, to own, operate, and/or maintain various common areas and community improvements, and to administer and enforce this Declaration and the other Governing Documents.

This document is prepared pursuant to the Arizona Planned Communities Act, A.R.S. § 33-1801, *et. seq.*, and establishes a planned community as defined therein.

1.2. Binding Effect.

All property described in Exhibit "A," and any additional property subjected to this Declaration in the future, shall be owned, conveyed, and used subject to all of the provisions of this Declaration, which shall run with the title to such property. This Declaration shall be binding upon all Persons having any right, title, or interest in any portion of Bright Star, their heirs, successors, successors-in-title, and assigns.

Unless otherwise provided by Arizona law, this Declaration shall run with the land and have perpetual duration. This Declaration may be terminated only by a Recorded instrument signed by Owners of at least 80% of the Lots, and by otherwise complying with all city, county, or state requirements. In the event of termination, provision shall be made for the continued maintenance of any Common Area. Nothing in this Section shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement.

This Declaration shall be enforceable by Declarant, the Association, any Owner, and their respective legal representatives, heirs, successors, and assigns, by any means available at law or in equity, subject to the provisions of Article XV, if applicable.

If any provision of this Declaration is determined by judgment or court order to be invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provisions or applications.

1.3. Governing Documents.

Bright Star's Governing Documents consist of the following as they may be amended from time to time

(a) Declaration (recorded) - creates obligations and easements which are binding upon the Association and all present and future owners of Lots Supplemental Declaration adds property to Bright Star; may impose additional obligations or restrictions on such property;

(b) Articles of Incorporation (filed with Arizona Corporation Commission) - establish the Association as a non-profit corporation under Arizona law;

(c) By-Laws (adopted by the Board of Directors) - govern the Association's internal affairs, such as voting rights, elections, meetings, officers, etc.;

(d) Design Guidelines (adopted by Declarant) - establish architectural standards and guidelines for improvements and modifications to Lots, including structures, landscaping, and other items on Lots (includes standards and guidelines pertaining to all of Bright Star);

(e) Use Restrictions (initial set attached as Exhibit "C") - govern use of property, activities, and conduct within Bright Star; and,

(f) Board Resolutions (adopted by Board) - establish rules, policies, and procedures for internal governance and Association activities, regulate operation and use of Common Area.

The Governing Documents may be supplemented by additional covenants, restrictions and easements which a Neighborhood Association may administer. In such case, if there is a conflict between any of the Governing Documents and any such additional covenants or restrictions, or the governing documents or policies of such Neighborhood Association, the Governing Documents shall control.

Nothing in this Section shall preclude any Supplemental Declaration or other Recorded covenants applicable to any portion of Bright Star from containing additional restrictions or provisions which are more restrictive than the provisions of this Declaration and, in such case, the more restrictive shall control. The Association may, but shall not be required to, enforce any such covenants, restrictions, or other instruments applicable to a Neighborhood or other properties.

The Governing Documents apply to all Owners and occupants of Lots, as well as to their respective tenants, guests, and invitees. Any lease on a Lot shall provide that the tenant and all occupants of the leased Lot are bound by and obligated to comply with the Governing Documents.

The foregoing summary of the Governing Documents is are not intended to replace or supplement the express written or implied terms contained in the Governing Documents.

Article II Concepts and Definitions

The terms used in the Governing Documents shall generally be given their natural, commonly accepted definitions unless otherwise specified. Capitalized terms shall be defined as set forth below.

"Act": The Arizona Planned Communities Act, Arizona Revised Statutes, § 33-1801, et. seq., as it may be amended.

"Architectural Review Committee" or "ARC": The committee established to review plans and specifications for the construction or modification of improvements and to administer and enforce the architectural controls described in Article IV.

"Area of Common Responsibility": The Common Area, together with such other areas, if any, for which the Association has or assumes responsibility pursuant to the terms of this Declaration, any Supplemental Declaration, or other applicable covenants, contracts, or agreements.

"Articles of Incorporation" or "Articles": The Articles of Incorporation of Bright Star Community Association, Inc., as filed with the Arizona Corporation Commission, as may be amended.

"Association": Bright Star Community Association, Inc., an Arizona nonprofit corporation, its successors or assigns.

"Base Assessment": Assessments levied on all Lots subject to assessment under Article VIII to fund Common Expenses for the general benefit of all Lots.

"Benefitted Assessment": Assessments levied against a particular Lot or Lots for expenses incurred or to be incurred by the Association for the purposes described in Section 8.5.

"Board of Directors" or "Board": The body responsible for administration of the Association, selected as provided in the By-Laws and serving the same role as the board of directors under Arizona corporate law.

"Bright Star": The real property located in the Town of Chino, Yavapai County, Arizona consisting of that described in Exhibit "A," together with such additional property as is made subject to this Declaration in accordance with Article IX. Exhibit "A" and each Supplemental Declaration which subjects property to the Declaration shall provide a legal description of the Common Area included therein, if any. Bright Star is intended to be a mixed-use master planned community, ultimately encompassing all of the property described in Exhibit "B" (but, except for the Exhibit "A" property, no portion of the Exhibit "B" property shall be governed hereby unless and until added by Supplemental Declaration).

"Builder": Any Person who purchases one or more Lots or parcels of land within Bright Star for further subdivision, development, construction of Dwelling Unit(s), and/or resale in the ordinary course of its business.

"By-Laws": The By-Laws of Bright Star Community Association, Inc., as they may be amended.

"Class "B" Control Period": The period during which the Class "B" Member is entitled to appoint a majority of the Board members. The Class "B" Control Period shall expire upon the first to occur of the following:

- (a) when 75% of the Lots planned for development under the Master Plans for Bright Star have certificates of occupancy issued thereon and are owned by Class "A" Members;
- (b) December 31, 2014; or
- (c) when, in its discretion, the Class "B" Member so determines.

"Common Area": All real and personal property, including easements, which the Association owns, leases, or otherwise holds possessory or use rights in for the common use and enjoyment of Owners, including such property as may be designated as Common Area by Declarant. The term shall include the Limited Common Area, as defined below, and may include, without limitation, recreational facilities, parks, entry features, signage, landscaped medians, right of ways, lakes, ponds, enhanced and native open space, and trails.

"Common Expenses": The actual and estimated expenses incurred, or anticipated to be incurred, by the Association for the general benefit of the Owners, including any reasonable reserve, as the Board may find necessary and appropriate pursuant to the Governing Documents.

"Community-Wide Standard": The standard of conduct, maintenance, or other activity generally prevailing throughout Bright Star. Such standard shall be established initially by Declarant and may be more specifically defined in the Governing Documents. Subsequent amendments to such standard shall meet or exceed the standards set by Declarant and the Board during the Class "B" Control Period and the prevailing standard applicable to all of Bright Star. The Community-Wide Standard may contain both objective and subjective elements and may evolve as development progresses and as the needs and demands of Bright Star change.

"Declarant": Granite Investment & Development (Meadow Ridge Ranch), L.L.C., an Arizona limited liability company, or any successor, successor-in-title, or assign who takes title to any portion of the property described in Exhibits "A" or "B" for the purpose of development and/or sale and who is designated as Declarant in a Recorded instrument executed by the immediately preceding Declarant.

"Design Guidelines": The architectural, design, and construction guidelines and review procedures pertaining to Bright Star, adopted and administered pursuant to Article IV, as they may be amended.

"Dwelling Unit": Any building or structure or portion of a building or structure situated upon a Lot and which is intended for use and occupancy as an attached or detached residence for a single family.

"Governing Documents": A collective term referring to the various documents described in Section 1.3, as each may be amended from time to time.

"Limited Common Area": A portion of the Common Area primarily benefitting one or more, but less than all, Neighborhoods, as more particularly described in Article XII.

"Lot": A portion of Bright Star, whether improved or unimproved, which may be independently owned and conveyed and on which a Dwelling Unit is intended for development, use, and occupancy. The term shall refer to the land, if any, which is part of the Lot as well as any improvements, including any Dwelling Unit, thereon. The boundaries of each Lot shall be delineated on a Plat.

Prior to Recordation of a "subdivision Plat, a parcel of vacant land on which improvements are under construction shall be deemed to contain the number of Lots designated for residential use for such parcel on the applicable preliminary plat, or Declarant's site plan, whichever is more current. Until a preliminary plat or site plan has been approved, such parcel shall contain the number of Lots set by Declarant in conformance with the Master Plans.

"Master Plans": The master land use plans for the development of Bright Star, as of the date of Recording this Declaration and as they may be amended, updated, or supplemented from time to time. The Master Plans include all of the property described in Exhibit "A" and all or any portion of the property described in Exhibit "B." The Master Plans may include subsequent Plats and plans approved by the Town of Chino Valley, Arizona or other applicable governmental authorities. Inclusion of property on the Master Plans shall not, under any circumstances, obligate Declarant to subject such property to this Declaration, nor shall the omission of property described in Exhibit "B" from the Master Plans on the date of Recording this Declaration bar its later submission to this Declaration as provided in Article IX.

"Member": A Person who is a member of the Association pursuant to Section 6.2.

"Mortgage": A mortgage, a deed of trust, a deed to secure debt, or any other form of security instrument affecting title to any Lot. A "Mortgagee" shall refer to a beneficiary or holder of a Mortgage.

"Neighborhood": A group of Lots designated as a Neighborhood, whether or not governed by a Neighborhood Association, as more particularly described in Section 6.4, for purposes of sharing Limited Common Areas and/or receiving other benefits or services from the Association which are not provided to all Lots. A Neighborhood may be comprised of more than one housing type and may include noncontiguous parcels of property.

"Neighborhood Assessments": Assessments levied against the Lots in a particular Neighborhood or Neighborhoods to fund Neighborhood Expenses, as described in Section 8.2.

"Neighborhood Association": A condominium or other owners association, if any, having jurisdiction over any Neighborhood concurrent with (but subject to) the jurisdiction of the Association. Nothing in this Declaration shall require the creation of a Neighborhood Association.

"Neighborhood Expenses": The actual and estimated expenses which the Association incurs or expects to incur for the benefit of Owners within a particular Neighborhood or Neighborhoods, as may be authorized pursuant to this Declaration or in the Supplemental Declaration(s) applicable to such Neighborhood(s).

"Owner": One or more Persons who hold the record title to any Lot, but excluding in all cases any Person holding an interest merely as security for the performance of an obligation. If a Lot is sold under a Recorded contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

"Person": A human being, a corporation, a partnership, a trustee, or any other legal entity.

"Plat": A Recorded engineering survey or other surveys for all, or any portion of Bright Star, as amended and supplemented.

"Private Amenities": Certain real property and any improvements and facilities thereon located adjacent to, in the vicinity of, or within Bright Star, which are privately owned and operated by Persons other than the Association for recreational and related purposes, on a club membership basis or otherwise.

"Record," "Recording," or "Recorded": To file, the filing, or filed of record in the Office of the County Recorder of Yavapai County, Arizona or such other place which is designated as the official location for recording deeds, plats, and similar documents affecting title to real estate.

"Special Assessment": Assessments levied in accordance with Section 8.4.

"Supplemental Declaration": A Recorded instrument which subjects additional property to this Declaration pursuant to Article IX, identifies Common Area within the additional property, designates Neighborhoods pursuant to Section 6.4, and/or imposes, expressly or by reference, additional restrictions, easements, and obligations on the land described in such instrument.

"Use Restrictions": The initial use restrictions, rules, and regulations set forth in Exhibit "C," as they may be supplemented, modified, or repealed pursuant to Article III.

Article III Use and Conduct

3.1. Framework for Regulation

The Governing Documents establish, as part of the general plan of development for Bright Star, a framework of affirmative and negative covenants, easements, and restrictions governing Bright Star. Within that framework, the Board and the Members must have the ability to respond to unforeseen problems and changes in circumstances, conditions, needs, desires, trends, and technology. Therefore, this Article establishes procedures for modifying and expanding the initial Use Restrictions set forth in Exhibit "C." This Article is not intended to apply to or govern Board promulgated rules relating to the use and operation of the Common Area, which the Board may adopt by resolution pursuant to its general powers and authority.

3.2. Owners' Acknowledgment and Notice to Purchasers

All Owners are given notice that use of their Lots and the Common Area is limited by the Use Restrictions. Each Owner, by acceptance of a deed, acknowledges and agrees that the use and enjoyment and marketability of his or her Lot can be affected by this provision and that the Use Restrictions may change from time to time as provided under Section 3.3

and that such changes may not be reflected in a Recorded instrument. All purchasers of Lots are on notice that the Association may have adopted changes.

3.3. Rule Making Authority.

(a) Subject to the terms of this Article and the Board's duty to exercise business judgment and reasonableness on behalf of the Association and its Members, the Board may modify, cancel, limit, create exceptions to, or expand the Use Restrictions. To do so the Board shall send notice to all Owners at least five business days prior to the Board meeting at which such action is to be considered. For this purpose, notice may be sent to each Owner by: U.S. mail; electronic telecommunication (i.e., fax or "e-mail") with confirmation of receipt; or, publication in the community newsletter delivered or mailed to each Owner, provided that such notice is clearly identified under a separate headline in the newsletter. Members shall have a reasonable opportunity to be heard at the Board meeting prior to such action being taken.

Such action shall become effective, after compliance with subsection (c) below, unless Class "A" Members representing a majority of the total votes in the Association and Class "B" Member, if any, disapprove. The Board shall have no obligation to call a meeting to consider disapproval except upon receipt of a petition of the Members as required for special meetings in the By-Laws. Upon receipt of such petition, the proposed action shall not become effective until after such meeting is held, and then subject to the outcome of such meeting.

(b) Alternatively, the Class "A" Members representing a majority of the total votes in the Association, at a meeting duly called for such purpose, may adopt provisions which modify, cancel, limit, create exceptions to, or expand the Use Restrictions then in effect. Such action shall require the approval of the Class "B" Member, if any.

(c) Prior to any action taken under this Section becoming effective, the Board shall, in any manner permitted in subsection (a) above, send a copy of the new or modified Use Restrictions to each Owner. The effective date shall be not less than 30 days following distribution to Owners.

The Association shall provide, without cost, a single copy of the Use Restrictions then in effect to any requesting Member or Mortgagee. The Association may charge a reasonable fee for additional copies.

(d) No action taken under this Article shall have the effect of modifying, repealing, or expanding the Design Guidelines or any provision of this Declaration other than the Use Restrictions. In the event of a conflict between the Design Guidelines and the Use Restrictions, the Design Guidelines shall control.

(e) Use Restrictions may be Neighborhood specific. In such case, the references in this Article to Owners or Members shall be deemed to refer to the Owners or Members within the affected Neighborhood(s).

3.4. Protection of Owners and Others.

Except as may be specifically set forth in this Declaration (either initially or by amendment) or in the initial Use Restrictions set forth in Exhibit "C" all Association actions must comply with the following: ."

(a) Similar Treatment. Similarly situated Owners shall be treated similarly; provided, the Use Restrictions and rules may vary by Neighborhood.

(b) Displays. The rights of Owners to display religious and holiday signs, symbols, and decorations inside their Dwelling Units of the kinds normally displayed in dwellings located in single-family residential neighborhoods shall not be abridged, except that the Association may adopt reasonable time, place, and manner restrictions with respect to such displays visible from or located outside the Dwelling Unit.

The Association shall not regulate the content of political signs, however, rules may regulate the time, place, and manner of posting such signs (including design criteria).

(c) Activities Within Dwelling Units. The Association shall not interfere with the activities carried on within the confines of Dwelling Units, except it may prohibit activities not normally associated with property restricted to residential use, and it may restrict or prohibit any activities that create monetary costs for the Association or other Owners, that create a danger to the health or safety of occupants of other Lots, that generate excessive noise or traffic, that create unsightly conditions visible outside the Dwelling Unit, or that create an unreasonable source of annoyance.

(d) Allocation of Burdens and Benefits. The Association shall not alter the allocation of financial burdens among the various Lots or rights to use the Common Area to the detriment of any Owner over that Owner's objection expressed in writing to the Association. Nothing in this provision shall prevent the Association from changing the available Common Area, from adopting generally applicable rules for use of Common Area, or from denying use privileges to those who abuse the Common Area or violate the Governing Documents. This provision does not affect the right to increase the amount of assessments as provided in Article VIII.

(e) Alienation. The Association shall not prohibit leasing or transfer of any Lot, or require consent of the Association or Board for leasing or transfer of any Lot; provided, the Association or the Board may require a minimum lease term of one month, may require that Owners use Association-approved lease forms (or include specific terms in their leases), and may impose a reasonable review or administration fee on the lease or transfer of any Lot.

(f) Abridging Existing Rights. The Association may not require an Owner to dispose of personal property that was in or on a Lot prior to the adoption of such rule if such personal property was in compliance with all rules previously in force. This exemption shall apply only during the period of such Owner's ownership of the Lot and shall not apply to subsequent Owners who take title to the Lot after adoption of the rule.

(g) Reasonable Rights To Develop. No action by the Association or Board shall unreasonably impede Declarant's right to develop Bright Star in accordance with the Master Plans and rights reserved to Declarant in this Declaration.

The limitations in this Section shall only limit rulemaking authority exercised under Section 3.3; they shall not apply to amendments to this Declaration adopted in accordance with Article XIX and the Act.

Article IV Architecture and Landscaping

4.1. General.

No structure or thing shall be placed, erected, installed, or posted on Bright Star and no improvements or other work (including staking, clearing, excavation, grading, and other site work, exterior alterations of existing improvements, or planting or removal of landscaping) shall take place within Bright Star, except pursuant to approval in compliance with this Article and the Design Guidelines.

No approval shall be required to repaint the exterior of a structure in accordance with the originally approved color scheme or to rebuild in accordance with originally approved plans and specifications. Any Owner may remodel, paint, or redecorate the interior of his or her Dwelling Unit without approval. However, modifications to the interior of screened porches, patios, and similar portions of a Dwelling Unit visible from outside the structure shall be subject to approval.

All Dwelling Units shall be designed by and built in accordance with the plans and specifications of a licensed architect or similarly licensed building designer unless otherwise approved by Declarant or its designee in its sole discretion.

This Article shall not apply to the activities of Declarant for so long as Declarant owns any property described in Exhibits "A" or "B," or " the Association during the Class "B" Control Period.

4.2. Architectural Review.

(a) By Declarant: New Construction. Declarant shall have exclusive authority to administer and enforce architectural controls and to review and act upon all applications for original construction within Bright Star. This right shall continue until 100% of the Lots planned for development under the Master Plans have been conveyed to Class "A" Members and contain a Dwelling Unit for which a certification of occupancy has been issued, unless earlier terminated in a written instrument executed and Recorded by Declarant. In reviewing and acting upon any request for approval, Declarant or its designee acts solely in Declarant's interest and shall owe no duty to any other Person.

Declarant may, in its sole discretion, designate one or more Persons from time to time to act on its behalf in reviewing applications hereunder.

Declarant may from time to time, but shall not be obligated to, delegate or assign all or a portion of its reserved rights under this Article to any other Person or committee, including the Architectural Review Committee. Any such delegation shall be in writing, specifying the scope of responsibilities delegated, and shall be subject to (i) Declarant's right to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated; and (ii) Declarant's right to veto any decision which Declarant determines, in its sole discretion, to be inappropriate or inadvisable for any reason. So long as Declarant has any rights under this Article, the jurisdiction of other entities shall be limited to such matters as Declarant specifically delegates.

(b) Architectural Review Committee: Modifications. Prior to the close of escrow of the first Lot to a Class "A" Member, the Board shall establish the ARC, which shall consist of at least three Persons. Members of the ARC shall be appointed and shall serve at the

discretion of the Board, provided, however, as long as Declarant owns any property described in Exhibits "A" or "B," it shall be entitled to appoint one member of the ARC.

The ARC shall have exclusive jurisdiction over modifications, additions, or alterations made on or to existing structures or on or to Lots containing Dwelling Units (including, without limitation, the initial landscaping on a Lot), the adjacent open space, and Common Area; provided, however, any change to the Common Area shall require the approval of Declarant as long as it owns any property described in Exhibits "A" or "B." Subject to Declarant's rights under subsection (a) above, the ARC also may be assigned jurisdiction over original construction within Bright Star.

As long as Declarant owns any property described in Exhibits "A" or "B," the ARC shall notify Declarant of any action to be taken under this Article. During such time, Declarant shall have the right, in its sole and absolute discretion, to veto any action taken by the ARC; provided, Declarant's right to veto must be exercised within 10 days of its receipt of notice of action taken by the ARC. The party submitting the Plans for approval shall not be notified of the ARC's approval or disapproval until after Declarant's right to veto has been exercised or has expired.

The Board, with Declarant's approval for so long as Declarant owns any property described in Exhibits "A" or "B," may create and appoint such subcommittees of the ARC as deemed appropriate. Such subcommittees may be established to preside over particular areas of review (e.g., landscape plans) and shall be governed by such procedures as may be established by the ARC or the Board. Any action of any subcommittee shall be subject to the review and approval of the ARC and Declarant, for as long as Declarant owns any property described in Exhibits "A" or "B." Notwithstanding the above, neither the ARC nor Declarant shall be obligated to review all actions of any subcommittees and the failure to take action in any instance shall not be a waiver of the right of the ARC or Declarant to act in the future.

(c) Reviewer: Fees: Assistance. For purposes of this Article, the entity having jurisdiction in a particular case shall be referred to as the "Reviewer." The Reviewer may establish and charge reasonable fees for review of applications hereunder and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred in having any application reviewed by architects, engineers, or other professionals. Declarant and the Association may employ architects, engineers, or other Persons as deemed necessary to perform the review. The Board may include the compensation of such Persons in the Association's annual operating budget.

4.3. Guidelines and Procedures.

(a) Design Guidelines. Declarant may prepare Design Guidelines, containing general provisions applicable to all of Bright Star, as well as specific provisions which vary from Neighborhood to Neighborhood.

The Design Guidelines are intended to provide guidance to Owners and Builders regarding matters of particular concern to the Reviewer in considering applications. The Design Guidelines are not the exclusive basis for decisions of the Reviewer, and compliance with the Design Guidelines does not guarantee approval of any application.

Declarant shall have sole and full authority to amend the Design Guidelines specific to Bright Star as long as it owns any portion of Bright Star or has a right to expand Bright Star

pursuant to Section 9.1, notwithstanding a delegation of reviewing authority, unless Declarant also delegates the power to amend. Upon termination of Declarant's right to, amend, the ARC shall have the authority to amend the Design Guidelines specific to Bright Star with the Board's consent. Any amendments to the Design Guidelines shall be prospective only and shall not require modifications to or removal of structures previously approved once the approved construction or modification has commenced. Subject to the Community-Wide Standard, there shall be no other limitation on the scope of amendments to the Design Guidelines, and such amendments may remove requirements previously imposed or otherwise make the Design Guidelines less restrictive.

The Reviewer shall make the Design Guidelines available to Owners and Builders who seek to engage in development or construction within Bright Star. In Declarant's sole discretion, the Design Guidelines may be Recorded, in which event the Recorded version, as it may unilaterally be amended from time to time, shall control in the event of any dispute as to which version of the Design Guidelines was in effect at any particular time.

(b) Procedures. Except as otherwise specifically provided in the Design Guidelines, no activities shall commence on any portion of Bright Star until an application for approval has been submitted to and approved by the Reviewer. Such application shall be in the form required by the Reviewer and shall include information required under the Design Guidelines, such as plans and specifications showing site layout, structural design, exterior elevations, exterior materials and colors, landscaping, drainage, exterior lighting, irrigation, and other features of proposed construction, as applicable. The Design Guidelines and the Reviewer may require the submission of such additional information as may be reasonably necessary to consider any application.

In reviewing each submission, the Reviewer may consider any factors it deems relevant, including, without limitation, harmony of external design with surrounding structures and environment. Decisions may be based on purely aesthetic considerations. Each Owner acknowledges that determinations as to such matters are purely subjective and opinions may vary as to the desirability and/or attractiveness of particular improvements. The Reviewer shall have the sole discretion to make final, conclusive, and binding determinations on matters of aesthetic judgment and such determinations shall not be subject to review so long as made in good faith and in accordance with the procedures set forth herein.

The Reviewer shall make a determination on each application after receipt of a completed application and all information required by the Reviewer. The Reviewer may permit or require that an application for approval be submitted or considered in stages, in which case, a final decision shall not be required until after the final, required submission stage. The Reviewer may (i) approve the application, with or without conditions; (ii) approve a portion of the application and disapprove other portions; or (iii) disapprove the application.

Reviewer approval shall not constitute approval of or waiver of approvals or reviews by any municipality or governmental agency or entity having jurisdiction over architectural or construction matters.

The Reviewer shall notify the applicant in writing of the final determination on any application within 45 days after its receipt of a completed application and all requested information. In the event that the Reviewer fails to respond in a timely manner, approval shall be deemed to have been given, subject to Declarant's right to veto pursuant to Section 4.1. However,

no approval, whether expressly granted or deemed granted, shall be inconsistent with the Design Guidelines unless a written variance has been granted pursuant to Section 4.5.

Notice shall be deemed to have been given at the time the envelope containing the response is deposited with the U.S. Postal Service. Personal delivery of such written notice shall, however, be sufficient and shall be deemed to have been given at the time of delivery to the applicant.

As part of any approval, the Reviewer may require that construction commence in accordance with approved plans within a specified time period. If construction does not commence within the required period, such approval shall be deemed withdrawn and it shall be necessary for the Owner to reapply for approval before commencing any activities. Once construction is commenced, it shall be diligently pursued to completion. All work shall be completed within one year of commencement unless otherwise specified in the notice of approval or the Design Guidelines, or unless the Reviewer grants an extension in writing, which it shall not be obligated to do. If approved work is not completed within the required time, it shall be considered nonconforming and shall be subject to enforcement action by the Association, Declarant or any aggrieved Owner.

Notwithstanding the above, landscaping shall be installed, as approved, in the front and side yards of a Lot within 90 days from the date of the initial closing of escrow on the Lot or the issuance of a certificate of occupancy on the Lot, whichever is later. Landscaping on all other portions of the Lot, Visible from Neighboring Property, including the rear yard, shall be installed within 180 days from the date of the initial closing of escrow on the Lot or the issuance of a certificate of occupancy on the Lot, whichever is later. The Reviewer's decision as to the applicability of these installation requirements to any particular portion of a Lot shall be final.

The Reviewer may, by resolution, exempt certain activities from the application and approval requirements of this Article, provided such activities are undertaken in strict compliance with the requirements of such resolution. For example, Builders may submit and receive pre-approval of landscaping or other plans for general application. Such pre-approved plans shall not require resubmission prior to use on a particular Lot.

4.4. No Waiver of Future Approvals.

Each Owner acknowledges that the Persons reviewing applications under this Article will change from time to time and that opinions on aesthetic matters, as well as interpretation and application of the Design Guidelines, may vary accordingly. In addition, each Owner acknowledges that it may not always be possible to identify objectionable features until work is completed, in which case it may be unreasonable to require changes to the improvements involved, but the Reviewer may refuse to approve similar proposals in the future. Approval of applications or plans, or in connection with any other matter requiring approval, shall not constitute binding precedent in any other matter nor an estoppel or waiver of the right to withhold approval as to any similar applications, plans, or other matters subsequently or additionally submitted for approval.

4.5. Variances.

The Reviewer may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic

or environmental considerations require, but only in accordance with duly adopted regulations. Such variances may only be granted, however, when unique circumstances dictate and no variance shall (a) be effective unless in writing; (b) be contrary to this Declaration or the Community-Wide Standard; or (c) estop the Reviewer from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance. Notwithstanding the above, the Reviewer may not authorize variances without the written consent of Declarant so long as Declarant owns any portion of Bright Star or has the right to annex any property described in Exhibit "B."

4.6. Limitation of Liability.

The standards and procedures in this Article are intended as a mechanism for maintaining and enhancing the overall aesthetics of Bright Star; they do not create any duty to any Person. The Reviewer shall not bear any responsibility for ensuring (a) structural integrity or soundness of approved construction or modifications; (b) compliance with building codes and other governmental requirements; (c) that all Dwelling Units are of comparable quality, value, size, or design; or (d) that improvements will be aesthetically pleasing or otherwise acceptable to neighboring property owners. Declarant, the Association, the Board, any committee, or any member of any of the foregoing shall not be held liable for any claim whatsoever arising out of construction on or modifications to any Lot. In all matters, the Reviewer shall be defended and indemnified by the Association as provided in Section 7.6.

4.7. Enforcement.

Any construction, alteration, or other work done in violation of this Article or the Design Guidelines shall be deemed to be nonconforming. Upon written request from the Association or Declarant, the Owners shall, at their own cost and expense and within such reasonable time frame as set forth in such written notice, cure the nonconformance to the satisfaction of the requester or restore the Lot and/or Dwelling Unit to substantially the same condition as existed prior to the nonconforming work. Should an Owner fail to remove and restore as required, the Association, Declarant, or their designees shall have the right to enter the property, remove the violation, and restore the property to substantially the same condition as previously existed. All costs, together with the interest at the rate established by the Board (not to exceed the maximum rate then allowed by law), may be assessed against the benefitted Lot and collected as a Benefitted Assessment unless otherwise prohibited in this Declaration.

All approvals granted hereunder shall be deemed conditioned upon completion of all elements of the approved work and all work previously approved with respect to the same Lot, unless approval to modify any application has been obtained. In the event that any Person fails to commence and diligently pursue to completion all approved work by the deadline set forth in the approval, Declarant or the Association shall be authorized, after notice to the Owner of the Lot and an opportunity to be heard in accordance with the By-Laws, to enter upon the Lot and remove or complete any incomplete work and to assess all costs incurred against the Lot and the Owner thereof as a Benefitted Assessment unless otherwise prohibited in this Declaration.

All acts by any contractor, subcontractor, agent, employee, or invitee of an Owner shall be deemed as an act done by or on behalf of such Owner. Any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of this Article and the Design Guidelines may be excluded from Bright Star, subject to the notice and

hearing procedures contained in the By-Laws. In such event, neither Declarant nor the Association, or their officers and directors, shall be held liable to any Person for exercising the rights granted by this paragraph.

The Association shall be primarily responsible for enforcement of this Article. If, however, in the discretion of Declarant, the Association fails to take appropriate enforcement action, as authorized herein, within a reasonable time period, Declarant, for so long as it owns any property described in Exhibits "A" or "B" to this Declaration, may, but shall not be obligated to, exercise enforcement rights in the same manner as set forth above. In addition to the foregoing, the Association and Declarant shall have the authority and standing to pursue all legal and equitable remedies available to enforce the provisions of this Article and the decisions of the Reviewer. If the Association or Declarant prevail, they shall be entitled to recover all costs including, without limitation, attorneys' fees and court costs, reasonably incurred in such action.

4.8. Hook-up and Impact Fees.

To the extent required by ordinance of the Town of Chino Valley, or as may be required by the Amended Development Agreement between the Town of Chino Valley and Declarant dated March 12, 2002, hook-up and impact fees shall be paid by a Builder at the time of issuance of a building permit for each Lot or other portion of the Properties that will use the water.

Article V Maintenance and Repair

5.1. Maintenance of Lots

Each Owner shall maintain his or her Lot, including the Dwelling Unit and all landscaping and other improvements comprising the Lot, as well as any sidewalk located on or adjacent to the Lot and the interior surface of any perimeter wall or fence, in a manner consistent with the Governing Documents, the Community-Wide Standard, and all applicable covenants, unless some or all of such maintenance responsibility is otherwise assumed by or assigned to (and accepted by) the Association or a Neighborhood Association. A perimeter wall or fence shall be any fence which serves as a boundary between a Lot and Common Area, other portions of the Area of Common Responsibility, or any Private Amenity.

A perimeter wall or fence shall be any fence which serves as a boundary between a Lot and any area which is not a Lot, including Common Area, public streets, or any Private Amenity. The Association may elect to maintain the exterior surface (that portion facing away from the Lot) of all perimeter walls and fences, and, in addition, the Association may elect to maintain all wrought iron portions (both exterior and interior) of any perimeter fence. Absent such election each Owner is responsible for maintaining the interior surface and exterior of all perimeter walls and fences on such Owner's Lot. If the Association shall elect to maintain perimeter walls and fences; if maintenance or repair is made necessary by the actions of the Lot Owner, the costs incurred by the Association may be assessed specifically against the benefitted Lot Owner, in accordance with this Declaration.

Some Lots may contain Declarant installed walls which may include planters (i.e., built-in containers intended for plant material) as a component of the wall. If such walls are not perimeter walls as described above, the Lot Owner shall be responsible for maintaining such walls and planters. If such walls are perimeter walls, the Association may elect to maintain any planters located on the exterior side of the wall and the Owner shall maintain those planters

located on the interior side of the wall. Absent an election to maintain by the Association, maintenance of the planters shall be the obligation of the benefited Lot Owner, which maintenance shall include structural and aesthetic maintenance and keeping and maintaining planting materials in accordance with the Community wide Standard.

In addition to any other enforcement rights, if an Owner fails to perform properly his or her maintenance responsibility, the Association may Record a notice of violation and/or perform such maintenance responsibilities and assess all costs incurred as a Benefitted Assessment in accordance with Section 8.5. The Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry, except when entry is required due to an emergency situation.

5.2. Maintenance of Neighborhood Property.

Upon resolution of the Board, the Owners within each Neighborhood shall be responsible for paying, through Neighborhood Assessments, the costs of operating, maintaining, and insuring certain portions of the Area of Common Responsibility within or adjacent to such Neighborhood. This may include, without limitation, the costs of maintaining any signage, entry features, and right-of-way between the Neighborhood and adjacent public roads, private streets within the Neighborhood, and lakes or ponds within the Neighborhood, regardless of ownership and regardless of the fact that such maintenance may be performed by the Association; provided, however, all Neighborhoods which are similarly situated shall be treated the same.

A Neighborhood Association shall maintain its common property and any other property for which it has maintenance responsibility in a manner consistent with the Governing Documents, the Community-Wide Standard, and all applicable covenants.

A Neighborhood Association also shall be responsible for maintaining and irrigating the landscaping within that portion of any adjacent Common Area or public right-of-way lying between the boundary of its common property and any wall, fence, or curb located on the Common Area or public right-of-way within 10 feet of its boundary; provided, there shall be no right to remove trees, shrubs, or similar vegetation from this area without prior approval pursuant to Article IV.

The Association may assume maintenance responsibility for property within any Neighborhood, in addition to that designated by Supplemental Declaration, either by agreement or because, in the opinion of the Board, a Neighborhood Association fails to perform its maintenance responsibility or the level and quality of service then being provided is not consistent with the Community-Wide Standard. All costs of maintenance pursuant to this paragraph shall be assessed as a Neighborhood Assessment or a Benefitted Assessment against only the Lots within the Neighborhood to which the services are provided. The provision of services in accordance with this Section shall not constitute discrimination within a class.

5.3. Responsibility for Repair and Replacement.

Unless otherwise specifically provided in the Governing Documents or in other instruments creating and assigning maintenance responsibility, responsibility for maintenance shall include responsibility for repair and replacement, as necessary to maintain the property to a level consistent with the Community-Wide Standard.

By taking title to a Lot, each Owner covenants and agrees to carry property insurance for the full replacement cost of all insurable improvements on his or her Lot, less a reasonable deductible, unless either the Neighborhood Association (if any) for the Neighborhood in which the Lot is located or the Association carries such insurance (which they may, but are not obligated to do hereunder). If the Association assumes responsibility for obtaining any insurance coverage on behalf of Owners, the premiums for such insurance shall be levied as a Benefitted Assessment against the benefitted Lot and the Owner.

Each Owner further covenants and agrees that in the event of damage to or destruction of structures on or comprising his Lot, the Owner shall promptly repair or reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article IV. In the event that such repair and reconstruction cannot be promptly undertaken, the Owner shall clear the Lot and maintain it in a neat and attractive condition consistent with the Community-Wide Standard and shall present a timetable for repair and reconstruction to the Board within 90 days of the damaging or destructive event. The Owner shall pay any costs which are not covered by insurance proceeds.

This Section shall also apply to any Neighborhood Association responsible for common property within the Neighborhood in the same manner as if the Neighborhood Association were an Owner and the common property were a Lot. Additional Recorded covenants applicable to any Neighborhood may establish requirements for insurance and more stringent standards for rebuilding or reconstructing structures on the Lots within such Neighborhood and for clearing and maintaining the Lots in the event the structures are not rebuilt or reconstructed.

Article VI The Association and Its Members

6.1. Function of the Association.

The Association shall be the entity responsible for management, maintenance, operation, and control of the Area of Common Responsibility. The Association also shall be the primary entity responsible for enforcement of the Governing Documents. The Association shall perform its functions in accordance with the Governing Documents and Arizona law.

6.2. Membership.

Every Owner shall be a Member of the Association. There shall be only one membership per Lot. If a Lot is owned by more than one Person, all co-Owners shall share the privileges of membership, subject to reasonable Board regulation and the restrictions on voting set forth in Section 6.3(c) and in the By-Laws, and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights of an Owner which is not a natural person may be exercised by any officer, director, partner, member or trustee, or by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

6.3. Voting.

The Association shall have two classes of membership, Class "A" and Class "B."

(a) Class "A". Class "A" Members shall be all Owners except the Class "B" Member, if any. Class "A" Members shall have one equal vote for each Lot in which they hold

the interest required for membership under Section 6.2, except that there shall be only one vote per Lot. No vote shall be exercised for any property which is exempt from assessment under Section 8.10.

(b) Class "B". The sole Class "B" Member shall be Declarant. The Class "B" Member may appoint a majority of the members of the Board during the Class "B" Control Period, as specified in the By-Laws. Additional rights of the Class "B" Member are specified in the relevant sections of the Governing Documents.

The Class "B" membership shall terminate upon the earlier of:

- (i) two years after expiration of the Class "B" Control Period; or
- (ii) when, in its discretion, Declarant so determines and declares in a Recorded instrument.

Upon termination of the Class "B" membership, Declarant shall be a Class "A" Member entitled to Class "A" votes for each Lot which it owns.

(c) Exercise of Voting Rights If there is more than one Owner of a Lot, the vote for such Lot shall be exercised as the co-Owners determine among themselves and advise the Secretary of the Association in writing prior to the vote being taken. Absent such advice and in the event that more than one such co-Owner casts a vote, the Lot's vote shall be suspended and shall not be included in the final vote tally on the matter being voted upon.

6.4. Neighborhoods.

Every Lot shall be located within a Neighborhood. Unless and until additional Neighborhoods are established, Bright Star shall consist of a single Neighborhood. Lots within a particular Neighborhood may be subject to covenants in addition to those set forth in this Declaration and, if required by law or otherwise approved by Declarant, the Owners within the Neighborhood may be members of a Neighborhood Association in addition to the Association.

Exhibit "A" to this Declaration and each Supplemental Declaration submitting additional property to this Declaration initially shall assign the submitted property to a specific Neighborhood (by name or other identifying designation), which Neighborhood may be then existing or newly created. So long as it has the right to subject additional property to this Declaration pursuant to Section 9.1, Declarant may unilaterally amend this Declaration or any Supplemental Declaration to create Neighborhoods or redesignate Neighborhood boundaries. However, two or more existing Neighborhoods shall not be combined without the consent of Owners of a majority of the Lots in the affected Neighborhoods.

The Owners within any Neighborhood may request that the Association provide a higher level of service than that which the Association generally provides to all Neighborhoods or may request that the Association provide special services for the benefit of Lots in such Neighborhood. The cost of such services, which may include a reasonable administrative charge in such amount as the Board deems appropriate (provided, any such administrative charge shall apply at a uniform rate per Lot to all Neighborhoods receiving the same service), shall be assessed against the Lots within such Neighborhood as a Neighborhood Assessment. Upon the

affirmative vote, written consent, or a combination thereof, of Owners of a majority of the Lots within the Neighborhood, the Association shall provide the requested services.

Article VII Association Powers and Responsibilities

7.1. Acceptance and Control of Association Property.

(a) The Association may acquire, hold, lease (as lessor or lessee), operate, and dispose of tangible and intangible personal property and real property, subject to the provisions of Sections 15.5 and 18.4.

The Association may enter into leases, licenses, or operating agreements for portions of the Common Area, for such consideration or no consideration as the Board deems appropriate, to permit use of such portions of the Common Area by third parties for the general benefit or convenience of Owners and other residents of Bright Star.

(b) Declarant and its designees may convey to the Association, and the Association shall accept, personal property and fee title, leasehold, or other property interests in any real property, improved or unimproved, described in Exhibits "A" or "B." Upon Declarant's written request, the Association shall reconvey to Declarant any unimproved portions of the Common Area originally conveyed to the Association for no consideration, to the extent conveyed by Declarant in error or needed by Declarant to make minor adjustments in property lines.

(c) The Association shall be responsible for management, operation, and control of the Common Area, subject to any covenants and restrictions set forth in the deed or other instrument transferring such property to the Association. Without the necessity of complying with the procedures set out in Article III, the Board may adopt such reasonable rules regulating use of the Common Area as it deems appropriate.

7.2. Maintenance of Area of Common Responsibility.

(a) The Association shall maintain, in accordance with the Community-Wide Standard, the Area of Common Responsibility, which may include, but need not be limited to:

(i) all portions of and structures situated upon the Common Area (including, without limitation, areas designated as open space or as retention areas);

(ii) landscaping within public rights-of-way within or abutting Bright Star; and,

(iii) such portions of any additional property as may be dictated by Declarant, this Declaration, any Supplemental Declaration, any Plat of any portion of Bright Star, or any contract, covenant, or agreement for maintenance thereof entered into by, or for the benefit of, the Association.

The Association shall not be liable for any damage or injury occurring on, or arising out of the condition of, property which it does not own except to the extent that it has been negligent in the performance of its maintenance responsibilities.

(b) The Association shall maintain the Common Area facilities and equipment in continuous operation, except for any periods necessary, as determined in the sole discretion of the Board, to perform required maintenance or repairs, unless Class "A" Members representing 75% of the votes in the Association and the Class "B" Member, if any, agree in writing to discontinue such operation.

(c) The costs associated with maintenance, repair, and replacement of the Area of Common Responsibility shall be a Common Expense; provided, the Association may seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Declaration or other Recorded covenants or agreements with the owner(s) thereof. Maintenance, repair, and replacement of Limited Common Areas shall be a Neighborhood Expense assessed to the Neighborhood(s) to which such Limited Common Areas are assigned, notwithstanding that the Association may be responsible for performing such maintenance hereunder.

7.3. Insurance.

(a) Required Coverages. The Association shall obtain the insurance coverage the Board deems necessary or desirable in an effort to satisfy the requirements of the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the U.S. Department of Veterans Affairs, and the U.S. Department of Housing and Urban Development, as applicable to Bright Star. Accordingly, the Board shall obtain casualty insurance for all insurable improvements, if any, which the Association is obligated to maintain. This insurance shall provide, at a minimum, fire and extended coverage and shall be in an amount sufficient to cover the full replacement cost of any repair or reconstruction in the event of damage or destruction from any such hazard.

The Board also shall obtain a public liability policy applicable to the Common Area covering the Association and the Members for all damage or injury caused by the negligence of the Association or any of its Members or agents, and, if reasonably available, directors' and officers' liability insurance. The public liability policy shall have a combined single limit of at least \$1,000,000.00. Policies may contain a reasonable deductible as determined by the Board. The amount of any deductible shall be treated as a Common Expense or a Neighborhood Expense in the same manner as the premiums for the applicable insurance coverage, or levied as a Benefitted Assessment.

In addition to other insurance required by this Section, the Board shall obtain worker's compensation insurance, if and to the extent necessary to satisfy the requirements of applicable law, and a fidelity bond or bonds on directors, officers, employees, and other persons handling or responsible for the Association's funds, if reasonably available. If obtained, the amount of fidelity coverage shall at least equal three months' total assessments plus reserves on hand. Fidelity coverage shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation. All such insurance coverage shall be written in the Association's name.

In addition, the Association shall, if so specified in a Supplemental Declaration applicable to any Neighborhood, obtain and maintain property insurance on the insurable improvements on the Lots within such Neighborhood which insurance shall comply with the requirements of subsection

(a)(i). Any such policies shall provide for a certificate of insurance to be furnished upon request to the Owner of each Lot insured.

Premiums for all insurance on the Area of Common Responsibility shall be Common Expenses, except that (i) premiums for property insurance on Lots within a Neighborhood shall be a Neighborhood Expense; and (ii) premiums for insurance on Limited Common Areas may be included in the Neighborhood Expenses of the Neighborhood(s) to which such Limited Common Areas are assigned unless the Board reasonably determines that other treatment of the premiums is more appropriate.

(b) Policy Requirements. The Association shall arrange for an annual review of the sufficiency of the insurance coverage it carries for itself by one or more qualified Persons, at least one of whom must be familiar with insurable replacement costs in the Yavapai County, Arizona area. All Association policies shall provide for a certificate of insurance to be furnished to the Association and, upon request, to each Member insured.

(c) Restoring Damaged Improvements. In the event of damage to or destruction of Common Area or other property which the Association is obligated to insure, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repairing or restoring the property to substantially the condition in which it existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

Damaged improvements on the Common Area shall be repaired or reconstructed unless the Class "A" Members representing at least 80% of the total votes in the Association, and Declarant, if any, decide within 60 days after the loss not to repair or reconstruct. If the damage is to Limited Common Area, 80% of the Owners to which such Limited Common Area is assigned and Declarant, if any, must vote not to repair or reconstruct.

If either the insurance proceeds or estimates of the loss, or both, are not available to the Association within such 60-day period, then the period shall be extended until such funds or information are available. However, such extension shall not exceed 60 additional days. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed.

If a decision is made not to restore the damaged improvements, and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive, landscaped condition consistent with the Community-Wide Standard.

Except as otherwise required by the Act, any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate, shall be retained by the Association for the benefit of its Members or the Owners of Lots within the insured Neighborhood, as appropriate, and placed in a capital improvements account. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Lot.

If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board may levy Special Assessments to cover the shortfall against those Owners responsible for the premiums for the applicable insurance coverage under subsection (a).

7.4. Compliance and Enforcement

(a) The Board may impose sanctions for violation of the Governing Documents after notice and an opportunity for a hearing in accordance with the procedures set forth in the ByLaws. The Board shall establish a range of penalties for such violations, with violations of the Declaration, unsafe conduct, and harassment or intentionally malicious conduct treated more severely than other violations. Such sanctions may include, without limitation, those otherwise specifically set forth in the Governing Documents, and (i) imposing a graduated range of reasonable monetary fines which shall constitute a lien upon the violator's Lot; (ii) suspending an Owner's right to vote; (iii) suspending any services provided by the Association; (iv) exercising self-help or taking action to abate any violation of the Governing Documents in a non-emergency situation; and (v) levying Benefitted Assessments to cover costs incurred by the Association to bring a Lot into compliance with the Governing Documents.

In the event that any tenant or resident of a Lot other than the Owner violates the Governing Documents and a fine is imposed, the fine shall first be assessed against the violator; provided, however, if the fine is not paid by the violator within the time period set by the Board, the Owner shall pay the fine upon notice from the Board. For each failure to comply, the amount of said fine shall not exceed the maximum permitted by the Act.

In addition, the Board may take the following enforcement procedures to ensure compliance with the Governing Documents without the necessity of compliance with the notice and hearing procedures set forth in the By-Laws:

- (i) exercising self-help in any emergency situation (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules); or
- (ii) bringing suit at law or in equity to enjoin any violation or to recover monetary damages or both.

All remedies set forth in the Governing Documents shall be cumulative of any remedies available at law or in equity. In any action to enforce the Governing Documents, if the Association prevails, it shall be entitled to recover all costs, including, without limitation, attorneys' fees and court costs, reasonably incurred in such action.

(b) The decision to pursue enforcement action in any particular case shall be left to the Board's discretion, except that the Board shall not be arbitrary or capricious in taking enforcement action. Without limiting the generality of the foregoing, Sentence, the Board may determine that, under the circumstances of a particular case: (i) the Association's position is not strong enough to justify taking, or it is not in the Association's best interests (based on hardship, expense, or other reasonable criteria) to pursue, any or further action; (ii) the covenant, restriction, or rule being enforced is, or is likely to be construed as, inconsistent with applicable law; or (iii) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources. Such a decision shall not be construed a waiver of the right of the Association to enforce such provision at a later time under other circumstances or preclude the Association from enforcing any other covenant, restriction, or rule.

The Association, by contract or other agreement, may enforce applicable city and county ordinances, if applicable, and governmental authorities may enforce ordinances within Bright Star.

7.5. Implied Rights; Board Authority.

The Association may exercise any right or privilege given to it expressly by the Governing Documents or reasonably implied from or reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in the Governing Documents or by law, all rights and powers of the Association may be exercised by the Board without a vote of the membership.

7.6. Indemnification of Officers, Directors, and Others.

(a) The Association shall indemnify every officer, director, and committee member against all damages and expenses, including counsel fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer, director, or committee member, except that such obligation to indemnify shall be limited to those actions for which liability is limited under Arizona law.

(b) The officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association (except to the extent that such officers or directors may also be Members of the Association).

7.7. Safety and Security.

Each Owner and occupant of a Lot, and their respective guests and invitees, shall be responsible for their own personal safety and the security of their property in Bright Star. The Association may, but shall not be obligated to, maintain or support certain activities within Bright Star designed to enhance the level of safety or security which each person provides for himself and his property. The Association and Declarant shall not in any way be considered insurers or guarantors of safety or security within Bright Star, nor shall they be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

No representation or warranty is made that any systems or measures, including any mechanism or system for limiting access to Bright Star, cannot be compromised or circumvented; nor that any such systems or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands, and shall be responsible for informing its tenants and all occupants of its Lot that the Association, its Board and committees and Declarant are not insurers or guarantors of security or safety and that each Person within Bright Star assumes all risks of personal injury and loss or damage to property, including Lots and the contents of Lots, resulting from acts of third parties.

7.8. Provision of Services.

The Association may provide, or provide for, services and facilities for all or any of the Members and their Lots, and shall be authorized to enter into and terminate contracts or agreements with other entities, including Declarant, to provide such services and facilities. The Board may charge use or service fees for any such services and facilities provided, or may include the costs thereof in the Association's budget as a Common Expense and assess it as part of the Base Assessment if provided to all Lots. By way of example, such services and facilities might include landscape maintenance, trash collection, pest control service, cable television service, security, caretaker, transportation, fire protection, utilities, recycling, any services required by the Town of Chino Valley or other applicable governmental authorities, and similar services and facilities.

Nothing in this Section shall be construed as a representation by Declarant or the Association as to what, if any, services shall be provided. In addition, the Board shall be permitted to modify or cancel existing contracts for services in its discretion, unless the provision of such services is otherwise required by the Governing Documents. on-use of services provided to all Owners or Lots as a Common Expense shall not exempt any Owner from the obligation to pay assessments for such services.

In any contracts or agreements with third parties for the provision of services within Bright Star, the Association may assign to the service provider the right to bill Owners directly and to pursue all legal or equitable remedies otherwise available to the Association in the collection of such bills. Any charge billed directly to an Owner in accordance with such a contract between the Association and the service provider shall be a charge and continuing lien in favor of the service provider against each Owner's Lot, enforceable by the service provider or the Association (as per the agreement between the Association and the service provider) in the manner provided for the enforcement of liens for assessments in Article VIII.

7.9. View Impairment.

Declarant and the Association make no guarantee or representation that any view over and across the Lots or any open space within Bright Star will be preserved without impairment. Declarant and the Association shall not have the obligation to relocate, prune, or thin trees or other landscaping except as set forth in Article V or as otherwise set forth in a covenant or agreement binding the Association. The owner of open space areas shall have the right to add trees and other landscaping from time to time subject to applicable law and the Governing Documents, if applicable. Any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

7.10. Relationship with Neighborhood Associations.

The Association shall have the power to veto any action taken or contemplated to be taken by any Neighborhood Association which the Board reasonably determines to be adverse to the interests of the Association or its Members or inconsistent with the Community-Wide Standard. The Association also shall have the power to require specific action to be taken by any Neighborhood Association in connection with its obligations and responsibilities, such as requiring specific maintenance or repairs or aesthetic changes to be effectuated and requiring that a proposed budget include certain items and that expenditures be made therefor.

A Neighborhood Association shall take appropriate action required by the Association in a written notice within the reasonable time frame set by the Association in the notice. If the Neighborhood Association fails to comply, the Association shall have the right to effect such action on behalf of the Neighborhood Association and levy Benefitted Assessments to cover the costs, as well as an administrative charge and sanctions.

Article VIII Association Finances

8.1. Budgeting and Allocating Common Expenses.

The Association is authorized hereby to levy Base Assessments equally against all Lots subject to assessment under Section 8.6 to fund the Common Expenses. At least 60 days before the beginning of each fiscal year, the Board shall prepare a budget of the estimated Common Expenses for the coming year, including any contributions to be made to a reserve fund pursuant to Section 8.3. The budget also shall reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Lots, and the amount to be generated through the levy of Base Assessments and Special Assessments against the Lots, including Lots reasonably anticipated to become subject to assessment during the fiscal year.

The Board shall send notice of the amount of the Base Assessment to be levied pursuant to such budget to each Owner at least 30 days prior to the effective date of such budget. Except as required for the exercise of approval rights under Section 8.9, the budget shall not be subject to Owner approval and there shall be no obligation to send each Owner a copy of the budget or call a meeting for the purpose of considering the budget.

If any proposed budget is disapproved under Section 8.9, or the Board fails for any reason to determine the budget for any year, then the budget most recently in effect shall continue in effect until a new budget is determined.

The Board may revise the budget and adjust the Base Assessment from time to time during the year, subject to Section 8.9 and the notice requirements set forth above.

8.2. Budgeting and Allocating Neighborhood Expenses.

The Association is authorized hereby to levy Neighborhood Assessments equally against all Lots in the Neighborhood which are subject to assessment under Section 8.6 to fund Neighborhood Expenses; provided, if so specified in the applicable Supplemental Declaration or if so directed by petition signed by a majority of the Owners within the Neighborhood, any portion of the assessment intended to benefit particular Owners within a Neighborhood (e.g., for exterior maintenance on a structure or for maintenance of landscaping within a cul-de-sac) shall be levied on each of the benefitted Lots in proportion to the benefit received.

At least 60 days before the beginning of each fiscal year, the Board shall prepare a separate budget covering the estimated Neighborhood Expenses for each Neighborhood on whose behalf Neighborhood Expenses are expected to be incurred during the coming year. Each such budget shall include any costs for additional services or a higher level of services which the Owners in such Neighborhood have approved pursuant to Section 6.4(a) and any contribution to be made to a reserve fund pursuant to Section 8.3. The budget also shall reflect the sources and

estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Lots, and the amount required to be generated through the levy of Neighborhood and Special Assessments against the Lots in such Neighborhood.

The Board shall cause a copy of the Neighborhood budget and notice of the amount of the Neighborhood Assessment for the coming year to be delivered to each Owner in the Neighborhood at least 30 days prior to the beginning of the fiscal year. Except as required under Section 8.9, budget shall not be subject to Owner approval and there shall be no obligation to call a meeting for the purpose of considering the budget.

If the proposed budget for any Neighborhood is disapproved as permitted under Section 8.9, or if the Board fails for any reason to determine the budget for any year, then until such time as a budget is determined, the budget in effect for the immediately preceding year shall continue for the current year.

The Board may revise the budget for any Neighborhood and the amount of any Neighborhood Assessment from time to time during the year, subject to Section 8.9 and the notice requirements set forth above.

All amounts collected by the Association as Neighborhood Assessments shall be held in trust and expended solely for the benefit of the Neighborhood for which they were collected. Such amounts shall be accounted for separately from the Association's general fund.

8.3. Budgeting for Reserves.

The Board shall prepare and review periodically a reserve budget for the Area of Common Responsibility and for each Neighborhood for which the Association maintains capital items as a Neighborhood Expense, if any. Such budgets shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. If the Board elects, in the exercise of its business judgment, to fund reserves, it shall include in the Common Expense budget adopted pursuant to Section 8.1 or the Neighborhood Expense budgets adopted pursuant to Section 8.2, as appropriate, a capital contribution to fund reserves in an amount sufficient to meet the projected need with respect both to amount and timing by annual contributions over the budget period. So long as the Board exercises business judgment in determining the necessity of a reserve fund, and an adequate amount of reserves, the amount of the reserve fund, if any, shall be considered adequate.

The Board may adopt resolutions regarding the expenditure of any reserve funds, including policies designating the nature of assets for which reserve funds may be expended. Such policies may differ for general Association purposes and for each Neighborhood. So long as Declarant owns any property described in Exhibits "A" or "B," neither the Association nor the Board shall adopt, modify, limit, or expand such policies without Declarant's prior written consent.

The Board may enter into agreements with Declarant, on negotiated terms, under which Declarant may obligate itself to provide reserve funds as needed on a "cash basis" in lieu of the Association funding reserves on an accrual basis.

8.4. Special Assessments.

In addition to other authorized assessments, the Association may levy Special Assessments to cover unbudgeted expenses or expenses in excess of those budgeted. Any such Special Assessment may be levied against the entire membership, if such Special Assessment is for Common Expenses, or against the Lots within any Neighborhood if such Special Assessment is for Neighborhood Expenses. Except as otherwise specifically provided in this Declaration, any Special Assessment shall require the affirmative vote or written consent of Class "A" Members representing at least two-thirds of the total votes allocated to Lots which will be subject to such Special Assessment, and the affirmative vote or written consent of the Class "B" Member, if such exists. Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

8.5. Benefitted Assessments.

The Association shall have the power to levy Benefitted Assessments against any Lot as follows:

(a) to cover the costs, including overhead and administrative costs, of providing services to Lots upon request of an Owner pursuant to any menu of special services which may be offered by the Association for special services may be levied in advance of the provision of the requested service; and

(b) to cover costs incurred in bringing the Lot into compliance with the Governing Documents or costs incurred as a consequence of the conduct of the Owner or occupants of the Lot, their agents, contractors, employees, licensees, invitees, or guests; provided, the Association shall give the Lot Owner prior written notice and an opportunity for a hearing, in accordance with the By-Laws, before levying any Benefitted Assessment under this subsection (b).

The Association may also levy a Benefitted Assessment against the Lots within any Neighborhood to reimburse the Association for costs incurred in bringing the Neighborhood into compliance with the provisions of the Governing Documents, provided the Board gives prior written notice to the Owners of Lots in the Neighborhood and an opportunity for such Owners to be heard before levying any such assessment.

8.6. Commencement of Obligation; Time of Payment.

The obligation to pay assessments shall commence as to each Lot on the first day of the month following: (a) the month in which the Lot is made subject to this Declaration, or (b) the month in which the Board first determines a budget and levies assessments pursuant to this Article, whichever is later. However, during the time that a Lot is owned by a Builder for the purpose of development and resale in its ordinary course of business, such Lot shall be assessed only 25% of the full Base Assessment rate and 25% of any Special Assessment or Neighborhood Assessment which would otherwise be payable during such period. The first annual Base Assessment and Neighborhood Assessment, if any, levied on each Lot shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Lot.

Assessments shall be paid in such manner and on such dates as the Board may establish. The Board may require advance payment of assessments at closing of the transfer of title to a Lot

and impose special requirements for Owners with a history of delinquent payment. If the Board so elects, assessments may be paid in quarterly or monthly installments. Unless the Board otherwise provides, the Base Assessment and any Neighborhood Assessment shall be due and payable in advance on the first day of each fiscal year. If any Owner is delinquent in paying any assessments or other charges levied on his Lot, the Board may require the outstanding balance on all assessments to be paid in full immediately.

8.7. Obligation for Assessments.

(a) Personal Obligation. Each Owner, by accepting a deed or entering into a Recorded contract of sale for any Lot, is deemed to covenant and agree to pay all assessments authorized in the Governing Documents together with interest as herein provided on unpaid amounts. All assessments, together with interest computed from its due date at such rate as the Board may from time to time establish (not to exceed a maximum rate of 18% per annum, and subject to the limitations of Arizona law), reasonable late charges as determined by Board resolution (as limited by the Act), costs, and reasonable attorneys' fees, shall be the personal obligation of each Owner and a lien upon each Lot until paid in full. Upon a transfer of title to a Lot, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance.

The Board's failure to fix assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Base Assessments and Neighborhood Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfalls in collections.

No Owner may exempt himself from liability for assessments by non-use of Common Area, abandonment of his Lot, non-use of facilities or property operated or maintained by the Association, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

Upon written request from an Owner, Mortgagee, or other Person designated by the Owner, the Association shall furnish a statement setting forth the amount of any unpaid assessment against such Owner's Lot. The statement shall be binding upon the Association, the Board, and the Owners to the extent mandated by Arizona law. If the Association fails to provide such statement within 15 days of its receipt of a written request, any lien for unpaid assessments then due shall be extinguished to the extent mandated by Arizona law. The Association may require the advance payment of a reasonable processing fee for the issuance of such statement.

(b) Declarant's Obligation.

(i) Payment of the "Shortage". During the Class "B" Control Period, and with respect to Association expenses, Declarant shall not be obligated to pay assessments on its unsold Lots but, instead, shall be obligated to pay the "shortage" (i.e., operating deficit) for each fiscal year. A "shortage" shall exist if Income and Revenues (as defined below) for a particular fiscal year are less than Expenditures (as defined below) incurred for the same fiscal

year. Income and Revenues and Expenditures are to be calculated using the accrual basis of accounting.

(A) Income and Revenues are: the amount of all income and revenue of any kind earned by the Association during the subject fiscal year, including, but not limited to, assessments, use fees, subsidies (if any) provided by Declarant, and income from all other sources. For purposes of this Section, assessments for each Lot are deemed earned on the annual anniversary date of the commencement of assessments with respect to such Lot.

(B) Expenditures are: the amount of all actual operating expenses incurred, or obligated for, by the Association during the subject fiscal year, including without limitation (1) any reserve contributions for such year, and (2) any budgeted or approved nonbudgeted capital assets acquired during the fiscal year, but excluding (1) all non-cash expenses such as depreciation or amortization, (2) expenditures for or purchase of non-budgeted, non-approved items, and (3) all expenditures made from reserve funds. For purposes of this paragraph, "approved" shall mean prior written approval of Declarant.

(C) Any shortage in a particular fiscal year is to be offset by any surplus from a previous fiscal year. A surplus is achieved when, using an accrual basis of accounting, Income and Revenues for a particular fiscal year exceed Expenditures for the same fiscal year.

Payment of the shortage shall exempt Declarant from payment of Neighborhood or Benefitted Assessments.

(ii) Option to Pay "Shortage". Following expiration or termination of the Class "B" Control Period, Declarant may annually elect either to pay the assessments described in subsection (i) above on each of its unsold Lots or to pay the shortage for such fiscal year. The Declarant's election may be made separately with respect to Base Assessments and Neighborhood Assessments. If Declarant elects to pay assessments on each Lot and, after such payment, a shortage exists, Declarant may, but shall not be obligated to, pay such shortage. Unless Declarant otherwise notifies the Board in writing at least 60 days before the beginning of each fiscal year, Declarant shall be deemed to have elected to continue paying on the same basis as during the immediately preceding fiscal year.

(iii) Subsidies/"In Kind" Contribution. The Association is specifically authorized to enter into subsidy contracts or contracts for "in kind" contribution of services, materials, or a combination of services and materials with Declarant or other entities for payment of Common Expenses. Declarant's payment of assessments may be reduced or abated by the agreed value of any such services or materials provided by Declarant, in accordance with any such contract or agreement with the Association.

8.8. Lien for Assessments.

Subject to any limitations imposed by Arizona law, all assessments and other charges of the Association authorized in this Article or elsewhere in this Declaration shall constitute a lien against the Lot against which they are levied from the time such assessments or charges become due until paid. The lien shall also secure payment of interest (subject to the limitations of Arizona law), late charges (as limited by the Act), and costs of collection (including attorneys' fees, lien fees and administrative costs). Such lien shall be superior to all other liens, except the

lien or charge of any Recorded first Mortgage (meaning any Recorded Mortgage with first priority over other Mortgages) made in good faith and for value, and those liens deemed by Arizona law to be superior. The lien created by this Article shall have priority over any lien for assessments asserted by any other community or property owners association, including, without limitation, any Neighborhood Association. The Association may enforce such lien, when any assessment or other charge is delinquent, by suit, judgment, and foreclosure: provided, if enforcement proceedings are not instituted within three years after the full amount of the assessment or other charge becomes due, the lien (but not the personal obligation of the subject Owner) shall be deemed extinguished.

The Association may assign its lien rights to third parties, including service providers as described in Section 7.8:

The Association may bid for the Lot at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Lot. While a Lot is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf, (b) no assessment shall be levied on it; and (c) each other Lot shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such Lot had it not been acquired by the Association. The Association may sue for unpaid assessments and other charges authorized hereunder without foreclosing or waiving the lien securing the same.

Sale or transfer of any Lot shall not affect the assessment lien or relieve such Lot from the lien for any subsequent assessments. However, sale or transfer of any Lot pursuant to foreclosure of the first Mortgage shall extinguish the lien as to any installments of such assessments due prior to the foreclosure. The subsequent Owner to the foreclosed Lot shall not be personally liable for assessments on such Lot due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Lots subject to assessment under Section 8.6, including such acquirer, its successors and assigns.

8.9. Limitation on Increases of Assessments.

Notwithstanding any provision to the contrary, and except for assessment increases necessary for emergency situations, the Board may not impose a Base Assessment or Neighborhood Assessment that is more than 20% greater than such assessments for the immediately preceding fiscal year without the approval of a majority of the Class "A" Members subject to the applicable assessment. Approval may be indicated by vote or written consent.

An emergency situation is any one of the following:

- (a) an extraordinary expense required by an order of a court;
- (b) an extraordinary expense necessary to repair or maintain Bright Star or any part of them for which the Association is responsible where a threat to personal safety on Bright Star is discovered; or
- (c) an extraordinary expense necessary to repair or maintain Bright Star or any part of them for which the Association is responsible which could not have been reasonably foreseen by the Board in preparing and distributing the pro forma budget pursuant to Section 8.1. However, prior to the imposition or collection of such an assessment, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved

and why the expense was not or could not have been reasonably foreseen in the budgeting process. Notice of such resolution shall be provided to the Members along with the notice of such assessment.

The Association's capital expenditures for any fiscal year, other than for repair or replacement, may not exceed 20% of the budgeted Common Expenses for the current fiscal year without the approval of a majority of the Class "A" Members. Approval may be indicated by vote or written consent.

8.10. Exempt Property.

The following property shall be exempt from payment of Base Assessments, Neighborhood Assessments, and Special Assessments:

- (a) all Common Area and such portions of the Area of Common Responsibility which are not Lots;
- (b) any other property not subject to this Declaration;
- (c) any property dedicated to and accepted by any governmental authority or public utility; and
- (d) property owned by any Neighborhood Association for the common use and enjoyment of its members, or owned by the members of a Neighborhood Association as tenants in-common.

In addition, both Declarant and the Association shall have the right, but not the obligation, to grant exemptions to certain Persons qualifying for tax exempt status under Section 501 (c) of the Internal Revenue Code so long as such Persons own property subject to this Declaration for purposes listed in Section 501(c).

Article IX Expansion of the Community

9.1. Expansion by Declarant.

Declarant may from time to time subject to the provisions of this Declaration all or any portion of the property described in Exhibit "B" by Recording a Supplemental Declaration describing the additional property to be subjected. A Supplemental Declaration Recorded pursuant to this Section shall not require the consent of any Person except the owner of such property, if other than Declarant.

Declarant's right to expand the community pursuant to this Section shall expire when all property described in Exhibit "B" has been subjected to this Declaration or 40 years after this Declaration is Recorded, whichever is earlier. Declarant may transfer or assign this right to any Person who is the developer of at least a portion of the real property described in Exhibits "A" or "B." Any such transfer shall be memorialized in a written, Recorded instrument executed by Declarant.

Declarant reserves the right, but not the obligation, to annex additional property not described in Exhibits "A" or "B" to the extent not prohibited under the Act.

Nothing in this Declaration shall be construed to require Declarant or any successor to subject additional property to this Declaration or to develop any of the property described in Exhibit "B" in any manner whatsoever.

9.2. Expansion by the Association.

The Association also may subject additional property to the provisions of this Declaration by Recording a Supplemental Declaration describing the additional property. Any such Supplemental Declaration shall require the affirmative vote of Members representing 67% of the Class "A" votes in the Association present in person or by proxy at a meeting duly called for such purpose, and the consent of the owner of the property. In addition, so long as Declarant owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1, Declarant's consent is required. Any such Supplemental Declaration shall be signed by the President and Secretary of the Association, by the owner of the property and by Declarant, if Declarant's consent is required.

9.3. Additional Covenants and Easements.

Declarant may subject by Supplemental Declaration any portion of Bright Star to additional covenants and easements, including covenants obligating the Association to maintain and insure such property and authorizing the Association to recover its costs through Neighborhood Assessments. If the property is owned by someone other than Declarant, then the consent of the Owner(s) shall be necessary and shall be evidenced by their execution of the Supplemental Declaration. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

9.4. Effect of Filing Supplemental Declaration.

Any Supplemental Declaration Recorded pursuant to this Article shall be effective upon Recording unless otherwise specified in such Supplemental Declaration. On the effective date of the Supplemental Declaration, all Lots made subject to this Declaration, whether initially described in Exhibit "A" or annexed pursuant to a Supplemental Declaration, shall have equal voting rights and an equal, pro rata share of liability for Base Assessments.

Article X Additional Rights Reserved to Declarant

10.1. Withdrawal of Property.

Declarant reserves the right to amend this Declaration so long as it has a right unilaterally to annex additional property pursuant to this Article, without prior notice and without the consent of any Person, for the purpose of removing property then owned by Declarant, its affiliates, or the Association from the coverage of this Declaration, to the extent originally included in error or as a result of any changes in Declarant's plans for Bright Star. If the property so removed is owned by the Association, the Association shall convey such property to Declarant upon the request of Declarant. Notwithstanding the above, any withdrawal resulting from changes in Declarant's plans for development of Bright Star shall not materially adversely affect the overall, uniform scheme of development for Bright Star.

10.2 Marketing and Sales Activities.

Notwithstanding any provision in this Declaration, including Exhibit "C," to the contrary, Declarant and Builders may construct and maintain upon portions of the Common Area and other property owned by Declarant or the Builder such facilities, activities, and things as, in the sole opinion of Declarant, may be reasonably required, convenient, or incidental to the construction or sale of Lots. Such permitted facilities, activities, and things shall include, without limitation, business offices, signs, flags (whether hung from flag poles or attached to a structure), model Lots, sales offices, holding or sponsoring special events, and exterior lighting features or displays. In addition, if reasonably required, convenient, or incidental to construction or sales activities, Declarant and Builders may park vehicles in areas other than garages or driveways, including on streets. Declarant and Builders shall have easements for access to and use of such facilities at no charge. Builder's rights under this Section 10.2 are subject to Declarant's approval.

10.3. Right To Develop.

Declarant and its employees, agents, and designees shall have a right of access and use and an easement over and upon all of the Common Area for the purpose of making, constructing, and installing such improvements to the Common Area and to the property described on Exhibit "B" as it deems appropriate in its sole discretion.

Each Person acquiring an interest in Bright Star acknowledges that Bright Star is a master planned community, the development of which is likely to extend over many years, and agrees not to protest, challenge, or otherwise object to (a) changes in uses or density of property outside the Neighborhood in which such Person holds an interest, or (b) changes in the Master Plans as it relates to property outside the Neighborhood in which such Person holds an interest.

10.4. Right To Designate Sites for Governmental and Public Interests.

For so long as Declarant owns any property described in Exhibits "A" or "B," Declarant may designate sites within Bright Star for government, education, or religious activities and interests, including without limitation, fire, police, and utility facilities, schools and educational facilities, houses of worship, parks, and other public facilities. Subject to the approval requirements set forth in Sections 15.5 and 18.4, the sites may include Common Area, in which case the Association shall take whatever action is required with respect to such site to permit such use, including dedication or conveyance of the site, if so directed by Declarant.

10.5. Right To Approve Additional Covenants.

No Person shall Record any declaration of covenants, conditions, and restrictions, or declaration of condominium or similar instrument affecting any portion of Bright Star without Declarant's review and written consent. Any instrument Recorded without such consent shall be void and of no force and effect unless subsequently approved by written consent signed by Declarant and Recorded.

10.6. Right To Transfer or Assign Declarant Rights.

Any or all of the special rights and obligations of Declarant set forth in this Declaration or the By-Laws may be transferred in whole or in part to other Persons; provided, the transfer shall not reduce an obligation nor enlarge a right beyond that which Declarant has under this

Declaration or the By-Laws. No such transfer or assignment shall be effective unless it is in a written, Recorded instrument signed by Declarant. The foregoing sentence shall not preclude Declarant from permitting other Persons to exercise, on a one time or limited basis, any right reserved to Declarant in this Declaration where Declarant does not intend to transfer such right in its entirety, and in such case it shall not be necessary to Record any written assignment unless necessary to evidence Declarant's consent to such exercise.

10.7. Easement to -Inspect and Right to Correct.

Declarant reserves for itself and others it may designate the right, but not the obligation, to inspect, monitor, test, redesign, and correct any structure, improvement, or condition which may exist on any portion of Bright Star, including Lots, and a perpetual non-exclusive easement of access throughout Bright Star to the extent reasonably necessary to exercise such right. Except in an emergency, entry onto a Lot shall be only after reasonable notice to the Owner and no entry into a dwelling shall be permitted without the consent of the Owner. The Person exercising this easement shall promptly repair, at such Person's own expense, any damage resulting from such exercise.

10.8. Right to Notice of Design or Construction Claims.

No Person shall retain an expert for the purpose of inspecting the design or construction of any structures or improvements within Bright Star in connection with or in anticipation of any potential or pending claim, demand, or litigation involving such design or construction unless Declarant and any Builder involved in the design or construction have been first notified in writing and given an opportunity to meet with the Owner to discuss the Owner's concerns and conduct their own inspection.

10.9. Exclusive Rights To Use Name of Development.

No Person shall use the name "Bright Star" or any derivative of such name in any printed or promotional material without Declarant's prior written consent. However, Owners may use the name "Bright Star" in printed or promotional matter where such term is used solely to specify that particular property is located within Bright Star and the Association shall be entitled to use the words "Bright Star" in its name.

10.10. Declarant's Marks.

Any use by the Association of names, marks, or symbols of Declarant or any of its affiliates (collectively "Declarant Marks") shall inure to the benefit of Declarant and shall be subject to Declarant's periodic review for quality control. The Association shall enter into license agreements with Declarant, terminable with or without cause and in a form specified by Declarant in its sole discretion, with respect to permissive use of certain Declarant Marks. The Association shall not use any Declarant Mark without Declarant's prior written consent.

10.11. Termination of Rights.

The rights contained in this Article shall terminate upon the earlier of (a) 20 years from the date this Declaration is Recorded, or (b) Declarant's Recording of a written statement that all sales activity has ceased. Thereafter, Declarant may continue to use the Common Areas for the purposes stated in this Article only pursuant to a rental or lease agreement between Declarant

and the Association which provides for rental payments based on the fair market rental value of any such portion of the Common Areas. This Article shall not be amended without the written consent of Declarant so long as Declarant owns any property described in Exhibits "A" or "B."

Article XI Easements

11.1. Easements in Common Area.

Declarant grants to each Owner a non-exclusive right and easement of use, access, and enjoyment in and to the Common Area, subject to:

- (a) the Governing Documents and any other applicable covenants;
- (b) any restrictions or limitations contained in any deed conveying such property to the Association;
- (c) the Board's right to:
 - (i) adopt rules regulating the use and enjoyment of the Common Area, including rules limiting the number of guests who may use the Common Area;
 - (ii) suspend the right of an Owner to use facilities within the Common Area:
 - (A) for any period during which any charge against such Owner's Lot remains delinquent; and
 - (B) for a period not to exceed 30 days for a single violation or for a longer period in the case of any continuing violation, of the Governing Documents after notice and a hearing pursuant to the By-Laws;
 - (iii) dedicate or transfer all or any part of the Common Area, subject to such approval requirements as may be set forth in this Declaration, guests;
 - (iv) permit use by Persons other than Owners, their families, lessees, and
 - (v) mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, subject to the approval requirements set forth in Sections 15.5 and 18.4; and
 - (vi) create, enter into agreements with, and grant easements to tax-exempt organizations.
- (e) the rights of certain Owners to the exclusive use of those portions of the Common Area designated "Limited Common Areas," as described in Article XII.

Any Owner may extend his or her right of use and enjoyment to the members of his or her family, lessees, social invitees, and occupants of his or her Lot, as applicable, subject to

reasonable regulation by the Board. An Owner who leases his or her Lot in its entirety shall be deemed to have assigned all such rights to the lessee of such Lot for the period of the lease.

11.2. Easements of Encroachment.

Declarant grants reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Lot and any adjacent Common Area and between adjacent Lots due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

11.3. Easements for Utilities, Etc.

(a) Installation and Maintenance. Declarant reserves for itself, so long as Declarant owns any property described in Exhibit "A" or "B" of this Declaration, and grants to the Association, and all utility providers designated by Declarant, perpetual non-exclusive easements throughout all of Bright Star (but not through a structure) to the extent reasonably necessary for the purpose of:

(i) installing utilities and infrastructure to serve Bright Star and other portions of Bright Star, cable and other systems for sending and receiving data and/or other electronic signals, security and similar systems, walkways, pathways and trails, drainage systems, street lights, and signage on property which Declarant owns or within public rights-of-way or easements reserved for such purpose on Recorded plats;

(ii) inspecting, maintaining, repairing and replacing the utilities, infrastructure and other improvements described in Section 11.3(a)(i); and

(iii) access to read utility meters.

Notwithstanding the above, Declarant reserves the right to deny access to any utility or service provider, to the extent permitted by law, or to condition such access on (i) the payment of reasonable consideration and (ii) installation at a specified location, if the installation is not to be made within a utility easement dedicated on a recorded plat.

(b) Specific Easements. Declarant also reserves for itself the non-exclusive right and power to grant and Record such specific easements as may be necessary, in the sole discretion of Declarant, in connection with the orderly development of any property described in Exhibits "A" and "B." The location of any such easement shall be subject to the written consent of the Owner of the burdened property, which approval shall not unreasonably be withheld, delayed, or conditioned.

(c) Minimal Interference. All work associated with the exercise of the easements described in subsections (a) and (b) of this Section shall be performed in such a manner as to minimize interference with the use and enjoyment of the burdened property. Upon completion of the work, the Person exercising the easement shall restore the property, to the

extent reasonably possible, to its condition prior to the commencement of the work. The exercise of these easements shall not extend to permitting entry into the structures on any Lot, nor shall it unreasonably interfere with the use of any Lot and, except in an emergency, entry onto any Lot shall be made only after reasonable notice to the Owner or occupant of the Lot.

11.4. Easements To Serve Additional Property.

Declarant hereby reserves for itself and its duly authorized agents, successors, assigns, and mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access, and development of the property described in Exhibit "B," whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property.

Declarant agrees that it and its successors or assigns shall be responsible for any damage caused to the Common Area as a result of vehicular traffic connected with development of such property. Declarant further agrees that if the easement is exercised for permanent access to such property and such property or any portion thereof benefitting from such easement is not made subject to this Declaration, Declarant, its successors or assigns shall enter into a reasonable agreement with the Association to share the cost of any maintenance which the Association provides to or along any roadway providing access to such Property.

11.5. Easements for Maintenance, Emergency and Enforcement.

Declarant grants to the Association easements over Bright Star as necessary to fulfill the maintenance responsibilities described in Section 7.2. Such easements shall include the right, but not the obligation, to enter upon any Lot for emergency, security, and safety reasons, to perform maintenance and to inspect for the purpose of ensuring compliance with and enforcing the Governing Documents. Such right may be exercised by the duly authorized agents and assignees of the Association and all emergency personnel in the performance of their duties. Except in an emergency situation, entry shall be only during reasonable hours and after notice to the Owner.

Declarant grants to the Association an easement and the right to enter a Lot to abate or remove, using such measures as may be reasonably necessary, any structure, thing or condition which violates the Governing Documents. All costs incurred, including reasonable attorney fees, shall be assessed against the violator as a Benefitted Assessment.

11.6. Easements for Lake and Pond Maintenance and Flood Water.

Declarant reserves for itself, the Association, and their successors, assigns, and designees, the non-exclusive right and easement, but not the obligation, to enter upon bodies of water and wetlands located within the Area of Common Responsibility to (a) install, operate, maintain, and replace pumps to supply irrigation water to the Area of Common Responsibility; (b) construct, maintain, and repair structures and equipment used for retaining water; and (c) maintain such areas in a manner consistent with the Community-Wide Standard. Declarant, the Association, and the successors, assigns and designees of each shall have an access easement over and across any of Bright Star abutting or containing bodies of water to the extent reasonably necessary to exercise the rights under this Section.

Declarant further reserves for itself, the Association, and their successors, assigns and designees, a perpetual, non-exclusive right and easement of access and encroachment over the Common Area and Lots (but not the dwellings thereon) adjacent to or within 100 feet of bodies of water within Bright Star, in order to (a) temporarily flood and back water upon and maintain water over such portions of Bright Star; (b) alter in any manner and generally maintain the bodies of water within the Area of Common Responsibility; and (c) maintain and landscape the slopes and banks pertaining to such areas. All Persons entitled to exercise these easements shall use reasonable care in and repair any damage resulting from the intentional exercise of such easements. Nothing herein shall be construed to make Declarant or any other Person liable for damage resulting from flooding due to heavy rainfall or other natural occurrences.

11.7. Easements for Cross-Drainage.

Every Lot and the Common Area shall be burdened with easements for natural drainage of storm water runoff from other portions of Bright Star; provided, no Person shall alter the natural drainage on any Lot to increase materially the drainage of storm water onto adjacent portions of Bright Star without the consent of the Owner(s) of the affected property, the Board, and Declarant as long as it owns any property described in Exhibits "A" or "B" to the Declaration.

11.8. Rights to Stormwater Runoff, Effluent and Water Reclamation.

Declarant hereby reserves for itself and its designees all rights to ground water, surface water, storm water runoff, and effluent located or produced within Bright Star, and each Owner agrees, by acceptance of a deed to a Lot, that Declarant shall retain all such rights. Such rights shall include the reservation of an easement over Bright Star for access, and for installation and maintenance of facilities and equipment to capture and transport such water, runoff, and effluent. This Section may not be amended without the consent of Declarant and the rights created in this Section shall survive termination of this Declaration.

Article X11 Limited Common Areas

12.1. Purpose.

Certain portions of the Common Area may be designated as Limited Common Area and reserved for the exclusive use or primary benefit of Owners and occupants within a particular Neighborhood or Neighborhoods. By way of illustration and not limitation, Limited Common Areas may include entry features, recreational facilities, landscaped medians and cul-de-sacs, lakes, and other portions of the Common Area within a particular Neighborhood or Neighborhoods. All costs associated with maintenance, repair, replacement, and insurance of an Limited Common Area shall be a Neighborhood Expense allocated among the Owners in the Neighborhood(s) to which the Limited Common Areas are assigned.

12.2. Designation.

Initially, any Limited Common Area shall be designated as such in the deed conveying such area to the Association or on the subdivision plat relating to such Common Area; provided, however, any such assignment shall not preclude Declarant from later assigning use of the same Limited Common Area to additional Lots and/or Neighborhoods, so long as Declarant has a right to subject additional property to this Declaration pursuant to Section 9.1.

Thereafter, a portion of the Common Area may be assigned as Limited Common Area and Limited Common Area may be reassigned upon approval of the Board and the vote of Class "A" Members representing a majority of the total votes in the Association, including a majority of the votes within the Neighborhood(s) affected by the proposed assignment or reassignment. As long as Declarant owns any property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1, any such assignment or reassignment shall also require Declarant's written consent.

12.3. Use by Others.

The Association may, upon approval of a majority of the Owners of Lots in the Neighborhood(s) or board of directors of the Neighborhood Association for the Neighborhood(s) to which any Limited Common Area is assigned, permit Owners of Lots in other Neighborhoods to use all or a portion of such Limited Common Area upon payment of reasonable user fees, which fees shall be used to offset the Neighborhood Expenses attributable to such Limited Common Area.

Article XIII Party Walls and Other Shared Structures

13.1. General Rules of Law to Apply.

Each wall, fence, driveway, or similar structure built as a part of the original construction on a Lot, other than a perimeter wall or fence as provided in Section 5.1, which serves and/or separates any two adjoining Lots shall constitute a party structure. To the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

13.2. Maintenance: Damage and Destruction.

The cost of reasonable repair and maintenance of a party structure shall be shared equally by the Owners who make use of the party structure.

If a party structure is destroyed or damaged by fire or other casualty, then to the extent that such damage is not covered by insurance and is not repaired out of the proceeds of insurance, any Owner who has used the structure may restore it. If other Owners thereafter use the structure, they shall contribute to the restoration cost in equal proportions. However, such contribution will not prejudice the right to call for a larger contribution from the other users under any rule of law regarding liability for negligent or willful acts or omissions.

Article XIV Dispute Resolution and Limitation on Litigation.

14.1. Prerequisites to Actions Against Declarant.

Prior to filing a civil action, undertaking any action in accordance with Section 14.4, or retaining an expert for such actions against Declarant, or any builder or sub-contractor of any portion of Bright Star, the Board shall notify and meet with the Members to discuss the alleged problem or deficiency. Moreover, prior to taking any action, the Board shall notify the potential adverse party of the alleged problem or deficiency and provide such party a reasonable opportunity to inspect and repair the problem.

14.2. Initiation of Litigation by Association.

In addition to compliance with the foregoing alternative dispute resolution procedures, if applicable, the Association shall not initiate any judicial or administrative proceeding unless first approved by a vote of Members entitled to cast 75% of the total Class "A" votes in the Association, except that no such approval shall be required for actions or proceedings:

- (a) initiated during the Class "B" Control Period;
- (b) initiated to enforce the provisions of this Declaration, including collection of assessments and foreclosure of liens;
- (c) initiated to challenge *ad valorem* taxation or condemnation proceedings;
- (d) initiated against any contractor, vendor, or supplier of goods or services arising out of a contract for services or supplies; or
- (e) to defend claims filed against the Association or to assert counterclaims in proceedings instituted against it.

This Section shall not be amended unless such amendment is approved by the same percentage of votes necessary to institute proceedings.

14.3. Alternative Method for Resolving Disputes.

Declarant, the Association and its officers, directors, and committee members, all Persons subject to this Declaration, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties") agree to encourage the amicable resolution of disputes involving Bright Star, without the emotional and financial costs of litigation. Accordingly, each Bound Party covenants and agrees that those claims, grievances or disputes described in Sections 14.4 ("Claims") shall be resolved using the procedures set forth in Section 14.5 in lieu of filing suit in any court.

14.4. Claims.

As used in this Article, the term "Claim" shall refer to any claim, grievance, or dispute arising out of or relating to documents;

- (i) the interpretation, application, or enforcement of the Governing Documents;
- (ii) the rights, obligations, and duties of any Bound Party under the Governing Documents; or,
- (iii) the design or construction of improvements within Bright Star, other than matters of aesthetic judgment under Article IV, which shall not be subject to review.

Notwithstanding the above, the following shall not be considered "Claims" unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in Section 14.5:

(i) any suit by the Association to collect assessments or other amounts due from any Owner;

(ii) any suit by the Association to obtain equitable-relief (e.g., temporary restraining order, injunction, or specific performance) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of Articles III, IV, and V of this Declaration (relating to creation and maintenance of community standards);

(iii) any suit between Owners, which does not include Declarant or the Association as a party, if such suit asserts a cause of action independent of the Governing Documents;

(iv) any suit in which any indispensable party is not a Bound Party; and

(v) any suit as to which any applicable statute of limitations would expire within 180 days of giving the Notice required by Section 14.5(a), unless the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period as may reasonably be necessary to comply with this Article.

14.5. Mandatory Procedures.

(a) Notice. The Bound Party asserting a Claim ("Claimant") against another Bound Party ("Respondent") shall give written notice to each Respondent and to the Board, stating plainly and concisely:

(i) the nature of the Claim, including the Persons involved and Respondent's role in the Claim;

(ii) the legal basis of the Claim (i.e., the specific authority out of which the Claim arises);

(iii) Claimant's proposed resolution or remedy; and

(iv) that Claimant will meet with Respondent to discuss good faith ways to resolve the Claim.

(b) Negotiation and Mediation. The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.

If the parties do not resolve the Claim through negotiation within 30 days of the date of the notice described above (or within such other period as the parties may agree upon), Claimant shall have 30 additional days to submit the Claim to mediation with an entity designated by the Association (if the Association is not a party to the Claim) or to an independent agency providing dispute resolution services in the Yavapai County, Arizona area.

If Claimant does not submit the Claim to mediation within such time, or does not appear for mediation when scheduled, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant (but not third parties) on account of such Claim.

Any settlement of the Claim through mediation shall be documented in writing by the mediator and signed by the parties. If the parties do not settle the Claim within 30 days after submission of the matter to the mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that mediation was terminated.

(c) Allocation of Costs of Resolving Claims. Each party shall bear its own costs, including attorneys fees, and each party shall share equally all charges rendered by the mediator(s).

14.6. Enforcement of Resolution.

After resolution of any Claim, if any party fails to abide by the terms of any settlement, then any other party may file suit enforce such settlement without the need to again comply with the procedures set forth in Section 14.5. In such event, the party taking action to enforce the settlement shall be entitled to recover from the non-complying party (or if more than one noncomplying party, from all such parties in equal portions) all costs incurred in enforcing such settlement, including, without limitation, attorneys' fees and court costs.

14.7. Attorneys' Fees.

In the event of an action instituted to enforce any of the provisions contained in the Governing Documents, the party prevailing in such action shall be entitled to recover from the other party thereto as part of the judgment, reasonable attorneys' fees and costs, including administrative and lien fees, of such suit. In the event the Association is a prevailing party in such action, the amount of such attorneys' fees and costs shall be a Benefitted Assessment with respect to the Lot(s) involved in the action.

Article XV Mortgagee Provisions.

The following provisions are for the benefit of holders, insurers, and guarantors of first Mortgages on Lots. The provisions of this Article apply to both this Declaration and to the ByLaws, notwithstanding any other provisions contained therein.

15.1. Notices of Action.

An institutional holder, insurer, or guarantor of a first Mortgage which provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Lot to which its Mortgage relates, thereby becoming an "Eligible Holder"), will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of Bright Star or which affects any Lot on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder;

(b) Any delinquency in the payment of assessments or charges owed by a Lot subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 days, or any other violation of the Governing Documents relating to such Lot or the Owner or occupant which is not cured within 60 days;

(c) Any lapse, cancellation, or material modification of any insurance policy maintained by the Association;

(d) If the U.S. Department of Housing and Urban Development is insuring or the U.S. Department of Veterans Affairs is guaranteeing the Mortgage on any Lot; material amendment to the Governing Documents or extraordinary action of the Association, as defined under VA Pamphlet 26-7; or

(e) Any proposed action which would require the consent of a specified percentage of Eligible Holders.

15.2. No Priority.

No provision of this Declaration or the By-Laws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Lot in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

15.3. Notice to Association.

Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Lot.

15.4. Failure of Mortgagee to Respond.

Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within 30 days of the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

15.5. HUD/VA Approval.

During the Class "B" Control Period, the following actions shall require the prior approval of the U.S. Department of Housing and Urban Development or the U.S. Department of Veterans Affairs, if either such agency is insuring or guaranteeing the Mortgage on any Lot: merger, consolidation, or dissolution of the Association; annexation of additional property other than that described in Exhibit "B"; dedication, conveyance, or mortgaging of Common Area; or material amendment of this Declaration. The granting of easements for utilities or other similar purposes consistent with the intended use of the Common Area shall not be deemed a conveyance within the meaning of this Section. If the approval of either the U.S. Department of Housing and Urban Development or the U.S. Department of Veterans Affairs is requested pursuant to this Section and the agency whose approval is requested does not disapprove the action by written notice to the Association, Declarant, or other Person requesting its approval

within 30 days after the delivery of the approval request to the appropriate agency, the action in question shall be deemed approved by such agency.

Article XVI Private Amenities.

Access to and use of any Private Amenity is strictly subject to the rules and procedures of the owner of such Private Amenity, and no Person gains any right to enter or to use any Private Amenity by virtue of membership in the Association, ownership of a Lot, or occupancy of a Dwelling Unit.

All Persons, including all Owners, are hereby advised that no representations or warranties have been or are made by Declarant, the Association, any Builder, or by any Person acting on behalf of any of the foregoing, with regard to the continuing ownership or operation of the Private Amenities. No purported representation or warranty in such regard, written or oral, shall be effective unless specifically set forth in a written instrument executed by the Record owner of the Private Amenity.

Rights to use the Private Amenities will be granted only to such persons, and on such terms and conditions, as may be determined by their respective owners. Such owners shall have the right, from time to time in their sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of their respective Private Amenities and to terminate use rights altogether.

Article XVII Changes in Ownership of Lots

To facilitate the Association's compliance with the Act's resale disclosure requirements, any Owner, other than Declarant, desiring to sell or otherwise transfer title to his or her Lot shall give the Board written notice at least 14 days prior to the pending sale or transfer. The written notice shall include the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require to comply with the Act's notice and statement requirements. The Association may charge the Owner a reasonable fee to pay for the costs incurred in preparing the statement pursuant to the Act.

The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Owner of the Lot, including assessment obligations, until the date upon which such notice is received by the Board, notwithstanding the transfer of title.

Article XVIII Changes in Common Area

18.1. Condemnation.

Whenever any part of the Common Area shall be taken or conveyed under threat of condemnation by any authority having the power of eminent domain, the Board shall determine, in the exercise of its business judgment, whether each Owner shall be entitled to notice thereof. The Board may convey Common Area under threat of condemnation only if approved in writing by at least 67% of the Class "A" Members in the Association and Declarant, as long as Declarant owns any property described in Exhibits "A" or "B."

The award made for such taking shall be payable to the Association as trustee for all Owners to be disbursed as follows:

If the taking involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent practicable, unless, within 60 days after such taking, Declarant, so long as Declarant owns any property described in Exhibits "A" or "B" of this Declaration, and at least 67% of the total Class "A" Members in the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board. The provisions of Section 7.3 regarding funds for the repair of damage or destruction shall apply.

If the taking does not involve any improvements on the Common Area, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board shall determine.

18.2. Partition.

Except as permitted in this Declaration, the Common Area shall remain undivided, and no Person shall bring any action partition of any portion of the Common Area without the written consent of all Owners and Mortgagees. This Section shall not prohibit the Board from acquiring and disposing of tangible personal property nor from acquiring and disposing of real property which may or may not be subject to this Declaration.

18.3. Transfer or Dedication of Common Area.

The Association may dedicate portions of the Common Area to any other local, state, or federal governmental or quasi-governmental entity, subject to such approval as may be required by Sections 15.5 and 18.4.

18.4. Actions Requiring Owner Approval.

If either the U.S. Department of Housing and Urban Development or the U.S. Department of Veterans Affairs is insuring or guaranteeing the Mortgage on any Lot, then the following actions shall require the prior approval of Members representing not less than two-thirds (2/3) of the total Class "A" votes in the Association and the consent of the Class "B" Member, if such exists: merger, consolidation, or dissolution of the Association; annexation of additional property other than that described in Exhibit "B"; and dedication, conveyance, or mortgaging of Common Area. Notwithstanding anything to the contrary in Section 18.1 or this Section, the Association, acting through the Board, may grant easements over the Common Area for installation and maintenance of utilities and drainage facilities and for other purposes not inconsistent with the intended use of the Common Area, without the approval of the membership.

Article XIX Amendment of Declaration

19.1. Corrective Amendments.

In addition to specific amendment rights granted elsewhere in this Declaration, until the first Louis conveyed to a Class "A" Member other than a Builder, Declarant may unilaterally

amend this Declaration for any purpose. Thereafter, Declarant, or the Board with consent of Declarant, may unilaterally amend this Declaration if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Lots; (c) to enable any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee mortgage loans on the Lots; or (d) to satisfy the requirements of any local, state or federal governmental agency. However, any such amendment shall not adversely affect the title to any Lot unless the Owner shall consent in writing.

In addition, so long as Declarant owns property described in Exhibits "A" or "B" for development as part of Bright Star, it may unilaterally amend this Declaration for any other purpose, provided the amendment has no material adverse effect upon any right of any Owner.

19.2. By Members.

Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing 67% of the Class "A" votes in the Association, and the consent of Declarant, so long Declarant owns any property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

19.3. Validity and Effective Date.

No amendment may remove, revoke, or modify any right or privilege of Declarant without the written consent of Declarant (or the assignee of such right or privilege).

If an Owner consents to any amendment to this Declaration or the By-Laws, it will be presumed conclusively that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

Any amendment validly adopted by the Association shall be certified by the President or Secretary of the Association, and shall become effective upon Recording, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within six months of its Recording or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration.

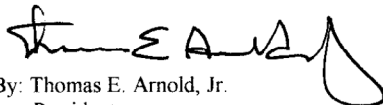
Nothing in this Article shall be construed to permit termination of any easement created in this Declaration or Supplemental Declaration without the consent of the holder of such easement.

19.4. Exhibits.

Exhibits "A" and "B," attached to this Declaration are incorporated by this reference and amendment of such exhibits shall be governed by this Article. Exhibit "C" is incorporated by this reference and may be amended pursuant to Sections 19.1 and 19.2, or as provided in Article III.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration the date and year first written above.

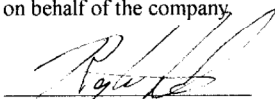
Granite Investment and Development (Meadow Ridge Ranch) L.L.C.,
an Arizona limited liability company



By: Thomas E. Arnold, Jr.
President

STATE OF ARIZONA)
) ss.
County of Yavapai)

The foregoing instrument was acknowledged before me this 22nd day of August, 2003 by Thomas E. Arnold, Jr., President of Granite Investment & Development (Meadow Ridge Ranch), L.L.C., an Arizona limited liability company, on behalf of the company.



Notary Public

My commission expires:

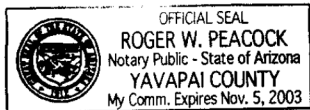


EXHIBIT "A"

Land Initially Submitted

Lots 127 to 153 and Lots 184 to 198 inclusive, Unit 1, Phase 1, Bright Star, according to the plat of record recorded in the office of the Yavapai County Recorder at BK 48 of maps & plats Pg 67
68
69

Lots 1 to 34 and Lots 104 to 107 inclusive, Unit 2, Phase 1, Bright Star, according to the plat of record recorded in the office of the Yavapai County Recorder at BK 48 of maps & plats Pg 67
68
69

EXHIBIT "B"

Legal Description

That certain parcel of real property situated in the County of Yavapai, State of Arizona, more particularly described as follows:

PARCEL I:

The West half of the Southwest quarter and the Southeast quarter of the Southwest quarter of Section 13, Township 16 North, Range 2 West, Gila and Salt River Base and Meridian, Yavapai County, Arizona.

EXCEPT that portion lying Westerly of the Easterly right of way of the Atchison, Topeka and Santa Fe Railroad right of way.

PARCEL II:

The North half and the Southwest quarter of Section 24, Township 16 North, Range 2 West, Gila and Salt River Base and Meridian, Yavapai County, Arizona.

EXCEPT that portion lying Westerly of the Easterly right of way of the Atchison, Topeka and Santa Fe Railroad right of way.

EXHIBIT "C"

Initial Use Restrictions

(a) General. Bright Star shall be used only for residential and related purposes. Related purposes may include, without limitation, offices for any management agent or agents retained by the Association and business offices for Declarant or the Association consistent with this Declaration and any Supplemental Declaration.

When used in these Use Restrictions, the phrase "Visible from Neighboring Property" shall mean, with respect to any given object, that the object is or would be visible to a six-foot tall person standing at ground level on any part of the neighboring property at an elevation no greater than the elevation of the base of the object being viewed, except where the object is visible solely through a wrought iron fence and would not be visible if the wrought iron fence were a solid fence.

(b) Animals and Pets. No animals of any kind, including livestock and poultry, shall be raised, bred, or kept on any portion of Bright Star, except that for each Dwelling Unit there shall be permitted a reasonable number of usual and common household pets, as determined in the Board's discretion. Pets which are permitted to roam free, or, in the Association's sole discretion, endanger the health, make objectionable noise, or constitute a nuisance or inconvenience to other Owners or residents of any portion of Bright Star shall be removed upon the Board's request at the Owner's expense. If the Owner fails to honor such request, the Board may cause the pet to be removed at the Owner's expense. No pets shall be kept, bred, or maintained for any commercial purpose.

(c) Business Use. No business or trade shall be conducted in or from any Lot, except that an Owner or occupant residing in a Dwelling Unit may conduct business activities within the Dwelling Unit so long as:

(i) the existence or operation of the business activity is not apparent or detectable by sight (including signage), sound, or smell from outside the Dwelling Unit;

(ii) the business activity conforms to all zoning requirements for Bright Star;

(iii) the business activity does not cause parking or other traffic problems within Bright Star, as determined in the Board's discretion, or involve door-to-door solicitation of residents of Bright Star; and

(iv) the business activity is consistent with the residential character of Bright Star and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of Bright Star, as may be determined in the sole discretion of the Board.

The foregoing limitations shall not preclude occasional garage sales, moving sales, rummage sales, or similar activities, provided that such activities may not be held on any one Lot more than once in any three-month period and, when held, may not exceed three consecutive days in duration.

"Business and trade" shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to Persons other than the family of the producer of such goods or services and for which the producer 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 to or does generate a profit, or (c) a license is required.

This Section shall not apply to any activity conducted by Declarant or a Person approved by Declarant with respect to its development and sale of Bright Star or its use of any Lots which it owns within Bright Star, including the operation of a timeshare or similar program. Additionally, this Section shall not apply to any activity conducted by the Association.

The leasing of a Dwelling Unit shall not be considered a business or trade within the meaning of this subsection. "Leasing," for purposes of this Declaration, is defined as regular, exclusive occupancy of a Dwelling Unit by any person other than the Owner, for which the

Owner receives any consideration or benefit, including, but not limited to, a fee, service, gratuity, or emolument. Dwelling Units may be leased only in their entirety. No fraction or portion may be leased.

No structure on a Lot other than the primary residential Dwelling Unit shall be leased or otherwise occupied for residential purposes, except that a casita on a Lot, if any, may be occupied but not independently leased. There shall be no subleasing of Dwelling Units or assignment of leases except with the Board's prior written approval. All leases shall be in writing.

No transient tenants may be accommodated in a Dwelling Unit, and all leases shall be for an initial term of no less than 30 days, except: (a) with the prior written consent of the Board or (b) as initially authorized by Declarant in a Supplemental Declaration for Lots located within certain Neighborhoods.

Notice of any lease, together with such additional information as may be required by the Board, shall be given to the Board or its designee by the Owner within ten days of execution of the lease. The Owner must make available to the lessee copies of the Governing Documents. The Board may adopt reasonable rules and regulations regulating leasing and subleasing.

(d) Wildlife. Capturing, killing, or trapping wildlife is prohibited within Bright Star, except in circumstances imposing an imminent threat to the safety of Persons or pets or with respect to rodents (e.g. rats and mice) and common garden pests (e.g. gophers).

(e) Firearms. The discharge of firearms within Bright Star is prohibited. The term "firearms" includes "B-B" guns, pellet guns, and other firearms of all types, regardless of size.

(f) Nuisances. No Owner shall engage in any activity which materially disturbs or destroys the -vegetation, wildlife, or air quality within Bright Star or which results in unreasonable levels of sound or light pollution.

(g) Garages. Garage doors shall remain closed at all times except when entering and exiting the garage. Detached garages are prohibited.

(h) Exterior Lighting. Excessive exterior lighting on any Lot is prohibited. The Board in its sole discretion shall determine whether any exterior lighting is excessive.

(i) Storage of Goods. Storage (except in approved structures or containers) of furniture, fixtures, appliances, machinery, equipment, or other goods and chattels on the Common Area (except by the Association), or, if not in active use, any portion of a Lot which is visible from outside the Lot is prohibited.

(j) Occupants Bound. All provisions of the Governing Documents shall apply to all occupants, guests, and invitees of any Lot. Every Owner shall cause all occupants of his or her Lot to comply with the foregoing and shall be responsible for all violations and losses to the Common Area caused by such occupants, notwithstanding the fact that such occupants of a Lot are also fully liable and may be sanctioned for any violation.

(k) Prohibited Conditions. The following conditions, structures, or activities are prohibited on any Lot.

(i) Casitas (except as initially constructed by Declarant or approved by Declarant as part of the initial construction of a Dwelling Unit on a Lot);

(ii) Dogs runs and animal pens of any kind, if such structures are Visible from Neighboring Property;

(iii) Shacks or other structures of a temporary nature on any Lot except as may be authorized by Declarant during the initial construction of improvements within Bright Star. Temporary structures used during the construction or repair of a Dwelling Unit or other improvements shall be removed immediately after the completion of construction or repair;

(iv) Permanent basketball goals, basketball standards, or backboards which are or would be Visible from Neighboring Property; provided, portable basketball goals may be used on a Lot without prior approval, but must be stored so as not to be Visible from Neighboring Property overnight or otherwise when not in use;

(v) Freestanding flagpoles; provided, flags may be displayed using a bracket or other approved device mounted to the Dwelling Unit so long as the size of the flag displayed does not exceed that of a standard United States flag (as determined in the Board's discretion and as may be set forth in a Board rule);

(vi) Compost piles or containers and statues; and

(vii) Outside clotheslines or other outside facilities for drying or airing clothes.

In any event, and notwithstanding the above list of prohibited conditions, as set forth in Article IV, any structure, improvement, or thing proposed for construction, erection, installation, or placement on a Lot requires prior Reviewer approval unless otherwise specifically exempt under the Design Guidelines.

(l) Quiet Enjoyment. Nothing shall be done or maintained on any part of a Lot which emits foul or obnoxious odors outside the Lot or creates noise or other conditions which tend to disturb the peace, quiet, safety, comfort, or serenity of the occupants and invitees of other Lots.

No noxious, illegal, or offensive activity shall be carried on upon any portion of Bright Star, which in the Board's reasonable determination tends to cause embarrassment, discomfort, annoyance, or nuisance to persons using the Common Area or to the occupants and invitees of other Lots.

(m) Signs. No sign shall be erected within Bright Star, except those required by law, including posters, circulars, and billboards; provided, the following types of signs may be erected on a Lot without the Board's written consent: (i) residential identification signs of a face area of 75 square inches or less for identification of the occupant and its address, in a style designated by the Design Guidelines or approved by the ARC; (ii) one temporary sign of customary size, as determined by the ARC, for the purpose of advertising the Lot for sale or rent; (iii) one temporary sign identifying the Person installing landscaping or a pool on the Lot, but only during the period that such installation is in progress; and (iv) security signs of a face area of 75 square inches or less, in a style and location designated by the Design Guidelines or approved by the ARC. This restriction shall not apply to entry, directional, and marketing signs installed by Declarant or a Builder. The Board and Declarant shall have the right to erect signs as they, in their discretion, deem appropriate.

(n) Subdivision of Lot and Time-Sharing. No Lot shall be subdivided or its boundary lines changed except with the Board's prior written approval; provided, however, Declarant, its successors and assigns hereby expressly reserve the right unilaterally to subdivide, change the boundary line of, and replat any Lot(s) that Declarant, its successors and assigns may own.

No Lot shall be made subject to any type of timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Lot rotates among members of the program on a fixed or floating time schedule over a period of years. However, Declarant hereby reserves the right for itself and its assigns to operate such a program.

(o) Holiday Decorations. Owners may display holiday decorations located or visible from outside their Dwelling Units if the decorations are of the kinds normally displayed in single family residential neighborhoods, are of reasonable size and scope, and do not disturb other Owners and residents by excessive light or sound emission or by causing an unreasonable amount of spectator traffic. Holiday decorations may be displayed in season only from November 1 to January 31 and, during other times of the year, from one week before to one week after any nationally recognized holiday.

(p) Antennas and Satellite Dishes. No antenna, satellite dish, or other device for the transmission or reception of television or radio (including amateur or ham radios) signals is permitted outside the Dwelling Unit, except those devices whose installation and use is protected under federal law or regulations (generally, certain antennae under one meter in diameter). Notwithstanding such protection, an application for such an antenna or other device must be submitted to the Architectural Review Committee for approval and approval will be granted only if

(i) First, the antenna or other device is designed for minimal visual intrusion (i.e., is located in a manner that minimizes visibility from the street or an adjacent Lot and is consistent with the Community-Wide Standard); and

(ii) Second, the antenna or other device complies to the maximum extent feasible with the Design Guidelines within the confines of applicable federal regulations (i.e., without precluding reception of a quality signal or unreasonably increasing the cost of the antenna or device).

The Architectural Review Committee shall consider any such application on an expedited basis.

(q) Trash Containers and Collection. No garbage or trash shall be placed or kept on any Lot, except in covered containers of a type, size and style which are pre-approved by the ARC or specifically permitted under the Design Guidelines, or as required by the applicable governing jurisdiction. Such containers shall not be Visible from Neighboring Property except when they are being made available for collection and then only for the shortest time reasonably necessary to effect such collection. All rubbish, trash, or garbage shall be removed from the Lots and shall not be allowed to accumulate thereon. No outdoor incinerators shall be kept or maintained on any Lot.

(r) Pool Equipment. All pool equipment stored on any Lot shall be screened so as to be neither Visible from Neighboring Property nor able to be seen through any wrought iron fence.

(s) Unightly or Unkempt Conditions. All portions of a Lot outside enclosed structures shall be kept in a clean and tidy condition at all times. No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot so as to render any such property or any portion thereof, or activity thereon, unsanitary, unsightly, offensive or detrimental to any other portion of Bright Star.

Woodpiles or other material shall be stored in a manner so as not to be Visible from Neighboring Property and not to be attractive to rodents, snakes, and other animals and to minimize the potential danger from fires. No nuisance shall be permitted to exist or operate upon any Lot so as to be offensive or detrimental to any other portion of Bright Star. No activities shall be conducted upon or adjacent to any Lot or within improvements constructed thereon which are or might be unsafe or hazardous to any Person or property. No open fires shall be lighted or permitted on Bright Star, except in a contained outdoor fireplace or barbecue unit while attended and in use for cooking purposes or within a safe and well designed interior fireplace.

(t) Landscaping. Pursuant to Section 4.3 of the Declaration, initial landscaping shall be installed, as approved, in the front and side yards of a Lot within 90 days from the date of the initial closing of escrow on the Lot or the issuance of a certificate of occupancy on the Lot, whichever is later. Initial landscaping on all other portions of the Lot, including the rear yard, shall be installed within 180 days from the date of the initial closing of escrow on the Lot or the issuance of a certificate of occupancy on the Lot, whichever is later.

(u) Vehicles and Parking. The term "vehicles," as used in this Section, shall include, without limitation, automobiles, trucks, boats, trailers, motorcycles, campers, vans, and recreational vehicles.

No vehicle may be left upon any portion of Bright Star except in a garage, driveway, or other area designated by the Board. No person shall park any recreational vehicles, mobile

homes, trailers, campers, boats or other watercraft, stored vehicles, and unlicensed vehicles or inoperable vehicles within Bright Star other than in enclosed garages; provided, however, boats may be kept or stored on a Lot so long as they are not Visible from Neighboring Property and commercial vehicles not exceeding one ton in weight may be parked and kept in a driveway. This Section shall not apply to emergency vehicle repairs.

Notwithstanding the above, for purposes of cleaning, loading, unloading, and short term parking, recreational vehicles may be parked on Bright Star for 72 hours per calendar month. Owners must obtain a recreational vehicle permit for such short term parking from the Association office. The use of golf carts is prohibited within Bright Star.

(v) Wetlands, Lakes, and Other Water Bodies. All wetlands, lakes, ponds, and streams within Bright Star, if any, shall be aesthetic amenities only, and no other active use of lakes, ponds, streams, or other bodies of water within Bright Star or within any golf course is permitted, except that the Association and its agents shall have the exclusive right and easement to retrieve golf balls from bodies of water within the Common Areas. The Association shall not be responsible for any loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of lakes, ponds, streams, or other bodies of water within or adjacent to Bright Star.

(w) Solar Equipment. No solar heating equipment or device is permitted outside the Dwelling Unit except such devices whose installation and use is protected by federal or Arizona law. Notwithstanding such protection, an application for such equipment or device must be submitted for approval under Article IV prior to installation and approval will be granted only if:

(i) First, such equipment or device is designed for minimal visual intrusion when installed (i.e. is located in a manner which minimizes visibility- from the street or an adjacent Lot and is consistent with the Community-Wide Standard); and

(ii) Second, the equipment or device complies to the maximum extent feasible with the Design Guidelines within the confines of the applicable governmental regulations.

COURTESY RECORDING
NO TITLE LIABILITY

When Recorded, Return To:

**Colleen Goodell Knecht
Zwillinger Greek & Knecht PC
2425 E. Camelback Road, Suite 600
Phoenix, Arizona 85016**

**AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS FOR BRIGHT STAR**

THIS AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR BRIGHT STAR (this "Amendment") is dated this ~~24~~ day of December, 2014 by Prescott Holdings LLC, an Arizona limited liability company ("Declarant").

RECITALS

A. The Property is subject to a Declaration of Covenants, Conditions, Restrictions and Easements for Bright Star executed by Granite Investment & Development (Meadow Ridge Ranch), LLC, an Arizona limited liability company ("Original Declarant") dated August 22, 2003 and recorded on August 22, 2003 in the Official Records of Yavapai County, Arizona (the "Recording Office") as Book 4065, page 946, as subsequently amended by a Supplemental Declaration of Covenants, Conditions, Restrictions and Easements for Bright Star dated July 27, 2005 and recorded in the Recording Office as Book 4292, page 833, as subsequently amended by a Supplemental Declaration of Covenants, Conditions, Restrictions and Easements for Bright Star dated February 27, 2008 and recorded in the Recording Office as Book 4578, page 298 (as subsequently amended, the "Declaration"). All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Declaration, as such property is legally described on Exhibit "A" attached hereto and incorporated herein by reference.

B. Declarant is the successor to Original Declarant under the Declaration as the result of a foreclosure by Declarant of all of Original Declarant's right, title and interest in and to the Property which is the subject of the Declaration.

C. Declarant desires to amend the Declaration to redefine the "Class "B" Control Period".

AGREEMENTS

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Declarant hereby amends the Declaration as follows:

1. Class "B" Control Period. Notwithstanding anything in the Declaration to the contrary the Class "B" Control Period is hereby redefined in Article II as follows:

“Class "B" Control Period”: The period during which the Class "B" Member is entitled to appoint a majority of the Board members. The Class "B" Control Period shall expire upon the first to occur of the following:

- (a) when the last Lot planned for development under the Master Plans for Bright Star has a certificates of occupancy issued thereon and is owned by a Class "A" Member;
- (b) December 31, 2025; or
- (c) when, in its discretion, the Class "B" Member so determines.”

2. Binding Effect. The Declaration, as modified herein, shall be binding upon the parties hereto. Except as specifically modified herein, the Declaration shall remain unchanged and in full force and effect.

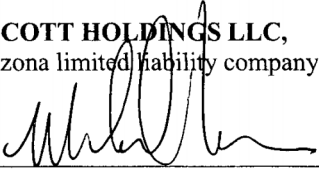
3. Counterparts. This Amendment may be executed in counterparts and each such counterpart, when taken together with all other counterparts, shall be deemed one and the same original document.

[signature page attached]

IN WITNESS WHEREOF, the parties to this have executed this Amendment as of the date set forth above.

DECLARANT:

PRESCOTT HOLDINGS LLC,
an Arizona limited liability company

By: 
Print Name: Michael W. Fann
Title: Authorized Member

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 22 day of December, 2014 by Michael W. Fann, Authorized Member in Prescott Holdings LLC, an Arizona limited liability company, on behalf of said company.


Notary Public

My commission expires:
June 10, 2016

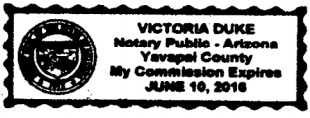


EXHIBIT "A"

That certain parcel of real property situated in the County of Yavapai, State of Arizona, more particularly described as follows:

The West half of the Southwest quarter and the Southeast quarter of the Southwest quarter of Section 13, Township 16 North, Range 2 West, Gila and Salt river Base and Meridian, Yavapai County, Arizona;

AND, the North half of the Southeast quarter of Section 24, Township 16 North, Range 2 West, Gila and Salt River Base and Meridian, Yavapai County, Arizona.

EXCEPT that portion lying Westerly of the Easterly right of way of the Atchison, Topeka and Santa Fe Railroad right of way.

INCLUDING lots 1 to 34, 104 to 107, 127 to 153 and 184 to 198 inclusive, Bright Star Unit 1, Phase 1 and Unit 2, Phase 1, according to the plat of record originally recorded in the office of the Yavapai County Recorder at Book 48 pages 67 through 69, and the Revised Final Plat of Bright Star Unit 1, Phase 1 and Unit 2, Phase 1, according to the plat of record originally recorded in the office of the Yavapai County Recorder at Book 51 pages 71 through 73;

AND, lots 35, 73 to 84, 92 to 103, 108 to 124, 154 to 183, 199 to 251 inclusive and Tract "P", Bright Star Unit 1, Phase 2 and Unit 2, Phase 2, according to the plat of record originally recorded in the office of the Yavapai County Recorder at Book 52 pages 67 - 70, and the Amended Final Plat of Bright Star Unit 1, Phase 2 and Unit 2, Phase 2, according to the plat of record originally recorded in the office of the Yavapai County Recorder at Book 54 pages 96 through 99;

AND, lots 1 to 166 inclusive, Bright Star Unit 1, Phase 3 and Unit 2, Phase 3, according to the plat of record recorded in the office of the Yavapai County Recorder at Book 61 pages 15 through 21.