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**ANTHEM COUNTRY CLUB
COMMUNITY ASSOCIATION**

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR

ANTHEM COUNTRY CLUB

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Table of Contents

Part One: INTRODUCTION TO THE COMMUNITY	8
Article I. Creation of the Community	8
1.1 Purpose and Intent	8
1.2 Binding Effect	8
1.3 Governing Documents	9
1.4 Anthem Community Council	10
Article II. Concepts and Definitions	11
Part Two: CREATION AND MAINTENANCE OF COMMUNITY STANDARDS	15
Article III. Use and Conduct	15
3.1 Framework for Regulation	16
3.2 Owners' Acknowledgement and Notice to Purchasers.	16
3.3 Rule Making Authority	16
3.4 Protection of Owners and Others	17
Article IV. Design and Landscaping	18
4.1 General	18
4.2 Design Review.	19
4.3 Guidelines and Procedures	21
4.4 No Waiver of Future Approvals	23
4.5 Variances	23
4.6 Limitation of Liability	24
4.7 Enforcement	24
4.8 Capacity Reservation Charge	25
Article V. Maintenance and Repair	25
5.1 Maintenance of Lots	25
5.2 Maintenance of Property within Benefited Areas	26
5.3 Responsibility for Repair and Replacement	27
Part Three: COMMUNITY GOVERNANCE AND ADMINISTRATION	28
Article VI. The Association and Its Members	28
6.1 Function of the Association	28
6.2 Membership	28
6.3 Voting	28

6.4	Benefited Areas	29
Article VII.	Association Powers and Responsibilities	30
7.1	Acceptance and Control of Association Property	30
7.2	Maintenance of Area of Common Responsibility.....	30
7.3	Insurance.	32
7.4	Compliance and Enforcement	35
7.5	Implied Rights; Board Authority.....	37
7.6	Indemnification of Officers, Directors, and Others.....	37
7.7	Safety and Security.	38
7.8	Provision of Services.....	39
7.9	Change of Use of Common Area.....	39
7.10	View Impairment.....	40
7.11	Relationship with Governmental and Tax-Exempt Organizations	40
7.12	Election of Council Board Members	40
Article VIII.	Association Finances.....	40
8.1	Budgeting and Allocating Common Expenses.....	40
8.2	Budgeting and Allocating Expenses for Benefited Areas.....	42
8.3	Budgeting for Reserves	42
8.4	Special Assessments.....	42
8.5	Benefited Assessments	43
8.6	Commencement of Payment Obligation; Time of Payment.....	43
8.7	Obligation for Assessments	44
8.8	Lien for Assessments.....	46
8.9	Limitation on Increases of Assessments.....	47
8.10	Exempt Property	47
8.11	Assignment of Rights and Authority to the Council	48
8.12	Lifestyle Enhancement Fee	48
Part Four:	COMMUNITY DEVELOPMENT.....	50
Article IX.	Expansion of the Community.....	50
9.1	Expansion by Declarant.....	50
9.2	Expansion by the Association.....	51
9.3	Additional Covenants and Easements - Tract Declarations	51
9.4	Effect of Filing Supplemental Declaration.....	51

Article X. Additional Rights Reserved to Declarant.....	52
10.1 Withdrawal of Property	52
10.2 Marketing and Sales Activities.....	52
10.3 Right To Develop.....	52
10.4 Right To Designate Sites for Governmental and Public Interests.....	52
10.5 Right To Approve Additional Covenants	53
10.6 Right To Transfer or Assign Declarant Rights	53
10.7 Easement to Inspect and Right to Correct.....	53
10.8 Right to Notice of Design or Construction Claims	53
10.9 Exclusive Rights To Use Name of Development.....	54
10.10 Del Webb Marks	54
10.11 Equal Treatment	54
10.12 Right To Use Common Area for Special Events	55
10.13 Termination of Rights.....	56
Part Five: PROPERTY RIGHTS WITHIN THE COMMUNITY.....	56
Article XI. Easements.....	56
11.1 Easements in Common Area.....	56
11.2 Easements of Encroachment.....	58
11.3 Easements for Utilities, Etc	58
11.4 Easements To Serve Additional Property.....	59
11.5 Easements for Maintenance, Emergency, and Enforcement	59
11.6 Easements for Lake and Pond Maintenance and Flood Water.....	60
11.7 Easements for Cross-Drainage	60
11.8 Rights to Stormwater Runoff, Effluent, and Water Reclamation	60
11.9 Easements for Golf Course.....	61
Article XII. Party Walls and Other Shared Structures.....	61
12.1 General Rules of Law to Apply.....	61
12.2 Maintenance; Damage and Destruction.....	62
Article XIII. Country Club Amenities	62
13.1 Right to Use the Country Club Amenities	62
13.2 Conveyance of Country Club Amenities	62
13.3 Assumption of Risk and Indemnification.....	63
13.4 View Impairment.....	63

13.5	Rights of Access and Parking.....	63
13.6	Limitations on Amendments.....	64
13.7	Jurisdiction and Cooperation	64
Part Six:	RELATIONSHIPS WITHIN AND OUTSIDE THE COMMUNITY	64
Article XIV.	Dispute Resolution and Limitation on Litigation	64
14.1	Prerequisites to Actions Against Declarant	64
14.2	Initiation of Litigation by Association.....	65
14.3	Alternative Method for Resolving Disputes.....	65
14.4	Claims.....	65
14.5	Mandatory Procedures	66
14.6	Enforcement of Resolution.....	67
14.7	Attorneys' Fees	67
Article XV.	Mortgagee Provisions	68
15.1	Notices of Action.....	68
15.2	No Priority	69
15.3	Notice to Association.....	69
15.4	Failure of Mortgagee to Respond	69
Part Seven:	CHANGES IN THE COMMUNITY	69
Article XVI.	Changes in Ownership of Lots	70
Article XVII.	Changes in Common Area	70
17.1	Condemnation.....	70
17.2	Partition	71
17.3	Transfer or Dedication of Common Area	71
Article XVIII.	Amendment of Declaration	71
18.1	Corrective Amendments	71
18.2	By Members	71
18.3	Validity and Effective Date	72
18.4	Exhibits.....	72

TABLE OF EXHIBITS

Page First

<u>Exhibit</u>	<u>Subject Matter</u>	<u>Mentioned</u>
"A"	Land Initially Submitted	1
"B"	Land Subject to Annexation	6
"C"	Initial Use Restrictions	3

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
ANTHEM COUNTRY CLUB

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS is made this 14th day of January, 1999, by Anthem Arizona, L.L.C. an Arizona limited liability company ("Declarant").

Part One: INTRODUCTION TO THE COMMUNITY

Anthem Arizona, L.L.C., as developer of Anthem Country Club, has established this Declaration to provide a governance structure and a flexible system of standards and procedures for the overall development; administration, maintenance, and preservation of Anthem Country Club as a master planned community.

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 Anthem Country Club. This Declaration provides a flexible and reasonable procedure for the future expansion of the Anthem Country Club Community to include additional real property as Declarant deems appropriate and provides for the overall development, administration, maintenance, and preservation of the real property now and hereafter comprising the Anthem Country Club Community. An integral part of the development plan is the creation of Anthem Country Club Community Association, Inc., an association comprised of all Lot owners in the Anthem Country Club Community, 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 which is subjected to this Declaration in the future by Recording of one or more Supplemental Declarations, 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 the Anthem Country Club Community, 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 the 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, the Council, 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

The Anthem Country Club Community Governing Documents consist of the following as they may be amended:

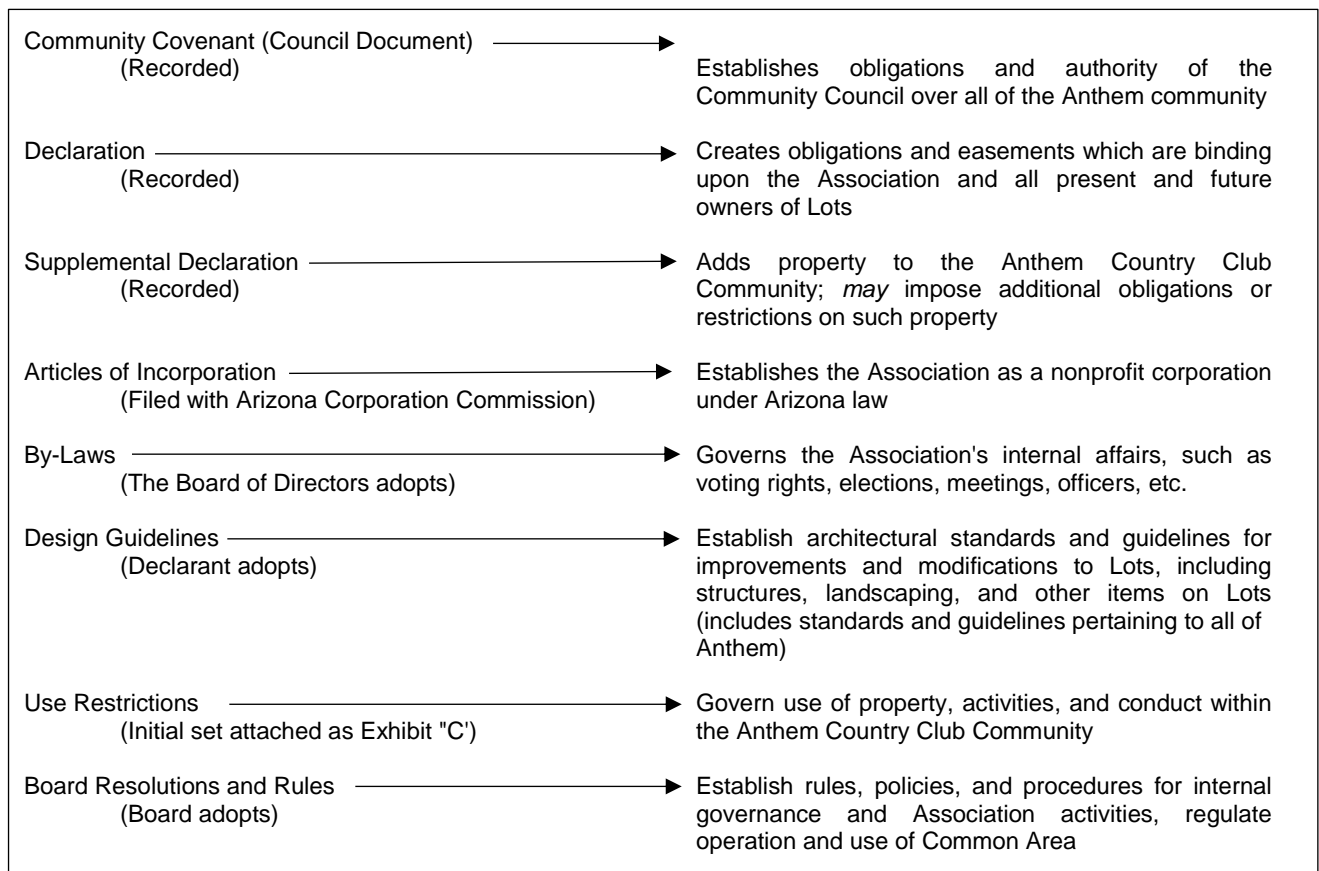


Diagram 1.3 - Governing Documents

The Governing Documents may be supplemented by additional covenants, restrictions and easements applicable to particular Benefited Areas within the Anthem Country Club Community. 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 Benefited Area, the Governing Documents shall control.

Nothing in this Section shall preclude any Supplemental Declaration or other Recorded covenants applicable to any portion of the Anthem Country Club Community 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 administer and enforce any such covenants, restrictions, or other instruments applicable to a Benefited Area.

The Governing Documents apply to all Owners and occupants of Lots, as well as 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.

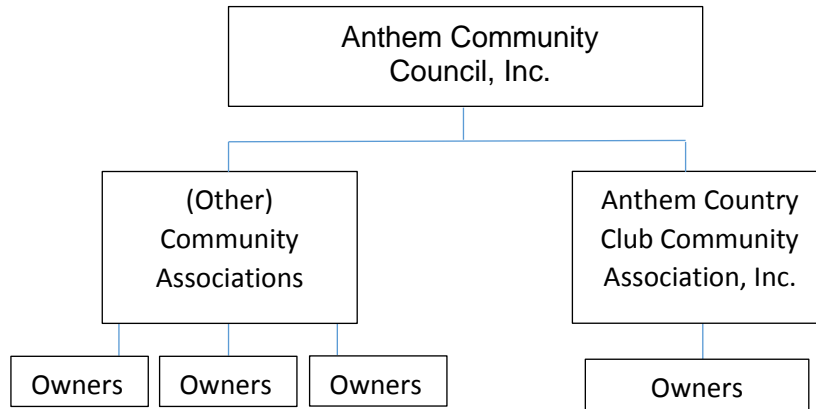
Diagrams in the Governing Documents are intended only to summarize the express written terms therein. **Diagrams are not intended to supplant or supplement the express written or implied terms contained in the Governing Documents.**

1.4 Anthem Community Council

Declarant has recorded the Declaration of Covenants and Easements for Anthem ("Community Covenant") and has created the Anthem Community Council, Inc. ("Council") in order to empower, encourage, and provide a means for each Owner and resident of a Dwelling Unit to participate in and benefit from community-wide affairs, services, and facilities. The Anthem Country Club Community, the Association, and all Owners are subject to the Community Covenant, in addition to this Declaration, and the Council's jurisdiction, including the obligation to contribute to the Council's common expenses.

The Council shall have oversight authority over any action taken or proposed by the Association and may, in its discretion, veto actions or decisions by the Association determined to be contrary to the general scheme of development for Anthem, including, but not limited to, changes in the Design Guidelines. The Council also is authorized to take action, or require that action be taken by the Association, to enforce the Association's and each Owner's obligations and responsibilities under the Governing Documents with respect to the Use Restrictions, Design Guidelines, maintenance requirements, and the Community-Wide Standard. The right of the Council to take such action shall exist notwithstanding the failure to specify such right in any particular provision of any of the Governing Documents.

Anthem Community Structure



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.

"Anthem": That certain mixed-use master planned community a portion of which is located in the city of Phoenix, and all of which is located in Maricopa County, Arizona, which is subject to the Community Covenant and which includes the Anthem Country Club Community.

"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 Anthem Country Club Community Association, Inc., as filed with the Arizona Corporation Commission, as may be amended.

"Association": Anthem Country Club 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.

"Benefited Area": A group of Lots designated as a Benefited Area in a Supplemental Declaration. A Benefited Area may be comprised of more than one housing type and may include noncontiguous parcels of property.

"Benefited Assessment": Assessments levied against a Benefited Area or particular 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.

"Builder": Any Person who purchases one or more Lots or parcels of land within the Properties 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 Anthem Country Club 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 100% of the Lots planned for development under the Master Plans for the Anthem Country Club Community have certificates of occupancy issued thereon and are owned by Class "A" Members;
- b. when the Class "B" membership terminates;
- c. December 31, 2024; provided, in the event that Declarant annexes additional property pursuant to Section 9.1 at any time after December 31, 2019, the above date shall be extended for additional five year periods for each additional 500 acres, or fraction thereof, of property annexed; or
- d. 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 from time to time. The Common Area does not include property or facilities owned by the Council or by the Country Club Amenity owner. Portions of the Common Area may be designated in a Tract Declaration as being "Limited Common Area" for the benefit of one or more, but less than all, Owners or Benefited Areas.

"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 Council" or "Council": The Anthem Community Council, Inc., an Arizona nonprofit corporation, its successors and assigns.

"Community Covenant": The Declaration of Covenants and Easements for Anthem which governs the entire Anthem community and, among other things, establishes the Council's authority to oversee community-wide affairs and provide community services and facilities.

"Community-Wide Standard": The standard of conduct, maintenance, or other activity generally prevailing throughout the Properties. 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 Anthem. The Community-Wide Standard may contain both objective and subjective elements and may evolve as development progresses and as the needs and demands of the Anthem Country Club Community change.

"Country Club Amenity(ies)": Certain real property and any improvements and facilities thereon located adjacent to, in the vicinity of, or within Anthem, which are privately owned and operated by Persons other than the Association or the Council for recreational and related purposes, on a club membership basis or otherwise. The Country Club Amenities shall include, without limitation, the golf course and all related and supporting facilities (including tennis courts, fitness areas, restaurants, club house, etc.), structures, and improvements operated and/or maintained in connection with or incidental to the private country club currently known as Anthem Golf and Country Club.

"Declarant": Anthem Arizona, 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 the Properties, adopted and administered pursuant to Article IV, as they may be amended, and those pertaining to all of Anthem, as provided in the Community Covenant.

" 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. The term shall not apply to a detached structure which is

intended as a residential dwelling ancillary to the primary Dwelling Unit for the Lot (e.g., a casita).

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

"Lifestyle Enhancement Committee" or "LEC": The committee established to review plans and specifications for the construction or modification of improvements and to supervise compliance with, and otherwise administer and enforce, the Design Guidelines and procedures described in Article IV. The LEC also may be assigned responsibility for enforcement of Use Restrictions and rules.

"Lot": A portion of the Properties, 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 the Anthem Country Club residential community 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 Plats and plans approved by Maricopa County, 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 as of the date of Recording this Declaration bar as 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.

"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 surveyor or other surveys for all or any portion of the Properties, as amended and supplemented.

"Properties" or "Anthem Country Club Community": The real property 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.

"Record," "Recording," or "Recorded": To file, the filing, or filed of record in the Office of the County Recorder of Maricopa 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" or "Tract Declaration": A Recorded instrument which subjects additional property to this Declaration pursuant to Article IX, identifies Common Area within the additional property, designates Benefited Areas, 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, and repealed pursuant to Article III.

Part Two: CREATION AND MAINTENANCE OF COMMUNITY STANDARDS

The standards for use and conduct, maintenance, and architecture within the Anthem Country Club Community are what give the community its identity and make it a place that people want to call "home." Each Owner and resident upholding such standards can take pride in the results of that common effect. This Declaration establishes procedures for adopting, modifying, applying, and enforcing such standards while providing the flexibility for the community standards to evolve as Anthem and the Anthem Country Club Community change and grow.

Article III. Use and Conduct

3.1 Framework for Regulation.

The Governing Documents establish, as part of the general plan of development for the Properties, a framework of affirmative and negative covenants, easements, and restrictions governing the Properties. 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 and regulations 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' Acknowledgement 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 Section 3.3 c, 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 Section 3.3 a, 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.

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 Benefited Area.
- 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 communities shall not be abridged, except that the Association may adopt 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 up to 90 days.
- 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 the Properties in accordance with the Master Plans and rights reserved to Declarant in this Declaration.
- h. Interference with the Country Club Amenities. No Use Restriction or Rule shall interfere with the use or operation of the Country Club Amenities.

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 XVIII and the Act.

Article IV. Design and Landscaping

4.1 General

No structure or thing shall be placed, erected, installed, or posted on the Properties 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 the Properties, 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 properly described in Exhibits "A" or "B," the Association during the Class "B" Control Period, or the Council.

4.2 Design 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 the Properties. 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 Lifestyle Enhancement 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. Lifestyle Enhancement Committee; Modifications. Prior to the close of escrow of the first Lot to a Class "A" Member, the Board shall establish the LEC, which shall consist of at least three Persons. Members of the LEC 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 LEC.

The LEC 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 Section 4.2 a, the LEC also may be assigned jurisdiction over original construction within the Properties. The Association also may assign to the LEC responsibility for monitoring compliance with and enforcement of Use Restrictions and Board promulgated rules.

As long as Declarant owns any property described in Exhibits "A" or "B," the LEC 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 LEC; provided, Declarant's right to veto must be exercised within 10 days of its receipt of notice of action taken by the LEC. The party submitting the Plans for approval shall not be notified of the LEC'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 LEC 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 LEC or the Board. Any action of any subcommittee shall be subject to the review and approval of the LEC and Declarant, for as long as Declarant owns any property described in Exhibits "A" or "B." Notwithstanding the above, neither the LEC 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 LEC 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 Anthem and all of the Properties, respectively, as well as specific provisions which vary within the Anthem Country Club Community. Any portion of the Design Guidelines specific to the Properties may not be in derogation of the architectural, design, and construction standards and guidelines promulgated for all of Anthem pursuant to the Community Covenant.

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 the Properties as long as it owns any portion of the Properties or has a right to expand the Properties 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 LEC shall have the authority to amend the Design Guidelines specific to the Properties with the Board's and the Council'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 the Properties. 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 the Properties 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 Maricopa County or any other 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, the Council, or any aggrieved Owner.

Notwithstanding the above, landscaping shall be installed, as approved, in the front yard of a Lot, on any portion of a Lot visible from a street, and in the rear yard of any Lot containing a "view fence" 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. The Reviewer's decision as to which portions of a Lot are affected by this requirement 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, the Community Covenant, 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 the Properties or has the right to annex any property described in Exhibit "B," or the Council.

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 the Properties; 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 Council, 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, Declarant, or the Council, 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, the Council, 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 benefited Lot and collected as a Benefited 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, the Association, or the Council 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 Benefited 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 the Properties, subject to the notice and hearing procedures contained in the By-Laws. In such event, neither Declarant, the Association, or the Council, 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, the Council, 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, the Council, 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 Capacity Reservation Charge

To the extent required, a Capacity Reservation Charge (as defined in the Agreement for The Villages at Desert Hills Water/Wastewater Infrastructure between Del Webb Corporation and Citizens Utilities Company, dated as of September 27, 1997 (the "Agreement")) shall be paid by a Builder at the time of issuance of a building permit, and in accordance with the Agreement, for each Lot or other portion of the Properties that will use 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, except perimeter walls or fences as described below. Such maintenance shall be performed 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.

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, Council owned property, public streets, or any Country Club Amenity. The Council shall maintain the exterior surface (that portion facing away from the Lot) of all perimeter walls and fences. In addition, the Council shall maintain all wrought iron portions (both exterior and interior) of any perimeter fence. With the exception of wrought iron, each Owner is responsible for maintaining the interior surface of all perimeter walls and fences on such Owner's Lot. The Council shall maintain perimeter walls and fences as a Council Expense (as defined in the Community Covenant); provided, if such work is made necessary by the actions of the Lot Owner, the costs incurred by the Council may be assessed specifically against the benefited Lot Owner, in accordance with the Community Covenant.

Some Lots contain Declarant-installed walls which 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 Council shall 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. Maintenance of the planters shall include structural and aesthetic maintenance and keeping and maintaining planting materials in accordance with the Community-Wide Standard. The remainder of the planter wall shall be maintained as described above.

The Association shall maintain all sidewalks running along streets and located on or adjacent to a Lot. All costs incurred by the Association in maintaining such sidewalks shall be assessed against the benefited Lot Owner as a Benefited Assessment, in accordance with Section 8.5.

In addition to any other enforcement rights, if an Owner fails to perform properly his or her maintenance responsibility, the Association may perform such maintenance responsibilities and assess all costs incurred 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 Property within Benefited Areas

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

If a separate community association ("sub-association") is formed for any Benefited Area, such sub-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. Such sub-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 shall assume maintenance responsibility for property within any Benefited Area, if required by Supplemental Declaration or because, in the opinion of the Board, 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 Benefited Assessment against only those Lots within the Benefited Area 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 sub-association (if any) for the Benefited Area 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 Benefited Assessment against the benefited 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 sub-association responsible for common property within the Benefited Area in the same manner as if a sub-association were an Owner and the common property were a Lot. Additional Recorded covenants applicable to any Benefited Area may establish requirements for insurance and more stringent standards for rebuilding or reconstructing structures on the Lots within such Benefited Area and for clearing and maintaining the Lots in the event the structures are not rebuilt or reconstructed.

Part Three: COMMUNITY GOVERNANCE AND ADMINISTRATION

The success of the Anthem Country Club Community is dependent upon the support and participation of every Owner in its governance and administration. The Declaration establishes Anthem Country Club Community Association, Inc. as the entity through which each Owner is able to provide that support and participation. While many powers and responsibilities are vested in the Association's board of directors, some decisions are reserved for the Association's membership - the owners of property in the community.

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, 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 shall not vote on Association matters but may appoint a majority of the members of the Board of Directors 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 terminates when 100% of the Lots planned for development under the Master Plans have certificates of occupancy issued thereon and are owned by Class "A" Members or such earlier time as determined in the Class "B" Member's discretion.

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 Benefited Areas

By Supplemental Declaration, Declarant may assign property to a specific Benefited Area (by name or other identifying designation). Lots within a particular Benefited Area 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 Benefited Area may be members of a sub-association in addition to the Association. 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 Benefited Areas or redesignate Benefited Area boundaries. However, two or more existing Benefited Areas shall not be combined without the consent of Owners of a majority of the Lots in the affected Benefited Areas.

If required by the Supplemental Declaration designating the Benefited Area, the Association shall provide services to such Benefited Area which it does not provide to all Lots and Owners within the Anthem Country Club Community. For example, without limitation, the Association may maintain an entry feature or a landscaped park or island serving only such Benefited Area. 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 Benefited Areas receiving the same service), shall be assessed against the Lots within such Benefited Area as a Benefited Assessment. Any specific requirements with respect to preparing a budget for such Benefited Assessments shall be set forth in the Supplemental Declaration.

Article VII. Association Powers and Responsibilities

7.1 Acceptance and Control of Association Property

- a. The Association, through action of the Board, may acquire, hold, lease (as lessor or lessee), operate, and dispose of tangible and intangible personal property and real property. 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 third parties, for the provision of goods or services for the general benefit or convenience of Owners and other residents of the Anthem Country Club Community.
- b. Declarant and its designees may convey to the Association for no monetary consideration, and, in such case, 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," including all or any portion of the Country Club Amenity known as the Anthem Country Club. 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;
 - ii. landscaping within public rights-of-way within or abutting the Properties;

- iii. such portions of any additional property, including areas designated as open space, included within the Area of Common Responsibility as may be dictated by this Declaration, any Supplemental Declaration, any Plat of any portion of the Properties, or any contract, covenant, or agreement for maintenance thereof entered into by, or for the benefit of, the Association;
- iv. all ponds, streams, retention areas, and/or wetlands located within the Properties which serve as part of the stormwater drainage system for the Properties, including improvements and equipment installed therein or used in connection therewith, and which are not otherwise maintained by the Council; and
- v. any property and facilities Declarant owns and makes available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members. Such property and facilities must be identified by written notice from Declarant to the Association and shall remain a part of the Area of Common Responsibility and shall be maintained by the Association until such time as Declarant revokes such privilege of use and enjoyment by written notice to the Association.

The Association may maintain other property which it does not own, including, without limitation, property dedicated to the public, if the Board of Directors determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard.

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.

Except as provided above, the Area of Common Responsibility shall not be reduced by amendment of this Declaration or any other means except with the prior written approval of Declarant as long as Declarant owns any property described in Exhibits "A" or "B" of this Declaration.

- 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, a Supplemental Declaration, or other Recorded covenants or agreements with the owner(s) thereof.

7.3 Insurance.

- a. Required Coverage(s) The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect the following types of insurance, if reasonably available, or if not reasonably available, the most nearly equivalent coverages as are reasonably available:
- i. Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for all insurable improvements within the Area of Common Responsibility to the extent that the Association has assumed responsibility in the event of a casualty, regardless of ownership. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured improvements under current building ordinances and codes;
 - ii. Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, such coverage (including primary and any umbrella coverage) shall have a limit of at least \$2,000,000.00 per occurrence with respect to bodily injury, personal injury, and property damage; provided, should additional coverage and higher limits be available at reasonable cost which a reasonably prudent person would obtain, the Association shall obtain such additional coverages or limits;
 - iii. Workers compensation insurance and employers liability insurance, if and to the extent required by law;
 - iv. Directors and officers liability coverage;
 - v. Commercial crime insurance, including fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's business judgment but not less than an amount equal to one-quarter of the annual Base Assessments on all Lots plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation; and

- vi. Such additional insurance as the Board, in its business judgment, determines advisable.

In addition, the Association shall, if so specified in a Supplemental Declaration, obtain and maintain property insurance on the insurable improvements on the Lots within such Benefited Area which insurance shall comply with the requirements of Section 7.3 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, unless otherwise specified in a Supplemental Declaration or when 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 its insurance coverage by one or more qualified Persons, at least one of whom must be familiar with insurable replacement costs in the Maricopa 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.

The policies may contain a reasonable deductible and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 7.3 a. In the event of an insured loss, the deductible shall be charged to the Owners in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the procedures set forth in the By-Laws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may assess the full amount of such deductible against such Owner(s) and their Lots as a Benefited Assessment.

All insurance coverage obtained by the Board shall:

- i. be written with a company authorized to do business in the State of Arizona which holds a Best's rating of A or better, as established by A. M. Best Company, Inc., or the closest equivalent rating available, and which satisfies the requirements of the Federal National Mortgage Association, or such other secondary mortgage market agencies or federal agencies as the Board deems appropriate;
- ii. be written in the name of the Association as trustee for the benefited parties. Policies on the Common Areas shall be for the benefit of the Association and its Members;
- iii. not be brought into contribution with insurance purchased by Owners, occupants, or their Mortgagees individually;

- iv. contain an inflation guard endorsement;
- v. include an agreed amount endorsement, if the policy contains a co-insurance clause;
- vi. provide that each Owner is an insured person under the policy with respect to liability arising out of such Owner's interest in the Common Area or membership in the Association;
- vii. include an endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer on account of anyone or more individual Owners (unless such Owner is acting within the scope of its authority on behalf of the Association), or on account of any curable defect or violation without prior written demand to the Association to cure the defect or violation and allowance of a reasonable time to cure; and
- viii. include an endorsement precluding cancellation, invalidation, denial of a claim, or condition to recovery under the policy on account of any act or omission of the Association or any one or more individual Owners, unless such Owner is acting within the scope of its authority on behalf of the Association.

In addition, the Board shall use reasonable efforts to secure insurance policies which list the Owners (as a class) as additional insureds and provide:

- i. a waiver of subrogation as to any claims against the Association's Board, officers, employees, and its manager, the Owners and their tenants, servants, agents, and guests;
- ii. a waiver of the insurer's rights to repair and reconstruct instead of paying cash;
- iii. an endorsement excluding Owners' individual policies from consideration under any "other insurance" clause;
- iv. an endorsement requiring at least 30 days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal;
- v. a cross liability provision; and
- vi. a provision vesting in the Board's exclusive authority to adjust losses; provided, however, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss.

- 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 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 Benefited Area, 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 Section 7.3 a.

7.4 Compliance and Enforcement

- a. The Board may impose sanctions for violation of the Governing Documents after notice and a hearing in accordance with the procedures set forth in the By-Laws. 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. 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;
- ii. suspending an Owner's right to vote;
- iii. suspending any Person's right to use any Common Area amenities; provided, however, nothing herein shall authorize the Board to limit ingress or egress to or from a Lot;
- iv. suspending any services provided by the Association;
- v. exercising self-help or taking action to abate any violation of the Governing Documents on a Lot in a non-emergency situation;
- vi. without liability to any Person, precluding any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of Article IV and the Design Guidelines from continuing or performing any further activities in the Properties; and
- vii. levying Benefited Assessments to cover costs incurred by the Association or the Council to bring a Lot into compliance with the Governing Documents.

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 or taking action to abate any violation on the Common Area or in any emergency situation (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules); and
- ii. bringing suit at law in equity to enjoin any violation or to recover monetary damages or both.

In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Association may Record a notice of violation or perform such maintenance responsibilities and assess all costs incurred by the

Association against the Lot and the Owner as a Benefited Assessment. Except in an emergency situation, the Association shall provide the Owner reasonable notice and an opportunity to cure the problem prior to taking such enforcement action.

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.

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 any or further action;
- ii. the covenant, restriction, or rule being enforced is, or is likely to be construed as, inconsistent with applicable law;
- 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; or
- iv. that it is not in the Association's best interests, based upon hardship, expense, or other reasonable criteria, to pursue enforcement action.

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 permit Maricopa County or other governmental authorities to enforce ordinances within the Properties for the benefit of the Association and its Members.

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 the Anthem Country Club Community. The Association may, but shall not be obligated to, maintain or support certain activities within the Properties designed to enhance the level of safety or security which each person provides for himself and his property. The Association, the Council, the Country Club Amenities, and Declarant shall not any way be considered insurers or guarantors of safety or security within the Properties, 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 the Properties, including manned entry gates, 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, the Community Council, the Country Club Amenities, and Declarant are not insurers or guarantors of security or safety and that each Person within the Properties 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.

Perimeter walls and fences are erected for aesthetic purposes only. No representation or warranty is made that such walls and fences are installed to, or will in any way, enhance safety or security within the Properties. No perimeter wall is planned to encompass all of the Anthem Country Club Community.

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 Maricopa County 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. Non-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 the Properties, 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 Change of Use of Common Area

During Class "B" Control Period, without the approval or consent of the Members, and thereafter, with the consent of a majority of the Owners' votes, and the consent of Declarant (so long as Declarant owns any property described in Exhibits "A" or "B"), the Board shall have the power and right to change the use of portions of the Common Area. Any such change shall be made by Board resolution stating that: (a) the present use is no longer in the best interest of the Owners, (b) the new use is for the benefit of the Owners, (c) the new use is consistent with any deed restrictions and zoning regulations restricting or limiting the use of the Common Area, and (d) the new use is consistent with the then effective Master Plans.

Notwithstanding the above, if the Board resolution states that the change will have an adverse effect on the Association and the Owners, the Board shall give notice of the change to all Owners. The notice shall give the Owners a right to object within 30 days

of the notice. If less than 10% of the Members submit written objections, the change shall be deemed approved, and a meeting shall not be necessary.

7.10 View Impairment

Declarant, the Association, or the Council make no guarantee or representation that any view over and across the Lots or any open space within Anthem will be preserved without impairment. Declarant, the Association, any Private Amenity and the Council shall not be obligated 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 such entity. The owner of open space areas or Country Club Amenities 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.

7.11 Relationship with Governmental and Tax-Exempt Organizations

The Association may create, enter into agreements or contracts with, or grant exclusive and/or non-exclusive easements over the Common Area to state or local governments, public utility providers, and non-profit, tax-exempt organizations for the benefit of the Properties, the Association, its Members, and occupants. The Association may contribute money, real property (including Common Area), personal property, or services to any such entity. Any such contribution shall be a Common Expense of the Association and included as a line item in the Association's annual budget.

For the purposes of this Section, a "tax-exempt organization" shall mean an entity which is exempt from federal income taxes under the Internal Revenue Code ("Code"), such as, but not limited to, entities which are exempt from federal income taxes under Sections 501(c)(3) or 501(c)(4), as the Code may be amended from time to time.

7.12 Election of Council Board Members

As set forth in, and in accordance with, the Community Covenant, the Board shall provide for the election of one or more Persons to serve on the Council's board.

Article VIII. Association Finances

8.1 Budgeting and Allocating Common Expenses

The Association is hereby authorized 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. Common Expenses shall include the

Association's contributions to the Council in accordance with the Community Covenant. 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 a copy of the final budget to the Council and 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 if 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 the notice requirements and the right of the Members to disapprove the revised budget as set forth above.

ASSOCIATION FUNDS

General Operating Fund
Reserve Fund for Repair and Replacement of Capital Items

PRIMARY SOURCES OF INCOME

Base Assessments
Special Assessments
Benefited Assessments
Declarant Subsidy (if any)

SECONDARY SOURCES INCOME

Diagram 8.1 - Funding Sources

8.2 Budgeting and Allocating Expenses for Benefited Areas

The Association is hereby authorized to levy Benefited Assessments against Lots in a Benefited Area pursuant to and in accordance with a Tract Declaration.

8.3 Budgeting for Reserves

The Board shall prepare and review periodically a reserve budget for the Area of Common Responsibility. Such budget 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, the Board shall include in the Common Expense budget adopted pursuant to Section 8.1 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 shall be considered adequate.

The Board may adopt resolutions regarding the expenditure of 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 Benefited Area. 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 (by bond, contract, etc.) 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. A Special Assessment shall be levied against the entire membership. 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 Benefited Assessments

In addition to assessments levied against all Owners within a Benefited Area pursuant to a Tract Declaration, the Association shall have the power to levy Benefited Assessments against a particular Lot or Lots as follows:

- a. to cover the costs, including overhead and administrative costs, of maintaining, repairing, and replacing perimeter walls and fences, and of providing other services to Lots upon request of an Owner pursuant to any menu of special services which may be offered by the Association or the Council. Benefited Assessments 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 Benefited Assessment under this subsection b.

The Council also shall be authorized to take such corrective action to cure violations of the Governing Documents or to bring a Lot into compliance with the Community-Wide Standard. If the Council undertakes such action, the Council is authorized to assess the Association or the Owners for all costs incurred. If the Association is assessed, it, thereafter, may seek reimbursement from the violating Lot(s) as a Benefited Assessment.

8.6 Commencement of Payment 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, such Lot shall be assessed only 25% of the full Base Assessment rate and only 25% of any Special Assessment levied during such period. The first annual Base Assessment 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 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. All assessments, together with interest (computed from its due date at a maximum rate of 18% per annum or such higher rate as the Board may establish, 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 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 owned, operated, or maintained by the Council, 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 solely to Association expenses (i.e., expenses which are not Anthem community-wide expenses incurred by the Council), 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 non-budgeted 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, (3) all expenditures made from reserve funds, and (4) any amounts levied by the Council relating to non-Association expenses. 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.
- ii. Timing of Payment Payment of the shortage shall exempt Declarant from payment of any portion of Base and Special Assessments not attributable to Council operations. Declarant's obligation for any Base and Special Assessments attributable solely to Council operations shall be governed by the Community Covenant
 - iii. 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 Section 8.7 b i on each of its unsold Lots or to pay the shortage for such fiscal year. Declarant's election may be made separately with respect to Base Assessments and Benefited 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.

- iv. 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 any lien of the Council, the lien or charge of any Recorded first Mortgage (meaning a Recorded first Mortgage with first priority over other Mortgages) made in good faith and for value, and those 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, except for the Council. 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.

The sale or transfer of any Lot shall not affect the assessment lien or relieve such Lot from the lien for any subsequent assessments. However, the 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 or to reimburse the Association pursuant to Section 8.5, the Board may not impose a Base Assessment that is more than 20% greater than the Base Assessment for the immediately preceding fiscal year, without the approval of a majority of the Class "A" Members. Approval may be indicated by vote or written consent.

An emergency situation is anyone of the following:

- a. an extraordinary expense required by an order of a court;
- b. an extraordinary expense necessary to repair or maintain the Properties or any part of them for which the Association is responsible where a threat to personal safety on the Properties is discovered; or
- c. an extraordinary expense necessary to repair or maintain the Properties 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.

8.10 Exempt Property

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

- a. all Common Area and such portions of the Area of Common Responsibility which are not Lots;
- b. property owned or maintained by the Council and any other property not subject to this Declaration (e.g., any Country Club Amenity);

- c. any property dedicated to and accepted by any governmental authority or public utility; and
- d. property owned by a community or property owners association for the common use and enjoyment of its members, or owned by the members of a condominium 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).

8.11 Assignment of Rights and Authority to the Council

In an effort to minimize administrative costs and create an efficient assessment collection process, and subject to the limited revocation rights set forth below, the Association hereby assigns to the Council all of its rights and authority to invoice and collect assessments and other fees and charges provided for in this Article VIII. As such, the Association shall provide the Council with notice of all assessments levied within the same time period as required for notice to Owners. Such assignment shall include all collection and enforcement rights, including lien rights, but shall not include the right to prepare and approve the Association's budget. Pursuant to such assignment, the Council shall collect all assessments on behalf of the Association and shall allocate collected funds between Council Expenses and Association Common Expenses. Funds allocable to Association Common Expenses shall be disbursed to the Association by the Council subject to any agreements between the Council and the Association pertaining to the use of such funds.

The Association's assignment of invoice and collection rights and authority to the Council may be revoked, in whole or in part, only with the prior written consent of the Council, and, for so long as Declarant owns any property described on Exhibits "A" or "B", Declarant. Following any partial or complete revocation, such rights and authority may be reassigned, in the Association's discretion, in any succeeding fiscal year.

Unless otherwise specified by the Council, payments received shall be applied, as between Council Expenses and Association Common Expenses, to the oldest outstanding balance. If no outstanding balance exists as between either Council Expenses or Common Expenses, funds shall be applied first to Council Expenses. In no event shall the Council be required to allocate assessments received in a manner specifically requested by an Owner or the Association.

8.12 Lifestyle Enhancement Fee

- a. Authority As an additional funding source, the Association shall establish a fee to be collected upon each transfer of title to a Lot. Such fee shall be charged to the grantor of the property, shall be payable to the Association at

the closing of the transfer, and shall be secured by the Association's lien for assessments. Each Owner transferring a Lot shall notify the Association's Secretary at least seven days prior to the scheduled transfer. Such notice shall include the name of the buyer, the date of title transfer, and other information the Board reasonably may require.

- b. Fee Limit The Board shall have the sole discretion to specify the amount and method of determining the Lifestyle Enhancement Fee; provided, the Lifestyle Enhancement Fee shall not exceed 1/4% of the Gross Selling Price of the property. The fee may be based upon a sliding scale which varies in accordance with the "Gross Selling Price" of the property. The Gross Selling Price shall be the total cost to the purchaser of the property, excluding transfer taxes and title fees imposed by Maricopa County, Arizona, or other applicable governmental authority.
- c. Purpose Lifestyle Enhancement Fees shall be used for purposes which the Board deems beneficial to the general good and welfare of the Anthem Country Club Community. By way of example and not limitation, Lifestyle Enhancement Fees might be used to assist the Association or one or more tax-exempt entities in funding:
 - i. preservation and maintenance of natural areas, wildlife preserves, or similar conservation areas, and sponsorship of educational programs and activities which contribute to the overall understanding, appreciation, and preservation of the natural environment within and surrounding the Anthem Country Club Community;
 - ii. programs, services, and activities which serve to promote a sense of community within the Anthem Country Club Community, such as recreational leagues, cultural programs, educational programs, festivals and holiday celebrations and activities, and a community computer network;
 - iii. social services, community outreach programs, and other charitable causes;
 - iv. Association reserve accounts; and
 - v. operating and maintenance costs.
- d. Exempt Transfers. Notwithstanding the above, no Lifestyle Enhancement Fee shall be levied upon transfer of title to property:
 - i. by or to Declarant;
 - ii. by a Builder holding title solely for purposes of development and resale;

- iii. by a co-owner to any Person who was a co-owner immediately prior to such transfer;
- iv. to the Owner's estate, surviving spouse, or heirs at law upon the death of the Owner;
- v. to an entity wholly owned by the grantor or to a family trust created by the grantor for the direct benefit of the grantor and his or her spouse and/or heirs at law; provided, upon any subsequent transfer of an ownership interest in such entity, the Lifestyle Enhancement Fee shall become due; or
- vi. to an institutional lender as security for the performance of an obligation pursuant to a Mortgage.

Part Four: COMMUNITY DEVELOPMENT

The Declaration reserves various rights to the developer in order to facilitate the smooth and orderly development of the Anthem Country Club Community and to accommodate changes in the master plan which inevitably occur as the community grows and matures.

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 - Tract Declarations

Declarant may subject any portion of the Properties to additional covenants and easements, including covenants obligating the Association to maintain and insure such property or provide services and authorizing the Association to recover its costs through Benefited Assessments. Such additional covenants and easements may be set forth either in a Supplemental Declaration subjecting such property to this Declaration or in a separate Supplemental Declaration referencing property previously subjected to this Declaration. 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 Tract Declaration. Any such Tract 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.

A Tract Declaration also may designate portions of the Common Area as "Limited Common Area" which is reserved for the exclusive or primary benefit of particular Owners. 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.

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 the Properties. 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 the Properties shall not materially adversely affect the overall, uniform scheme of development for the Properties.

10.2 Marketing and Sales Activities

Notwithstanding any provision in this Declaration, including Exhibit "C," to the contrary, Declarant and Builders authorized by Declarant may construct and maintain upon portions of the Common Area and other property owned by Declarant or such authorized 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 authorized Builders shall have easements for access to and use of such facilities at no charge.

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 the Properties acknowledges that the Anthem Country Club Community 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 Benefited Area in which such Person holds an interest, or (b) changes in the Master Plans as it relates to property outside the Benefited Area 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 the Properties 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. 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 the Properties 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 the Properties, including Lots, and a perpetual non-exclusive easement of access throughout the Properties 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 the Properties 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 "Anthem" or "Anthem Country Club" or any derivative of such name in any printed or promotional material without Declarant's prior written consent. However, Owners may use the name "Anthem" or "Anthem Country Club" in printed or promotional matter where such term is used solely to specify that particular property is located within "Anthem" and Anthem Country Club and the Association shall be entitled to use the words "Anthem Country Club" in its name.

10.10 Del Webb Marks

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

10.11 Equal Treatment

So long as Declarant owns any property described in Exhibits "A" or "B", neither the Association nor any other entity shall, without the prior written consent of Declarant, adopt any policy, rule, or procedure that:

- a. limits the access of Declarant, its successors, assigns, and/or affiliates or their personnel and/or guests, including visitors, to the Common Areas of the Association or to any property owned by any of them;
- b. limits or prevents Declarant, its successors, assigns, and/or affiliates or their personnel from advertising, marketing, or using the Association or its Common Areas or any property owned by any of them in promotional materials;
- c. limits or prevents purchasers of new residential housing constructed by Declarant, its successors, assigns, and/or affiliates in the Anthem Country' Club Community from becoming members of the Association or enjoying full use of its Common Areas, subject to the membership provisions of this Declaration and the By-Laws;
- d. discriminates against or singles out any group of Members or prospective Members or Declarant [this provision shall expressly prohibit the establishment of

a fee structure (*i.e.*), assessments, Special Assessments and other mandatory fees or charges other than Benefited Assessments, chartered club dues, and use fees) that discriminates against or singles out any group of Members or Declarant, but shall not prohibit the establishment of Benefited Assessments];

- e. impacts the ability of Declarant, its successors, assigns, and/or affiliates, to carry out to completion its development plans and related construction activities for the Anthem Country Club Community, as such plans are expressed in the Master Plans, as such may be amended and updated from time to time. Policies, rules, or procedures affecting the provisions of existing easements established by Declarant and limiting the establishment by Declarant of easements necessary to complete the Anthem Country Club Community shall be expressly included in this provision. Easements that may be established by Declarant shall include but shall not be limited to easements for development, construction, and landscaping activities and utilities; or
- f. impacts the ability of Declarant, its successors, assigns, and/or affiliates to develop and conduct customer service programs and activities in a customary and reasonable manner.

Neither the Association nor any other entity shall exercise its authority over the Common Areas (including, but not limited to, any gated entrances and other means of access to the Properties or the Exhibit "B" property) to interfere with the rights of Declarant set forth in this Declaration or to impede access to any portion of the Properties or the Exhibit "B" property over the streets and other Common Areas within the Properties.

10.12 Right To Use Common Area for Special Events

As long as Declarant owns any property described in Exhibits "A" or "B," Declarant shall have the right to use all Common Area to sponsor special events for charitable, philanthropic, political, or marketing purposes as determined by Declarant in its sole discretion. Any such event shall be subject to the following conditions:

- a. the availability of the facilities at the time a request is submitted to the Association;
- b. Declarant shall pay all costs and expenses incurred and shall indemnify the Association against any loss or damage resulting from the special event; and
- c. Declarant shall return the facilities and personal property owned by the Association and used in conjunction with the special event to the Association in the same condition as existed prior to the special events.

Declarant shall have the right to assign the rights contained in this Section 10.12 to charitable organizations or foundations selected by Declarant. Declarant's right to use

the Common Area for special events shall be enforceable by injunction, by any other remedy in law or equity, and by the terms of this Declaration.

10.13 Termination of Rights

The rights contained in this Article shall terminate upon the earlier of (a) 40 years from the date this Declaration is Recorded, or (b) Recording by Declarant 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 X shall not be amended without the written consent of Declarant so long as Declarant owns any property described in Exhibits "A" or "B."

Part Five: PROPERTY RIGHTS WITHIN THE COMMUNITY

The nature of living in a planned community, with its wide array of properties and development types and its ongoing development activity, requires the creation of special property rights and provisions to address the needs and responsibilities of the Owners, Declarant, the Association, and others within or adjacent to the community.

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 (including, but not limited to, that certain Deed of Conservation Easement Between Anthem Arizona, L.L.C. and Del E. Webb Land Conservancy, Recorded on February 16, 1996 as Document Number 96-0105850, as it may be amended);
- b. any restrictions or limitations contained in any deed conveying such property to the Association;
- c. the authority and rights of the Council as set forth in this Declaration and the Community Covenant;
- d. 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;
- iv. rent or lease any portion of any clubhouse or other recreational facilities within the Common Area on a short-term basis to any Person approved by the Board for such Person's exclusive use;
- v. permit use by Persons other than Owners, their families, lessees, and guests upon payment of admission charges, membership fees, of other use fees established by the Board;
- vi. mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred; and
- vii. create, enter into agreements with, and grant easements to tax-exempt organizations under Section 7.11;
- e. the rights of certain Owners to the exclusive use of those portions of the Common Area designated "Limited Common Areas," as described in a Tract Declaration;
- f. the Association's right to require Members, Owners, and/or their guests to present activity or use privilege cards, as may be issued by the Association, for access and use of amenities or facilities within the Properties; and
- g. the use of the entry facilities, including manned entry gates, and private streets within the Properties by Declarant, its affiliates, and their designees, and the owner, members, and other permitted users of the Country Club Amenity currently known as Anthem Country Club.

The initial Common Area shall be conveyed to the Association prior to or concurrent with the conveyance of the first Lot to a Class "A" Member other than a Builder.

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, the Council, and all utility providers designated by Declarant, perpetual nonexclusive easements throughout all of the Properties (but not through a structure) to the extent reasonably necessary for the purpose of:
 - i. installing utilities and infrastructure to serve the Properties and other portions of Anthem, 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 the payment of reasonable consideration.

- 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 benefiting 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 and the Council easements over the Properties 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 the Council, 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 and the Council, 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 Benefited Assessment.

11.6 Easements for Lake and Pond Maintenance and Flood Water

Declarant reserves for itself, the Association, the Council, 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, the Council, and the successors, assigns and designees of each shall have an access easement over and across any of the Properties 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, the Council, 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 the Properties, in order to (a) temporarily flood and back water upon and maintain water over such portions of the Properties; (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 the Properties; provided, no Person shall alter the natural drainage on any Lot to increase materially the drainage of storm water onto adjacent portions of the Properties 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 the Properties, 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 the Properties 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.

11.9 Easements for Golf Course

- a. The Properties are burdened with an easement permitting golf balls unintentionally to travel over and come upon such areas, and for golfers at reasonable times and in a reasonable manner to come upon the Common Area to retrieve errant golf balls. The existence of this easement shall not relieve golfers of liability for damage caused by errant golf balls.

Under no circumstances shall any of the following Persons be held liable for any damage or injury resulting from errant golf balls or the exercise of this easement: Declarant; the Association or its Members (in their capacities as such); the Council; the owner(s), operator, or lessee of any golf course, or assigns; any Builder or contractor (in their capacities as such); any officer, director, or partner of any of the foregoing, or any officer or director of any partner.

- b. The owner of any golf course within or immediately adjacent to the Properties, its agents, successors, and assigns, shall at all times have a right and non-exclusive easement of access and use over those portions of the Common Areas reasonably necessary to the operation, maintenance, repair, and replacement of its golf course.
- c. Any portion of the Properties immediately adjacent to a golf course is hereby burdened with a non-exclusive easement for overspray of water from the irrigation system serving such golf course. Under no circumstances shall the Association or the golf course owner be held liable for any damage or injury resulting from such overspray or the exercise of this easement.
- d. The owner of any golf course within or immediately adjacent to the Properties, its successors and assigns, shall have a perpetual, exclusive easement of access over the Properties for the purpose of retrieving golf balls from bodies of water within the Common Areas lying reasonably within range of golf balls hit from its golf course.

Article XII. Party Walls and Other Shared Structures

12.1 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 and Section 7.2, 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.

12.2 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 XIII. Country Club Amenities

13.1 Right to Use the Country Club Amenities

Except as may otherwise be provided in a separate covenant or agreement executed by or on behalf of the owner of any Country Club Amenity, neither membership in the Association nor ownership or occupancy of a Lot shall automatically confer any right to use any Country Club Amenity, including, without limitation, private club known as the Anthem Golf and Country Club. Rights to use any Country Club Amenity will be granted only to such Persons, and on such terms and conditions, as may be determined from time to time by the owner of any Country Club Amenity. The owner of any Country Club Amenity shall have the right, from time to time in its sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of any Country Club Amenity, including, without limitation, eligibility for and duration of use rights, categories of use and extent of use privileges, and number of users, and shall also have the right to reserve use rights and to terminate use rights altogether, subject to the terms of any written membership agreements or documents.

13.2 Conveyance of Country Club Amenities.

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 any Country Club Amenity. No purported representation or warranty in such regard, either written or oral, shall be effective unless specifically set forth in a written instrument executed by the record owner of any Country Club Amenity. The ownership or operation of any Country Club Amenity (or any portion of a Country Club Amenity) may change at any time. Consent of the Association or any Owner shall not be required to effectuate any change in ownership or operation of any Country Club Amenity, for or without consideration and subject to or free of any mortgage, covenant, lien, or other encumbrance.

13.3 Assumption of Risk and Indemnification

Each Owner, by purchasing a Lot in the vicinity of a Country Club Amenity, hereby expressly assumes the risk of noise, personal injury, or property damage caused by maintenance and operation of such Country Club Amenity, including, without limitation: (a) noise from maintenance equipment (it being specifically understood that such maintenance typically takes place around sunrise or sunset), (b) noise caused by golfers, (c) use of pesticides, herbicides, and fertilizers, (d) use of effluent in the irrigation of the golf course, (e) reduction in privacy caused by constant golf traffic on the golf course or the removal or pruning of shrubbery or trees on the golf course, (f) errant golf balls and golf clubs, and (g) design or redesign of the golf course.

Each such Owner agrees that Declarant, the Association, the Council, any Country Club Amenity owner(s), and any of Declarant's affiliates or agents shall not be liable to Owner or any other Person claiming any loss or damage, including, without limitation, indirect, special or consequential loss or damage arising from personal injury, destruction of property, trespass, loss of enjoyment or any other alleged wrong or entitlement to remedy based upon, due to, arising from or otherwise related to the proximity of Owner's Lot to the golf course or other Country Club Amenity, including, without limitation, any claim arising in whole or in part from the negligence of Declarant, any of Declarant's affiliates or agents, the Association, or the Council. The Owner hereby agrees to indemnify and hold harmless Declarant, Declarant's affiliates and agents, and the Association against any and all such claims by Owner's visitors, tenants, and others upon such Owner's Lot.

13.4 View Impairment

Neither Declarant nor the Association guarantees or represents that any view over and across any golf course from adjacent Lots will be preserved without impairment. No provision of this Declaration shall create an obligation of the Association, Declarant, or any Country Club Amenity owner to relocate, prune, or thin trees or other landscaping except as provided in Article V. Any Country Club Amenity owner may, in its sole and absolute discretion, add trees and other landscaping to such golf course from time to time. In addition, any Country Club Amenity owner may, in its sole and absolute discretion, change the location, configuration, size and elevation of the tees, bunkers, fairways, and greens on such golf course from time to time. Any such additions or changes to such golf course may diminish or obstruct the view from the Lots. Any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

13.5 Rights of Access and Parking

There is hereby established for the benefit of any Country Club Amenity and its members (regardless of whether such members are Owners hereunder), guests, invitees, employees, agents, contractors, and designees, a right and non-exclusive easement of access and use over all roadways and golf cart paths, if any, located within the Properties reasonably necessary to travel between an entrance to the Properties and the Country Club Amenity and over those portions of the Properties (whether Common Area or otherwise) reasonably necessary to the operation, maintenance, repair, and replacement of the Country Club Amenity. Without limiting the generality of the foregoing, members, guests and invitees of any Country Club Amenity shall have the right to park their vehicles on the roadways located within the Properties at reasonable times before, during, and after tournaments and other similar functions held by or at the Country Club Amenity to the extent that the Country Club Amenity has insufficient parking to accommodate such vehicles.

13.6 Limitations on Amendments

In recognition of the fact that the provisions of this Article are for the benefit of the Country Club Amenities, no amendment to this Article, and no amendment in derogation of any other provisions of this Declaration benefiting any Country Club Amenity, may be made without the written approval of the affected Country Club Amenity owner. The foregoing shall not apply, however, to amendments made by Declarant.

13.7 Jurisdiction and Cooperation

It is Declarant's intention that the Association and the Country Club Amenities shall cooperate to the maximum extent possible in the operation of Anthem and the Country Club Amenities. Each shall reasonably assist the other in upholding the Community-Wide Standard as it pertains to maintenance and the Design Guidelines. The Association shall have no power to promulgate Use Restrictions affecting activities on or use of any Country Club Amenity without the prior written consent of the owners of the Country Club Amenity affected thereby.

Part Six: RELATIONSHIPS WITHIN AND OUTSIDE THE COMMUNITY

The growth and success of the Anthem Country Club Community as a community in which people enjoy living, working, and playing requires good faith efforts to resolve disputes amicably, attention to and understanding of relationships within the community and with our neighbors, and protection of the rights of others who have an interest in the community.

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 the Anthem Country Club Community, 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 the Properties, 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 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:

- 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 the Properties, 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 or the Council 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 Part Two 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 one 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 Maricopa 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).

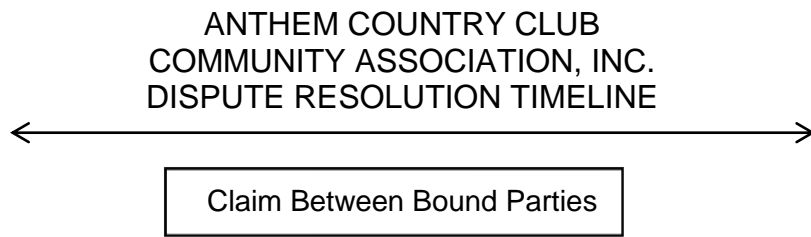
14.6 Enforcement of Resolution

After resolution of any Claim, if any party fails to abide by the terms of any settlement, then any other party may file suit or initiate administrative proceedings to 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 non-complying 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 or Council is a prevailing party in such action, the amount of such attorneys' fees and costs shall be a Benefited Assessment with respect to the Lot(s) involved in the action.



Day 1	Days 1-30	Days 30-60	Days 60-90+
Notice of Claim	Negotiations	Start Mediation	Mediation
<ul style="list-style-type: none"> • Factual Basis • Legal Basis • Propose a resolution • Propose a meeting • Send by hand delivery or First class mail • Send copy to Board 	<ul style="list-style-type: none"> • Good faith effort • Parties meet within the Properties • May request Board assistance • If unsuccessful, written termination sent by Claimant to Respondent and Board 	<ul style="list-style-type: none"> • Claimant must submit Claim • Mediator assigned by agency • If Claim is not submitted, it is waived 	<ul style="list-style-type: none"> • Agency supplies rules • Fee split between parties • Written summary from each side • Supervised negotiation • Contractual settlement or Termination of mediation

Article XV. Mortgage 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 By-Laws, 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 the Properties 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; or
- d. 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.

Part Seven: CHANGES IN THE COMMUNITY

Communities such as Anthem Country Club are dynamic and constantly evolving as circumstances, technology, needs and desires, and laws change over time. The Anthem Country Club Community and its governing documents must be able to adapt to these changes while protecting the things that make the community unique.

Article XVI. Changes in Ownership of Lots

Any Owner, other than Declarant, desiring to sell or otherwise transfer title to his or her Lot shall give the Board and the Council's designee 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 XVII. Changes in Common Area

17.1 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, the Declarant, so long as the 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.

17.2 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.

17.3 Transfer or Dedication of Common Area

The Association may dedicate portions of the Common Area to Maricopa County, Arizona, or to any other local, state, or federal governmental or quasi-governmental entity.

Article XVIII. Amendment of Declaration

18.1 Corrective Amendments

In addition to specific amendment rights granted elsewhere in this Declaration, until conveyance of a Lot 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 the 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 the Properties, it may unilaterally amend this Declaration for any other purpose, provided the amendment has no material adverse effect upon any right of any Owner.

18.2 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.

18.3 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). Additionally, no amendment may remove, revoke, or modify any right or privilege of the Council without the Council's written consent.

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.

18.4 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 18.1 and 18.2, or as provided in Article III.

[SIGNATURES ON FOLLOWING PAGE]

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

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

By: _____

Name: _____

Title: _____

STATE OF ARIZONA)
) s.s.
COUNTY OF MARICOPA)

The foregoing instrument was acknowledged before me this 14th day of January 1999 by Thomas E. Lucas , as the manager of ANTHEM ARIZONA, LLC., an Arizona limited liability company.

By: _____

Name: _____

Title: Notary Public

EXHIBIT "A"

Land Initially Submitted

Anthem Country Club Unit 1 Amended, according to the plat of record in the office of the County Recorder of Maricopa County, Arizona, recorded in Book 490, Page 42.

Anthem Country Club Unit 2 Amended, according to the plat of record in the office of the County Recorder of Maricopa County, Arizona, recorded in Book 490, Page 23.

Anthem Country Club Unit 3 Amended, according to the plat of record in the office of the County Recorder of Maricopa County, Arizona, recorded in Book 490, Page 24.

Anthem Country Club Unit 4 Amended, according to the plat of record in the office of the County Recorder of Maricopa County, Arizona, recorded in Book 490, Page 25.

Anthem Country Club Unit 5 Amended, according to the plat of record in the office of the County Recorder of Maricopa County, Arizona, recorded in Book 490, Page 26.

Anthem Country Club Unit 6 Amended, according to the plat of record in the office of the County Recorder of Maricopa County, Arizona, recorded in Book 490, Page 22.

Anthem Club Drive, according to a Corrective Map of Tract Dedication record in the office of the County Recorder of Maricopa County, Arizona, recorded in Book 485, page 09.

EXHIBIT "B"

Land Subject to Annexation

All real property lying and being within 25 miles from any portion of any boundary line outlining the Properties.

EXHIBIT "C"

Initial Use Restrictions

a) General The Properties shall be used only for residential, recreational, and related purposes. Related purposes may include, without limitation, offices for any management agent or agents retained by the Association, business offices for Declarant or the Association consistent with this Declaration and any Supplemental Declaration. The Community Covenant, any Supplemental Declaration, or any additional recorded covenants may impose stricter standards than those contained in this Exhibit "C" and the Association and Council shall have standing and the power to enforce such standards.

b) Animals and Pets No animals of any kind, including livestock and poultry, shall be raised, bred, or kept on any portion of the Properties, 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 sole discretion of the Association, make objectionable noise, endanger the health or safety of, or constitute a nuisance or inconvenience to, the Owners or occupants of other Lots 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.

The Board may adopt, by resolution, reasonable regulations designed to minimize damage and disturbance to other Owners and occupants, including rules requiring waste removal, leash controls, noise controls, and pet occupancy limits. The Board may also adopt rules which prohibit pets from certain Common Area locations. No pets shall be kept, bred, or maintained for any commercial purpose.

c) Business Use No business or trade, garage sale, moving sale, rummage sale, or similar activity shall be conducted in or from any Dwelling Unit, except that an Owner or occupant residing in a Dwelling Unit may conduct ancillary 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, sound, or smell from outside the Dwelling Unit;
- ii. the business activity conforms to all zoning requirements for the Properties;
- iii. the business activity does not cause parking or traffic problems within the Properties, as determined in the Board's discretion, or involve door-to-door solicitation of residents of the Properties; and
- iv. the business activity is consistent with the residential character of the Properties and does not constitute a nuisance, or a hazardous or offensive

use, or threaten the security or safety of other residents of the Properties, as may be determined in the sole discretion of the Board.

"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 any portion of the Properties or its use of any Lots which it owns. Additionally, this Section shall not apply to any activity conducted by the Council, the Association, or any Person approved by the Association or the Council for the purpose of operating, maintaining, or advancing the residential and recreational character of the Properties.

The leasing of a Lot 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 Lot 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 Lots may be leased only in their entirety. No fraction or portion may be leased.

A casita on a Lot may be occupied but not independently leased. There shall be no subleasing of Lots or assignment of leases except with the Board's prior written approval. All leases shall be in writing.

No transient tenants may be accommodated on a Lot, 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 Tract Declaration for Lots located within certain Benefited Areas.

Notice of any lease, together with such additional information as may be required by the Board, shall be given to the Board or their 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.

d) Firearms The discharge of firearms within the Properties is prohibited. The term "firearms" includes "B-B" guns, pellet guns, and other firearms of all types, regardless of size.

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

f) Wildlife Capturing, killing, or trapping wildlife is prohibited within the Properties, except in circumstances imposing an imminent threat to the safety of Persons or pets.

g) Occupancy Dwelling Units shall not be occupied by more than two persons per bedroom in the Dwelling Unit. For the purposes of this provision, "occupancy" shall be defined as staying overnight in the Dwelling Unit more than 30 days in any six-month period.

h) Occupants Bound All provisions of the Governing Documents and Council Governing Documents shall apply to all occupants, lessees, 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 and Council Area of Common Responsibility caused by such occupants, notwithstanding the fact that such occupants of a Lot are also fully liable and may be sanctioned for any violation.

i) Prohibited Conditions The following conditions, structures, or activities are prohibited on any Lot:

- i. Walls, dog runs, and animal pens of any kind on any Lot; provided, pool fences and such other fences which are approved in accordance with the Design Guidelines may be permitted;
- ii. Detached garages. Garage doors shall remain closed at all times except when entering and exiting the garage;
- iii. Excessive exterior lighting on any Lot. The Board, in its sole discretion, shall determine whether any exterior lighting is excessive;
- iv. Tents, shacks, or other structures of a temporary nature on any Lot except as may be authorized by Declarant during initial construction within the Properties. 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;
- v. Storage (except in approved structures or containers) of furniture, fixtures, appliances, machinery, equipment or other goods and chattels not in active use on the Common Area or any portion of a Lot which is visible from outside the Lot. Detached storage buildings and detached sheds are prohibited;
- vi. Above-ground pools, compost piles or containers, statues, and front yard fountains;
- vii. Permanent basketball goals, basketball standards, and back boards; provided, portable basketball goals may be used on a Lot without prior

approval, but must be stored so as not to be visible from the street or neighboring Lots when not in use. Pool deck mounted basketball hoops are permitted;

- viii. Freestanding flag poles; provided, flags may be displayed using a bracket or other approved device mounted to the Dwelling Unit subject to size limitations set forth in the Design Guidelines; and,
- ix. 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.

j) 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 the Properties, 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.

k) Signs No sign shall be erected within the Properties except those required by law, including posters, circulars, and billboards. This restriction shall not apply to entry and directional signs installed by Declarant. The Board, the Council, and Declarant shall have the right to erect signs as they, in their discretion, deem appropriate.

l) Subdivision or 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.

m) 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.

n) 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 installation and use of such an antenna or other device must be submitted to the Lifestyle Enhancement Committee and such application will only be approved if:

- i. First, the antenna or other device is designed to assure minimal visual intrusion (*i.e.*, is located in a manner that minimizes visibility from the street or an adjacent Lot and preserves 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 Lifestyle Enhancement Committee shall consider any such application on an expedited basis.

o) 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 specifically permitted under the Design Guidelines, are pre-approved by the Lifestyle Enhancement Committee, or are required by the applicable governing jurisdiction. In no event shall such containers be stored in the front yard of any Lot or maintained so as to be visible from outside the Lot unless they are 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.

p) 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 the Properties. Woodpiles or other material shall be stored in a manner so as not to be visible from outside the Lot 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 the Properties. 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 the Properties, 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.

q) 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 the Properties except in a garage, driveway, parking pad, or other area designated by the Board. No person shall park any commercial vehicles, recreational vehicles, mobile homes, trailers, campers, boats or other watercraft, or other oversized vehicles, stored vehicles, and unlicensed vehicles or inoperable vehicles within the Properties other than in enclosed garages; provided, however, one boat may be temporarily kept or stored completely in a driveway or completely on a parking pad on a Lot for not more than four nights within each calendar month. 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 the Properties for 72 hours per calendar month. Owners must obtain a recreational vehicle permit for such short term parking from the Association office.

(r) Golf Carts Gas powered golf carts are prohibited within the Properties. Owners and residents may use electric golf carts within the Properties subject to Board rules and regulations concerning aesthetics, noise, and other matters; the Design Guidelines; and compliance with applicable law.

s) Wetlands, Lakes, and Other Water Bodies All wetlands, lakes, ponds, and streams within the Properties, if any, shall be aesthetic amenities only, and no other active use of lakes, ponds, streams, or other bodies of water within the Properties 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 the Properties.

(t) "Zero-Edge" Swimming Pools-Fencing Other than as required by Maricopa County, or any other applicable governmental authority, fencing shall not be required along the boundary between a Lot containing a zero or negative edge swimming pool and the Common Area or any portion of a Country Club Amenity. Fencing around zero or negative edge swimming pools which border another Lot shall comply with the requirements set forth in the Design Guidelines.

(u) 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 devices 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.