

WHEN RECORDED MAIL TO:

Eileen Schell  
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Scottsdale, Arizona 85254

DECLARATION OF  
COVENANTS, CONDITIONS AND RESTRICTIONS  
41ST STREET NORTH CONDOMINIUMS  
MARICOPA COUNTY, ARIZONA

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THIS DECLARATION, made on the date hereinafter set forth, by M. C. BEACHOM, an unmarried woman ("Declarant"), is made with reference to the following facts:

A. Declarant is the owner of a certain tract of land located in the State of Arizona, County of Maricopa, more particularly described in Exhibit A attached hereto and incorporated by reference.

B. Declarant intends to subdivide the Property as a Condominium pursuant to the Arizona Condominium Act, Arizona Revised Statutes, Sections 33-1201 et seq., as the same may be amended from time to time.

C. Declarant intends by this document to impose upon the Property mutually beneficial restrictions under a general plan of improvement for the benefit of all of the Condominium Units in the Project and the Owners thereof.

NOW, THEREFORE, subject to all other provisions of the Declaration, Declarant hereby declares that the Property shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied, sold and improved subject to the following declarations, limitations, covenants, conditions, restrictions and easements, all of which are for the purpose of enhancing and protecting the value and attractiveness of the Property, the Project and every part thereof, in accordance with the plan for the improvement of the Property and the division thereof into Condominium Units. All of the limitations, covenants, conditions, restrictions and easements shall constitute covenants which shall run with the land and shall be binding upon Declarant, its successors and assigns and all parties having or acquiring any right, title or interest in or to any part of the Property or the Project and shall inure to the benefit of each Owner thereof.

ARTICLE 1

Definitions

1.1 "Allocated Interests" shall mean and refer to the Common Interest, the Common Expense liability and votes in the Association allocated to each Condominium Unit.

1.2 "Arizona Condominium Act" shall mean and refer to the provisions of A.R.S. § 33-1201 et seq., as the same may be amended from time to time, or any successor statutes thereto.

1.3 "Articles" shall mean and refer to the Articles of Incorporation of the Association as amended from time to time.

1.4 "Assessment" shall mean that portion of the cost of maintaining, improving, repairing, operating and managing the Project which is to be paid by each Unit Owner as determined by the Association and as provided under Article 5 hereof.

1.5 "Association" shall mean and refer to the 41ST STREET NORTH CONDOMINIUM ASSOCIATION, an Arizona nonprofit corporation, the Members of which shall be the Owners of Condominium Units in the Project.

1.6 "Board" or "Board of Directors" shall mean and refer to the governing body of the Association.

1.7 "Bylaws" shall mean and refer to the Bylaws of the Association as amended from time to time.

1.8 "Common Elements" shall mean and refer to those portions of the Project for which title is held by all of the Owners as tenants in common, including the Limited Common Elements and Recreational Common Elements, but excluding the individual Units as defined herein. The Common Elements include without limitation: land; parking and driveway areas; bearing walls, columns, girders, subfloors, unfinished floors, walls and ceilings not contained within a Unit; roofs and foundations; central chutes, conduits, pipes, plumbing, wires and other utility installations (except the outlets thereof when located within the Unit) required to provide power, light, telephone, gas, water, sewage, drainage, heat, and air-conditioning service; sprinklers, sprinkler pipes and sprinkler heads which protrude into the airspace of the Unit; central television antennas, if any; and all facilities and improvements located within the Recreational Common Elements.

1.9 "Common Expenses" shall mean and refer to the actual and estimated expenses of operating the Project and the Association and any reasonable reserve for such purpose as found and determined by the Board and all sums designated Common Expenses by or pursuant to the Project Documents.

1.10 "Common Interest" shall mean and refer to the one fourth (1/4) undivided interest in the Common Elements which is allocated to each Condominium Unit. The Common Interest shall constitute an Allocated Interest.

1.11 "Condominium Building" shall mean and refer to a residential structure containing Units.

1.12 "Condominium Unit" shall mean and refer to an estate in real property consisting of title to a Unit within the Condominium hereby established; the Common Interest allocated thereto and calculated pursuant to Subarticle 1.10 above, together with the Unit's interest in the Limited Common Elements allocated to that Unit; an exclusive (except as against the Association) right to use for vehicle parking the parking spaces assigned to the Condominium Unit by the Map; and a non-exclusive right to use the Recreational Common Elements and Membership in the Association. Each Condominium Unit shall be a separate freehold estate.

1.13 "Declarant" shall mean and refer to M. C. Beachom, an unmarried woman, its successors and assigns, who have reserved, are granted or succeed to

some or all of the Special Declarant Rights described herein, but shall not include members of the public purchasing completed Condominium Units.

1.14 "**Declaration**" shall mean and refer to this enabling Declaration as amended from time to time.

1.15 "**Development Rights**" shall mean and refer to any right or combination of rights reserved by or granted to Declarant as set forth more fully in Subarticle 3.1.

1.16 "**First Mortgage**" shall mean and refer to any Mortgage which is a first priority lien on any Condominium Unit.

1.17 "**First Mortgagee**" shall mean and refer to the holder of a First Mortgage.

1.18 "**Identifying Number**" shall mean and refer to the number, letter (or combination thereof) or other official designation or symbol shown on the Map that identifies one Unit in the Project.

1.19 "**Limited Common Elements**" shall mean and refer to a portion of the Common Elements allocated by this Declaration or in accordance with the Arizona Condominium Act for the exclusive use and benefit of the Owners of one or more but fewer than all of the Units.

1.20 "**Map**" shall mean and refer to that subdivision Map recorded \_\_\_\_\_, 1995 in Book \_\_\_\_\_ of Maps, Page \_\_\_\_\_ of the Official Records of Maricopa County, Arizona, and any subsequently recorded subdivision Map and all amendments thereto which cover the Property or a portion thereof. The Map is hereby made a part hereof with the same force and effect as if incorporated herein at length and as provided in A.R.S. § 33-1219(A).

1.21 "**Member**" shall mean and refer to a Person entitled to Membership in the Association as provided herein.

1.22 "**Mortgage**" shall include a recorded deed of trust, and a recorded contract of sale, as well as a recorded mortgage.

1.23 "**Mortgagee**" shall include the beneficiary or holder of a deed of trust, and the seller (fee owner) under a recorded contract of sale, as well as a mortgagee.

1.24 "**Mortgagor**" shall include the trustor of a deed of trust, and the contract purchaser under a recorded contract of sale, as well as a mortgagor.

1.25 "**Owner**" shall mean and refer to the record holder of title to a Condominium Unit in the Project. This shall include any Person having a fee simple title to any Condominium Unit, but shall exclude Persons having any interest merely as security for the performance of any obligation. Further, if a Condominium Unit is sold under a recorded contract of sale, the purchaser, rather than the fee owner, shall be considered the "**Owner**" as long as he or a successor in interest remains the contract purchaser under the recorded contract.

1.26 "Person" shall mean and refer to a natural person, a corporation, a partnership, a trustee or any other legal entity referenced under A.R.S. § 33-1202(18) as the same may be amended from time to time.

1.27 "Project" shall mean and refer to the Property together with all buildings, structures and improvements erected or to be erected thereon, portions of which are designated for separate ownership and the remainder of which are designated for common ownership solely by the Owners of Units therein. The Project shall constitute a "Condominium" as defined in the Arizona Condominium Act.

1.28 "Project Documents" shall mean and refer to and include this Declaration as it may be amended from time to time, the exhibits, if any, attached hereto, the Map, the Articles and Bylaws of the Association and the rules and regulations for the Members as established from time to time.

1.29 "Property" shall mean and refer to the real property described in Exhibit A, including the real property covered by this Declaration as of the effective date hereof. The Property shall constitute "Real Estate" as that term is defined in A.R.S. § 33-1202(19) of the Arizona Condominium Act.

1.30 "Recreational Common Elements" shall mean and refer to the area or areas designed and intended to be used for common recreational purposes by the residents of the Project. The Recreational Common Elements shall be part of the Common Elements, and as such shall be owned by all Condominium Unit Owners as tenants in common.

1.31 "Special Declarant Rights" shall mean and refer to any right or combination of rights reserved by or granted to Declarant as more fully set forth in Subarticle 3.2.

1.32 "Unit" shall mean and refer to the elements of an individual unit as described in Article 2, which are not owned in common with the Owners of other Condominium Units in the Project.

End of Article 1 Entitled  
Definitions

## ARTICLE 2

### Description of Project, Division of Project and Creation of Property Rights

#### 2.1 Description of Project

The Project consists of the Property and/or Annexable Property (to the extent the Property or Annexable Property constitutes a part of the Project) including, without limitation, the residential Units and all other improvements located or to be located thereon.

#### 2.2 Division of Project

The Project is hereby divided into the following:

2.2.1 Units

Each of the Units as separately shown, numbered and designated on the Map is bounded by, contained within and includes the interior finished surfaces of the perimeter walls, floors and ceilings of the Unit. The location and dimensions of each Unit are set forth on or can be calculated from the Map. The Unit does not include those areas and those things which are defined as "Common Elements" below. Each Unit and appurtenant area is subject to such encroachments as are contained in the Condominium Building of which the Unit or appurtenant area is a part or to which it is adjacent. In interpreting deeds and plans, the then existing physical boundaries of a Unit or appurtenant area, whether in its original state or reconstructed substantially in accordance with the original plans therefor, shall be conclusively presumed to be its boundaries rather than the boundaries expressed in the deed or plan, regardless of settling or lateral movement of the Condominium Building and regardless of minor variances between boundaries shown on the plan or deed and those of the Condominium Building. To the extent necessary, each Unit shall have an easement for structural support over every other Unit, the Common Elements and Limited Common Elements.

2.2.2 Common Elements

The remaining portion of the Project, referred to herein as "Common Elements," shall include all of the elements set forth in Subarticle 1.10. Each Condominium Unit Owner shall have, as appurtenant to and a part of his Condominium Unit, the Common Interest allocated to his Unit and calculated pursuant to Subarticle 1.10. The Common Interest appurtenant to each Condominium Unit is declared to be permanent in character and cannot be altered without the consent of all the Condominium Unit Owners and the First Mortgagees of such Condominium Unit Owners, as expressed in an amended Declaration. Such Common Interest cannot be separated from the Unit to which it is appurtenant. Each Condominium Unit Owner shall have a nonexclusive right to use, including reasonable pedestrian and vehicular ingress and egress over, the Common Elements in accordance with the purposes for which they are intended without hindering the exercise of or encroaching upon the rights of any other Condominium Unit Owners, subject to the easements, rights, rules and limitations created in or established under Subarticles 1.12, 2.2.1, 2.2.3, 2.5, 5.9.2, 7.1.6 and 8.2.

2.2.3 Limited Common Elements

A yard with patio or courtyard with storage area, to the extent any such area is shown on the Map as being for the use and benefit of a particular Unit, and all exterior doors and windows designed to serve a single Unit, but located outside of the Unit's boundaries as described above, shall constitute Limited Common Elements. Any chute, flue, duct, wire, conduit, bearing wall, bearing column, or other fixture which lies partially within and partially outside the Unit boundaries shall be Limited Common Elements to the extent the same serve only that Unit. Those portions serving more than one Unit or any portion of the Common Elements are part of the Common Elements.

2.2.4 Recreational Common Elements

That portion of the Project designed and intended to be used for common recreational purposes by the residents of the Project is "Recreational Common Elements". The Recreational Common Elements shall be operated and maintained by the Association for the use and benefit of Owners of Condominium Units in the Project, subject to reasonable rules and regulations enacted according to the Bylaws.

2.3 No Separate Conveyance of Interests, Rights and Easements

The interests (including the Common Interest), rights and easements described in this Article 2, Subarticle 1.12 or elsewhere in this Declaration as being part of or allocated to each respective Condominium Unit are to be conveyed only as part of or with the respective Condominium Unit and cannot be changed except as set forth herein. Declarant, its successors, assigns and grantees, covenant and agree that the fee title to each Condominium Unit conveyed shall include the Unit and all of the interests and easements referred to in the preceding sentence, all of which shall be deemed to be conveyed or encumbered with the Condominium Unit even though the description in the instrument of conveyance or encumbrance may refer only to the fee title to the Condominium Unit.

2.4 Partition Prohibited

The Common Elements shall remain undivided as set forth above. Subject to the terms and provisions of Subarticle 11.4.2 herein, no Owner (except Declarant, as provided in Subarticle 3.1.3) shall bring any action for partition, subdivision or relocation of the boundaries of a Condominium Unit, it being agreed that this restriction is necessary in order to preserve the rights of the Owners with respect to the operation and management of the Project. Judicial partition by sale of a single Condominium Unit owned by two or more Persons and division of the sale proceeds is not prohibited hereby (but partition of title to a single Condominium Unit is prohibited).

2.5 Conveyance or Encumbrance of Common Elements

Portions of the Common Elements may be conveyed or subjected to a Mortgage or other security interest by the Association if Members entitled to cast at least eighty percent (80%) of the allocated votes in the Association consent thereto, except that all the Owners of Units to which any Limited Common Elements are allocated must consent before such actions may be taken with regard to such Limited Common Elements. Proceeds of the sale or encumbrance of the Common Elements are an asset of the Association. Such consent shall be evidenced by execution or ratification of the agreement to convey or encumber the Common Elements by the requisite number of Owners in the same manner as a deed. The agreement shall specify a date after which the agreement will be void unless previously recorded and shall only be effective upon timely recordation thereof in the Official Records of the Maricopa County, Arizona Recorder. Any contract executed by the Association on behalf of the Owners to convey, mortgage or otherwise encumber the Common Elements shall be subject to satisfaction of the requirements stated herein. Any other conveyance, encumbrance, judicial sale or voluntary transfer thereof without satisfying such requirements shall be void. No conveyance or encumbrance of Common Elements pursuant to this subarticle shall

deprive any Unit of its right to access and support or affect the priority or validity of preexisting encumbrances on the Common Elements.

2.6 Merger or Consolidation of Project

Merger or consolidation of the Project with another Condominium shall be governed by the provisions of the Arizona Condominium Act or if there is no statute governing mergers or consolidations of Condominiums at the time such action is proposed, the Members of the Association may adopt an agreement providing for merger or consolidation of the Project with another Condominium the terms of which have been approved by Owners holding the percentage of votes required to terminate this Project pursuant to Subarticle 11.12.

End of Article 2 Entitled  
Description of Project, Division of Project  
and Creation of Property Rights

ARTICLE 3

Exercise of Development Rights  
and Special Declarant Rights

3.1 Declarant's Development Rights

In addition to any rights reserved under Subarticle 11.7 hereof, the Declarant hereby reserves the right to do any of the following without the consent of any other Owner or Mortgagee:

3.1.1 While Declarant owns any Units, create easements, Units, Common Elements, or Limited Common Elements at any location within the Project.

3.1.2 While Class B Membership exists, amend the Declaration to comply with applicable law or to correct any error or inconsistency in the Declaration, if the amendment does not adversely affect the rights of any Unit Owners.

3.1.3 While Class B Membership exists, amend the Declaration to comply with the rules or guidelines, in effect from time to time, of any governmental or quasi-governmental entity or federal corporation guaranteeing or insuring Mortgage loans or governing transactions involving Mortgage instruments.

3.2 Special Declarant Rights

Declarant hereby reserves the right to do any of the following without the consent of any other Owner or Mortgagee:

3.2.1 At any time while this Declaration is in effect, construct the improvements in the Project as provided for in this Declaration.



3.2.2 Exercise any Development Right at the location and at the time described in Subarticle 3.1 above.

3.2.3 While Declarant owns any Units, maintain sales or leasing offices and parking therefor, or trailers, management offices, signs advertising the Project, and models at any location on the Common Elements, including in any clubhouse or recreational facility, or in any Unit owned by Declarant. Declarant may remove from time to time any property or equipment (whether or not they have become fixtures), used in the sale, management, construction or maintenance of the Condominium, provided that Declarant has not represented the same as the property of the Association.

3.2.4 At any time while this Declaration is in effect, use easements through the Common Elements created pursuant to Subarticle 11.8 for the purpose of making improvements within the Project.

3.2.5 While Class B Membership exists, appoint or remove any officer of the Association or any Board member.

### 3.3 Exercise of Declarant's Development Rights

Prior to exercising any Development Right, the Declarant shall prepare, execute and record an amendment to the Declaration referencing such right together with a new Map showing the boundaries of the portion of the Property as to which the Development Right is exercised if the previously recorded Map of the Project does not show the same. The amendment shall describe any Common Elements and any Limited Common Elements created and, in the case of the Limited Common Elements, designate the Unit or Units to which each is allocated.

End of Article 3 Entitled  
Exercise of Development Rights  
and Special Declarant Rights

## ARTICLE 4

### Association, Administration, Membership and Voting Rights

#### 4.1 Association to Manage Common Elements

The management of the Common Elements shall be vested in the Association in accordance with the Bylaws. The Owners of all the Condominium Units covenant and agree that the administration of the Project shall be in accordance with the provisions of this Declaration, the Articles and the Bylaws of the Association, subject to the standards set forth in this Declaration and all applicable laws, regulations and ordinances of any governmental or quasi-governmental body or agency having jurisdiction over the Project. Any agreement for professional management of the Project, or any agreement providing for services by Declarant (or any "affiliate" of Declarant as that term is defined in A.R.S. § 33-1202(1)), shall provide for termination by either party without cause or payment of a termination fee upon ninety (90) days' or less

written notice or for cause upon thirty (30) days' or less written notice and without payment of a termination fee. Such agreement shall further provide for a reasonable contract term of from one (1) to three (3) years and be renewable only by consent of the Association and the other party.

#### 4.2 Membership

The Owner of a Condominium Unit shall automatically, upon becoming the Owner of same, be a Member of the Association and shall remain a Member thereof until such time as his ownership ceases for any reason, at which time his Membership in the Association shall automatically cease.

#### 4.3 Transferred Membership

Membership in the Association shall not be transferred, pledged or alienated in any way, except upon the transfer of ownership of the Condominium Unit to which it is appurtenant, and then only to the new Owner as provided in Subarticle 4.2 above. Any attempt to make a prohibited transfer is void. Upon the transfer of an ownership interest in a Condominium Unit, the Association shall record the transfer upon its books, causing an automatic transfer of Membership as provided in Subarticle 4.2 above.

#### 4.4 Classes of Membership

The Association shall have two (2) classes of voting Membership established according to the following provisions:

##### 4.4.1 Class A Membership

Class A Membership shall be that held by each Owner of a Condominium Unit other than Declarant (while two classes of Membership exist), and Class A Members shall be entitled to votes in the Association based upon one (1) vote for each Condominium Unit owned, provided that such Class A Members may not vote for or elect Directors until Class B Membership terminates as provided below. If a Condominium Unit is owned by more than one (1) Person, each such Person shall be a Member of the Association but the Owners thereof shall have no more than the allocated votes thereto.

##### 4.4.2 Class B Membership

Class B Membership shall be that held by Declarant (or its successors). The Class B Member shall be entitled to the number of votes for each Condominium Unit in the Project which the Declarant owns in the Project based upon the same formula for allocation of votes to Units owned by the Class A Members. Notwithstanding the foregoing, Class B Membership shall be converted to Class A Membership and Declarant's concurrent right to appoint and remove officers and Directors under Subarticle 3.2 shall forever cease to exist on the occurrence of whichever of the following is first in time:

4.4.2.1 Ninety days after seventy-five percent of the Units have been sold to Owners other than Declarant.

4.4.2.2 The fourth anniversary after Declarant or its successor, have ceased to offer Units for sale in the ordinary course of business.

4.4.2.3 The fifth anniversary of the close of escrow for the sale of the first Unit by Declarant.

4.4.2.4 Upon Declarant's notification to the Association that it relinquishes its Class B Membership, except that the Declarant may retain the right (by recorded instrument reserving said right) to approve specified actions of the Association or the Board during the period prior to expiration of Class B Membership by operation of Subarticles 4.4.2.1, 4.4.2.2, or 4.4.2.3. The Declarant, as the Class B Member, or its successors, or any Person designated in writing by the Declarant as having such authority, may appoint and remove members of the Board and officers of the Association, in its sole discretion. The period during which Class B Membership exists shall be deemed to be the period of "Declarant Control" as described in the Arizona Condominium Act.

#### 4.5 Voting Requirements

Any action by the Association which must have the approval of the Association Membership before being undertaken shall require the vote of Members holding fifty-one percent (51%) of the total votes allocated in the Association present and voting at a duly called and held meeting of the Membership at which a quorum as prescribed herein or in the Bylaws has been constituted or the written assent of fifty-one percent (51%) of the Membership unless another percentage is specifically prescribed by a provision within this Declaration, the Bylaws or the Articles of the Association.

#### 4.6 Voting Rights

Voting rights attributable to all Condominium Units in the Project shall vest immediately.

#### 4.7 Membership Meetings

Regular and special meetings of Members of the Association shall be held with the frequency, at the time and place and in accordance with the provisions of the Bylaws of the Association.

#### 4.8 Board of Directors

The affairs of the Association shall be managed by a Board of Directors which shall be established and which shall conduct regular and special meetings according to the provisions of the Bylaws of the Association.

End of Article 4 Entitled  
Association, Administration, Membership  
and Voting Rights

## ARTICLE 5

### Assessments and Charges

#### 5.1 Creation of the Lien and Personal Obligations for Assessments and Charges

Each Owner of any Condominium Unit, by acceptance of a deed or recorded contract of sale therefor, whether or not it shall be so expressed in such document, is deemed to covenant and agree to pay to the Association (a) regular annual Assessments, (b) special Assessments for capital improvements and unexpected expenses and (c) other charges made or levied by the Association against the Owner or Condominium Unit pursuant to this Declaration or the Bylaws, including, but not limited to late charges for delinquent Assessments, such Assessments and charges to be established and collected as provided herein and in the Bylaws of the Association. A late charge of \$15.00 shall be assessed to the Owner in the event any Assessment is not paid within ten (10) days after the due date. Any part of any Assessment (or other amount due from the Owner to the Association, including interest and/or late charges) not paid within thirty (30) days after the due date for the Assessment established in this Article 5, Subarticle 11.14 or elsewhere in this Declaration shall bear interest at the rate of twelve percent (12%) per annum from the due date until paid. The annual and special Assessments and any other charge made against an Owner or a Condominium Unit pursuant to this Declaration or the Bylaws, together with interest, costs and reasonable attorneys' fees incurred by the Association in enforcing compliance with this Declaration (whether or not a lawsuit or other legal action is instituted or commenced) as provided in Subarticle 11.14.2, shall be a charge and shall be secured by a continuing lien upon the Condominium Unit in favor of the Association as provided in A.R.S. §§ 33-1215(A)(10) and 33-1256 of the Arizona Condominium Act and this Declaration (hereinafter "**Assessment lien**"). Each such Assessment and charge, together with interest, costs (including collection costs) and reasonable attorneys' fees as provided above, shall also be the personal obligation of the Person who was the Owner of such Condominium Unit at the time the Assessment or other charge fell due as provided in this Article 5, Subarticle 11.14 or elsewhere in this Declaration. The Assessment lien on each Condominium Unit shall be prior and superior to all other liens except (a) all taxes, bonds, assessments and other levies which, by law, would be superior thereto and (b) the lien or charge of any First Mortgage on that Condominium Unit. No Owner of a Condominium Unit may exempt himself from liability for his contribution toward the Common Expenses by waiver of the use or enjoyment of any of the Common Elements or by the abandonment of his Condominium Unit.

#### 5.2 Purpose of Assessments

The Assessments by the Association shall be used exclusively to promote the recreation, health, safety and welfare of all the residents in the Project, for the improvement and maintenance of the Common Elements and for the common good of the Project. Annual Assessments shall include an adequate reserve fund for taxes, insurance (including any deductible amounts under the policies maintained by the Association from time to time), maintenance, repairs and replacement of the Common Elements, which fund shall be maintained in a separate account of the Association to be drawn upon only for those purposes.

### 5.3 Annual Assessments

The Board shall annually determine and fix the amount of the annual (calendar year) Assessment against each Condominium Unit, including those owned by Declarant and shall notify the Owner of each Condominium Unit in writing as to the amount of such annual Assessment not less than thirty (30) days prior to the date that such Assessment is to commence. In connection therewith, the Board is expressly authorized to adopt and amend budgets from time to time without the approval of the Members and shall provide a summary of any such budget or amended budget to the Members not later than thirty (30) days after adoption of the same by the Board. Without the affirmative vote of two-thirds (2/3) of the Members of each Class of the Association Membership voting in person or by proxy at a meeting duly called for this purpose, and except as to the first annual Assessment, the annual Assessment may neither be: (a) increased above the Assessment amount established for the previous year except as increased by the greater of (i) an amount consistent with the percentage increase, if any, in the Consumer Price Index - United States City Average for Urban Wage Earners and Clerical Workers - All Items (published by the Department of Labor, Washington, D.C.), for the year ending with the preceding July (or a similar Index if the above described Index is no longer published), or (ii) ten percent (10%) of the previous year's Assessment, nor (b) decreased by more than twenty percent (20%) below the annual Assessment for the previous year. Assessments may be increased above the limitations set forth above if necessary to meet increased utility and/or insurance costs. All annual Assessments shall be payable in twelve (12) equal monthly installments. Notwithstanding the foregoing, the full amount of the Assessment is a lien from the time the first installment of the Assessment becomes due. In the year prior to January 1 of the year immediately following the close of escrow on the sale of the first Condominium Unit in the Project, the maximum annual Assessment per Condominium Unit shall be \$900.00. The annual Assessment shall be prorated based on the number of months remaining before January 1 of such year, as well as any partial months remaining.

Declarant shall collect a sum equal to at least two (2) months' estimated monthly Assessments for each Condominium Unit sold by Declarant and such Condominium Units' share shall be collected and paid to the Association at the time that the sale of those Units are closed as a working capital fund for the association for the initial months of the Project operations. These monies shall be held in a segregated fund. The foregoing shall not apply to any Condominium Units owned by Declarant.

### 5.4 Special Assessments

In addition to the regular annual Assessments authorized above, the Board may levy, in any Assessment year, a special Assessment applicable to that year 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 Elements, including fixtures and personal property related thereto, or to defray any unanticipated or underestimated expense normally covered by a regular Assessment, and for any deficiency caused in whole or in part by delinquent Assessments, provided however, that no such special Assessment shall be made without the affirmative vote of two-thirds (2/3) of each class of the Association Membership voting in person or by proxy, at a meeting duly called for this purpose.

5.5 Notice and Quorum for Any Action Authorized Under Subarticles 5.3 and 5.4

Written notice of any meeting called for the purpose of taking any action authorized under Subarticles 5.3 or 5.4 shall be sent to all Owners not 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 proxies therefor at the beginning of the meeting entitled to cast twenty-five percent (25%) of all of the votes in the Association shall constitute a quorum. If the required quorum is not present, another meeting may be called 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 thirty (30) days following the preceding meeting unless notice thereof is given to all Members entitled to vote at the adjourned meeting.

5.6 Allocation of Assessments

The Owners of each Condominium Unit, including those owned by Declarant, shall pay its percentage share of each regular and special Assessment based upon each said Owner's Common Interest. Common Expenses associated with the maintenance, repair or replacement of a Limited Common Element or Common Elements benefitting fewer than all of the Units shall be assessed to all of the Units in the Project in the same manner as allocation of the Common Expenses incurred in connection with any other portion of the Common Elements, unless such Common Expense results from damage or destruction to the Limited Common Elements by any Unit Owner for which such Unit Owner is responsible as provided in Subarticle 9.11. Assessments to pay a judgment against the Association may be made only against the Units in the Project at the time the judgment is entered in proportion to their Common Expense liabilities. If Common Expense liabilities are reallocated, any Common Expense Assessments or installments thereof not yet due shall be recalculated in accordance with the reallocated Common Expenses liabilities.

5.7 Date of Commencement of Annual Assessment; Due Dates

The regular annual Assessments provided for herein shall commence as to each Condominium Unit in the Project on the first day of the month following the close of escrow on the sale of the first Condominium Unit in the Project. Due dates of Assessments shall be established by the Board and notice shall be given to each Condominium Unit Owner at least thirty (30) days prior to any due date, provided that if Assessments are to be due on a monthly basis, no notice shall be required other than an annual notice setting forth the amount of the monthly Assessment and the day of each month on which each Assessment is due.

5.8 Transfer of Unit by Sale or Foreclosure

The sale or transfer of any Condominium Unit shall not affect the Assessment lien or liability for Assessments due and payable except as provided below. No sale or transfer of a Condominium Unit shall relieve such Condominium Unit from liability for any Assessments thereafter becoming due or from the lien therefor. Where, however, the First Mortgagee of a First Mortgage of record or another Person (other than the Owner of the Unit personally liable for the Assessments as provided in Subarticle 5.9.1 below) obtains title to a

Condominium Unit as a result of foreclosure, trustee's sale or deed in lieu thereof of any such First Mortgage, such First Mortgagee or other Person shall not be liable for the share of the Common Expenses or Assessments by the Association chargeable to such Condominium Unit which became due prior to the acquisition of title to such Condominium Unit by such First Mortgagee or other Person, and the Assessment lien therefor on such Condominium Unit shall be extinguished. Such unpaid share of Common Expenses or Assessments shall be deemed to be Common Expenses collectible from all of the Condominium Units. In a voluntary conveyance of a Condominium Unit, the grantee of the same shall not be personally liable for Assessments or any other charges due to the Association in connection with that Condominium Unit which accrued prior to the conveyance unless liability therefor is specifically assumed by the grantee. The Association shall, within twenty (20) days after receipt of a written request from a lienholder, Unit Owner, or Person designated by a Unit Owner, provide a statement in recordable form setting forth the amount of unpaid Assessment due the Association against any Unit. Such statement shall be binding upon the Association, the Board and every Unit Owner.

5.9 Enforcement of Assessment and Other Monetary Obligations; Discipline; Remedies Cumulative

5.9.1 Enforcement and Foreclosure of Lien

When any Assessment or other amount due from an Owner to the Association is not paid within thirty (30) days after the due date, the lien therefor may be enforced by foreclosure of the lien and/or sale of the Owner's Condominium Unit by the Association, its attorney or other Person authorized by this Declaration or by law to make the sale or as provided herein. The lien may be foreclosed and the Condominium Unit sold in the same manner as a realty mortgage or the lien may be enforced or foreclosed in any other manner permitted by law for the enforcement or foreclosure of liens against real property or the sale of property subject to such a lien. Any such enforcement, foreclosure or sale action may be taken without regard to the value of such Condominium Unit, the solvency of the Owner thereof or the relative size of the Owner's default. Upon the sale of a Condominium Unit pursuant to this subarticle, the purchaser thereof shall be entitled to a deed to the Condominium Unit and to immediate possession thereof, and said purchaser may apply to a court of competent jurisdiction for a writ of restitution or other relief for the purpose of acquiring such possession. The proceeds of any such sale shall be applied as provided by applicable law but, in the absence of any such law, shall be applied first to discharge costs thereof, including but not limited to court costs, other litigation costs, costs and attorneys' fees incurred by the Association, all other expenses of the proceedings, interest, late charges, unpaid Assessments and other amounts due to the Association, and the balance thereof shall be paid to the Owner. It shall be a condition of any such sale, and any judgments or orders shall so provide, that the purchaser shall take the interest in the Condominium Unit sold subject to this Declaration. The Association, acting on behalf of the Condominium Unit Owners, shall have the power to bid for the Condominium Unit at any sale and to acquire and hold, lease, mortgage or convey the same. In the event the Owner against whom the original Assessment was made is the purchaser or redemptioner, the lien shall continue in effect and said lien may be enforced by the Association for the Condominium Unit's Assessments and other amounts that were due prior to the final conclusion

of any such foreclosure, sale or equivalent proceedings. Further, notwithstanding any foreclosure of the lien or sale of the Condominium Unit, any Assessments and other amounts due after application of any sale proceeds as provided above shall continue to exist as personal obligations of the defaulting Owner of the Condominium Unit to the Association, and the Board may use reasonable efforts to collect the same from said Owner even after he is no longer a Member of the Association.

#### 5.9.2 Suspension of Rights

In addition to all other remedies provided for in this Declaration or at law or in equity, the Board may temporarily suspend the Association voting rights and/or rights to use the Recreational Common Elements of a Condominium Unit Owner who is in default in the payment of any Assessment or any other amount due to the Association as provided in the Bylaws.

#### 5.9.3 Other Remedies

The rights, remedies and powers created and described in Subarticles 5.9.1, 5.9.2, 11.14 and elsewhere in this Declaration, the Articles or the Bylaws are cumulative and may be used or employed by the Association in any order or combination, except as specifically provided to the contrary herein. Without limiting the foregoing sentence, suit to recover a money judgment for unpaid Assessments, interest, rent, costs, attorneys' fees and/or other amounts due hereunder, to obtain specific performance of obligations imposed hereunder and/or to obtain injunctive relief may be maintained without foreclosing, waiving, releasing or satisfying the liens created for Assessments or other amounts due hereunder.

#### 5.10 Allocation of Taxes

After a Condominium Unit in the Project has been sold to an Owner other than Declarant, each Unit shall be separately taxed and assessed and no separate tax may be rendered against any Common Elements. Any portion of the Common Elements which Declarant reserves the right to withdraw shall be separately taxed and assessed to the Declarant and Declarant alone is responsible for payment of such taxes while Declarant retains the right to withdraw that portion of the Property.

End of Article 5 Entitled  
Assessments and Charges

### ARTICLE 6

#### Maintenance and Repair of the Project: Common Elements and Units

#### 6.1 Maintenance of Project by Association

The Association shall maintain, repair, replace, restore, operate, manage and keep in good condition: (i) all of the Common Elements



(including parking spaces subject to the rights created in Subarticle 1.12) and all facilities, improvements, furnishings, equipment and landscaping thereon; (ii) the structural parts of the Limited Common Elements; and (iii) all property that may be acquired by the Association.

The Association shall not be responsible for maintaining and repairing glass surfaces and doors (notwithstanding that the same are part of the Limited Common Elements allocated to the Units) or capital improvements built or personal property placed by an Owner on or within his Unit or within the Limited Common Elements allocated thereto. The Association shall paint or otherwise decorate and maintain the exterior structural part of the Limited Common Elements facing other Units or Common Elements.

#### 6.2 Owners' Rights and Obligations to Maintain and Repair

Except for those portions of the Project which the Association is required to maintain, repair and keep in good condition as provided in this Article 6 and elsewhere in this Declaration, each Unit Owner shall, at his sole cost and expense, maintain and repair (i) his Unit (including windows and doors); (ii) any Limited Common Elements allocated to an Owner's Unit; (iii) any separate air-conditioning, cooling, heating and/or water-heating units (and all wires and connections therefor) which service his Unit; and (iv) any damaged glass windows, doors or other surfaces of, or allocated to, a Unit within seven (7) days of such damage. Each Owner shall have the exclusive right to paint, plaster, panel, tile, wax, paper or otherwise refinish and decorate the interior surfaces of the walls, ceilings, floors, windows and doors bounding his Condominium Unit.

In the event an Owner fails to maintain his Unit and/or Limited Common Elements allocated thereto as provided herein, in a manner which the Board deems necessary to preserve the appearance and value of the Project, the Board may notify such Owner of the work required and request that it be done within thirty (30) days from the giving of such notice or any earlier period as specified by the Board in the event of an emergency. In the event an Owner fails to carry out such maintenance within said period, the Board may cause such work to be done and may specially assess the cost thereof to such Owner and collect and enforce said Assessment as provided in Article 5 above.

#### 6.3 Damage to Project by Owners' Acts

The responsibility of the Association for maintenance and repair shall not extend to repairs or replacements arising out of or caused by the willful or negligent act or neglect of an Owner or his guests, tenants or invitees. The repair or replacement of any portion of the Common Elements resulting from such excluded items shall be the responsibility of each Owner, provided however, that if an Owner shall fail to make the repairs or replacements which are the responsibility of such Owner, the Association, acting through the Board, shall have the right (but not the obligation) to enter the Unit and Limited Common Elements and make such repairs or replacements, and the cost thereof shall be added to the Assessments chargeable to that Condominium Unit and shall be payable to the Association by the Owner of such Condominium Unit, provided, however, that liability hereunder shall be limited to that provided for in the statutory or case laws prevailing in the State of Arizona.

#### 6.4 Entry for Repairs

The Board or its agents may enter any Unit and any Limited Common Elements allocated thereto when necessary in connection with any repairs, maintenance, landscaping or construction for which the Association is responsible. Such entry shall be made upon reasonable notice, unless it would be impractical to give notice in an emergency, and with as little inconvenience to the Owner as practicable, and any damage caused thereby shall be repaired by the Board at the expense of the Association. No Owner shall do any act or create any obstruction which would unreasonably interfere with the right or ability of the Association to perform any of its obligations or exercise any of its rights under this Declaration.

#### 6.5 Association Easements and Access to Units

For the purpose of performing the maintenance authorized by this article, or for any other purpose reasonably related to the performance by the Board of its responsibilities under this Declaration, the Association (and its agents and employees) shall have an easement over and onto all portions of the Common Elements.

6.6 Shared Recreational Area. The Recreational Common Elements shown on the Map are a portion of a recreational area (the "Recreational Area") utilized by residents of the Project and by residents of an adjacent project, Lot 7 Villa Paradise, according to the plat of record in Book 107 of Maps, page 46, which will become a condominium to be known as, 41st Street South Condominium (the "Adjacent Project"). Declarant, on behalf of itself and its heirs, successors and assigns, hereby grants a perpetual, nonexclusive easement to the owners of all or any portion of the Adjacent Project from time to time, for the use of such owners, their tenants and the respective family members and guests of such owners and tenants, to use the portions of the Recreational Area situated within this Project.

The Association and the homeowners association for the Adjacent Project (the "Other Association") shall fully cooperate to achieve the coordinated management, control, upkeep, maintenance, repairs and replacement of the Recreational Area, with each Association to bear one-half of the costs thereof. All insurance carried by the Association relative to the portions of the Recreational Area within the Project shall name the Other Association and its members as additional insureds. The two Associations shall adopt identical rules and regulations to govern the use of the Recreational Area and shall cooperate fully to achieve uniform enforcement thereof.

The Recreational Area shall not be modified or changed in any material manner, without the approval of each Association.

6.7 Shared Utilities and Lighting. To the extent there are utility lines or lighting located in the Project which are presently utilized by the Adjacent Project, its owners or residents, the Other Association is hereby granted a perpetual, nonexclusive easement to use, maintain, repair or replace the same in their existing condition and location, provided the Other Association fully repairs all damage resulting from its use of this easement. The Association and the Other Association shall fully cooperate to equitably allocate

and promptly pay all utility bills to the extent the Association or the Other Association is billed for utilities that serve the other's project.

6.8 Modification of Subarticle 6.6 and 6.7. Subarticles 6.6 and 6.7 may not be amended without the approval of the other Association, in addition to all amendment requirements of this Declaration. The owner of the Adjacent Project has agreed to include provisions substantially identical to Subarticles 6.6, 6.7 and 6.8 in the deed restrictions governing the Adjacent Project.

End of Article 6 Entitled  
Maintenance and Repair of the Project:  
Common Elements and Units

## ARTICLE 7

### Duties and Powers of the Association

#### 7.1 Duties and Powers

In addition to the duties and powers enumerated in the Bylaws and the Articles, or elsewhere provided for herein, and without limiting the generality thereof, and except as provided by law, the Association shall:

7.1.1 Maintain, repair, replace, restore, operate and manage those portions of the Project as set forth in Article 6, and as otherwise provided in this Declaration.

7.1.2 Enforce the provisions of this Declaration by appropriate means, including without limitation the expenditure of funds of the Association, the employment of legal counsel and the commencement of legal actions.

7.1.3 Maintain such policy or policies of insurance as are required by this Declaration or as the Board deems necessary or desirable in furthering the purposes of and protecting the interests of the Association and its Members.

7.1.4 Grant and reserve easements over the Common Elements for utilities, sewer facilities and roads and other purposes reasonably necessary or useful for the proper maintenance or operation of the Project.

7.1.5 Have the authority to employ a manager or other Persons and to contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Association, subject to the further provisions of Subarticles 4.1 and 11.7 hereof, the Bylaws, and restrictions imposed by any governmental or quasi-governmental body or agency having jurisdiction over the Project.

7.1.6 Adopt reasonable rules not inconsistent with this Declaration, the Articles or the Bylaws relating to the use of the Common Elements and all facilities thereon and the conduct of Owners and their tenants and guests with respect to the Project and other Owners. Without limiting the

foregoing, the Board shall have the right to limit the number of guests and invitees who may use the Common Elements at any one time, may require that they be accompanied by an Owner or other Person entitled to use the Common Elements as specifically provided in this Declaration, and may restrict the use of the Common Elements by guests and invitees to certain specified times. Further, the Association may adopt a schedule of fines for the violation of any provisions of the Project Documents by any Owner or other Person and impose the same pursuant to the procedures adopted in the Bylaws.

7.1.7 Exercise all rights reserved to homeowners associations under the Arizona Condominium Act, including the right to assign future income (e.g., the right to receive Common Expense Assessments).

End of Article 7 Entitled  
Duties and Powers of the Association

ARTICLE 8

Utilities

8.1 Owners' and Association's Rights and Duties

The rights and duties of the Owners of Condominium Units within the Project and the Association with respect to utilities shall be as follows:

8.1.1 Whenever sanitary sewer, water, electric, gas, television receiving, telephone lines or connections, heating or air-conditioning conduits, ducts or flues are located or installed within the Project, which connections or any portion thereof lie in or upon Units owned by other than the Owner of a Unit served by said connections, the Association shall have the right and obligation on behalf of Owners of any Units served by said connections, and is hereby granted an easement to the full extent necessary therefor, to enter upon the Units or to have the utility companies enter upon the Units in or upon which said connections or any portion thereof lie to repair, replace and generally maintain said connections as and when necessary. The Association or utility company exercising its right of entry pursuant to this subarticle shall give reasonable notice to the Owner of a Unit prior to entering therein.

8.1.2 Whenever sanitary sewer, water, electric, gas, television receiving, telephone lines or connections, heating or air-conditioning conduits, ducts or flues are located or installed within the Project, which connections serve more than one Unit, the Owner of each Unit served by said connections shall be entitled to the full use and enjoyment of such portions of said connections as service his Unit.

8.1.3 The Association shall maintain all utility installations located in the Common Elements except for those installations maintained by utility companies, public, private or municipal. The Association shall pay all charges for utilities supplied to the Project except those metered or charged separately to the Units, which shall be paid by the respective Owners of those Units.

## 8.2 Easements for Utilities and Maintenance

There is hereby created an easement over and under the Common Elements for the installation, repair and maintenance of all utilities including sanitary sewer, water, electric, gas, telephone, heating and air-conditioning, cable television or master television antennas, together with drainage, walkways and landscaping and all other facilities and equipment therefor, and as hereafter may be required to service and maintain the Project, provided that all such lines and facilities shall be installed as originally designed and approved by Declarant or as approved by the Board of Directors.

## 8.2 Easements for Utilities and Maintenance

Declarant hereby creates and dedicates a blanket easement over the Common Elements: (i) for the benefit of all public utility companies, or publicly licensed or chartered companies for the installation, repair, replacement and maintenance of sanitary sewers, water, electric, gas and telephone lines and facilities, heating and air-conditioning facilities, cable television or master television antenna or satellite lines or cables, and drainage facilities, and for ingress to and egress from the Property in connection therewith, and (ii) for ingress to and egress from the Property for the benefit of all municipal, state and federal vehicles and including, without limitation, all emergency and service type vehicles as may be required from time to time to service the Project and the residents thereof including, without limitation, for U.S. Mail distribution and collection and private or municipal refuse collection.

End of Article 8 Entitled  
Utilities

## ARTICLE 9

### Use Restrictions

In addition to all of the covenants contained herein, the use of the Project and each Unit therein is subject to the following:

#### 9.1 Use of Individual Units

No Unit shall be occupied and used except for single family residential purposes by the Owners, their tenants and social guests. No trade or business of any kind may be conducted in or from any Unit except that an Owner may conduct a business activity within a Unit so long as the existence or operation of the business activity (a) is not apparent or detectable by sight, sound, or smell from the exterior of the Unit; (b) conforms to all zoning requirements for the Project; (c) does not increase the liability or casualty insurance obligation or premium of the Association; and (d) is consistent with the residential character of the Project and does not constitute a nuisance or a hazardous or offensive use including, without limitation, excessive or unusual traffic or parking of vehicles in the vicinity of any Unit, the Common Elements or the Limited Common Elements as may be determined in the sole discretion of the Board. The terms "business" and "trade," as used in the previous sentence, shall

be construed to have their ordinary and generally accepted meanings and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves providing goods or services to persons other than the provider's family and for which the provider receives a fee, compensation or other form of consideration regardless of whether (a) such activity is engaged in full or part-time; (b) such activity is intended to or does generate a profit; (c) a license is required therefor. Notwithstanding anything provided herein to the contrary, Declarant, and its successors or assigns, may use any Unit or Units in the Project owned by Declarant for a model home or homes and sales and/or management office, and further, Declarant may use any clubhouse facility as a display and sales office as provided in Subarticle 3.2.3.

#### 9.2 Nuisances

No noxious, illegal or offensive activities shall be conducted in any Unit or on any part of the Project, nor shall anything be done thereon which may be or may become an annoyance or a nuisance to, or which may in any way interfere with, the quiet enjoyment of each Owner of his respective Condominium Unit or which shall in any way increase the rate of insurance for the Project or cause any insurance policy to be cancelled or cause a refusal to renew the same or which will impair the structural integrity of any Condominium Building. Any increase in the insurance premiums for the Project caused by an Owner shall be paid for by such Owner.

#### 9.3 Vehicle Restrictions

No trailer, camper, mobile home, commercial vehicle, truck (other than standard size pick-up truck not exceeding manufacturer's rating of 3/4 ton), inoperable automobile, boat or similar equipment shall be permitted to remain upon any area within the Project other than temporarily (for purposes of loading and unloading of passengers or personal property). Commercial vehicles shall not include sedans, customary passenger or mini-vans or standard size pick-up trucks which are used both for business and personal use, provided that any signs or markings of a commercial nature on such vehicles shall be unobtrusive and inoffensive as determined by the Board. No noisy or smoky vehicles shall be operated on the Property. No off-road, licensed or unlicensed, motor vehicles not lawfully operable on public streets or highways shall be maintained or operated upon the Property except as reasonably necessary for the performance of the rights or duties of the Association under this Declaration.

#### 9.4 Signs

Signs advertising Condominium Units for sale or rent may only be displayed at such location or locations within the Common Elements as may from time to time be designated for such purpose by the Board in its sole discretion provided that any such permitted signs shall be of reasonable and customary size and provided further that no signs shall be displayed to the public view on any Units or on any portion of the Property unless first approved by the Board or the Architectural Control Committee. Without limiting the foregoing, the Board may designate a bulletin board located on the Common Elements on which such signs may be posted to the exclusion of or in conjunction with other locations as determined by the Board.

#### 9.5 Animals

No animals or birds of any kind shall be raised, bred or kept in any Unit or on any portion of the Project, except that a reasonable number of usual and ordinary household pets such as dogs, cats or birds may be kept at any one time, provided that they are kept under reasonable control at all times. The Board may enact reasonable rules respecting the keeping of such animals within the Project and may designate certain areas in which such animals may be taken. The Association, by and through the Board, reserves the right to have any such pet removed if the pet's behavior becomes objectionable to the Members of the Association, which right shall not be unreasonably applied.

#### 9.6 Garbage and Refuse Disposal

All rubbish, trash and garbage shall be regularly removed from the Property and shall not be allowed to accumulate thereon. Trash, garbage and other waste shall not be kept except in sanitary containers. All equipment, garbage cans (other than any garbage cans or dumpsters installed by Declarant or provided by the Association for the use of the Condominium Unit Owners), woodpiles or storage piles shall be kept screened and concealed from view of the other Units, streets and the Common Elements except as necessary for the collection thereof.

#### 9.7 Radio and Television Antennas

No alteration to or modification of a central radio or television antenna system or cable television system, whichever is applicable, if any, shall be permitted, and no Owner may be permitted to construct, use or operate his own external radio or television antenna without the consent of the Board.

#### 9.8 Right to Lease

The respective Units shall not be rented by the Owners thereof for transient or hotel purposes which shall be defined as (a) rental for any period less than thirty (30) days or (b) any rental if the occupants of the Unit are provided customary hotel service such as room service for food and beverages, maid service, laundry and linen service and bellboy service. Subject to the foregoing restrictions, the Owner of a Unit shall have the absolute right to lease his Unit, provided that the lease is of the entire Unit, is in writing and is specifically made subject to the covenants, conditions, restrictions, limitations and uses contained in this Declaration and the Bylaws and any reasonable rules and regulations published by the Association. Without limiting the generality of the foregoing, the Owner of any Unit occupied by a tenant and/or the tenant of any Unit so occupied shall pay any and all security deposit or deposits which may be required by rules or regulations adopted by the Board and published by the Association. Any Owner who leases his Unit shall provide a copy of the lease to the Association within ten (10) days of its execution. During the lease period, the lessee and the members of his family shall have the right to use the Common Elements subject to the provisions of this Declaration and the Unit Owner shall have no right to use the same until the termination or expiration of the lease.

9.9 Window Coverings; Storage; Security Doors

No kind of foil or darkening screen shall be placed upon the windows of the Units except as approved by the Board. The parking areas shall not be used for the storage of any items. Security doors may be installed only with prior Board consent to ensure consistency, and all security doors must be painted to match the building.

9.10 Power Equipment and Vehicle Maintenance

No power equipment, work shops, vehicle maintenance and car washing shall be permitted on the Project or on streets adjacent thereto without the prior written approval of the Board [except emergency work or minor repairs requiring less than one (1) day's work]. Approval shall not be unreasonably withheld and in deciding whether to grant approval the Board shall consider the effects of noise, air pollution, dirt or grease, fire hazard, interference with radio or television reception and similar objections.

9.11 No Warranty of Enforceability

While Declarant has no reason to believe that any of the restrictive covenants contained in this Article 9 or elsewhere in this Declaration are or may be invalid or unenforceable for any reason or to any extent, Declarant makes no warranty or representation as to the present or future validity or enforceability of any such restrictive covenant. Any Owner acquiring a Condominium Unit in the Project in reliance on one or more of such restrictive covenants shall assume all risks of the validity and enforceability thereof and by acquiring the Condominium Unit agrees to hold Declarant harmless therefrom.

End of Article 9 Entitled  
Use Restrictions

ARTICLE 10

Architectural Control

10.1 Prohibition of Alteration and Improvement

Subject to the exemption of Declarant under Subarticle 11.7 below, no building, fence, wall, obstruction, balcony, screen, patio, patio cover, tent, awning, carport, carport cover, solar collector, air conditioning or evaporative cooling system, antenna, improvement or structure of any kind shall be commenced, erected, painted or maintained upon the Project, nor shall any alteration or improvement of any kind be made thereto until the same has been approved in writing by the Board as provided in this article. There shall be no construction, alteration or removal of any structure or improvement in the Project which would impair or affect the integrity or stability of any existing structure. Without limiting the foregoing, no Owner shall install or replace an air-conditioning or evaporative cooling unit or solar panels or collectors, without the prior written approval of the Board which shall have the right to



approve or disapprove the size, shape, noise level and proposed location of such unit or system.

#### 10.2 Plans and Approval

Plans and specifications showing the nature, kind, shape, color, size, materials and location of such improvements or alterations shall be submitted to the Board for approval as to quality of workmanship, design and harmony of external design with existing structures and as to location in relation to surrounding structures, topography and finished grade elevation together with any other materials reasonably requested by the Board for purposes of evaluating the requested improvement or alteration. The Board shall have the right to employ professional consultants to review plans and specifications submitted by an Owner to assist it in discharging its duties. In the event the Board elects to employ such consultant, the Board shall first give notice to the Owner of the fee required for purposes of hiring any such consultant and the Owner shall promptly pay said consultant's fee to the Board prior to the Board being obligated to proceed further with its review of said Owner's submission. No permission or approval shall be required to rebuild in accordance with plans and specifications previously approved by the Board. No landscaping of patios visible from the street or from the Common Elements shall be undertaken by any Owner until plans and specifications or other materials reasonably requested by the Board showing the nature, kind, size and location of the landscaping materials have been submitted and approved by the Board in accordance with this Article 10. In the event the Board fails to approve or disapprove such plans, specifications and proposed improvement or alteration within forty-five (45) days after said plans and specifications have been submitted to it, written approval by the Board will not be required and this article will be deemed to have been fully complied with. The restrictions contained in this paragraph shall not apply to the Declarant in any manner. Approval by the Board shall not be deemed or interpreted to be a warranty or confirmation of any kind concerning the engineering or structural integrity, quality or safety of construction of the proposed improvements or modifications and the Person proposing the same and his agents and contractors, shall be solely responsible therefor.

End of Article 10 Entitled  
Architectural Control

### ARTICLE 11

#### General Provisions

##### 11.1 Invalidity of Any Provision

Should any provision of this Declaration be declared invalid or in conflict with any law of the jurisdiction where the Project is situated, the validity of all other provisions shall remain unaffected and in full force and effect.

##### 11.2 Amendments

Subject to the rights of the Owners and First Mortgagees provided herein, this Declaration may be amended only by the vote or written assent of Unit Owners to which sixty-seven percent (67%) of the votes in the Association are allocated and the consent of Declarant while Class B Membership exists, provided, however, that the percentage of the voting power necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. The requirements of Subarticle 11.2.1 and the restrictions set forth in Subarticle 11.4.2 concerning the amendment of certain provisions of the Project Documents shall be in addition to the requirements set forth in this Subarticle 11.2. Notwithstanding the foregoing, Declarant shall have the right, while Class B Membership exists, to amend the Declaration as may be necessary to exercise any reserved Development Right or Special Declarant Right in accordance with Article 3 without the consent of any other Owner or Mortgagee.

Within thirty (30) days after the adoption of any amendment requiring the consent of Owners other than Declarant pursuant to this subarticle, the President of the Association shall prepare, execute and record a written instrument setting forth the amendment adopted whereupon such amendment shall become effective unless a later effective date is specified in the amendment. Without limiting the generality of the foregoing, except as expressly permitted by the Arizona Condominium Act and Subarticles 3.1 and 3.2, an amendment shall not create additional or increase existing Special Declarant Rights, increase the number of Units or change the boundaries of any Unit, the Allocated Interests of any Unit or the permitted uses thereof, without the consent of all of the Unit Owners. No amendment shall terminate or decrease any unexpired Development Right, Special Declarant Right or period of Declarant Control without the consent of Declarant.

11.2.1 Additional Requirements for Amendment of Certain Provisions

The following subarticles do not apply to amendments to the Project Documents or termination of the Condominium made as a result of destruction, damage or condemnation.

11.2.1.1 The consent of Owners of Condominium Units to which at least seventy-five percent (75%) of the votes in the Association are allocated and the approval of Eligible First Mortgagees (as defined in Subarticle 11.4.3.1.4) holding First Mortgages on Condominium Units which have at least sixty-seven percent (67%) of the votes of Condominium Units subject to First Mortgages held by Eligible First Mortgagees shall be required to terminate the legal status of the Project as Condominium under Arizona law. The provisions of this Subarticle 11.2.1.1 are in addition to and not in lieu of the requirements of Subarticle 11.12.

11.2.1.2 The consent of Owners of Condominium Units to which at least seventy-five percent (75%) of the votes in the Association are allocated and the approval of Eligible First Mortgagees holding First Mortgages on Condominium Units which have at least fifty-one percent (51%) of the votes of Condominium Units subject to First Mortgages held by Eligible First Mortgagees

shall be required to add to or amend any "material" provisions of the Project Documents which establish, provide for, govern or regulate any of the following:

- 11.2.1.2.1 Voting;
- 11.2.1.2.2 Assessments, assessment liens or subordination of such liens;
- 11.2.1.2.3 Reserves for maintenance, repair and replacement of the Common Elements;
- 11.2.1.2.4 Insurance or fidelity bonds;
- 11.2.1.2.5 Rights to use of the Common Elements;
- 11.2.1.2.6 Responsibility for maintenance and repair of the various portions of the Project;
- 11.2.1.2.7 Expansion or contraction of the Project or the addition, annexation or withdrawal of property to or from the Project;
- 11.2.1.2.8 Boundaries of any Unit;
- 11.2.1.2.9 Common Interests of the Condominium Units;
- 11.2.1.2.10 Convertibility of Units into Common Elements or of Common Elements into Units;
- 11.2.1.2.11 Leasing of Condominium Units;
- 11.2.1.2.12 Imposition of any right of first refusal or similar restriction on the right of a Condominium Unit Owner to sell, transfer or otherwise convey his Condominium Unit;
- 11.2.1.2.13 Any provisions which are for the express benefit of Mortgagees, Eligible First Mortgagees or Eligible Insurers or Guarantors (as defined in Subarticle 11.4.3.2) of First Mortgages on Condominium Units;
- 11.2.1.2.14 A decision by the Association to establish self-management when professional management had been required previously by the Project Documents or an Eligible First Mortgagee;
- 11.2.1.2.15 Restoration or repair of the Project (after hazard damage or partial condemnation) in a manner other than as specified in the Project Documents; and
- 11.2.1.2.16 Any action to terminate the legal status of the Project after substantial destruction or condemnation occurs.

11.2.1.3 An addition or amendment to the Project Documents shall not be considered "material" if it is for the purpose of

correcting technical errors or for clarification only. An Eligible First Mortgagee which receives a written request to approve any additions or amendments to the Project Documents and which does not deliver or post to the requesting party a negative response within thirty (30) days after such notice was delivered thereto by certified or registered mail, return receipt requested, shall be deemed to have approved such request. The consents required under this Subarticle 11.2.1 shall not apply to amendments recorded by Declarant in the exercise of any of its reserved Development Rights or Special Declarant Rights.

### 11.3 Encroachment Easements

Each Unit and the Limited Common Elements allocated thereto within the Project are hereby declared to have an easement over all adjoining Units and the Common Elements for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of buildings or any other similar cause. There shall be valid easements for the maintenance of said encroachments as long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment, settlement or shifting, provided however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful misconduct of said Owner or Owners. In the event a Unit or Condominium Building or Limited Common Elements are partially or totally destroyed and then repaired or rebuilt, the Owners of all Units agree that minor encroachments over adjoining Units or the Common Elements shall be permitted and that there shall be a valid easement for the maintenance of said encroachments so long as they shall exist.

### 11.4 Mortgagee Protection Clause

#### 11.4.1 Rights of First Mortgagees

11.4.1.1 No breach of any of the covenants, conditions and restrictions contained in this Declaration, nor the enforcement of any lien provisions herein, shall render invalid the lien of any First Mortgage on any Condominium Unit, but all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure, trustee's sale or otherwise.

11.4.1.2 All amenities pertaining to and allocated to the Project (such as parking, recreation and service areas) are a part of the Project and shall be covered by and subject to a Mortgage on a Condominium Unit to the same extent as is the Common Elements.

11.4.1.3 An action to abate the breach of any of these covenants, conditions, restrictions and reservations may be brought against the purchaser who has acquired title through foreclosure of a First Mortgage and the subsequent sheriff's sale (or through any equivalent proceedings) and the successor in interest to said purchaser if the breach continues to exist after the time said purchaser acquired an interest in such Condominium Unit.

11.4.1.4 During the pendency (including any period for redemption) of any proceedings to foreclose a First Mortgage (or from the time a trustee under a first deed of trust has given notice of sale pursuant to the

power of sale conferred under the deed of trust and pursuant to law), the First Mortgagee, or a receiver appointed in any such action, may but need not exercise any or all of the rights and privileges of the Owner of the Condominium Unit in default, including but not limited to the right to vote as a Member of the Association in the place and stead of the defaulting Owner.

11.4.1.5 Notwithstanding anything contained herein to the contrary, at such time as the First Mortgagee shall become record Owner of a Condominium Unit, the First Mortgagee shall be subject to all of the terms and conditions of this Declaration, including but not limited to the obligation to pay all Assessments and charges accruing thereafter in the same manner as any other Condominium Unit Owner.

#### 11.4.2 Changes Requiring Approval of Mortgagees

Notwithstanding anything to the contrary contained in this Declaration, without the prior written approval of Declarant (while Declarant is an Owner of any Units) and of at least two-thirds (2/3) of the First Mortgagees [based upon one (1) vote for each First Mortgage held] or of the Owners other than Declarant (except as provided by statute in case of condemnation or substantial loss to the Units and/or Common Elements of the Project), the Association or Owners shall not be entitled to and no provision of this Declaration shall be applied, effective, interpreted or construed to (or entitle the Association or Owners to):

11.4.2.1 Change the Common Interests of the Condominium Units (subject to the further provisions of Subarticle 2.2.2), the share of Assessments charged to any Condominium Unit or the method of determining such Assessments;

11.4.2.2 By act or omission, seek to terminate or abandon the status of the Project as a statutory Condominium;

11.4.2.3 Allow partition or subdivision of any Condominium Unit except as provided in Subarticle 2.4;

11.4.2.4 Change the interest of any Condominium Unit in the allocation or distribution of hazard insurance proceeds or condemnation awards;

11.4.2.5 By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer any portion or element of the Common Elements (the granting of easements for public utilities or for other public purposes consistent with the intended use of such Property shall not be deemed a transfer within the meaning of this clause); or

11.4.2.6 Use hazard insurance proceeds for losses or damages to any portion of the Project for other than the repair, replacement or reconstruction thereof.

The foregoing requirements are in addition to the requirements set forth in Subarticle 11.2.

11.4.3 Rights of First Mortgagees and Insurers or Guarantors of First Mortgages

11.4.3.1 Upon written request to the Association identifying the name and address of the First Mortgagee for any Condominium Unit or the insurer or guarantor of such First Mortgage and the Condominium Unit number or address, any such First Mortgagee or insurer or guarantor of such First Mortgage will be entitled to timely written notice of:

11.4.3.1.1 Any condemnation loss or any casualty loss which affects a material portion of the Project or any Condominium Unit on which there is a First Mortgage held, insured or guaranteed by such First Mortgagee or insurer or guarantor, as applicable;

11.4.3.1.2 Any delinquency in the payment of Assessments or charges owed or other default in the performance of obligations under the Project Documents by an Owner of a Condominium Unit subject to a First Mortgage held, insured or guaranteed by such First Mortgagee or insurer or guarantor which remains uncured for a period of sixty (60) days;

11.4.3.1.3 Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; or

11.4.3.1.4 Any proposed action which would require the consent of a specified percentage of "**Eligible First Mortgagees**" (meaning First Mortgagees who have filed a written request as described above in this Subarticle 11.4.3.1) as specified in Subarticle 11.4.3.2 or in Subarticle 11.2.1.

11.4.3.2 When professional management previously has been required by an Eligible First Mortgagee or any "**Eligible Insurer or Guarantor**" (meaning an insurer or governmental guarantor of a First Mortgage which has requested notice of certain matters in accordance with Subarticle 11.4.3.1 above), whether such entity became an Eligible First Mortgagee or Eligible Insurer or Guarantor at that time or later, any decision to establish self-management by the Association shall require the prior consent of Owners of Condominium Units to which at least sixty-seven percent (67%) of the votes in the Association are allocated and the approval of Eligible First Mortgagees of Condominium Units which have at least fifty-one percent (51%) of the votes of Condominium Units subject to First Mortgages held by Eligible First Mortgagees.

11.4.4 Mortgage Priority

Notwithstanding any language contained in this Declaration to the contrary, no Condominium Unit Owner and no other party shall have priority over any rights of First Mortgagees pursuant to their Mortgages in the case of a distribution to Condominium Unit Owners of insurance proceeds or condemnation awards for losses to or taking of Condominium Units and/or any portion or element of the Common Elements and no changes to this Declaration providing for priority over such rights of First Mortgagees shall be made without the prior consent of all First Mortgagees.

11.4.5 Compliance with FHLMC/FNMA Regulations

The Declarant intends that the Project shall comply with all requirements of the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal National Mortgage Association ("FNMA") pertaining to the purchase by the FHLMC and FNMA of conventional home loans. Declarant and all Unit Owners therefore agree that, in the event the Project or any of the Project Documents do not comply with FHLMC/FNMA requirements, the Declarant shall have the power (on behalf of the Association) to amend any of the Project Documents as necessary to comply with FHLMC/FNMA requirements and enter into any agreement with FHLMC/FNMA (or their designees) reasonably required by the same to allow the Project to comply with such requirements and make such changes in the Project Documents to effectuate the same as provided in Subarticle 3.1.3.

11.4.6 Payment of Taxes and Insurance Premiums by Mortgagees

First Mortgagees may, jointly or singly, pay any taxes, Assessments or other charges which are in default and which may or have become a lien or charge against the Common Elements and may pay overdue premiums on hazard insurance policies (or secure new hazard insurance coverage on the lapse of a policy) for the Common Elements. Any First Mortgagee making such payments shall be entitled to immediate reimbursement therefor from the Association.

11.4.7 Owner's Right to Sell Condominium Unit

The right of any Owner to sell, transfer or otherwise convey his Condominium Unit shall not be subject to any right of first refusal or any similar restriction in favor of the Association.

11.4.8 Right to Inspect Documents; Audited Financial Statements

The Association shall make available to Owners, Mortgagees and insurers or guarantors of First Mortgages current copies of the Declaration, Articles, Bylaws, rules of the Association and the books, records and financial statements of the Association. "Available" means available for inspection (and copying at the expense of the requesting party), upon request, during normal business hours or under other reasonable circumstances. In addition, any First Mortgagee or insurer or guarantor of any First Mortgage shall be entitled to have prepared, at its expense, an audited financial statement of the Association for the immediately preceding fiscal year if one is not otherwise available, and the Association shall have prepared and distributed such statement to such Mortgage holder or insurer or guarantor thereof requesting it within a reasonable time following receipt by the Association of the request.

11.5 Insurance; Damage or Destruction

11.5.1 Reconstruction by Unit Owners

Subject to other provisions of this Declaration, in the event of damage to or destruction of any part of a Unit, the Owner shall reconstruct the same as soon as reasonably practicable and substantially in accordance with the original plans and specifications therefor. Each Owner shall have an easement of reasonable access into any adjacent Unit for purposes of repair or reconstruction of his Unit as provided in this subarticle.

#### 11.5.2 Association Liability Insurance

The Association shall obtain and continue in effect comprehensive public liability insurance insuring the Association, the Declarant, the agents and employees of each and the Owners and their respective family members, guests and invitees against any liability incident to the ownership or use of the Common Elements and facilities in the Recreational Common Elements, including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured and a "severability of interest" endorsement precluding the insurer from denying coverage to one Owner because of the negligence of other Owners or the Association. Such insurance shall be in amounts deemed appropriate by the Board but, in any event, shall be in amounts which satisfy FHLMC or FNMA requirements as amended from time to time.

#### 11.5.3 Master Hazard Insurance

Additionally, the Association shall obtain and continue in effect a master or blanket policy of multi-peril insurance on the Project, providing at a minimum fire and extended coverage and all other coverage in the kinds and amounts required by FHLMC and FNMA regulations as amended from time to time, said coverage to be obtained on a replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based upon replacement cost) of all improvements in the Project provided that such coverage need not include land, foundations, excavations, or other items that are usually excluded from insurance coverage. Such policy shall contain extended coverage and replacement cost endorsements and, if available, shall also contain vandalism and malicious mischief coverage, stipulated or agreed amount and inflation guard endorsements and a determinable cash adjustment clause or a similar clause to permit cash settlement covering the full value of the improvements in the Project in the event of destruction and a decision not to rebuild pursuant to this Declaration. If the Project is located in an area identified by the Secretary of Housing and Urban Development as an area having special flood hazards or if any part of the Project is in the areas designated as such on a Flood Insurance Rate Map (A, AE, AH, AO, A1-30, A-99, V, VE, or V1-30), a "blanket" policy of flood insurance on the Project shall be maintained in an amount equal to the aggregate outstanding principal balance of all Mortgage loans on the individual Condominium Units or the maximum limit of coverage available under the National Flood Insurance Act of 1968, as amended, whichever is less. Such policies shall be in form and amount as determined by the Board but, in any event, shall always satisfy FHLMC and FNMA requirements as amended from time to time, shall name as the insured the Association, the Owners, Declarant (so long as Declarant is an Owner of any Condominium Units), and all Mortgagees as their respective interests may appear, and shall provide that any proceeds be paid to the Association for the use and benefit of the Owners and Mortgagees as their interests may appear. Such policy shall not be required to



insure the personal property within any individual Unit, which insurance shall be the responsibility and risk of the Unit Owners.

#### 11.5.4 Additional Association Insurance

The Association may purchase such other insurance as it may deem necessary, including without limitation plate-glass, workmen's compensation, directors' liability and errors and omissions insurance, and shall purchase fidelity coverage against dishonest acts by any directors, managers, trustees, employees or volunteers of the Association who are responsible for handling funds belonging to or administered by the Association. The fidelity insurance or bond shall name the Association as the insured and shall provide coverage in an amount not less than three months' Assessments on all Units in the Project from time to time except as provided below. The bond must also cover not less than the maximum funds that will be in the custody of the Association or the professional management company or agent at any one time as required under Chapter 7 of the FNMA Seller's Guide (Project Standards/Insurance Requirements) unless certain financial controls set forth therein are satisfied at all times that the fidelity insurance or bond is in place. If professional management is employed, the management company or agent shall be covered by its own fidelity bond or insurance which provides the same coverage required of the Association hereunder.

#### 11.5.5 Choice of Carriers; Insurance Premiums

The insurance policies required under this Subarticle 11.5 shall be acquired from carriers meeting the qualifications specified by the FHLMC and FNMA from time to time. Insurance premiums shall be a Common Expense to be included in the Assessments levied by the Association, provided that the Association shall have the right, but not the obligation, to specially assess each Condominium Unit and the Owner thereof for all premiums for policies paid for by the Association attributable to custom-built items, additions or improvements in or to the Condominium Unit or any part thereof. The acquisition of insurance by the Association shall be without prejudice to the right of any Condominium Unit Owner to obtain additional individual insurance.

Neither the Declarant, the Association nor any officer or director thereof shall be liable to any Owner or other party if any risk or hazard is not covered by insurance or the amount is inadequate. Each Owner is responsible for ascertaining the Association's coverage and for procuring such additional coverage as such Owner deems necessary. First Mortgagees may pay overdue premiums and may secure new insurance coverage upon the lapse of any policy with respect to any insurance required to be maintained by the Association or by any Owner under this Declaration, and any First Mortgagee making such an expenditure shall be entitled to immediate reimbursement from the Association or Owner on whose behalf the expenditure was made.

#### 11.5.6 Proceeds from Insurance

Unless prohibited by state or local health or safety statutes or ordinances, or unless eighty percent (80%) of the Unit Owners, including every Owner of a Unit (and every Owner entitled to the use of a Limited Common Element) which will not be rebuilt, vote not to rebuild any portion of the

Project, if any of the Project improvements are damaged by fire or other casualty, insurance proceeds payable to the Association shall be used to rebuild or repair such damage substantially in accordance with original plans and specifications therefor. Unit Owners and lienholders shall not be entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the improvements in question have been completely repaired or restored (subject to an election not to rebuild as provided above) or the Project is terminated pursuant to Subarticle 11.12. Items added by Owners to their Units after the initial construction thereof shall be rebuilt or replaced at the expense of the Owners or their insurers to the extent insurance proceeds payable to the Association are insufficient therefor. Any excess insurance proceeds shall be deposited to the general funds of the Association. In the event the proceeds of the Association's insurance policy are insufficient to rebuild or repair the damaged Project improvements (not including custom-built items for which individual Owners are responsible), then the Association may use funds from its general account or, if necessary, from levying a special Assessment on all Unit Owners to restore or rebuild said improvements. The Association's use of funds from its general account or levy of a special Assessment shall not constitute a waiver of the Association's or any Owner's right to institute any legal proceeding or suit against the Person or Persons responsible, purposely or negligently, for the damage.

11.5.6.1 Distribution of Proceeds; Reallocation of Unit's Interest

The insurance proceeds attributable to Units and Limited Common Elements which are not rebuilt shall be distributed in proportion to their Common Interests to the Owners of those Units and Owners of the Units to which the Limited Common Elements were allocated, or to lienholders as their interests may appear; provided, however, that where insurance proceeds are to be distributed to Owners of differing Unit types or plans as shown on the Map, the insurance proceeds shall be distributed pro rata to the Owners (or to the lienholders as their interests may appear) based upon the relative total square footages of the Unit types and Limited Common Elements allocated thereto. The remainder of the proceeds shall be distributed to all the Unit Owners or lienholders as their interests may appear in proportion to the Common Interests of all the Units. In the event the Project is terminated pursuant to Subarticle 11.12, the provisions contained therein shall govern distribution of insurance proceeds.

If Unit Owners elect not to rebuild any Unit, that Unit's Allocated Interests are automatically reallocated upon such election with the same effect as if the Unit had been taken by condemnation or eminent domain pursuant to the provisions of Subarticle 11.6.

11.5.7 Insurance Policy Provisions

All property and liability insurance carried by the Association shall contain provisions whereby:

11.5.7.1 Each Unit Owner is an insured Person under the policy with respect to liability arising out of his interest in the Common Elements or Membership in the Association;

11.5.7.2 The insurer waives rights of subrogation as to the Association, officers, directors, Members and their household family members, guests, agents and employees;

11.5.7.3 No act or omission by a Unit Owner, unless acting within the scope of his authority on behalf of the Association, will void any insurance policy obtained by the Association pursuant to this Subarticle 11.5 or be a condition to recovery under such policy;

11.5.7.4 Any policy obtained by the Association pursuant to this Subarticle 11.5 is primary to any other insurance in the name of a Unit Owner covering the same property covered by the Association's policy;

11.5.7.5 The insurer is required to notify the Association and First Mortgagees named in the Mortgage clause at least thirty (30) days in advance of the effective date of any non-renewal, reduction in or cancellation of the policy; and

11.5.7.6 An insurer shall not cancel or refuse to renew any policy until thirty (30) days after notice of cancellation or non-renewal has been mailed to the Association and to each Unit Owner and his Mortgagee.

Notwithstanding anything to the contrary herein, the provisions of Subarticles 11.5.7.5 and 11.5.7.6 apply to all insurance carried by the Association.

#### 11.5.8 Additional Insurance Requirements

It is the intent of Subarticle 11.5 of this Declaration to generally set forth the insurance requirements for the Project which are, at all times, to comply with FHLMC and FNMA requirements. Because FHLMC and FNMA Project insurance requirements are very lengthy and subject to change from time to time, it is impractical to set forth all of those requirements herein. Therefore, the Association, Board and Owners shall at all times carry, maintain in good standing and pay for all hazard, liability, fidelity and other insurance policies, binders and bonds required by the FHLMC and FNMA, and FHLMC and FNMA regulations or guidelines as such requirements change from time to time, and shall provide satisfactory evidence thereof promptly to any First Mortgagee or insurer or guarantor of any First Mortgage which requests such evidence. All such policies, binders and bonds shall comply with and be consistent in form and substance with all such FHLMC and FNMA requirements as they change from time to time, and shall include all Mortgage clauses and endorsements of any kind or nature required by the FHLMC and FNMA, and FHLMC and FNMA regulations or guidelines as such requirements change from time to time.

#### 11.5.9 Total Destruction

Unless the Project is terminated as provided in Subarticle 11.12, in the event the Property subject to this Declaration is totally or substantially damaged or destroyed, the Eligible First Mortgagees and Eligible Insurers or Guarantors of First Mortgages shall receive timely notice

thereof. The repair, reconstruction or disposition of the Property and insurance proceeds shall be as provided by an agreement approved by not less than sixty-seven percent (67%) of the votes of each class of Membership subject to the rights of First Mortgagees pursuant to Subarticle 10.4.4 in the event of a distribution of proceeds.

#### 11.6 Condemnation

##### 11.6.1 Procedure

Upon receipt of notice of intention or notice of proceedings whereby all or any part of the Project is to be taken by any governmental body by exercise of the power of condemnation or eminent domain, all Owners and Eligible First Mortgagees shall be immediately notified by the Association thereof. The Association shall represent the Owners in any condemnation or eminent domain proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of any part of the Project, and every Owner appoints the Association his attorney-in-fact for this purpose. The entire award made as compensation for such taking, including but not limited to any amount awarded as severance damages, or the entire amount received and paid in anticipation and settlement for such taking, after deducting therefrom, in each case, reasonable and necessary costs and expenses, including but not limited to attorneys' fees, appraisers' fees and court costs (which net amount shall hereinafter be referred to as the "Award"), shall be paid to the Association as trustee for the use and benefit of the Owners and their First Mortgagees as their interests may appear. The Association has no obligation to distribute funds under this Subarticle 10.8 other than those received by the Association as part of the Award.

##### 11.6.2 Taking of Common Elements

If the portion of the Project taken or conveyed does not include all or any part of a Condominium Building, the Association shall, as it is practicable, cause the Award to be utilized for the purpose of repairing and restoring the Project, including, if the Association deems it necessary or desirable, the replacement of any improvements so taken or conveyed. Any portion of the Award attributable to the acquisition of a Limited Common Element shall be equally divided among the Owners of Units to which such Limited Common Element was allocated at the time of acquisition if not replaced as provided herein, subject to the respective interests of First Mortgagees and other holders of liens encumbering the affected Units.

##### 11.6.3 Taking of Units

If the portion of the Project taken or conveyed is comprised of or includes less than all of the Units in a Condominium Building, the Association, after its receipt of notice of the final amount of the Award, shall call a special meeting of the Members of the Association, with notice thereof to all Eligible First Mortgagees, to determine whether the parts of the Project taken shall be restored, reconstituted or replaced, and if so, in what manner. These matters, together with the use, disposition and distribution of the Award, shall be as provided by an agreement approved not by less than sixty-seven percent (67%) of the votes of each class of Membership and not less

than fifty-one percent (51%) of all Eligible First Mortgagees [based on one (1) vote for each First Mortgage held by an Eligible First Mortgagee]. Condominium Unit Owners whose Units will be taken and not replaced shall be compensated for the fair market value of the Unit prior to the taking including that Unit's interest in the Common Elements and Limited Common Elements and shall be divested of all interest in the Project, and all remaining Condominium Unit Owners will automatically have their Allocated Interests in the reduced Project proportionately increased. The Association shall promptly prepare, execute and record an amendment to this Declaration reflecting such reallocations.

#### 11.6.4 Partial Taking of Units

In the case of Condominium Unit Owners whose Units are partially taken and not replaced as provided above (which partial Unit may practically and lawfully be used for residential purposes) said Unit Owners shall be compensated for the reduction in value of the Unit prior to the taking including its interest in the Common Elements and Limited Common Elements. Any such Unit's Allocated Interests shall be reduced proportionately based on reduction of size of the Unit and the Allocated Interests divested from the partially acquired Unit shall be automatically reallocated to that Unit and the other Units in the Project in proportion to the respective Allocated Interests of those Units before the taking, with the partially acquired Unit participating in the reallocation on the basis of its reduced Allocated Interests.

#### 11.6.5 Termination

If all of the Units are acquired by condemnation or eminent domain, the Project is terminated and the provisions of Subarticle 11.12 shall apply.

#### 11.7 Limitation of Restrictions on Declarant; Additional Restrictions on Declarant

Declarant is undertaking the work of construction of the Units and incidental improvements upon the Property. The completion of that work and the sale, rental and other disposal of the Condominium Units are essential to the establishment and welfare of the Project as a residential community. In order that said work may be completed and said Project be established as a fully occupied residential community as rapidly as possible, and, in addition to the rights of Declarant reserved under Article 3 hereof, nothing in this Declaration shall be understood or construed to:

11.7.1 Prevent Declarant, its contractors or subcontractors, from doing on the Project or any Unit whatever is reasonably necessary or advisable in connection with the completion of the work;

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

11.7.3 Prevent Declarant from conducting on any part of the Project its business of completing the work and of establishing a plan of Condominium Unit ownership and of disposing of said Project in Condominium Units by sale, lease or otherwise; or

11.7.4 Prevent Declarant from maintaining such sign or signs on any portion of the Project as may be necessary for the sale, lease or disposition thereof.

11.7.5 Prevent Declarant from exercising any other Development Rights or Special Declarant Rights reserved under Article 3.

So long as Declarant or its successors or assigns owns one or more of the Condominium Units established and described in this Declaration and, except as otherwise specifically provided herein, Declarant and its successors or assigns shall be subject to the provisions of this Declaration. Without limiting the further and more restrictive provisions of Subarticle 4.1 hereof regarding Association management contracts and contracts with Declarant and its affiliates, Declarant shall not, and shall not have authority or power to, bind the Association prior to termination of Class B Membership, either directly or indirectly, to contracts or leases unless the Association is provided with a right of termination of any such contract or lease, without cause, which is exercisable without penalty or the payment of a termination fee at any time after the first Board of Directors elected after Class B Membership expires takes office upon not more than ninety (90) days' notice. Notwithstanding anything contained in this Subarticle 11.7 or elsewhere in this Declaration to the contrary, the foregoing restrictions shall not be construed to apply to or limit the Declarant's right to enter into (or the terms of) contracts or leases with providers of cable TV or satellite communications services for the benefit of the Project provided that such entities are not affiliates of the Declarant.

#### 11.8 Easement to Facilitate Exercise of Special Declarant Rights

Declarant shall have an easement over, upon, across and through the Common Elements for purposes of discharging or performing any obligations of the Declarant herein or under Arizona law or for purposes of exercising the Special Declarant Rights stated herein.

#### 11.9 Transfer of Special Declarant Rights

In the event Declarant shall convey all or a portion of its right, title and interest in and to the Property to any partnership(s), individual(s) or corporation(s), Declarant may assign some or all of its Special Declarant Rights reserved or granted hereunder. Except as provided in A.R.S. § 33-1244(C), as amended from time to time, no transfer of any Special Declarant Right shall be effective until an instrument evidencing such transfer is executed by Declarant as transferor and the transferee(s) and is recorded in the county in which the Project is located.

Upon Declarant's conveyance of all of its right, title and interest in the Property without regard to whether Declarant has recorded an assignment of its Special Declarant Rights reserved hereunder, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and

such partnership(s), individual(s), or corporation(s) shall be obligated to perform all such duties and obligations of the Declarant except as otherwise provided in the Arizona Condominium Act or other applicable law. Any assignment of Special Declarant Rights shall be subject to the provisions of A.R.S. § 33-1244 of the Arizona Condominium Act as the same is amended from time to time.

#### 11.10 Owner's Compliance

Each Owner, tenant or occupant of a Unit shall comply with the provisions of the Project Documents and all decisions and resolutions of the Association or its duly authorized representative(s), and failure to comply with any such provisions, decisions or resolutions shall be grounds for an action to recover sums due, for damages (including costs and attorneys' fees) and/or for injunctive relief. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established in this Declaration or in the Bylaws shall be deemed to be binding on all Condominium Unit Owners, their successors and assigns.

#### 11.11 Conflict of Project Documents

If there is any conflict among or between the Project Documents, the provisions of this Declaration shall prevail. Thereafter, priority shall be given to Project Documents in the following order: Map, Articles, Bylaws and rules and regulations of the Association.

#### 11.12 Termination of Project

Notwithstanding any contrary provision of the Project Documents, termination of this Project as a statutory Condominium shall be pursuant to the provisions of A.R.S. § 33-1228 of the Arizona Condominium Act as amended from time to time and Subarticles 11.2.1 and 11.4.2 above. In the event there is no statutory scheme governing Condominiums, the Project shall be terminated as provided in the following two paragraphs.

The Association shall prepare a termination agreement ratified by the Owners of Units to which at least eighty percent (80%) of the votes in the Association are allocated, subject to any additional approvals required under Subarticles 11.2.1 and 11.4.2. The termination agreement shall specify a date after which the agreement will be void unless recorded before that date in the Official Records of the Maricopa County, Arizona Recorder. The termination agreement may provide for the sale of the Common Elements and Units in the Project and in said event shall set forth the minimum terms of the sale. Any contract of sale of the Property in the Project shall be ratified by the Unit Owners and First Mortgagees in the same percentages as set forth above. In all such contract of sales, the Association shall act as trustee for the Unit Owners and the holders of all interests in the Units. Proceeds of any such sale shall be distributed to Unit Owners and lienholders as their interests may appear, in proportion to the respective interests of Unit Owners based upon the fair market value of the Units, Limited Common Elements, and Common Element interests immediately prior to termination as determined by an independent appraiser selected by the Association. The determination of the independent appraiser shall be distributed to the Unit Owners and becomes final unless disapproved by

Unit Owners of Units to which fifty percent (50%) of the votes in the Association are allocated within thirty (30) days after distribution. The proportion of any Unit Owner's interest to that of all other Unit Owners is determined by dividing the fair market value of that Unit Owner's Unit, Limited Common Elements and Common Interest by the total fair market value of all of the Units, Limited Common Elements and Common Elements. If any Unit or Limited Common Elements is/are destroyed to the extent that an appraisal of fair market value of the Unit or Limited Common Elements before destruction cannot be made, the interest of all Unit Owners shall be deemed to be their respective Common Interests immediately before the termination. Notwithstanding the foregoing, an appraisal of fair market value may be based upon plans and specifications and other information relevant to establishing a Unit's fair market value in the event of a destruction before appraisal, provided that such information is sufficient to permit an appraisal to be made as determined by an independent appraiser.

Unless otherwise specified in the termination agreement, as long as the Association holds title to the property in the Project, each Unit Owner and his successors in interest have an exclusive right to occupancy of the portion of the real estate that formerly constituted his Unit. During the period of that occupancy, each Unit Owner and his successors in interest remain liable for all Assessments and other obligations imposed on Unit Owners by this Declaration. If the Property is not to be sold following termination, title to all the Property in the Project vests in the Unit Owners on termination as tenants in common in proportion to their respective Common Interests as provided above and liens on the Unit shift accordingly. While the tenancy in common exists, each Unit Owner and his successors in interest have an exclusive right to occupancy as to the portion of the real estate that formerly constituted his Unit.

#### 11.13 Persons Entitled to Enforce Declaration

The Association or any Owner shall have the right to enforce, by any proceeding at law or in equity, all covenants, conditions, restrictions, reservations, liens and charges now or hereafter imposed by this Declaration, and in such action shall be entitled to recover costs and reasonable attorneys' fees as are ordered by the Court, provided however, that an individual Owner shall have no right to enforce the collection of any Assessment levied against any other Owner under Article 5 above. Failure by any such Person to enforce any such provision shall in no event be deemed a waiver of the right to do so thereafter.

#### 11.14 Remedies for Violation of Declaration

The following provisions are in addition to and not in lieu of any other terms and conditions contained in the Declaration relating to remedies, including but not limited to those contained in Subarticle 5.9.

11.14.1 Violation of any of the covenants, conditions or restrictions, the breach of any of the covenants or agreements contained herein or the breach of any rules and regulations promulgated by the Board, whether by an Owner or occupant of any Unit, shall enable the Association, acting through the Board or an authorized agent, to enter the Unit as to which said violation or breach may exist and summarily enforce such covenants, conditions,



restrictions, agreements, rules and regulations and to abate and remove the thing or condition which may exist thereon contrary to the provisions hereof, at the sole expense of the Owner of said Unit, without being deemed guilty of having trespassed in any manner, provided, however, that an appropriate court order shall be required before any items of construction can be removed or altered.

11.14.2 In the event of any default by an Owner or occupant under the provisions of this Declaration, the Articles, the Bylaws or the rules and regulations of the Association, the Association, its successors and assigns, acting through the Board or an authorized agent, shall have each and all of the rights and remedies which may be provided for in this Declaration, the Articles, the Bylaws and said rules and regulations or which may be available at law or in equity, including but not limited to an action for the appointment of a receiver for the Condominium Unit without regard to the value of such Condominium Unit or the solvency of such Owner, or for damages, injunction, specific performance or for a judgment for payment of money and collection thereof. Nothing contained in this Declaration shall preclude the Association, its agents, the Board, Declarant, an aggrieved Owner, a First Mortgagee or other Person having an interest in the Project from exercising any available remedy at law or in equity. All costs and attorneys' fees incurred by the Association in enforcing compliance with this Declaration (whether or not a lawsuit or other legal action is instituted or commenced) or in connection with any legal action or proceedings in connection with any default under this Declaration by an Owner or an occupant of any Condominium Unit and all damages, liquidated or otherwise, together with interest as provided in Subarticle 5.1, shall be charged to and paid by such defaulting Owner as provided in Subarticle 5.1. The Association, acting through the Board or its authorized agent, shall have the authority to correct any default and to do whatever may be necessary for such purpose, and all expenses in connection therewith shall be charged to and paid by such defaulting Owner, and such charges shall be part of and be secured by the lien against the defaulting Owner's Condominium Unit as provided in Subarticle 5.1. Any amounts charged to an Owner of a Condominium Unit pursuant to this Subarticle 11.14, Subarticle 5.1 or Subarticle 5.9 shall be immediately due and payable upon notice to the Owner unless a specific due date is established therefor pursuant to this Declaration.

11.14.3 Anything to the contrary herein notwithstanding, any breach of any of the covenants, conditions, restrictions, reservations and servitudes provided for in this Declaration shall not defeat or adversely affect the lien of any First Mortgagee upon any Condominium Unit but, except as herein specifically provided, each and all of said covenants, conditions, restrictions, reservations and servitudes shall be binding upon and effective against any lessee or Owner of a Condominium Unit whose title thereto is acquired by foreclosure, trustee's sale, sale, deed in lieu of foreclosure or otherwise.

#### 11.15 Waiver; Remedies Cumulative

No failure or delay on the part of any Person in exercising any right, power or privilege hereunder and no course of dealing between or among the Persons subject hereto shall operate as a waiver of any provision hereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are

cumulative and not exclusive of any rights or remedies which any Person subject hereto would otherwise have. No notice to or demand upon any Person in any case shall entitle such Person to any other or further notice or demand in similar or other circumstances or constitute a waiver of rights to any other or further action in any circumstances.

#### 11.16 Judicial Proceedings

All Owners agree that any matter arising under this Declaration may be finally adjudged or determined in any court or courts of the State of Arizona or of the United States of America having jurisdiction in the State of Arizona, and such Owners hereby submit generally and unconditionally to the jurisdiction of such courts and of any of them in respect to any such matter, provided however, as to those matters to be submitted to arbitration pursuant to any provision hereof, such arbitration provisions shall be controlling and prevail. For the purpose of instituting or defending any action with respect to the Common Elements, or with respect to any matter affecting the Owners with respect to the Common Elements, and further in connection with enforcing this Declaration, the Articles, the Bylaws and any rules and regulations adopted pursuant to this Declaration, the Articles or the Bylaws, or in any other instance where the Board and/or the Members of the Association deem it is necessary for the best interest of the Project as a whole, the Association, acting by and through its Board, shall be deemed the real party in interest and is hereby authorized to commence and prosecute any such proceedings or to defend any such action. Nothing contained in this Subarticle 11.16 shall be deemed or construed to impose upon the Association, its Members or the Board any liabilities or obligations nor grant to any third party or parties any rights that any of said above-named parties would not otherwise have if this article were not contained herein.

#### 11.17 Governing Law

This Declaration and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the laws of the State of Arizona.

11.18 Plurals; Gender

Whenever the context so requires, the use of the singular shall include and be construed as including the plural and the masculine shall include the feminine and neuter.

End of Article 11 Entitled  
General Provisions

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has executed this Declaration this 21st day of March, 1995.

**DECLARANT:**

\_\_\_\_\_  
M. C. BEACHOM

STATE OF            )  
                          ) ss.  
County of            )

On \_\_\_\_\_, 1995, before me, the undersigned notary public in and for said county and state, appeared M. C. BEACHOM, an unmarried woman.

\_\_\_\_\_  
Notary Public

My Commission Expires:

\_\_\_\_\_