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DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS,
RESERVATIONS AND EASEMENTS
FOR
CRYSTAL BAY

(The Plat for the Property covered by
this document is recorded under the name
Raintree Ranch East)

THE OWNERS, AS DEFINED HEREIN, ACKNOWLEDGE THAT: (1) THE PROPERTY SUBJECT TO THIS DECLARATION CONTAINS A LAKE AND OTHER COMMON AREAS; (2) THE LAKE AND OTHER COMMON AREAS ARE INTENDED SOLELY FOR AESTHETIC PURPOSES AND NOT FOR ANY TYPE OR FORM OF RECREATIONAL USE INCLUDING, BUT NOT LIMITED TO, SWIMMING, FISHING AND BOATING; (3) THE LAKE, LIKE OTHER SUCH WATER FEATURES, POSES CERTAIN INHERENT DANGERS FROM WHICH THE OWNERS MUST TAKE PRECAUTIONS TO PROTECT THEMSELVES, THEIR FAMILIES, INVITEES, GUESTS AND OTHERS; (4) NO LIFEGUARDS OR OTHER SAFETY PERSONNEL WILL PATROL THE LAKE AND OTHER COMMON AREAS AND THUS THE OWNERS ASSUME THE RISK AND THE RESPONSIBILITY OF PROTECTING THEMSELVES, THEIR FAMILIES, INVITEES, GUESTS OR OTHERS; AND (5) THE OWNERS INDEMNIFY, DEFEND AND HOLD HARMLESS THE DECLARANT, THE ASSOCIATION AND THEIR SUCCESSORS AND ASSIGNS FROM AND AGAINST ANY CLAIMS, LIABILITIES, INJURIES, DAMAGES, EXPENSES AND COSTS, INCLUDING INTEREST AND ATTORNEYS' FEES, INCURRED BY OR CLAIMED AGAINST THE DECLARANT, THE ASSOCIATION AND THEIR SUCCESSORS AND ASSIGNS UNDER ANY LAWS BY THE OWNERS, THEIR FAMILIES, INVITEES, GUESTS AND OTHERS AND THAT RELATE TO THE LAKE AND THE COMMON AREAS.

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DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS, RESERVATIONS AND EASEMENTS
FOR
CRYSTAL BAY

(Plat Recorded as Raintree Ranch East)

THIS DECLARATION of Covenants, Conditions, Restrictions, Reservations and Easements for Crystal Bay (the "Declaration") is made as of the 27 day of July, 1994, by THE FORECAST GROUP, L.P., a California limited partnership ("Declarant").

RECITALS

A. Declarant is the owner of certain real property situated in the County of Maricopa, State of Arizona described on Exhibit "A" attached hereto and incorporated herein by this reference (the "Property"), which Declarant intends to develop and market under the name "Crystal Bay."

B. Declarant desires to develop the Property as a planned area development for single family residential use with a lake and open areas.

C. Declarant desires to form a nonprofit corporation (the "Association") for the purpose of acquiring, constructing, operating, managing and maintaining any Common Areas on the Property, establishing, levying, collecting and dispersing the assessments and other charges imposed hereunder, and administering and enforcing this Declaration and enforcing the use and other restrictions imposed on various parts of the Property.

D. Declarant desires to subject the Property to the covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations and easements (the "Covenants") hereinafter set forth in order to establish a general scheme for the development, sale, use and enjoyment of the Property for the purpose of enhancing and protecting the value, desirability and quality of life within the Property.

NOW, THEREFORE, Declarant hereby declares as follows:

ARTICLE 1

DEFINITIONS

The following words, phrases or terms used in this Declaration shall have the following meanings:

(a) "Annual Assessment" shall mean the charge levied and assessed each year against each Membership pursuant to Section 7.2 hereof.

(b) "Articles" shall mean the Articles of Incorporation of the Association as the same may from time to time be amended or supplemented.

(c) "Assessable Property" shall mean any Lot, except such part or parts thereof as may from time to time constitute Exempt Property.

(d) "Assessment" shall mean an Annual Assessment, Use Assessment, Special Assessment and/or Maintenance Charge.

(e) "Assessment Lien" shall mean the lien created and imposed by Article 7.

(f) "Association" shall mean the Arizona nonprofit corporation to be organized by Declarant to administer and enforce the Covenants and to exercise the rights, powers and duties set forth in this Declaration, its successors and assigns. Declarant hereby reserves the exclusive right to cause such Association to be incorporated. It is the intent of the Declarant that the Association shall be referred to as the "Crystal Bay Homeowners Association."

(g) "Board" shall mean the Board of Directors of the Association.

(h) "Bylaws" shall mean the Bylaws of the Association as the same may from time to time be amended or supplemented.

(i) "Common Area" and "Common Areas" shall mean all real property and the improvements or amenities thereon, owned, controlled or operated by the Association (including without limitation areas used for lakes, landscaping, drainage, flood control, open areas and the like), or other rights running to the benefit of the Association and intended for the use and enjoyment of the Owners and/or Residents of Crystal Bay, or with respect to which the Association has administrative, maintenance or other similar responsibilities.

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

(k) "Crystal Bay" shall mean the planned area development to be developed by Declarant in accordance with the provisions of this Declaration, and shall include only the Property. The subdivision name on the plat by which the Property is subdivided is Raintree Ranch East.

(l) "Declarant" shall mean and refer to the above recited Declarant or any person or entity to whom any part or all of Declarant's rights reserved to the Declarant hereunder are assigned.

The Declarant's rights shall only be assigned by a written, Recorded instrument expressly assigning those rights.

(m) "Declaration" shall mean this Declaration of Covenants, Conditions, Restrictions, Reservations and Easements, as amended or supplemented from time to time.

(n) "Deed" shall mean a Deed or other instrument conveying the fee simple title in a Lot.

(o) "Design Review Committee" shall mean the committee of the Association to be created pursuant to Article 11 hereof.

(p) "Design Review Guidelines" shall mean those guidelines established by the Declarant pursuant to Section II.1 hereof.

(q) "Dwelling Unit" shall mean any building or portion of a building situated upon a Lot designed and intended for use and occupancy as a residence by a Single Family.

(r) "Exempt Property" shall mean the following parts of Crystal Bay:

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

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

(s) "Lake" shall mean the lake shown on the Plat, including the underlying land. The Lake shall be part of the Common Area.

(t) "Lot" shall mean any area of real property within the Property designated as a Lot on the Plat Recorded by Declarant; as used herein, "Lot" may include the improvements on a Lot.

(u) "Maintenance Charges" shall mean any and all costs assessed pursuant to Article 10 hereof.

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

(w) "Membership" shall mean a Membership in the Association and the rights granted to the Owners pursuant to Article 6 hereof to participate in the Association.

(x) "Occupant" shall mean any person temporarily occupying any Dwelling Unit with the permission of the Owner thereof.

(y) "Owner" shall mean (when so capitalized) the record holder of legal title to the fee simple interest in any Lot, but excluding those who hold such title merely as security for the performance of an obligation. In the case of a Lot, the fee simple title to which is vested of Record in a seller under a valid and outstanding Agreement or Contract of Sale, as defined in A.R.S. §33-741, legal title shall be deemed to be in the purchaser under such Agreement or Contract of Sale. In the case of a Lot, the fee simple title to which is vested of Record in a trustee pursuant to A.R.S. §33-801, et seq., legal title shall be deemed to be in the Trustor. An Owner shall include any person who holds record title to a Lot in joint ownership with any other person or holds an undivided fee interest in any Lot.

(z) "Plat" shall mean and refer to the plat of survey of the Property, as recorded in Book 378 of Maps, at page 23, Office of the County Recorder of Maricopa County, Arizona, under the name Raintree Ranch East.

(aa) "Property" shall mean the real property described on Exhibit "A" attached hereto and by this reference incorporated herein. The Property may be expanded to include the real property described on Exhibit "B" attached hereto and by this reference incorporated herein as provided in Section 14.12 below. The Property is popularly known and marketed under the name Crystal Bay and all references herein to Crystal Bay shall also be a reference to Raintree Ranch East.

(ab) "Recording" or "Recordation" shall mean placing an instrument of public record in the Office of the County Recorder of Maricopa County, Arizona, and "Recorded" shall mean having been so placed of public record.

(ac) "Resident" shall mean:

(i) Each Occupant actually residing on any part of the Assessable Property; and

(ii) Members of the immediate family of each Owner or Occupant actually living in the same household with such Owner or Occupant.

Subject to such rules and regulations as the Association may hereafter specify. The term "Resident" also shall include the guests or invitees of any such Owner or Occupant, if and to the extent the Board in its absolute discretion by resolution so directs.

(ad) "Single Family" shall mean a group of one (1) or more persons each related to the other by blood, marriage or legal adoption, or a group of not more than three (3) persons not all so related, who maintain a common household in a Dwelling Unit.

(ae) "Special Assessment" shall mean any Assessment levied and assessed pursuant to Section 7.5 hereof.

(af) "Special Use Fees" shall mean special fees authorized by this Declaration which an Owner, Occupant, Resident or any other person is obligated to pay to the Association over, above and in addition to any Annual Assessments, Use Assessments, Special Assessments or Maintenance Charges imposed or payable hereunder.

(ag) "Visible From Neighboring Property" shall mean, with respect to any given object, that such object is, or would be, visible to a person six (6) feet tall, standing on the same plane as the object being viewed at a distance of one hundred (100) feet or less from the nearest boundary of the property being viewed.

(ah) "Water Access Areas" shall mean the Common Areas where permitted users of the Lake may have access to the Lake for permitted uses.

(ai) "Water Encroachment Easement" shall mean an easement for Lake purposes which is hereby created over those Lots within Crystal Bay adjoining the Lake, to the extent the Lake, as it exists from time to time, extends beyond its natural shoreline onto such Lots.

(aj) "Waterfront Facilities" shall mean items such as docks, floats, ramps, piers, landings, pumping equipment and related piping, meters and other structures designed to facilitate the use of, and provide access to the Lake.

ARTICLE 2

PROPERTY SUBJECT TO THE DECLARATION

Section 2.1 General Declaration Creating Crystal Bay. Declarant intends to develop Crystal Bay in accordance with the Plat and to sell and convey the Lots thereof. Declarant hereby declares that all of the Property is and shall be held, conveyed, hypothecated, encumbered, leased, occupied, built upon or otherwise used, improved or transferred, in whole or in part, subject to this Declaration, as amended or modified from time to time; provided, however, that any property owned by or dedicated to a governmental agency or the public shall not be subject to this Declaration while owned by any such governmental entity or the public, except that any restrictions imposed in this Declaration upon the Owners and Residents concerning the use and maintenance of such property shall be applicable at all times. This Declaration is declared and agreed to be in furtherance of a general plan for the development and sale of the Property and is established for the purpose of enhancing and perfecting the value, desirability and attractiveness of the Property. This Declaration shall run with

the Property for all purposes and shall be binding upon and inure to the benefit of Declarant, the Association, and all Owners and Residents of the Property and their successors in interest.

Section 2.2 Limitation of Restrictions on Declarant. Declarant is undertaking the work of construction of residential Dwelling Units and incidental improvements upon the Property. The completion of that work and the sale, rental and other disposal of said Dwelling Units is essential to the establishment and welfare of the Property as a residential community. In order that said work may be completed and the Property established as a fully occupied residential community as rapidly as possible, nothing in this Declaration shall be understood or construed to:

(a) Prevent Declarant, its contractors or subcontractors from doing on the Property whatever is necessary or advisable in connection with the completion of said work; or

(b) Prevent Declarant or its representatives from erecting, constructing and maintaining, on any part of the Property, such structures as may be reasonable or necessary for the conduct of its business of completing said work and establishing the Property as a residential community and disposing of the same by sale, lease or otherwise; or

(c) Prevent Declarant from maintaining such sign or signs on any of the Property as may be reasonable or necessary for the sale, lease or disposition thereof, including, but not limited to, such sign or signs as may be required or requested by the institution(s) providing the major financing for the Development.

The foregoing limitations of the application of the restrictions to the Declarant shall terminate upon the happening of either of the following events, whichever occurs first: (a) the sale of the Declarant's entire interest in the Property, or (b) seven (7) years following conveyance of the first Lot on the Property to an Owner by Declarant. So long as Declarant, its successors and assigns, owns one or more of the Lots, Declarant, its successors and assigns shall, except as specifically provided in this Declaration, be subject to the provisions of this Declaration. Declarant shall make every effort to avoid disturbing the Owners' use and enjoyment of their Lots while Declarant is completing any work necessary on the Lots and Common Area. In addition, nothing in this Declaration shall be construed to prevent Declarant from modifying the Plat or any portion thereof.

Section 2.3 Association Bound. Upon issuance of a Certificate of Incorporation by the Arizona Corporation Commission to the Association, the Covenants shall be binding upon and shall benefit the Association.

ARTICLE 3

EASEMENTS AND RIGHTS OF ENJOYMENT IN COMMON AREAS

Section 3.1 Easements of Enjoyment. Declarant and every Owner, Occupant and Resident of the Property shall have a right and easement of enjoyment in and

to all of the Common Areas which easement shall be appurtenant to, and shall pass with, the title to every Lot subject to the following provisions:

(a) The right of the Association to charge owners reasonable admission and other Special Use Fees for the use of the Common Areas or any facilities constructed thereon. Any such Special Use Fees shall be set by the Board from time to time, in its discretion. Special Use Fees shall be charged only for actual entry upon or utilization of those Common Areas determined by the Board to be subject to a Special Use Fee.

(b) The right of the Association to suspend the voting rights and right to use of the facilities and other Common Areas by any Member (i) for any period during which any Assessment against his Lot remains delinquent; (ii) for a period not to exceed sixty (60) days for any infraction of this Declaration or the Association Rules, and (iii) for successive sixty (60) day periods if any such infraction is not corrected during any prior sixty (60) day suspension period.

(c) The right of the Association to regulate the use of the Common Areas through the Association Rules and to prohibit or limit access to those Common Areas, such as the Lake and other specified landscaped areas, not intended for use by the Members. The Association Rules shall be intended, in the absolute discretion of the Board, to enhance the preservation of the Common Areas for the safety and convenience of the users thereof, and otherwise shall serve to promote the best interests of the Owners, Occupants and Residents of Crystal Bay.

(d) The right of the Association to dedicate or transfer all or any part of the Common Areas to any public or quasi-public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Association. Unless otherwise required by zoning stipulations or other agreements with applicable governing municipalities or quasi-governmental agencies, entities or districts effective prior to the date hereof or specified on the Plat, no such dedication or transfer shall be effective unless an instrument signed by the Owners of two-thirds (2/3) of the Memberships in each class of Members agreeing to such dedication or transfer has been Recorded, except that the Board shall have authority to transfer to such public agencies, authorities or utilities easements and rights-of-way which are intended to benefit Crystal Bay and which do not have any substantial adverse effect on the enjoyment of the Common Areas by the Members.

(e) The right of the Association to change the use of the Common Areas in accordance with this Declaration.

(f) The right of the Association to change the size, shape or location of Common Areas, to exchange Common Areas for other lands or interests therein which become Common Areas and to abandon

or otherwise transfer Common Areas so long as, in each case, either (i) the Board determines that the Members are not materially or adversely affected, or (ii) Declarant or, if Declarant no longer possesses a Class B Membership, then two-thirds (2/3) of the Class A Memberships, has/have executed an instrument agreeing to such change in size, shape or location, exchange, abandonment or transfer.

Section 3.2 Delegation of Use. Any Owner or Resident may, in accordance with the Declaration and the Association Rules and the limitations therein contained, delegate his right of enjoyment in the Common Areas and facilities to the members of his family, his tenants or his guests; provided, however, that the Association shall have the right to limit the number of guests of an Owner or Resident using the Common Areas.

Section 3.3 Waiver of Use. No Owner may exempt himself from personal liability for assessments, nor release the Lot owned by him from the liens or charges arising under this Declaration by waiver of his use and enjoyment of the Common Areas.

ARTICLE 4

PERMITTED USES AND RESTRICTIONS

Section 4.1 Covenants, Conditions, Restrictions and Easements Applicable to the Property. The following covenants, conditions, restrictions and reservations of easements and rights shall apply to all portions of the Property which are not Exempt Property (unless otherwise specifically indicated), the Owners, Residents and Occupants thereof.

(a) Architectural Control. The Property is subject to architectural control as established by the Design Review Committee. Except as otherwise expressly provided in this Declaration, no improvements, alterations, repairs, excavation, grading, landscaping or other work which in any way alters a Lot, or the exterior appearance of improvements located thereon, shall be made or done without the prior approval of the Design Review Committee. No changes or deviations in or from the plans and specifications once approved by the Design Review Committee shall be made without prior written approval of the Design Review Committee. The exterior (and those interior portions of structures visible from the outside of the applicable structure) of any building fence, wall, residence or other structure shall not be commenced, erected, maintained, improved, altered, or made without the prior written approval of the Design Review Committee. All subsequent additions to or changes or alterations in any building, fence, wall or other structure, including exterior color scheme, and all changes in the grade of Lots, shall be subject to the prior written approval of the Design Review Committee.

(b) Restriction on Further Property Restrictions. No further covenants, conditions, restrictions or easements shall be Recorded by any Owner, Occupant or other person against any Lot

without the provisions thereof having been first approved in writing by the Board and any covenants, conditions, restrictions or easements Recorded without such approval being evidenced thereon shall be null and void.

(c) Landscaping. Within six (6) months from conveyance of a Lot by Declarant, its successors or assigns, to an Owner by means of a Deed, such Owner shall complete the landscaping of all portions of the Lot that are Visible From Neighboring Property or visible from the Common Areas or the streets. In the event an Owner fails to complete such landscaping within said 6 month period, the Board may by resolution make a finding to such effect and pursuant thereto give notice thereof to the Owner that unless landscaping is commenced within fourteen (14) days and thereafter diligently pursued to completion, the Board may cause such landscaping to be accomplished at said Owner's expense. If at the expiration of said fourteen (14) day period of time such landscaping has not been commenced and thereafter diligently pursued to completion, the Board shall be authorized and empowered to cause such landscaping to occur and the cost thereof shall be added to, and become a part of, the Assessment to which the offending Owner and the Owner's Lot is subject, and shall be secured by the Assessment Lien. Except as otherwise expressly provided in this Declaration, such landscaping and incidental work shall not be commenced without the prior written approval of the Design Review Committee and no changes or deviations in or from any plans and specifications approved by the Design Review Committee shall be made without the prior written approval of the Design Review Committee.

(d) Utility Easements. There is hereby created a blanket easement upon, across, over and under the Property for ingress to, egress from and the installation, replacing, repairing and maintaining of all utility and service lines and systems including, but not limited to, water, sewer, gas, telephone, electricity, cable or communication lines and systems, as such utilities are installed in connection with the initial development of each Lot. Pursuant to this easement, a providing utility or service company may install and maintain facilities and equipment on the Lots and Common Areas and affix and maintain wires, circuits and conduits on, in and under the roofs and exterior walls of buildings thereon. Notwithstanding anything to the contrary contained in this Subsection, no sewers, electrical lines, water lines, or other utility or service lines may be installed or relocated within the Property except as initially created or approved by Declarant without the prior written approval of, in the case of a Common Area, the Association and the Design Review Committee or, in the case of a Lot, the Owner of such Lot and the Design Review Committee.

(e) Health, Safety and Welfare. In the event any uses, activities and facilities on any Lot are deemed by the Board to be a nuisance or to adversely affect the health, safety or welfare of

Owners, Occupants or Residents, the Board may make rules restricting or regulating their presence within Crystal Bay as part of the Association Rules, or may direct the Design Review Committee to make rules governing their presence on Lots as part of the design guidelines.

(f) Maintenance of Lawns and Plantings. Each Owner of a Lot shall keep neatly trimmed, properly cultivated and free from trash, weeds and other unsightly material, all shrubs, trees, hedges, grass and plantings of every kind located on (i) his Lot (including set back areas and Common Areas), (ii) planted public right-of-way areas between sidewalks (or bikepaths) and the street curb in front of his property, if any, (iii) any other public right-of-way or easement area which abuts the Owner's Lot and which is located between the boundary line of his Lot and the paved area of any street, sidewalk, bikepath or similar area, and (iv) any non-street public right-of-way; provided, however, that such Owner shall not be responsible for maintenance of any area over which (1) the Association assumes the responsibility in writing; (2) the Association has been given such responsibility by a Recorded instrument as provided in Section 10.1 of this Declaration; or (3) the City of Chandler, County of Maricopa or other public agency assumes responsibility, for so long as the Association, said political subdivision or other public agency assumes or has responsibility as provided in (1), (2) or (3) above. The Design Review Committee may require landscaping by the Owner of the areas described in Subsections (ii), (iii) and (iv) above.

(g) Nuisances, Construction Activities. No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot and no odors shall be permitted to arise or emit therefrom so as to render any such property or any portion thereof, or activity thereon, unsanitary, unsightly, offensive or detrimental to any other Lot in the vicinity thereof or to the occupants of such other Lot. No other nuisance shall be permitted to exist or operate upon any Lot so as to be offensive or detrimental to any other property in the vicinity thereof or to its occupants. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, fireworks, bells or other sound devices, except security devices used exclusively for security purposes, shall be located, used or placed on any such Lot. Normal construction activities and parking in connection with the building of improvements on a Lot shall not be considered a nuisance or otherwise prohibited by this Declaration, but all Lots shall be kept in a neat and tidy condition during construction periods, trash and debris shall not be permitted to accumulate and supplies of brick, block, lumber and other building materials shall be piled only in such areas as may be approved by the Design Review Committee. In addition, any construction equipment and building materials stored or kept on any Lot during construction of improvements may be kept only in areas approved by the Design Review Committee. The Design Review Committee may also require screening

of said storage areas. The Board, in its sole discretion, shall have the right to determine the existence of any such nuisance.

(h) Repair of Building. No building or structure on any Lot shall be permitted to fall into disrepair and each such building and structure shall at all times be kept in good condition and repair and adequately painted or otherwise finished. In the event any building or structure is damaged or destroyed, then, subject to the approvals required by Subsection (a) above, such building or structure shall be immediately repaired or rebuilt.

(i) Signs. No signs whatsoever (including, but not limited to, commercial, political and similar signs) which are Visible From Neighboring Property shall be erected or maintained on any Lot except:

(i) Signs required by legal proceedings.

(ii) No more than two (2) property location or identification signs for individual residences, each with a face area of seventy-two (72) square inches or less.

(iii) Signs indicating a property to be "For Sale" or "For Lease," provided no more than two (2) such signs are located on each individual residence, no individual sign is larger than five hundred (500) square inches in size, and no sign is placed closer to the street than twelve (12) feet.

(iv) Such other signs which are in conformance with the applicable requirements of the City of Chandler, County of Maricopa or other applicable governmental agencies and which have been approved in advance and in writing by the Design Review Committee as to size, color, design, message content and location.

(j) Roof Structures and Equipment. No solar units or panels, heating, air-conditioning or ventilation equipment, or any other equipment or structures shall be located or installed within any Lot, including on any roof of any building located on any Lot, without the prior written approval of the Design Review Committee.

(k) Utility Service. No lines, wires, or other devices for the communication or transmission of electric current or power, including telephone, television, and radio signals, shall be erected, placed or maintained anywhere in or upon any Lot unless the same shall be contained in conduits or cables installed and maintained underground, except to the extent (if any) such underground or concealed placement may be prohibited by law, and except for such above-ground structures and/or media for transmission as may be originally constructed by Declarant or as may

be otherwise approved by the Design Review Committee. No provision hereof shall be deemed to forbid the erection of temporary power or telephone structures incident to the construction of buildings or structures approved by the Design Review Committee.

(l) Right of Entry. During reasonable hours and upon reasonable notice to the Owner or other Occupant of a Lot, any member of the Design Review Committee, any member of the Board, or any authorized representative of either of them, shall have the right to enter upon and inspect any Lot, and the improvements thereon, except for the interior portions of any completed Dwelling Unit, for the purpose of ascertaining whether or not the provisions of this Declaration have been, or are being, complied with, and such persons shall not be deemed guilty of trespass by reason of such entry.

(m) Declarant's Exemption. Nothing contained in this Declaration shall be construed to prevent the erection or maintenance by Declarant, or its duly authorized agents, of structures, improvements or signs necessary or convenient to the development or sale of Lots within Crystal Bay.

(n) Permitted Uses. Except for the construction and maintenance of model homes as provided below, the Lots shall be used, improved and devoted exclusively to residential use by Single Families. No gainful occupation, profession, trade or other non-residential use, other than the keeping of an office for private use, shall be conducted on the Lot and no person shall enter into any Lot for the purpose of engaging in such uses or for the purpose of receiving products or services arising out of such usage.

(o) Animals. No animal, bird, poultry or livestock, other than a reasonable number of generally recognized house or yard pets, shall be maintained on any Lot and then only if they are kept, bred or raised thereon solely as domestic pets and not for commercial purposes. No animal, bird, poultry or livestock shall be allowed to make an unreasonable amount of noise or to become a nuisance. No structure for the care, housing or confinement of any animal, bird, poultry or livestock shall be maintained so as to be Visible From Neighboring Property. Upon the written request of any Member or Resident, the Board shall conclusively determine, in its sole and absolute discretion, whether, for the purposes of this paragraph, a particular animal, bird, poultry or livestock is a generally recognized house or yard pet, whether such a pet is a nuisance, or whether the number of animals or birds on any such property is reasonable. Any decision rendered by the Board shall be enforceable in the same manner as other restrictions contained herein and in the Declaration.

(p) Temporary Occupancy and Temporary Buildings. No trailer, basement of any incomplete building, tent, shack, garage or barn, and no temporary buildings or structures of any kind, shall be

used at any time for a residence, either temporary or permanent. Temporary buildings or structures used during the construction of a dwelling on any property shall be removed immediately after the completion of construction.

(q) Model Homes. The provisions of this Declaration which prohibit non-residential use of Lots and regulate parking of vehicles shall not prohibit the construction and maintenance of model homes by Declarant and parking incidental to the visiting of such model homes, so long as the location of such model homes are approved by the Design Review Committee, and the construction, operation and maintenance of such model homes otherwise complies with all of the provisions of this Declaration. The Design Review Committee may also permit other areas to be used for parking in connection with the showing of model homes provided such parking and parking areas are in compliance with applicable governing ordinances and any rules of the Design Review Committee. Any homes constructed as model homes shall cease to be used as model homes at any time the Declarant is not actively engaged in the construction and sale of residences within Crystal Bay, and no home shall be used as a model home for the sale of homes not located within Crystal Bay.

(r) Diseases and Insects. No Owner shall permit any thing or condition to exist upon any Lot which shall induce, breed or harbor infectious plant diseases or noxious insects.

(s) Antennas. No antenna or other device for the transmission or reception of television or radio signals or any other form of electromagnetic radiation which are Visible From Neighboring Property shall be erected, used or maintained outdoors on any Lot, whether attached to a building or structure or otherwise, unless approved by the Design Review Committee.

(t) 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 approved by the Design Review Committee and acceptable to the appropriate garbage/trash collector. In no event shall such containers be maintained so as to be Visible From Neighboring Property except to make the same available for collection and then only for the shortest time reasonably necessary to effect such collection. All rubbish, trash, or garbage shall be promptly removed from all Lots and shall not be allowed to accumulate thereon. No outdoor incinerators shall be kept or maintained on any Lot.

(u) Clothes Drying Facilities. Outside clotheslines or other outside facilities for drying or airing clothes shall not be erected, placed or maintained on any Lot unless they are erected, placed and maintained exclusively within a fenced yard or otherwise concealed and are not Visible From Neighboring Property.

(v) Window Treatments. All windows within any Dwelling Unit constructed on any Lot shall be covered with appropriate window treatments within ninety (90) days after first occupancy thereof. No reflective materials, including but not limited to aluminum foil, reflective screens or glass, mirrors or similar-type items shall be installed or placed on the outside or inside of any windows. The exterior side of all drapes, curtains or other window coverings shall be white, off-white, beige or natural wood-toned in color.

(w) Party Walls. Except as hereinafter provided, the rights and duties of Owners with respect to party walls between Lots, or party fences between Lots shall be as follows:

(i) The Owners of contiguous Lots who have a party wall or party fence shall both equally have the right to use such wall or fence, provided that such use by one Owner does not interfere with the use and enjoyment of same by the other Owner.

(ii) In the event that any party wall or party fence is damaged or destroyed through the act of an Owner or any of his agents, guests, or members of his family (whether or not such act is negligent or otherwise culpable), it shall be the obligation of such Owner to rebuild and repair the party wall or party fence without cost to the Owner of the adjoining Lot. Any dispute over an Owner's liability for such damage shall be resolved as provided in Subsection (v) below, but any liability imposed on an Owner hereunder shall not prevent the Owner from seeking indemnity therefor from the persons causing such damage.

(iii) In the event any party wall or party fence is destroyed or damaged (including deterioration from ordinary wear and tear and lapse of time), other than by the act of an adjoining Owner, his agents, guests or family, it shall be the obligation of all Owners whose Lots adjoin such party wall or party fence to rebuild and repair such wall or fence at their joint expense, such expense to be allocated among the Owners in accordance with the frontage of their Lots on the party wall or party fence.

(iv) Notwithstanding anything to the contrary herein contained, there shall be no impairment of the structural integrity of any party wall or party fence without the prior consent of all Owners of any interest therein whether by way of easement or in fee.

(v) In the event of a dispute between Owners with respect to the construction, repair or rebuilding of a party wall or party fence, or with respect to the

sharing of the cost thereof, such adjoining Owners shall submit the dispute to the Board, the decision of which shall be binding.

(vi) Anything in the foregoing to the contrary notwithstanding, in the case of party fences (1) between Common Areas and Lots, or (2) constructed by the Declarant or the Association on Common Areas, the Association shall be responsible for all maintenance thereof, subject to the provisions of Article 10 of the Declaration, except that each Owner of a Lot shall be responsible for painting the portion of the party wall or party fence facing his Lot or the portion thereof which is not a portion of the Common Area.

(x) Overhead Encroachments. No tree, shrub or planting of any kind on any Lot shall be allowed to materially overhang or otherwise encroach upon any sidewalk, street, pedestrian way or other area from ground level to a height of eight (8) feet without the prior approval of the Design Review Committee.

(y) Trucks, Trailers, Campers and Boats. No motor vehicle classed by manufacturer rating as exceeding one-ton, mobile home, travel trailer, tent trailer, trailer, camper shell, detached camper, boat, boat trailer or other similar equipment or vehicle may be parked, maintained, constructed, reconstructed or repaired on any Lot or street in Crystal Bay so as to be Visible From Neighboring Property or to be visible from the Common Areas or the streets.

(z) Motor Vehicles. No automobile, motorcycle, motorbike or other motor vehicle shall be constructed, reconstructed or repaired upon any Lot or street in Crystal Bay, and no inoperable vehicle may be stored or parked on any such Lot or street so as to be Visible From Neighboring Property or to be visible from the Common Areas or the streets.

(aa) Parking. Vehicles of all Owners, Lessees and Residents, and of their guests and invitees, are to be kept only in garages and carports and not upon the driveway of any Lot or the streets located within the Property or otherwise be Visible From Neighboring Property or visible from the Common Areas or the streets. Notwithstanding, the guests or invitees of an Owner, Lessee or Resident may park their vehicle upon the driveway located upon the Lot of such Owner, Lessee or Resident or the streets located within the Property provided such vehicles remain parked thereon for no more than three (3) consecutive twenty four (24) hour periods or a majority of such consecutive 24 hour periods; providing, however, this paragraph shall not be construed to permit the parking in the above-described areas of any vehicle whose parking in Crystal Bay is otherwise prohibited or the parking of any inoperable vehicle.

(ab) Tenants. The entire Dwelling Unit on a Lot may be let to a Single Family tenant from time to time by the Owner, subject to the provisions of this Declaration.

(ac) Environmental Protections. Neither the Lot nor any facilities on the Lot shall be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Substances or solid waste, except in compliance with all applicable federal, state, and local laws or regulations. For purposes of this paragraph, "Hazardous Substances" shall be deemed to include pollutants or substances defined as "hazardous waste," "hazardous substances," "hazardous materials," or "toxic substances" in: the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA") as amended by the Superfund Amendments and Reauthorization Act of 1986 (PL 99-499); the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq.; the Toxic Substance Control Act, 15 U.S.C. Section 2601, et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901, et seq.; the Arizona Environmental Quality Act, Laws 1986, Chap. 368; and in the rules or regulations adopted and guidelines promulgated pursuant to said laws.

Section 4.2 Covenants, Conditions, Restrictions and Easements Applicable to the Lake. The following covenants, conditions, restrictions and reservations of easements and rights shall apply to the Lake.

(a) Use. The Lake and all Water Access Areas shall be for the use and enjoyment of the Owners, Occupants and Residents of Crystal Bay (hereinafter referred to as "Permitted Users"), subject to the provisions of this Declaration and any rules and regulations relating thereto which may be promulgated from time to time by the Board. Such rules and regulations may include provisions pertaining to the use of the Lake, launching, operation, recovery and mooring of watercraft, fishing, swimming and other aquatic activity, and use of any Waterfront Facilities. In no event, however, shall the provisions of this Section 4.2 be construed as permitting or allowing launching, recovery and mooring of watercraft, fishing, swimming and other aquatic activity, or use of any Waterfront Facilities unless: (1) permitted by the Board pursuant to Section 5.3 through formal adoption of rules or regulations relating thereto which rules and regulations shall be applied uniformly to all Owners, Occupants and Residents (the Board shall be under no obligation to adopt and the Board may refuse to adopt at its sole and absolute discretion such rules and regulations); and (2) specifically approved as provided in this Section 4.2. Except as permitted by the Public Safety Easement created herein, Permitted Users of the Lake may access the Lake only over those areas designated as "Water Access Areas" on the Plat. The Board shall have the right to supplement, amend, change or revoke such rules and regulations without advance notice. No person or entity shall use the Lake or permit the Lake, or any Lot adjoining the Lake to be used for any purpose or activity which violates the provisions of

Section 404 of the federal Clean Water Act, as it pertains to "wetlands," or which violates or is contrary to any conditions, restrictions or provisions of any permit or authorization obtained with respect to the Lake by the Declarant, the Association or their successors or assigns.

(b) Access for Maintenance. Declarant hereby reserves to Declarant, the Association and their successors and assigns the right to enter upon and use Lots within Crystal Bay for any lawful purpose in connection with the creation, use, operation, maintenance and repair of the Lake. Such usage may not interfere with the Owner's use thereof for any unreasonable time period.

(c) Waterfront Facilities. No person or entity shall construct, maintain or locate any Waterfront Facilities, including without limitation, docks or piers, on, in or adjacent to the Lake without the prior written approval by the Board, which approval the Board may withhold at its sole and absolute discretion. If the Board elects to permit the construction or location of any Waterfront Facilities on, in or adjacent to the Lake, then: (1) such Waterfront Facilities may be used only for noncommercial recreational purposes; and (2) each owner of such Waterfront Facilities shall, at its sole expense, maintain such Waterfront Facilities in a neat and clean appearance and in good and safe condition and repair.

(d) Boats and Watercraft. No person or entity shall launch, operate, recover or moor watercraft in or on the Lake without the prior written approval by the Board, which approval the Board may withhold at its sole and absolute discretion. If the Board should authorize the use of watercraft in the Lake, then: (1) only canoes, kayaks, paddle boats, and electrical or battery operated watercraft shall be permitted; (2) the size of all such watercraft shall be subject to restriction by the Board; (3) such watercraft shall be operated so as not to unnecessarily disturb any Owner, Occupant or Resident of Crystal Bay or otherwise create a nuisance; (4) such watercraft shall not be used for residential purposes (whether temporary or permanent); and (5) such watercraft shall only be launched or moved within a Water Access Area. Notwithstanding the provisions of this Section 4.2, the Association may operate any watercraft on the Lake necessary for maintenance, safety, or other community purposes without the Board's approval or adoption of rules or regulations relating thereto.

(e) Fishing. No person or entity shall attempt to catch or remove any fish or other aquatic animal from the Lake without obtaining the prior written approval of the Board for such activity, which approval the Board may withhold at its sole and absolute discretion.

(f) Swimming; Watersports. No wading, swimming or other watersports of any kind shall be allowed or permitted in the Lake,

without the prior written approval of the Board for such activity, which approval the Board may withhold at its sole and absolute discretion.

(g) Waterfowl, Other. No waterfowl or living plants or creatures of any kind including, but not limited to, fish, snails, crayfish, turtles, watersnakes, frogs, aquatic plants, ducks, geese, swans or other waterfowl, shall be kept, deposited, released or otherwise introduced into the Lake by any person or entity, without the prior written approval of the Board.

(h) Pumping. The pumping of water from or into the Lake is strictly prohibited, except in the event of an emergency.

(i) Dredging. No dredging of the Lake shall be allowed or permitted, except by the Association and its successors and assigns in connection with the Association's maintenance responsibilities.

(j) Environmental Protections. No Hazardous Substances of any kind shall be released, dumped or disposed of into the Lake.

(k) Signage. The Declarant, the Association and their successors and assigns, shall have the sole right to erect signage relating to the use of and restrictions relating to the Lake.

(l) Maintenance of the Lake. The Association, or its duly delegated representative, shall maintain and otherwise manage the Lake pursuant to the provisions of Article 10 of the Declaration; provided, however, that in the event the need for maintenance or repair of the Lake is caused by the willful or negligent act of any Member or that Member's invitees, guests or tenants, the cost of such repairs or maintenance shall be added to, and become a part of, the Assessment to which such Member and the Member's Lot is subject, and shall be secured by the Assessment Lien. Notwithstanding the Association's responsibility to maintain the Lake, neither the Association nor the Declarant shall have any responsibility or obligation to maintain a specific quantity or quality of water in the Lake and make no representation or warranty as to the quantity or quality of the water existing from time to time in the Lake. All Members of the Association, by accepting a deed to a Lot within Crystal Bay, shall accept title to such Lot subject to the Water Encroachment Easement created pursuant to Article 1(ai) hereof and shall be deemed to have released, waived and discharged Declarant and the Association and their successors and assigns from and against any and all losses or damages which may be incurred by such Member as a result of the rising or falling of the water level in the Lake or the quality or condition of the water existing from time to time within the Lake.

(m) Lake Patrol. The Association shall have the authority but not the obligation to delegate one or more persons who shall constitute the Lake Patrol. The Lake Patrol shall have the

authority to restrict the usage of the Lake by any person or watercraft due to negligence in the operation of a watercraft, or in violation of any safety regulation or Association Rule regarding usage of the Lake or for reasons elsewhere set forth in this Declaration. Any person whose use of the Lake is restricted by the Lake Patrol may request review of such restriction by the Board, the decision of which shall be binding and final.

ARTICLE 5

ORGANIZATION OF ASSOCIATION

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

Section 5.2 Board of Directors and Officers. The affairs of the Association shall be conducted by the Board and such officers as the Board may elect or appoint in accordance with the Articles and the Bylaws as the same may be amended from time to time. The initial Board shall be composed of three (3) members. The Board may also appoint various committees and may appoint a manager who shall, subject to the direction of the Board, be responsible for the day-to-day operation of the Association. The Board shall determine the compensation to be paid to the manager or any other employee of the Association.

Section 5.3 Association Rules. By a majority vote of the Board, the Association may, from time to time and subject to the provisions of this Declaration, adopt, amend and repeal rules and regulations to be known as the "Association Rules." The Association Rules may restrict and govern the use of any Common Area by any Member, Occupant or Resident; provided, however, that the Association Rules shall not be inconsistent with this Declaration, the Articles or the Bylaws. Upon adoption, the Association Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration.

Section 5.4 Personal Liability. No member of the Board or of any committee of the Association, no officer of the Association, and no manager or other employee of the Association shall be personally liable to any Member, or to any other person, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence of the Association, the Board, the manager, any representative or employee of the Association or any committee, committee member or officer of the Association; provided, however, the limitations set forth in this Section 5.4 shall not apply to any person who has failed to act in good faith or has engaged in willful or intentional misconduct.

ARTICLE 6

MEMBERSHIPS AND VOTING

Section 6.1 Owners of Lots. Each Owner of a Lot which is subject to assessment, pursuant to Article 7 hereof, shall be a Member of the Association. Each such Membership shall be appurtenant to and may not be separated from ownership of the Lot to which the Membership is attributable and joint ownership or ownership of undivided interests in any real property which establishes a Membership shall not cause there to be more Memberships than the number established for purposes of this Section 6.1.

Section 6.2 Declarant. The Declarant shall be a Member of the Association for so long as Declarant holds a Class B Membership pursuant to Section 6.3 below.

Section 6.3 Voting.

(a) Memberships. The Association shall have two classes of voting Memberships:

(i) Class A. Class A Memberships shall be all Memberships, except the Class B Memberships held by the Declarant, and each Owner shall be entitled to one (1) vote for each Class A Membership held by the Owner, subject to the authority of the Board to suspend the voting rights of the Owner for violations of this Declaration in accordance with the provisions hereof;

(ii) Class B. Until converted to Class A Memberships as provided below, each Membership owned by Declarant shall be a Class B Membership. At the time of any vote by the Members of the Association, Declarant shall be entitled to three (3) votes for each Class B Membership held by Declarant. The Class B Memberships shall cease and be converted to Class A Memberships on the first to occur of the following:

(A) The date which is ninety (90) days after the date when the total votes outstanding in the Class A Memberships entitled to vote equal the total votes outstanding in the Class B Memberships;

(B) The 30th day of September, 1999; or

(C) The date Declarant notifies the Board in writing that Declarant is terminating its Class B Memberships and converting such Memberships to Class A Memberships.

Section 6.4 Right to Vote. No change in the ownership of a Membership shall be effective for voting purposes unless and until the Board is given actual written notice of such change and is provided with satisfactory proof thereof. The vote for each such Membership must be cast as a unit and fractional votes shall not be allowed. If a Membership is owned by more than one person or entity and such Owners are unable to agree amongst themselves as to how their vote or votes shall be cast, they shall lose the right to vote on the matter in question. If any Member casts a vote representing a certain Membership, it will thereafter be conclusively presumed for all purposes that such Member was acting with the authority and consent of all other owners of the same Membership unless objection thereto is made at the time the vote is cast. In the event more than one vote is cast for a particular Membership, none of said votes shall be counted and all said votes shall be deemed void.

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

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

ARTICLE 7

COVENANT FOR ASSESSMENTS AND CREATION OF LIEN

Section 7.1 Creation of Lien and Personal Obligation of Assessments and Maintenance Charges. The Declarant, for each Lot hereafter established within Crystal Bay, hereby covenants and agrees and each Owner by acceptance of a Deed therefor (whether or not it shall be so expressed in such Deed) is deemed to covenant and agree to pay to the Association the following assessments and charges: (1) Annual Assessments established by this Article; (2) Use Assessments established by this Article; (3) Special Assessments for Capital Improvements or other extraordinary expenses or costs established by this Article; and (4) Maintenance Charges established by Article 10, all such assessments to be established and collected as hereinafter provided. The Annual Assessments, Use Assessments, Special Assessments, and Maintenance Charges (sometimes hereinafter referred to collectively as the "Assessments" and individually as the "Assessment"), together with interest, costs, and reasonable attorneys' fees, shall be a charge, continuing servitude and lien upon the Lot against which each such assessment is made. The Assessments assessed against each Lot shall be based upon the number of Memberships appurtenant to the Lot. Each such Assessment, together with interest, costs and reasonable attorney's fees, shall

also be the personal obligation of the person who was the Owner of the Lot at the time the Assessment was due. The personal obligation for delinquent assessments shall not pass to the successors in title of the Owner unless expressly assumed by such successors.

Section 7.2 Annual Assessments. To provide for the uses and purposes specified in Article 9 hereof, including the establishment of replacement and maintenance reserves, the Board shall assess against each Membership an Annual Assessment. The amount of the Annual Assessment shall be determined with the objective of fulfilling the Association's obligations under this Declaration to provide for the uses and purposes specified in Article 9. The Board may, during the Assessment Period, revise the amount of the Annual Assessment in order to meet expenses which exceed the amounts anticipated by the Association and collect such increased assessment in accordance with procedures established pursuant to Section 7.8 below. The Annual Assessment shall be assessed against each Member commencing with the year the first Lot is conveyed by the Declarant, provided, however, that in the event fulfillment of the purposes of the Association does not require the imposition of an Annual Assessment at that time, the Board may delay the initial imposition of the Annual Assessment against each Member until such time as the fulfillment of the purposes of the Association require such imposition.

Section 7.3 Maximum Annual Assessments. The total Annual Assessment to be established by the Board may not exceed a certain amount, hereinafter referred to as the "Maximum Annual Assessment" which Maximum Annual Assessment shall be determined and shall vary in accordance with the following provisions:

(a) Until January 1 of the year following the conveyance of the first Lot by Declarant, the Maximum Annual Assessment against each Owner of a Lot shall be Five Hundred Forty Dollars and No/100 (\$540.00) per each Membership ("Initial Maximum Annual Assessment").

(b) From and after January 1 of the year immediately following the conveyance of the first Lot by Declarant and during such year, the Maximum Annual Assessment may be increased effective January 1 of each year without a vote of the Membership by a maximum of five percent (5%) of the Maximum Annual Assessment for the previous year or in applicable conformance with the percentage rise, if any, of the Consumer Price Index as hereinafter defined, whichever is greater. The Maximum Annual Assessment attributable to the Consumer Price Index for each such period shall be computed by reference to the statistics published by the United States Department of Labor, Bureau of Labor Statistics, designated "Consumer Price Index for all Urban Consumers, All Items (1982-84=100)," hereinafter called the "C.P.I." The Maximum Annual Assessment shall be computed by the following formula: The Initial Maximum Annual Assessment shall be increased by an amount equal to the percentage by which the C.P.I. for the immediately preceding September has increased over the C.P.I. for the September preceding the conveyance of the first Lot by Declarant.

If the Bureau of Labor Statistics changes the method of determining the Consumer Price Index, the formula for determining the Maximum Annual Assessment shall be altered or amended, if possible, so as to continue the base period and base figure, but in the event it shall be impossible to do so, or in the event the Bureau of Labor Statistics ceases to publish the said statistical information and such information is not available from any other source, public or private, then, and in any such event, a new formula for determining the Maximum Annual Assessment shall be adopted by the Board.

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

Section 7.4 Use Assessments. If the Board determines that certain services provided by the Association benefit the Lots in a disproportionate manner or if a Member or Members owning one or more Lots contract with the Association for the Association to provide particular services with regard to such Lots, the Board shall be entitled to assess Use Assessments against such benefitted Memberships. The amount of any Use Assessments shall be determined in a manner consistent with the Board's determination of the respective benefits each Lot receives from such services.

Section 7.5 Special Assessments for Capital Improvements and Extraordinary Expenses. In addition to the Annual Assessments and Use Assessments authorized above, the Association may levy, in any Assessment Period, a Special Assessment applicable to that Assessment Period only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, or for the purpose of defraying other extraordinary expenses; provided that any such Special Assessment shall have the assent of Declarant, if it still holds a Class B Membership or, if no Class B Memberships exist, two-thirds (2/3) of the votes of the Members who are voting in person or by proxy at a meeting duly called for such purpose. The provisions of this section shall not preclude or limit the assessment, collection or use of the Annual Assessments for the aforesaid purposes.

Section 7.6 Uniform Rate of Assessment. Except as hereinafter specifically set forth herein, the amount of any Annual Assessment or Special Assessment shall be fixed at a uniform rate per Membership. The Annual Assessments and the Use Assessments may be collected on a monthly, quarterly, or annual basis and Special Assessments may be collected as specified by the Board unless otherwise determined by the resolution of the Members of the Association approving the Special Assessment.

Section 7.7 Notice and Quorum for Any Action Authorized Under Section 7.5. Written notice of any meeting called for the purpose of taking any action authorized under Section 7.5 of this Article shall be sent to all Members subject to such assessment no less than thirty (30) days nor more than sixty (60) days

in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes (exclusive of suspended voting rights) of each class of Membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 7.8 Rules Regarding Billing and Collection Procedures. The Board shall have the right to adopt rules and regulations setting forth procedures for the purpose of making the Assessments provided herein, for the billing and collection of the Assessments, provided that said procedures are not inconsistent with the provisions hereof. The failure of the Association to send a bill to a Member shall not relieve any Member of his liability for any Assessment or charge under this Declaration, but the Assessment Lien therefor shall not be foreclosed or otherwise enforced until the Member has been given not less than thirty (30) days written notice, prior to such foreclosure or enforcement at the address of the Member on the records of the Association, that the Assessment, or any installment thereof is, or will be, due, and of the amount owing. Such notice may be given at any time prior to or after delinquency of such payment. The Association shall be under no duty to refund any payments received by it even though the ownership of a Membership changes during an Assessment Period; successor Owners of Lots shall be given credit on a prorated basis for prepayments made by prior Owners. If the owner of a Membership becomes liable for payment of an increased sum pursuant to this Article during the Assessment Period, he shall notify the Association, but his failure to notify the Association shall not relieve him of the liability for such amounts.

Section 7.9 Collection Costs and Interest on Delinquent Assessments. Any Assessment or installment thereof not paid when due shall be deemed delinquent and shall bear a late fee, the amount of which shall be determined by the Board, and the Member shall be liable for all costs, including attorney's fees, which may be incurred by the Association in collecting the same. The Board also may, but is not obligated to, Record a Notice of Delinquent Assessment against any Lot as to which an Assessment is delinquent and constitutes a lien and may establish a fixed fee to reimburse the Association for the Association's cost in Recording such Notice, processing the delinquency and Recording a notice of payment, which fixed fee shall be treated as a collection cost of the Association secured by the Assessment Lien.

Section 7.10 Evidence of Payment of the Assessments. Upon receipt of a written request by a Member or any other person, the Association, within a reasonable period of time thereafter, shall issue to such Member or other person a written certificate stating (a) that all Assessments (including costs and attorney's fees, if any, as provided in Section 7.9 above) have been paid with respect to any specified Lot as of the date of such certificate, or (b) if all Assessments have not been paid, the amount of such Assessments (including costs and attorney's fees, if any) due and payable as of such date. The Association may make a reasonable charge for the issuance of such certificates, which charge must be paid at the time the request for any such certificate is made. Any such certificate, when duly issued as herein provided, shall be conclusive and binding

with respect to any matter therein stated as against any bona fide purchaser of, or lender on, the Lot in question.

Section 7.11 Property Exempted from the Annual, Use and Special Assessments and Assessment Lien. Exempt Property shall be exempted from the Annual Assessments, Use Assessments and Special Assessments and, except as provided in Article 10, from Maintenance Charges and the Assessment Lien; provided, however, that if any change of ownership of Exempt Property results in all or any part thereof becoming Assessable Property in any year, the same thereupon shall, to the extent applicable, be subject to the Annual Assessments, Use Assessments and Special Assessments and, if exempt therefrom, Maintenance Charges (prorated as of the date it became Assessable Property) and the Assessment Lien.

ARTICLE 8

ENFORCEMENT OF PAYMENT OF ANNUAL ASSESSMENTS, USE ASSESSMENTS AND SPECIAL ASSESSMENTS AND MAINTENANCE CHARGES AND OF ASSESSMENT LIEN

Section 8.1 Association as Enforcing Body. The Declarant, for so long as it holds a Class B Membership, and the Association, as the agent and representative of the Members, shall have the exclusive right to enforce the provisions of this Declaration. However, if the Declarant and Association shall fail or refuse to enforce this Declaration or any provision hereof for an unreasonable period of time after written request to do so, then any Member may enforce them on behalf of the Association, by any appropriate action, whether in law or in equity but not at the expense of the Association.

Section 8.2 Association's Remedies to Enforce Payment of Annual Assessments, Use Assessments, Special Assessments and Maintenance Charges. If any Member fails to pay the Annual Assessments, Use Assessments or Special Assessments or installments when due, or to pay Maintenance Charges assessed pursuant to Article 10, the Association may enforce the payment of such Assessments and/or the Assessment Lien by taking either or both of the following actions, concurrently or separately (and, by exercising either of the remedies hereinafter set forth, the Association does not prejudice or waive its right to exercise the other remedy):

(a) Bring an action at law and recover judgment against the Member personally obligated to pay the Assessments;

(b) Foreclose the Assessment Lien against the Lot in accordance with the then prevailing Arizona law relating to the foreclosure of realty mortgages or deeds of trust (including, where applicable, the right to recover any deficiency) and, if foreclosed as a realty mortgage, the Lot may be redeemed after foreclosure sale as provided by law.

Section 8.3 Subordination of Assessment Lien to First Mortgage or Deed of Trust; Priority of Lien. The Assessment Lien provided for herein shall be subordinate to any first mortgage lien held by, or deed of trust of which the

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

Section 8.4 Costs to be Borne by Member in Connection with Enforcement of Payment of Annual Assessments, Use Assessments, Special Assessments and Maintenance Charges. In any action taken pursuant to Section 8.2 of this Article, the Member shall be personally liable for, and the Assessment Lien shall be deemed to secure the amount of, the Annual Assessments, Use Assessments, Special Assessments and Maintenance Charges together with the Association's collection costs and attorney's fees, including those costs and fees specified in Article 7, Section 7.9.

ARTICLE 9

USE OF FUNDS; BORROWING POWER

Section 9.1 Purposes for which Association's Funds May Be Used. The Association shall apply all funds and property collected and received by it (including the Annual Assessments and Special Assessments, fees, loan proceeds, surplus funds and all funds and property received by it from any other source) for the common good and benefit of Crystal Bay and the Members and Residents by devoting said funds and property, among other things, to the acquisition, construction, alteration, maintenance, provision and operation, by any manner or method whatsoever, of any and all land, properties, improvements, facilities, services, projects, programs, studies and systems, within or without Crystal Bay, which may be necessary, desirable or beneficial to the general common interests of Crystal Bay, the Members and the Residents. The following are some, but not all, of the areas in which the Association may seek to aid, promote and provide for such common benefit: maintenance of landscaping on Common Areas and public right-of-way and drainage areas within Crystal Bay, obtaining of liability insurance, supplying of utilities and other public services, providing for communication and transportation within and dissemination of information

concerning Crystal Bay, indemnification of officers and directors of the Association and generally protecting the health and safety of the Members and the Residents. The Association also may expend its funds for any purposes which any municipality may expend its funds under the laws of the State of Arizona or such municipality's charter.

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

Section 9.3 Association's Rights in Spending Funds From Year to Year. The Association shall not be obligated to spend in any year all the sums received by it in such year (whether by way of Annual Assessments, Use Assessments or Special Assessments, fees or otherwise), and may carry forward as surplus any balances remaining. The Association shall not be obligated to reduce the amount of the Annual Assessment in the succeeding year if a surplus exists from a prior year and the Association may carry forward from year to year such surplus as the Board in its discretion may determine to be desirable for the greater financial security of the Association and the accomplishment of its purposes.

Section 9.4 Administration of Special Use Fees. The Association is authorized to bill for, sue for, collect, administer and disburse all Special Use Fees and the payment thereof shall be secured by the Assessment Lien; provided, however, that all Special Use Fees collected shall, if imposed in connection with a particular improvement, be separately accounted for as to each separate improvement pertaining to which they are collected and shall be expended on the particular improvement to which they pertain.

Section 9.5 Insurance. The Association shall maintain insurance against liability incurred as a result of death or injury to persons or damage to property on the Common Areas, with the amount and type of coverage to be determined by the Board.

ARTICLE 10

MAINTENANCE

Section 10.1 Common Areas and Public Rights-of-Way. The Association, or its duly delegated representative, shall maintain and otherwise manage, all Common Areas, including, but not limited to, the Lake, landscaping, walkways, paths, parking areas, drives and other facilities. The Association shall also maintain any landscaping and other improvements not on Lots which are within the exterior boundaries of the Property which are intended for the general benefit of the Owners and Residents of Crystal Bay, except the Association shall not maintain areas which (i) the City of Chandler, County of Maricopa or other governmental entity is maintaining or (ii) are to be maintained by the Owners of a Lot unless the Association elects to maintain such areas. Specific areas to be maintained by the Association may be identified on the Plat or approved by the Declarant, and in deeds from the Declarant to a transferee of a Lot, but the failure to so identify such areas shall not affect the Association's rights or responsibilities with respect to such Common Areas and other areas intended for the general benefit of Crystal Bay.

The Board shall use a reasonably high standard of care in providing for the repair, management and maintenance of said property so the Crystal Bay development will reflect a high pride of ownership. In connection therewith the Association may, in the discretion of the Board:

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

The Board shall be the sole judge as to the appropriate maintenance of all Common Areas and other properties maintained by the Association. Any cooperative action necessary or appropriate to the proper maintenance and upkeep of said properties shall be taken by the Board or by its duly delegated representative.

In the event the Plat, deed restriction or this Declaration permits the Board to determine whether Owners of certain Lots will be responsible for maintenance of certain Common Areas or public right-of-way areas, the Board shall have the sole discretion to determine whether or not it would be in the best interest of the Owners, Occupants and Residents of Crystal Bay for the Association or an individual Owner to be responsible for such maintenance, considering cost, uniformity of appearance, location and other factors deemed relevant by the Board. The Board may cause the Association to contract with others for the performance of the maintenance and other obligations of the Association under this Article 10 and, in order to promote uniformity and harmony of appearance, the Board may also cause the Association to contract to provide maintenance services to Owners of Lots having such responsibilities in exchange for the payment of such fees as the Association and Owner may agree upon.

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

Section 10.3 Improper Maintenance and Use of Lots. In the event any portion of any Lot is so maintained as to present a public or private nuisance, or as to substantially detract from the appearance or quality of the surrounding Lots or other areas of Crystal Bay which are substantially affected thereby or related thereto, or in the event any portion of a Lot is being used in a manner which violates this Declaration, or in the event the Owner of any Lot is failing to perform any of its obligations under this Declaration or the Design Review Guidelines, standards and rules and regulations of the Design Review Committee, the Board may by resolution make a finding to such effect, specifying the particular condition or conditions which exist, and pursuant thereto give notice thereof to the offending Owner that unless corrective action is taken within fourteen (14) days, the Board may cause such action to be taken at said Owner's cost. If at the expiration of said fourteen (14) day period of time the requisite corrective action has not been taken, the Board shall be authorized and empowered to cause such action to be taken and the cost thereof shall be added to, and become a part of, the Assessment to which the offending Owner and the Owner's Lot is subject, and shall be secured by the Assessment Lien.

ARTICLE 11

DESIGN REVIEW COMMITTEE

Section 11.1 Establishment. Declarant shall establish a Design Review Committee and shall establish and adopt Design Review Guidelines and procedural rules and regulations to direct the Design Review Committee in the performance of its duties. The Design Review Committee shall consist of three (3) regular members and an alternate member, each appointed by Declarant. The appointees need not be Owners, Occupants or Residents and need not possess any special qualifications except such as Declarant may, in its sole discretion, require. Declarant may replace any member of the Design Review Committee at any time with or without cause. In the event of the death or resignation of any member of the Design Review Committee, Declarant shall replace said member within ninety (90) days following such death or resignation. Pending the replacement of such deceased or resigned member, the remaining member or members of the Design Review Committee shall have full authority to act as the Design Review Committee under this Declaration. Declarant's right to appoint Design Review Committee members shall cease and the Board shall be vested with that right and all rights of the Declarant pertaining to the Design Review Committee upon the earliest to occur of the following: five (5) years after the date on which the last Class B Membership expires, at such time as Declarant no longer owns any undeveloped Lot in Crystal Bay or when such rights are expressly relinquished by Declarant to the Board in writing. The Board may appoint itself or any of its members to the Design Review Committee.

Section 11.2 Purpose. The purpose of the Design Review Committee is to maintain uniformity of architectural and landscaping standards throughout Crystal Bay and thereby enhance the aesthetic and economic value of Crystal Bay. The Design Review Committee is hereby empowered to supplement and amend the Design Review Guidelines and its procedural rules and regulations to the extent and with the frequency it deems necessary; provided, however, that such modifications are in general conformity with the standards set forth in this Declaration.

Section 11.3 Operation/Authority. It shall be the duty of the Design Review Committee to consider and act upon all proposals and plans submitted to it pursuant to this Declaration. The Design Review Committee shall hold regular meetings in accordance with its procedural rules and regulations. A quorum for such meetings shall consist of two (2) members and an affirmative vote of two (2) of the members of the Design Review Committee shall be necessary for any decision. A duly appointed alternate member may participate in any meeting in which there is not a quorum of regular members present, may constitute a quorum by his/her presence and shall have all the authority of a regular member while so participating. The Design Review Committee shall review all applications submitted to it and shall furnish a written decision to the applicant setting forth the reasons for its decision and the nature of any objections. If the Design Review Committee fails to furnish a written decision within thirty (30) calendar days after an application has been submitted or resubmitted to it, then the application shall be deemed approved. The Design Review Committee shall have broad discretionary powers in determining whether an application is in conformance with the Design Review Guidelines. In addition, the Design Review Committee may disapprove any application if it, in its discretion, believes the applicant has not supplied sufficient or accurate information for the Design Review Committee to exercise the judgment required by this Declaration. The Design Review Committee has the authority to grant variances to the Design Review Guidelines by an affirmative vote of the majority of the members of the Design Review Committee. The Design Review Committee shall keep complete written records of all applications for approval submitted to it (including one (1) set of all preliminary sketches and all architectural plans) in connection with all actions taken by it under the provisions of the Design Review Guidelines. All such records shall be maintained for a minimum of three (3) years after approval or disapproval.

Section 11.4 Fee. The Board shall have the right, in its sole discretion, to assess against applicants a processing fee to defer the costs incurred by the Design Review Committee in considering any requests for approval submitted to it. If imposed, the fee shall be in such amount and payable in accordance with such schedule as reasonably determined by the Design Review Committee. Any processing fee not paid in full at the time of submittal of the request for approval shall be added to, and become a part of, the Assessment to which the requesting Owner and the Owner's Lot is subject, and shall be secured by the Assessment Lien.

Section 11.5 Limited Liability of Design Review Committee Approval. All plans, drawings and specifications approved by the Design Review Committee are not approved for engineering, design or architectural competence. Through its approval of such plans, drawings and specifications, the Design Review Committee does not assume liability or responsibility therefor or for any defect in any structure constructed from such plans, drawings and specifications. Declarant, members of the Design Review Committee and members of the Board shall not be liable to the Association, any Owner or any other entity for any damage, loss or prejudice suffered or claimed because of:

- (a) the approval or disapproval of any plans, drawings or specifications, whether or not defective; or

(b) the construction or performance of any work, whether or not pursuant to approved plans, drawings or specifications.

Section 11.6 Waiver. The approval by the Design Review Committee of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring the approval of the Design Review Committee, shall not be deemed to constitute a waiver of any right to withhold approval of a similar plan, drawing, specification or matter subsequently submitted for approval.

Section 11.7 Nonapplicability to Declarant. The provisions of this Article are not to apply to any Lots owned by Declarant or any person affiliated with Declarant.

ARTICLE 12

RIGHTS AND POWERS OF ASSOCIATION

Section 12.1 Association's Rights and Powers as Set Forth in Articles and Bylaws. In addition to the rights and powers of the Association set forth in this Declaration, the Association shall have such rights and powers as are set forth in its Articles and Bylaws, and as provided by law, including Arizona Revised Statutes §33-1903, which gives the Association the right to impose reasonable monetary penalties on unit owners for violations of the Declaration, Bylaws and rules of the Association. The penalties shall be enforceable in the same manner as unpaid assessments. Such rights and powers, subject to the approval thereof by any agencies or institutions deemed necessary by Declarant, may encompass any and all things which a natural person could do or which now or hereafter may be authorized by law, provided such Articles and Bylaws are not inconsistent with the provisions of this Declaration and are necessary, desirable or convenient for effectuating the purposes set forth in this Declaration. After incorporation of the Association, a copy of the Articles and Bylaws of the Association shall be available for inspection at the office of the Association during reasonable business hours. Until such time as the Association is incorporated, Declarant shall and hereby reserves to itself, its successors and assigns, the exclusive right to exercise the powers, rights and duties granted to or imposed upon the Association under this Declaration.

Section 12.2 Association's Rights of Enforcement of Provisions of This and Other Instruments. The Association, as the agent and representative of the Owners and Occupants, shall have the right to enforce the Covenants set forth in this Declaration and/or any and all covenants, restrictions, reservations, charges, servitudes, assessments, conditions, liens or easements provided for in any contract, deed, declaration or other instrument which (i) shall have been executed pursuant to, or subject to, the provisions of this Declaration, or (ii) otherwise shall indicate that the provisions of such instrument were intended to be enforced by the Association or by Declarant.

Section 12.3 Contracts with Others for Performance of Association's Duties. Subject to the restrictions and limitations contained herein, the Association may enter into contracts and transactions with others, including Declarant and its affiliated companies, and such contracts or transactions shall not be invalidated or in any way affected by the fact that one (1) or more directors or officers of

the Association, or members of any committee, is employed by, or otherwise connected with, Declarant or its affiliates, provided that the fact of such interest shall be disclosed or known to the other directors acting upon such contract or transaction, and provided further that the transaction or contract is fair and reasonable. Any such director, officer or committee member may be counted in determining the existence of a quorum at any meeting of the Board or committee of which he is a member which shall authorize any contract or transaction described above or grant or deny any approval sought by the Declarant, its affiliated companies or any competitor thereof and may vote thereat to authorize any such contract, transaction or approval with like force and effect as if he were not so interested.

Section 12.4 Reservation of Trade Name. Declarant hereby reserves all right, title and interest in the name "Crystal Bay" for the uses set forth herein and any other use as Declarant may choose. The Association and all Owners shall be entitled to the non-exclusive use of the name "Crystal Bay" only with reference to, and in connection with, the Property, the Association or its authorized activities. Any officer of the Association, each acting alone without the other, is hereby authorized to execute on behalf of the Association such consents, approvals, confirmations, acknowledgments and other instruments as Declarant may request in order to evidence and confirm the rights and interests of Declarant in the name "Crystal Bay."

ARTICLE 13

TERM; AMENDMENTS; TERMINATION

Section 13.1 Term; Method of Termination. This Declaration shall be effective upon the date of its Recordation and, as amended from time to time, shall continue in full force and effect for a term of twenty (20) years from the date this Declaration is Recorded. From and after said date, this Declaration, as amended, shall be automatically extended for successive periods of ten (10) years each, unless there is an affirmative vote to terminate this Declaration by the then Members casting ninety percent (90%) of the total votes cast at a meeting held for such purpose within six (6) months prior to the expiration of the initial effective period hereof or any ten (10) year extension. The Declaration may be terminated at any time if ninety percent (90%) of the votes cast by each class of Members shall be cast in favor of termination at a meeting held for such purpose. Anything in the foregoing to the contrary notwithstanding, no vote to terminate this Declaration shall be effective unless and until the written consent to such termination has been obtained, within a period from six (6) months prior to such vote to six (6) months after such vote, from the holders of Recorded first mortgages or deeds of trust to which the Assessment Lien is subordinate pursuant to Section 8.3 above, on seventy-five percent (75%) of the Lots upon which there are such Recorded first mortgages and deeds of trust. If the necessary votes and consents are obtained, the Board shall cause to be Recorded with the County Recorder of Maricopa County, Arizona, a Certificate of Termination, duly signed by the President or Vice President and attested by the Secretary or Assistant Secretary of the Association, with their signatures acknowledged. Thereupon these Covenants shall have no further force and effect, and the Association shall be dissolved pursuant to the terms set forth in its Articles.

Section 13.2 Amendments. This Declaration may be amended by Recording with the County Recorder of Maricopa County, Arizona, a Certificate of Amendment, duly signed and acknowledged. The Certificate of Amendment shall set forth in full the amendment adopted, and, except as provided in Sections 13.3 and 13.4 of this Article, shall certify that, at a meeting duly called and held pursuant to the provisions of the Articles and Bylaws, the Owners casting at least ninety percent (90%) of the votes then entitled to be cast voted affirmatively for the adoption of the Amendment; provided, however, after Declarant has conveyed all of its Lots in the Property, the affirmative vote of the Owners casting at least sixty-seven percent (67%) of the votes then entitled to be cast at a duly called meeting shall be necessary to amend this Declaration.

Section 13.3 Right of Amendment if Requested by Governmental Agency or Lending Institutions. Notwithstanding anything contained herein to the contrary, Declarant reserves the right to amend all or any part of this Declaration to such an extent and with such language as may be requested by the Federal Housing Administration ("FHA"), the Veterans Administration ("VA"), Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation and to further amend to the extent requested by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of this Declaration, or by any federally or state chartered lending institution as a condition precedent to lending funds upon the security of any Lot(s) or any portions thereof. Any such amendment shall be effected by the Recording, by Declarant, of a Certificate of Amendment duly signed by or on behalf of the partners, authorized agents, or authorized officers of Declarant, as applicable, with their signatures acknowledged, specifying the federal, state or local governmental agency or the federally or state chartered lending institution requesting the amendment and setting forth the amendatory language requested by such agency or institution. The Recording of such a Certificate shall be deemed conclusive proof of the agency's or institution's request for such an amendment, and such Certificate, when Recorded, shall be binding upon all of Crystal Bay and all persons having an interest therein. It is the desire of Declarant to retain control of the Association and its activities during the anticipated period of planning and development. If any amendment requested pursuant to the provisions of this Section deletes, diminishes or alters such control, Declarant shall have the right to prepare, provide for and adopt, as an amendment hereto, other and different control provisions. Except as provided in this Section 13.3 and in Section 13.4, Declarant shall not have any right to amend this Declaration otherwise than in accordance with and pursuant to the provisions of Section 13.2 of this Article.

Section 13.4 Declarant's Rights of Amendment. Notwithstanding anything in this Article to the contrary, Declarant shall, for so long as it possesses a Class B Membership, be entitled to unilaterally amend this Declaration to correct minor errors and omissions.

ARTICLE 14

MISCELLANEOUS

Section 14.1 Interpretation of the Covenants. Except for judicial construction, the Association, by its Board, shall have the exclusive right to

construe and interpret the provisions of this Declaration. In the absence of any adjudication to the contrary by a court of competent jurisdiction, the Association's construction or interpretation of the provisions hereof shall be final, conclusive and binding as to all persons and property benefitted or bound by the Covenants and provisions hereof.

Section 14.2 Severability. Any determination by any court of competent jurisdiction that any provision of this Declaration is invalid or unenforceable shall not affect the validity or enforceability of any of the other provisions hereof.

Section 14.3 Perpetuities and Restraints on Alienation. If any of the options, privileges, covenants or rights created by this Declaration shall be unlawful, void or voidable for violation of the rule against perpetuities, then such provision shall continue until twenty-one (21) years after the death of the survivor of the now living descendants of the President of the United States on the date hereof.

Section 14.4 Rules and Regulations. In addition to the right to adopt rules and regulations on the matters expressly mentioned elsewhere in this Declaration, the Association shall have the right to adopt rules and regulations with respect to all other aspects of the Association's rights, activities and duties, provided said rules and regulations are not inconsistent with the provisions of this Declaration.

Section 14.5 Declarant's Disclaimer of Representations. Anything to the contrary in this Declaration notwithstanding, and except as otherwise may be expressly set forth on the Plat or other instrument Recorded in the office of the County Recorder of Maricopa County, Arizona, Declarant makes no warranties or representations whatsoever that the plans presently envisioned for the complete development of Crystal Bay can, or will be, carried out, or that any land now owned or hereafter acquired by it is, or will be, subjected to this Declaration, or that any such land (whether or not it has been subjected to this Declaration) is, or will be, committed to, or developed for, a particular (or any) use, or that if such land is once used for a particular use, such use will continue in effect.

Section 14.6 References to the Covenants in Deeds. Deeds to, and instruments affecting, any Lot or any part of Crystal Bay may contain the Covenants herein set forth by reference to this Declaration; but regardless of whether any such reference is made in any Deed or instrument, each and all of the Covenants shall be binding upon the grantee/Owner or other person claiming through any instrument and his heirs, executors, administrators, successors and assigns.

Section 14.7 Successors and Assigns of Declarant. Any reference in this Declaration to Declarant shall include any successors or assignees of Declarant's rights and powers hereunder, provided that Declarant's rights and powers may only be assigned by a written, Recorded instrument expressly assigning such rights and powers.

Section 14.8 Gender and Number. Wherever the context of this Declaration so requires, words used in the masculine gender shall include the feminine and neuter genders; words used in the neuter gender shall include the masculine and feminine genders; words in the singular shall include the plural; and words in the plural shall include the singular.

Section 14.9 Captions and Titles. All captions, titles or headings of the Articles and Sections in this Declaration are for the purpose of reference and convenience only and are not to be deemed to limit, modify or otherwise affect any of the provisions hereof or to be used in determining the intent or context thereof.

Section 14.10 Notices. If notice of any action or proposed action by the Board or any committee or of any meeting is required by applicable law, this Declaration or resolution of the Board to be given to any Owner, Occupant or Resident then, unless otherwise specified herein or in the resolution of the Board, such notice requirement shall be deemed satisfied if notice of such action or meeting is published once in any newspaper in general circulation within Maricopa County. This Section shall not be construed to require that any notice be given if not otherwise required and shall not prohibit satisfaction of any notice requirement in any other manner.

Section 14.11 Indemnification/Acknowledgement. THE OWNERS ACKNOWLEDGE THAT: (1) THE PROPERTY SUBJECT TO THIS DECLARATION CONTAINS A LAKE AND OTHER COMMON AREAS; (2) THE LAKE AND OTHER COMMON AREAS ARE INTENDED SOLELY FOR AESTHETIC PURPOSES AND NOT FOR ANY TYPE OR FORM OF RECREATIONAL USE INCLUDING, BUT NOT LIMITED TO, SWIMMING, FISHING AND BOATING; (3) THE LAKE, LIKE OTHER SUCH WATER FEATURES, POSES CERTAIN INHERENT DANGERS FROM WHICH THE OWNERS MUST TAKE PRECAUTIONS TO PROTECT THEMSELVES, THEIR FAMILIES, INVITEES, GUESTS AND OTHERS; (4) NO LIFEGUARDS OR OTHER SAFETY PERSONNEL WILL PATROL THE LAKE AND OTHER COMMON AREAS AND THUS THE OWNERS ASSUME THE RISK AND THE RESPONSIBILITY OF PROTECTING THEMSELVES, THEIR FAMILIES, INVITEES, GUESTS OR OTHERS; AND (5) THE OWNERS INDEMNIFY, DEFEND AND HOLD HARMLESS THE DECLARANT, THE ASSOCIATION AND THEIR SUCCESSORS AND ASSIGNS FROM AND AGAINST ANY CLAIMS, LIABILITIES, INJURIES, DAMAGES, EXPENSES AND COSTS, INCLUDING INTEREST AND ATTORNEYS' FEES, INCURRED BY OR CLAIMED AGAINST THE DECLARANT, THE ASSOCIATION AND THEIR SUCCESSORS AND ASSIGNS UNDER ANY LAWS BY THE OWNERS, THEIR FAMILIES, INVITEES, GUESTS AND OTHERS AND THAT RELATE TO THE LAKE AND THE COMMON AREAS.

Section 14.12 Annexation. That additional residential property described on Exhibit B attached hereto and incorporated herein may, at Declarants' option, within five (5) years of the date of this Declaration, be annexed by Declarant to the Property without the consent of Members provided that FHA/VA approve such annexation. If and when so annexed, such property shall be subject to this Declaration.

Section 14.13 FHA/VA Approval. Declarant may, without obligation, seek approval of the Crystal Bay development by the FHA or the VA or any other governmental agencies or financial institutions whose approval Declarant deems necessary and desirable. If this Declaration has been initially approved by the FHA or the VA in connection with any loan programs made available by FHA or VA and any loans have been made which are insured or guaranteed by FHA or VA, then

as long as there is a Class B Membership, the following actions will require the prior approval of the FHA or the VA, as applicable, unless the need for such approval has been waived by FHA or VA: Annexation of additional properties, dedications of Common Areas (except where such dedication is required as of the date hereof to the City of Chandler, County of Maricopa or other applicable governmental or quasi-governmental subdivision); and amendment of this Declaration.

IN WITNESS WHEREOF, The Forecast Group, L.P., a California limited partnership, has caused its name to be signed by the signature of its duly authorized representatives as of the day and year first above written.

THE FORECAST GROUP, L.P., a California limited partnership

By FORECAST HOMES, INC., a California corporation
Its general partner

By *John P. Lutich*
Its V.P.

"DECLARANT"

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this the 27 day of July, 1994, before me, the undersigned Notary Public, personally appeared JOHN P. LUTICH who acknowledged himself to be the VICE PRESIDENT of FORECAST HOMES, INC., a California corporation, the general partner of THE FORECAST GROUP, L.P., a California limited partnership, and that he, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation as general partner of the limited partnership, by himself as such officer.

David Fyke
Notary Public

My commission expires:



EXHIBIT "B"

LEGAL DESCRIPTION

That portion of the Northwest quarter of Section 30, Township 1 South, Range 5 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona more particularly described as follows:

Commencing at the North quarter corner of said Section 30, said North quarter corner being the centerline intersection of Ray Road and Raintree Way;

THENCE South $00^{\circ}00'47''$ East along the centerline of said Raintree Way and the midsection line of said Section a distance of 481.24 feet to the TRUE POINT OF BEGINNING.

THENCE continuing South $00^{\circ}00'47''$ East along said midsection line, a distance of 674.88 feet to beginning of a non-tangent curve, concave to the southwest, having a radius of 50.00 feet, to which a radial line bears North $41^{\circ}17'13''$ East;

THENCE Northwesterly along said curve through a central angle of $41^{\circ}18'00''$ an arc length of 36.04 feet to a point of tangency;

THENCE South $89^{\circ}59'13''$ West, a distance of 53.01 feet;

THENCE North $53^{\circ}16'36''$ West, a distance of 26.09 feet to a point on the East right-of-way line of Woodburns Drive as shown on the plat of "Raintree Ranch East" as recorded in Book 378, Page 23, Maricopa County Records, said point also marking the beginning of a non-tangent curve, concave to the West, having a radius of 60.00 feet, to which a radial line bears North $53^{\circ}16'36''$ West;

(The next six courses are along said right-of-line and the South right-of-way line of Raintree Way as shown on said plat)

THENCE Northerly along said curve through a central angle of $60^{\circ}17'35''$, an arc length of 63.14 feet to the beginning of a tangent reversing curve, having a radius of 60.00 feet;

THENCE Northerly along said curve through a central angle of $23^{\circ}33'23''$, and arc length of 24.67 feet to a point of tangency;

THENCE North $00^{\circ}00'47''$ West, a distance of 350.89 feet to the beginning of a tangent curve, concave to the West, having a radius of 275.00 feet;

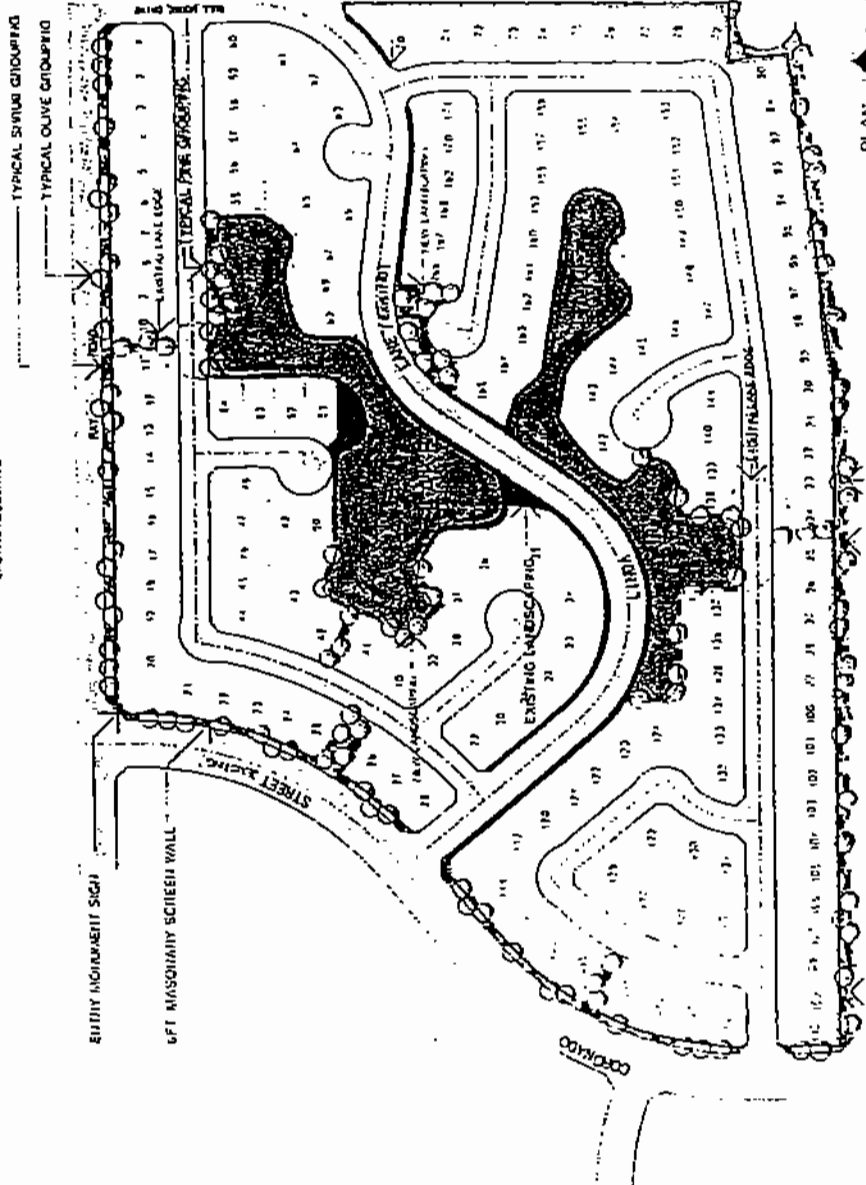
THENCE Northerly along said curve, through a central angle of $18^{\circ}36'22''$, an arc length of 89.30 feet;

THENCE North $20^{\circ}49'30''$ East, a distance of 22.64 feet to the beginning of a non-tangent curve, concave to the Northwest, having a radius of 280.00 feet, to which a radial line bears North $29^{\circ}42'10''$ West;

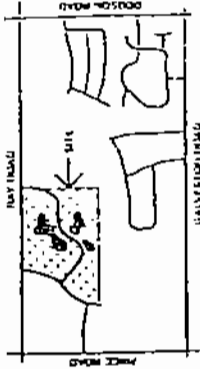
THENCE Northeasterly along said curve, through a central angle of $21^{\circ}06'58''$, an arc length of 103.19 feet;

THENCE North $83^{\circ}52'55''$ East, a distance of 33.19 feet to the TRUE POINT OF BEGINNING.

LANDSCAPE ILLUSTRATION



LOCATION MAP



EXISTING LANDSCAPING

PLANT LIST

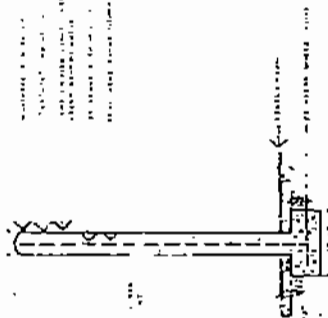
PLANT	QUANTITY	NOTES
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NOTES

PLAN

TYPICAL LESORTIE GROUPING
TYPICAL SIMUD GROUPING

4 FT STABILIZED GRANITE PAVEMENT
DECOMPOSED GRANITE (TYPICAL)



PERIMETER WALL DETAIL

CONCEPTUAL LANDSCAPE PLAN
~~RAINTREE RANCH~~
 CHANDLER
 ARIZONA
 PREPARED FOR: FORECAST HOMES

Crystal
CRAY

RAINTREE RANCH

ENTRY MONUMENT SIGNAGE