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***DECLARATION OF CONDOMINIUM AND OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
CAVE CREEK VILLAS, A CONDOMINIUM***

MARICOPA COUNTY, ARIZONA

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**DECLARATION OF CONDOMINIUM
AND OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
CAVE CREEK VILLAS, A CONDOMINIUM**

THIS DECLARATION OF CONDOMINIUM AND OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR CAVE CREEK VILLAS, A CONDOMINIUM is made to be effective this 5th day of June, 2004 by D.R. Horton, Inc., a Delaware corporation as "**Declarant**" and is as follows:

ARTICLE I DEFINITIONS

1.0 General Definitions. Capitalized terms not otherwise defined in this Declaration shall have the meanings specified for such terms in the Arizona Condominium Act, A.R.S. §§33-1201 et seq., as the same may be amended from time to time (the "**Condominium Act**").

1.1 Defined Terms. The following capitalized terms shall have the general meanings described in the Condominium Act and for purposes of this Declaration shall have the specific meanings set forth below:

(A) "**Adjoining Unit**" means a Unit which shares a common Party Wall with another Unit or which shares a Party Wall with the boundary of that Unit and adjacent Common Elements. Adjoining Units, may, but need not, be part of the same Unit Group (as defined in this Article I below).

(B) "**Articles**" means the Articles of Incorporation of the Association, as they may be amended from time to time.

(C) "**Assessments**" means individually or collectively, as the context may require, the Common Expense Assessments, Special Assessments and Enforcement Assessments levied and assessed pursuant to Article 7 of this Declaration.

(D) "**Assessment Lien**" means the lien granted to the Association by §33-1256 of the Condominium Act to secure the payment of Assessments and other charges owed to the Association by a Unit Owner, including without limitation, the monthly Water Usage Fees assessed to the Association pursuant to Section 6.6 below.

(E) "**Association/Name**" means "**Cave Creek Villas Homeowners Association,**" an Arizona nonprofit corporation organized by Declarant to administer and enforce the Condominium Documents and to exercise the rights, powers and duties set forth

therein, and its successors and assigns. All references to the Association, acting by and through its Board, in this Declaration shall also mean and refer to any professional management company or managing agent to the extent any duties of the Board may be so delegated to such agent, and as the context may so require (the "Managing Agent"). The Association shall Record such contact notice as is required by A.R.S. §33-1256 regarding the Managing Agent or any other relevant contacts in the event the Condominium is self-managed.

(F) "Board of Directors" or "Board" means the Board of Directors of the Association.

(G) "Bylaws" means the Bylaws of the Association, as they may be amended from time to time.

(H) "City" means the City of Phoenix, Arizona.

(I) "Collection Costs" means all costs, fees, charges and expenditures (including, without limitation, attorneys' fees, court costs, filing fees, lien fees, and Recording fees) incurred by the Association in collecting and/or enforcing payment of any Assessments or other amounts payable to the Association pursuant to this Declaration, without regard to whether a law suit is filed or legal action otherwise undertaken by or on behalf of the Association.

(J) "Common Elements" means all portions of the Condominium, (other than the Units and any Improvements on the Units) and further described as Tracts A, B, C, D, E, F, G and H on the Plat.

(K) "Common Expenses" means the actual or estimated costs or expenditures incurred or to be incurred by, or financial liabilities of, the Association, together with required allocations to reserves. Common Expenses include, without limitation, the following items: (a) the cost of maintenance, repair and replacement of the Common Elements; (b) the cost of maintenance, repair and repair of portions of the Units which are expressly made the responsibility of the Association under this Declaration; (c) the cost of utilities, trash disposal, landscaping and other services to the Condominium except for those services separately metered or billed to the Unit Owners; (d) the cost of insurance and surety bonds maintained by the Association pursuant to this Declaration; (e) reserve amounts determined by the Board; and (f) payments for taxes, liens or encumbrances against the Common Elements, if any, except to the extent directly assessed or allocated to individual Units and their proportionate interest therein.

(L) "Common Expense Assessment" means the Assessment levied against the Units pursuant to Section 7.1(A) of this Declaration.

(M) "Common Expense Liability" means the liability for Common Expenses allocated to each Unit pursuant to Section 2.4 of this Declaration.

(N) "Condominium/Name" means the real property located in Maricopa County, Arizona, which is described in Exhibit A attached to this Declaration and on the Plat, and any

portion of the Future Annexable Property which may be added by Declarant pursuant to Section 2.7 of this Declaration, together with all Residential Dwellings and other Improvements located thereon and all easements, rights, and appurtenances belonging thereto. **The name of the Condominium created by this Declaration is "Cave Creek Villas, A Condominium."**

(O) **"Condominium Documents"** means this Declaration, including the Plat, and the Articles, Bylaws, and any Rules (including any Architectural Rules).

(P) **"Declarant"** means **D.R. HORTON, INC.**, a Delaware corporation, and any Person to whom it may transfer any Special Declarant Right by a Recorded instrument or who succeeds to any Special Declarant Rights pursuant to A.R.S. §33-1244 of the Condominium Act.

(Q) **"Declaration"** means this **Declaration of Condominium and of Covenants, Conditions and Restrictions for Cave Creek Villas, A Condominium**, as it may be amended from time to time, together with the exhibits, and where appropriate by context, the Plat.

(R) **"Designated Space"** means the parking space in the Garage Structure leading directly to entry into a Front Unit or Rear Unit which such Unit Owner may use by virtue of an easement granted in Section 3.1 below or by virtue of his ownership of the Unit, in the case of the Front Unit. In each Triplex Unit Group's Garage Structure, one of the Designated Spaces serving a Rear Unit will provide for the parking of two Vehicles (as defined in Section 4.11 below) and the other two Designated Spaces will accommodate the parking of a single Vehicle.

(S) **"Development Rights"** means any right or combination of rights reserved by or granted to Declarant in this Declaration to do any of the following:

(i) Add the Future Annexable Property to the Condominium in Phases as further provided in Section 2.7 below;

(ii) Create easements, Units, Common Elements or Limited Common Elements within the Condominium;

(iii) Subdivide Units, convert Units into Common Elements or convert Common Elements into Units;

(iv) Amend the Condominium Documents during the Period of Declarant Control as provided in Sections 12.5(D) and (E) below.

(T) **"Duplex Unit Group"** means each and any group of two (2) Adjoining Units comprising two (2) single level Residential Dwellings sharing a common roof line and appearing visually as one integrated structure or building. Duplex Unit Groups do not have a shared Garage Structure.

(U) **"Eligible Insurer or Guarantor"** means an insurer or governmental guarantor of a First Mortgage who has requested notice of certain matters in accordance with Section 9.0 of this Declaration.

(V) **"Eligible Mortgage Holder"** means a First Mortgagee who has requested notice of certain matters from the Association in accordance with Section 9.0 of this Declaration.

(W) **"Enforcement Assessment"** means an Assessment levied pursuant to Section 7.4 of this Declaration.

(X) **"First Mortgage"** means any mortgage or deed of trust on a Unit with first priority over any other mortgage or deed of trust recorded against title to that Unit.

(Y) **"First Mortgagee"** means the holder of any First Mortgage.

(Z) **"Front Unit"** means the Unit in a Triplex Unit Group containing a one-level Residential Dwelling with stairway entry from the Garage Structure to the Residential Dwelling on the Front Unit, a Front and Side Yard, and the Garage Structure as further provided in Section 2.2 below.

(AA) **"Future Annexable Property"** means the real property located in Maricopa County, Arizona, which is described on **Exhibit B** attached to this Declaration, together with all Residential Dwellings and other Improvements located thereon and all easements, rights and appurtenances belonging thereto. The Future Annexable Property is divided into **"Phases"** (consisting of individual Unit Groups) as further provided in Section 2.7 below and on **Exhibit B**.

(BB) **"Garage Structure"** means the structure housing three (3) separate Designated Spaces for the parking of Vehicles situated on the Front Unit of a Triplex Unit Group and located below the Residential Dwelling on the Front Unit; with the Owners of the Rear Units in each Unit Group having a permanent easement for the use of the Garage Structure as further provided in Section 2.2 and Section 3.1 below.

(CC) **"Improvement"** means any Residential Dwelling, fence, gate (including Condominium entry/exit gates to and from public streets), sidewalk, wall, equipment, pool, spa, road, driveway, mailbox, permanent signage, statuary, fountain, artistic work or ornamentation of any kind, lighting fixtures, basketball poles/hoops, play structures, patio covers and balconies, and trees, plants, shrubs, grass or other landscaping of every type and kind and any other structure of any type, kind or nature. For purposes of Section 3.1, "Improvement" shall not include swing sets without play platforms or other recreational equipment or structures placed within the boundaries of a Unit which do not exceed a height of eight (8) feet from ground level and are placed a minimum of five (5) feet away from all Party Walls between Adjoining Units.

(DD) **"Invitee"** means any person whose temporary or periodic presence within the Condominium, including any Unit, has been solicited, approved by or arranged for by a

particular Unit Owner, Lessee, or Resident, including without limitation, his guests, employees, business invitees, contractors and agents.

(EE) "Lessee" means any Person who is the tenant or lessee under a written lease of a Unit.

(FF) "Member" means any Person who is or becomes a member of the Association.

(GG) "Modifications" means any renovations, additions, alterations or improvements to a Unit or a Residential Dwelling or other Improvement thereon after the date that Unit is first conveyed to a Purchaser.

(HH) "Party Wall" means any wall or fence as described in Section 5.5 below.

(II) "Period of Declarant Control" means the time period commencing on the date this Declaration is Recorded and ending on the earlier of:

(i) Ninety (90) days after the conveyance of seventy-five percent (75%) of the Units in the Condominium to Unit Owners other than Declarant (including Units within the Future Annexable Property as further provided in Section 6.1(A) below);

(ii) Four (4) years after Declarant has ceased to offer Units for sale in the ordinary course of business; or

(iii) June 30, 2011.

(JJ) "Person" means a natural person, corporation, business trust, estate, trust, partnership, association, limited liability company, joint venture, government, government subdivision or agency, or other legal or commercial entity, and in the case of a subdivision trust, means the beneficiary of the trust who holds the right to subdivide, develop or sell the real estate rather than the trust or trustee.

(KK) "Plat" means the Corrected Final Map *of Cave Creek Villas, A Condominium* Recorded on March 29, 2004, in Book 677 of Maps, page 10, Official Records of the Maricopa County, Arizona Recorder, and any amendments, supplements, or corrections thereto, being a resubdivision of that certain "one lot" plat for Cave Creek Villas Recorded on October 16, 2003 at Book No. 656, page 17, in the Official Records of the Maricopa County, Arizona Recorder.

(LL) "Purchaser" means any Person, other than Declarant, who by means of a voluntary transfer becomes a Unit Owner.

(MM) "Rear Unit" means a Unit that contains a two-story Residential Dwelling within a Triplex Unit Group, a Front and Side Yard, and a Private Yard, but does not have a Garage Structure as further provided in Section 2.2 below.

(NN) **“Recording”** means the act of placing an instrument of public record in the Office of the Maricopa County, Arizona Recorder and **“Recorded”** means having been so placed of public record.

(OO) **“Resident”** means any Person actually and lawfully residing on a temporary or permanent basis within a Unit, including a Unit Owner or Lessee of that Unit, and their respective family members.

(PP) **“Residential Dwelling”** means the structure situated within the boundaries of a Unit and intended for residential use by a Single Family. The term “Residential Dwelling” does not include the Garage Structure in the case of the Front Unit of a Triplex Unit Group. Each Residential Dwelling is part of a Unit Group as further described below.

(QQ) **“Rules”** means the rules and regulations adopted by the Board of Directors, as they may be amended from time to time. **“Architectural Rules”** means any rules, design guidelines, standards and procedures adopted by the Architectural Committee or the Board pursuant to Section 4.3 of this Declaration, as amended or supplemented from time to time.

(RR) **“Shared Maintenance Element”** means the foundation, roof, stucco systems, and painted exterior surfaces, of the Residential Dwellings and Garage Structure within a Unit Group, for which the cost of maintenance, replacement, and repair is shared by all of the Unit Owners within the Unit Group in the ratio set forth in Section 5.2 below if the cost exceeds the threshold of a **“Major Shared Maintenance Expense”** as further defined in said Section 5.2.

(SS) **“Single Family”** means a group of one or more persons each related to the other by blood, marriage or legal adoption, or a group of persons not all so related, together with their domestic servants, who maintain a common household in the Residential Dwelling of a Unit.

(TT) **“Special Declarant Rights”** means any right or combination of rights reserved by or granted to Declarant in this Declaration or by the Condominium Act to do any of the following:

(i) Construct Improvements provided for in this Declaration or shown on the Plat;

(ii) Exercise any Development Right;

(iii) Maintain a sales or management office, one or more model Residential Dwellings, and parking lots serving any model Residential Dwellings, and signs advertising the Condominium for sale or lease;

(iv) Use easements through the Common Elements for the purpose of making Improvements within the Condominium;

(v) Appoint or remove any officer of the Association or any member of the Board of Directors during the Period of Declarant Control;

(vi) Exercise the rights reserved to Declarant pursuant to Section 3.6 of this Declaration.

(UU) "**Triplex Unit Group**" means each and any group of three (3) Adjoining Units designated as two Rear Units and one Front Unit comprised of three (3) Residential Dwellings sharing a Garage Structure and appearing visually as one integrated structure or building. The configuration of a Triplex Unit Group is further described in Section 2.2 below and on **Exhibit C** attached hereto and incorporated herein by this reference.

(VV) "**Unit**" means a portion of the Condominium as described in this Declaration and as shown on the Plat that is designated for separate ownership and occupancy. Each Unit is part of either a Duplex Unit Group or a Triplex Unit Group. Declarant intends to construct one Residential Dwelling within the boundaries of each Unit and to install related Single Family Residential Dwelling Improvements on the Unit such as Front and Side Yard landscaping. In addition, Declarant will construct a Garage Structure on the Front Unit in each Triplex Unit Group as further provided in Section 2.2 below.

(WW) "**Unit Group**" means either a Triplex Unit Group or a Duplex Unit Group, as the context may require.

(XX) "**Unit Owner**" means the record owner, whether one or more Persons, of beneficial or equitable title (and legal title if the same has merged with the beneficial or equitable title) to the fee simple interest of a Unit. The term "Unit Owner" shall not include (i) Persons having an interest in a Unit merely as security for the performance of an obligation, or (ii) a Lessee of a Unit. However, the term "Unit Owner" shall include a purchaser under a contract for the conveyance of real property, a contract for deed, a contract to convey, an agreement for sale or any similar contract through which a seller has conveyed to a purchaser equitable title to a Unit under which the seller is obligated to convey to the purchaser the remainder of seller's title in the Unit, whether legal or equitable, upon payment in full of all monies due under the contract. The term "Unit Owner" shall not include a purchaser under a purchase contract and receipt, escrow instructions or similar executory contract which is intended to control the rights and obligations of the parties to the executory contract pending the closing of a sale or purchase transaction. In the case of Units the fee simple title to which is vested in a trustee pursuant to A.R.S. §§33-801 et seq., the Trustor shall be deemed to be the Unit Owner. In the case of Units the fee simple title to which is vested in a trustee pursuant to a subdivision trust agreement or similar agreement, the beneficiary of the trust who is entitled to possession or occupancy of the Unit shall be deemed to be the Unit Owner.

(YY) "**Utility Facilities**" means all sewer and water lines and appurtenant facilities within the boundaries of the Condominium and maintained by the Association as described in Section 5.0(C) below.

(ZZ) **“Visible from Neighboring Property”** means, with respect to any given object, that such object is or would be visible to a person six feet tall standing on any part of an Adjoining Unit or the Common Elements at an elevation no higher than the elevation of the base of the object being viewed; provided, however, that an object shall not be considered as being Visible From Neighboring Property if the object is visible only through a wrought iron fence or gate and would not be Visible From Neighboring Property if the wrought iron fence or gate were a solid fence or gate.

(AAA) **“Water and Sewer Usage Fee”** means the fees or charges for water and sewer incurred by the Association for the benefit of the Units and billed to the Unit Owners by the Association pursuant to Section 6.6 below.

(BBB) **“Yard”** means the portion of any Unit within a Duplex or Triplex Unit Group devoted to Improvements other than the Residential Dwelling (and other than a Garage Structure in the case of a Triplex Unit Group). **“Private Yard”** means that portion of a Yard which is enclosed or shielded from view by walls, gates, fences, hedges or the like so that it is not generally Visible from Neighboring Property and is capable of being locked or secured from public access. **“Front and Side Yard”** means that portion of a Yard which is generally Visible from Neighboring Property and/or accessible to other Residents and Invitees, whether or not it is located in front of or to the side of any Garage Structure within a Triplex Unit Group or any Residential Dwelling. Front and Side Yards are to be maintained by the Association as provided in Article 5 below.

ARTICLE 2 DESCRIPTION OF THE CONDOMINIUM

2.0 Submission of Property. Declarant hereby submits the real property described on **Exhibit A** attached to this Declaration and on the Plat, together with all Improvements, easements, rights and appurtenances thereto, to a Condominium in accordance with the provisions of the Condominium Act. **The Identifying Numbers of the Units initially submitted to the Condominium are those Units numbered on the Plat as: Units 7, 8, 9, 10, 11, 12, 109, 110, 111, 112, 113, and 114.** The Condominium consists of all real property shown on the Plat except the Future Annexable Property, unless and until Declarant elects to add the Future Annexable Property as further provided in Section 2.7 below.

2.1 Unit Boundaries/Statutory Limited Common Elements.

(A) The vertical boundaries of each Unit shall be as shown on the Plat. The vertical boundaries of the Unit shall be determined by the vertical planes extending upwards and downwards from the Unit boundary lines at the location shown on the Plat. The Units shall not have any horizontal boundaries, further subject to any applicable zoning restrictions for Residential Dwelling and building height.

(B) As provided in A.R.S. §33-1212(2), if any apparatus or other fixture lies partially within the boundaries of a Unit and partially within the Common Elements, any portion serving

only that Unit is a Limited Common Element allocated solely to that Unit and any portion serving more than one Unit is a Limited Common Element allocated to those Units.

(C) Subject to the provisions of subsection (B) of this section and Section 5.5 regarding Party Walls, all Improvements within the boundaries of a Unit are part of the Unit.

(D) In the event of an inconsistency or conflict between the provisions of this section and the Plat, this section shall control.

(E) Declarant reserves the right to relocate the boundaries between Adjoining Units owned by Declarant and to reallocate each such Unit's Common Element interest, votes in the Association and Common Expense liabilities subject to and in accordance with A.R.S. §33-1222 of the Condominium Act.

2.2 Configuration of Triplex Unit Groups. The Residential Dwellings within the Condominium are structured in Duplex and Triplex Unit Groups. In the case of Triplex Unit Groups, there are three Residential Dwellings in each such Unit Group. Two of the three Residential Dwellings are located on Rear Units consisting of two-story Residential Dwelling Units, with both Front and Side Yard and Private Yard comprising the balance of the Rear Units. There is no Garage Structure on the Rear Units (but such Unit Owners have a permanent and perpetual easement over the Front Unit for parking and other purposes as further provided in Article 3 below). The Front Unit is comprised of a one-level Residential Dwelling situated over the Garage Structure located at the front of the Unit Group (the "**Front Unit**"), with a Front and Side Yard comprising the balance of the Front Unit. A diagram depicting the standard configuration of a Triplex Unit Group and the Residential Dwellings, Garage Structure and Yards thereon, is depicted on **Exhibit C**. All Units in Triplex Unit Groups have Front and Side Yards. Only Rear Units have Private Yards as designated by the as-built Party Walls separating one Rear Unit from other Rear Units.

2.3 Allocation of Common Element Interest. The undivided interests in the Common Elements of the Association shall be allocated equally among the Units. Accordingly, each Unit's interest in the Common Elements shall be stated as a fraction or percentage equal to 1/12th or 8.3333% unless or until Declarant adds the Future Annexable Property to the Condominium. At any time that the Future Annexable Property is irrevocably added to the Condominium pursuant to Section 2.7 below, the Common Element Interest shall be restated as a fraction where the numerator is one or the denominator is the total number of Units then subject to the Condominium or the equivalent percentage thereof. At maximum expansion of the Condominium, each Unit's Common Element Interest would be equal to 1/120 or .8333%. The percentage of interest of each Unit in the Common Elements shall be an undivided interest and the Common Elements shall be owned by the Unit Owners as tenants in common in accordance with their respective Common Element Interest. The undivided Common Element Interest allocated to any Unit shall always be deemed conveyed or encumbered with any conveyance or encumbrance of that Unit, even though the legal description of the instrument conveying or encumbering the Unit may refer only to the fee title to the Unit.

2.4 Allocation of Common Expense Liabilities. The undivided interest in the Common Expense Liability of the Association shall be allocated equally among the Units. Accordingly, each Unit's Common Expense Liability shall be stated as a fraction or percentage equal to 1/12th or 8.3333% of the total Common Expenses of the Association each fiscal year of the Association unless or until Declarant adds any portion of the Future Annexable Property to the Condominium. At any time that the Future Annexable Property is irrevocably added to the Condominium as provided in Section 2.7 below, the Common Expense Liabilities obligation of each Unit shall be restated as a fraction where the numerator is one or the denominator is the total number of Units then subject to the Condominium or the equivalent percentage thereof. At maximum expansion of the Condominium, each Unit's Common Expense Liability would be equal to 1/120 or .8333%.

2.5 Allocation of Votes in the Association. The votes in the Association shall be equal to the number of Units in the Condominium from time to time. The votes shall be allocated equally among all the Units with each Unit having one (1) vote and the total number of votes allocated to Units in the Condominium being twelve (12) unless and until Declarant adds the Future Annexable Property to the Condominium at which time one vote shall be allocated to each Unit irrevocably added to the Condominium pursuant to Section 2.7 below. At maximum expansion of the Condominium, the total number of votes allocated to Units would be one hundred twenty (120).

2.6 Allocation of Limited Common Elements. Declarant shall have the right to allocate as a Limited Common Element any part of the Common Elements which has not previously been allocated as a Limited Common Element. Any such allocation shall be made by an amendment to this Declaration executed by Declarant. After Declarant no longer owns any Units, the Board of Directors shall have the right, with the approval of Members holding at least sixty-seven percent (67%) of the total number of votes entitled to be cast by Members, to allocate as a Limited Common Element any portion of the Common Elements not previously allocated as a Limited Common Element. Any such allocation by the Board of Directors shall be made by an amendment to this Declaration and an amendment to the Plat if required by the Condominium Act.

2.7 Development Right to Add Future Annexable Property to the Condominium in Unit Group Phases. Declarant hereby reserves the right to add the Future Annexable Property to the Condominium by Unit Groups, each a "**Phase**" in the manner provided in §33-1220 of the Condominium Act and as further provided on **Exhibit B**. Any Phase of the Future Annexable Property will be considered irrevocably added to the Condominium and subject to the terms and provisions of this Declaration when both of the following events have occurred: (i) Declarant records an amendment to the Declaration adding the Future Annexable Property to the Condominium and (ii) the first Unit within any such Phase of the Future Annexable Property is conveyed to a Purchaser. All of the Future Annexable Property added to the Condominium, except for the Units, shall become Common Elements. When any Phase of the Future Annexable Property is added to the Declaration and becomes subject to the terms of the Declaration, the undivided interest of the Common Elements and in the Common Expenses for the Association and the votes for the Units in the Condominium as a whole (including the added Phase of the

Future Annexable Property) shall be re-allocated using the formulas provided in Section 2.3, Section 2.4 and Section 2.5 of this Declaration. The Future Annexable Property shall be added to the Condominium and submitted to the Declaration no later than seven (7) years after the Recording of this Declaration. If, on the seventh anniversary of the Recording of this Declaration, Declarant has recorded an amendment adding the Future Annexable Property to the Condominium, but any Phase of the Future Annexable Property is not irrevocably added to the Condominium and submitted to this Declaration because Declarant has not conveyed a Unit therein to a Purchaser, that portion of the Future Annexable Property shall automatically be deemed to be irrevocably added to the Condominium and submitted to this Declaration, unless Declarant, immediately prior to the expiration of such seventh anniversary, records a Declaration of Permanent Withdrawal of such Phase of the Future Annexable Property. Declarant may not record such a Declaration of Permanent Withdrawal that includes any Phase or Unit within the Future Annexable Property then subject to a First Mortgage. Declarant shall have the right, without obligation, to Record from time to time a confirmation of annexation of a Phase as a result of the sale of Unit in that Phase as may be requested by the Department of Housing and Urban Development (FHA/HUD) or any federal governmental entity or agency without the consent of any other Unit Owner or First Mortgagee or any state or local entity or authority being required. Such confirmatory annexation document shall not be considered an amendment to the Declaration if a previous amendment conditionally annexing such Phase has been Recorded. No Assessments shall be assessed against any Units in the Future Annexable Property and no votes may be exercised for such Units unless and until the Future Annexable Property is irrevocably added to the Condominium and subjected to this Declaration as provided in this Section 2.7.

ARTICLE 3 EASEMENTS AND DEVELOPMENT RIGHTS

3.0 Plat Easements. The Condominium as a whole and the individual Units and the Common Elements are subject to all easements and rights-of-way shown or dedicated on the Plat.

3.1 *Designated Space Easement within a Garage Structure of a Triplex Unit Group/Permitted Uses.*

(A) The Owners of the Rear Units, and, to the extent applicable, their Lessees, Residents, and Invitees, shall have a permanent and perpetual ingress and egress easement over the concrete driveway of the Front and Side Yard of the Front Unit to access their respective Designated Spaces in the Garage Structure specifically designated to his Unit as shown on the diagram attached to this Declaration as *Exhibit C.*

(B) The Designated Space shall only be used for the parking of Vehicles (as defined in Section 4.11(B) below) and for the storage of such items that does not interfere with the parking of two standard passenger Vehicles in the case of the Rear Unit having an easement for the use of a two Vehicle Designated Space and at least one standard passenger Vehicle in the case of the Front Unit and the remaining Rear Unit in the Triplex Unit Group.

(C) Each Unit Owner in a Triplex Unit Group shall have the use of his Unit's Designated Space at all times by virtue of the easement granted herein or by virtue of his ownership of the Front Unit, as applicable.

(D) A Unit Owner may not make Modifications to the Garage Structure or his Designated Space without the express approval of the Board and, in the case of the Rear Units, without the consent of the Owner of the Front Unit. Without requiring any such approvals. Unit Owners may: (i) attach finished surfaces, shelving, cabinets, lighting fixtures, and garage door openers (subject to Section 4.11(D) below) to the surfaces of the Garage Structure and Designated Space including the ceiling, side walls and floor and (ii) apply standard garage epoxy materials designed for garage floors to the floor of their Designated Space only. However, any such Modifications to the Garage Structure or Designated Space pursuant to this Section 3.1(D), if made, shall comply with all other applicable provisions of Section 4.3 below. As further provided in Section 3.12 below, Rear Unit Owners shall have an easement for maintenance and repair of electrical and utility lines servicing any lighting or other such fixtures in their Designated Space.

3.2 Easements for Ingress and Egress over Common Elements. There is hereby granted and created easements for ingress and egress for pedestrian traffic over, through and across sidewalks, paths, walks, and lanes that from time to time may exist upon the Common Elements. There is also created an easement for ingress and egress for pedestrian and vehicular traffic, including, without limitation, emergency access and utility repair vehicles, over, through and across Tract A and such driveways and parking areas as from time to time may be paved and intended for such purposes except that such easements shall not extend to any Limited Common Elements. Such easements shall run in favor of and be for the benefit of the Unit Owners and Residents and their respective Invitees.

3.3 Pedestrian Ingress/Egress Easements over Front Unit Front and Side Yards in a Triplex Unit Group. There is hereby granted and created easements for ingress and egress for pedestrian traffic over, through and across sidewalks, paths, walks, and lanes as originally installed by Declarant or thereafter installed or modified by the Association across the Front and Side Yard of Front Units to the front door of the Rear Units for purposes of pedestrian access to and from such Rear Units and the private drive. Such easements shall run in favor of and be for the benefit of the Rear Units and their Owners, Lessees, Residents and their respective Invitees. The pedestrian ingress and egress easement over Front and Side Yards as set forth in this Section 3.3 applies only to Units in a Triplex Unit Group.

3.4 Utility and Service Company Easements. There is hereby created an easement upon, across, over and under the Common Elements for reasonable ingress, egress, installation, replacing, repairing or maintaining of all utilities, including, but not limited to, natural gas, water, sewer, telephone, electricity, cable television or other communication lines and systems. By virtue of this easement, it shall be expressly permissible for the providing utility or service company, the Association or Declarant to erect and maintain the necessary utility lines, pipes, facilities and equipment on the Common Elements, but no sewers, electrical lines,

gas or water lines, or other utility or service lines may be installed or located on the Common Elements except as initially designed and/or as thereafter approved and constructed by Declarant or the Board of Directors, as applicable. This easement shall in no way affect any other Recorded easements on the Common Elements.

3.5 Unit Owners' Easements of Enjoyment.

(A) Every Unit Owner, Lessee and other Residents shall have a right and easement of enjoyment in and to the Common Elements, which right and easement shall be appurtenant to and shall pass with the title to every Unit, subject to the following provisions:

(i) The right of the Association to adopt reasonable Rules governing the use of the Common Elements;

(ii) The right of the Association to suspend the right of a Unit Owner, Lessee or Resident (and their respective Invitees) to use the Common Elements for any period during which the Unit Owner, Lessee or Resident is in violation of the Condominium Documents as further provided in Article 10 below;

(iii) The right of the Association to convey the Common Elements or subject the Common Elements to a mortgage, deed of trust, or other security interest, in the manner and subject to the limitations set forth in the Condominium Act, subject to the vote or written assent of those Unit Owners representing at least eighty percent (80%) of the votes in the Association, and with the consent of Declarant during the Period of Declarant Control; and, in all events, subject to an easement for ingress and egress if access to a Unit is through the Common Elements to be conveyed or mortgaged;

(iv) The right of the Association to grant non-exclusive easements over all or a portion of the Common Elements if the Board of Directors determines that the granting of the easement is necessary for the development or maintenance of the Common Elements or beneficial to the Unit Owners, Lessees and other Residents;

(v) The right of Declarant to establish the rules and hours of operation of any Condominium controlled access privacy gate while Declarant has any Units for sale; and

(vi) The right and obligation of the Association to assign to every Unit Owner one mailbox space in accordance with U.S. Postal Regulations and to provide an access key thereto. Mailbox number assignments may be changed from time to time as permitted by law; and

(vii) All rights and easements set forth in this Declaration, including, but not limited to, the rights and easements granted to Declarant by Sections 3.6 of this Declaration; and

(B) If a Unit is leased, the Lessee and all other Residents of the Unit shall have the right to use the Common Elements during the term of the lease, and any non-Resident Unit

Owner shall have no right to use the Common Elements until the termination or expiration of the lease.

(C) The Invitees of any Resident entitled to use the Common Elements pursuant to Sections 3.5(A) or Section 3.5(B) above may use the Common Elements provided they are accompanied by a Member, Lessee or other person entitled to use the Common Elements pursuant to Section 3.5(A) or Section 3.5(B) above. The Board of Directors shall have the right to reasonably limit the number of Invitees who may use the Common Elements at any one time, the number of times any particular type of Invitee may use the recreational Common Elements, and the times during which Invitees may use the Common Elements.

(D) The right and easement of enjoyment in and to the Common Elements shall not be conveyed, transferred, alienated or encumbered separate and apart from a Unit. Such right and easement of enjoyment in and to the Common Elements shall be deemed to be conveyed, transferred, alienated or encumbered upon the sale of any Unit, notwithstanding that the description in the instrument of conveyance, transfer, alienation or encumbrance may not refer to such right and easement.

(E) The provisions of this section shall not apply to any Limited Common Elements as may be allocated to one or more, but less than all, of the Units from time to time.

3.6 Declarant's Easements and Reserved Rights.

(A) Declarant shall have the right, and an easement on and over the Common Elements: (i) to erect the Residential Dwellings; (ii) to alter and improve the Common Elements and the Units shown on the Plat; (iii) to construct, install or erect all other Improvements as Declarant may deem necessary; and (iv) to use the Common Elements and any Units owned by Declarant for construction or renovation-related purposes, including for the storage of tools, machinery, equipment, building materials, appliances, supplies and fixtures, and for the performance of work respecting the Condominium. Without limiting the foregoing, Declarant may park and maintain such trailers, storage bins, trucks, tractors, and other Vehicles and equipment on the Common Elements or on any Unit as long as Declarant is engaged in the construction of Residential Dwellings and other Improvements within the Condominium. During the Declarant's pre-sale, sales and construction period, Declarant shall have the sole right to establish the hours and rules of operation of any controlled access privacy gates installed by Declarant and may require the gates to remain open during daylight hours.

(B) Declarant shall have the right and an easement on, over and under those portions of the Common Elements for the purpose of maintaining and collecting drainage of surface, roof or storm water. The easement created by this subsection expressly includes the right to cut any trees, bushes, or shrubbery, to grade the soil or to take any other action reasonably necessary.

(C) Declarant shall have an easement through the Units, including Units owned by Purchasers, at reasonable times and upon reasonable notice, for any access necessary to complete

any renovations, warranty work or modifications or improvements to be performed or constructed by Declarant.

(D) Declarant shall have the right and an easement to maintain sales or management offices, and model Residential Dwellings and parking for such models on the Units throughout the Condominium and to maintain one or more advertising, model and directional signs on the Common Elements while Declarant is selling or preparing to sell Units in the Condominium.

(E) Declarant reserves the right to retain all personal property and equipment used in the sales, management, construction and maintenance of the Condominium that has not been represented as property of the Association.

(F) Declarant shall have the right and an easement on, over, and through the Common Elements as may be reasonably necessary for the purpose of discharging its obligations and exercising Special Declarant Rights whether arising under the Condominium Act or reserved in this Declaration. To the extent not expressly reserved by or granted to Declarant by other provisions of this Declaration, Declarant reserves all Development Rights and Special Declarant Rights.

(G) In the event of any conflict or inconsistency between this Section 3.6 and any other provision of the Condominium Documents, this Section 3.6 shall control and prevail over such other provisions. The rights of Declarant set forth in this Section 3.6 shall be enforceable by injunction, by any other remedy available at law or in equity and/or by any other means provided in this Declaration.

3.7 Easement for Support. To the extent necessary, each Residential Dwelling, all Party Walls, and any other Improvement within a Unit shall have an easement for structural support over every other Adjoining Unit and the Common Elements, and each Unit and the Common Elements shall be subject to a non-exclusive easement for structural support in favor of every other Adjoining Unit and the Common Elements.

3.8 Common Elements Easement in Favor of Unit Owners. The Common Elements shall be subject to the following easements in favor of the Units benefited for the installation, repair, maintenance, use, removal or replacement of pipes, ducts, heating and air conditioning systems, electrical, telephone and other communication wiring and cables and all other utility lines, conduits, fixtures and facilities which are a part of or serve any Unit and which pass across or through a portion of the Common Elements.

3.9 Easements in Favor of Association. The Units (excluding interiors of Residential Dwellings unless otherwise indicated herein) are hereby made subject to the following easements in favor of the Association and its directors, officers, agents, employees and independent contractors:

(A) For inspection, at reasonable times and upon reasonable notice to the Unit Owner, of the exterior of Residential Dwellings and the Yards in order to verify the provisions of the

Condominium Documents, including maintenance obligations, are being complied with by the Unit Owners, Lessees and other Residents, and their respective Invitees.

(B) For inspection, maintenance, repair and replacement of the Common Elements primarily or more readily accessible from the Yard of a Unit.

(C) For inspection, testing, maintenance, repair and replacement of all Improvements and appurtenances located within the fire riser room accessible from the Front and Side Yard of the Front Unit containing equipment mandated by City Code. No Unit Owner shall enter or have access to the fire riser room located on any Front Unit without the express written consent of the Association and the Association may attach a lockbox or otherwise take measures to limit access to the fire riser room, subject only to City Code.

(D) For inspection, testing, maintenance, repair and replacement in conjunction with the City's Fire Department of the valves located in the metal test panel box inset into the exterior of certain Residential Dwellings on a Rear Unit in the Unit Group that is located farthest from the fire riser room located on the Front Unit.

(E) For inspection, testing, maintenance, repair and replacement of the individual water submeters and all ancillary equipment (including radio transmitter, computer equipment and phone line used in connection with the individual water submeter operation) serving the entire Condominium as it may be installed in a Designated Space of a Garage Structure on a Unit or any other location as originally installed by Declarant.

(F) For the purpose of performing such pest control activities as the Association may deem necessary to control or prevent the infestation of the Condominium by insects, rodents or other pests or to eradicate insects, rodents or other pests from the Condominium, including the right to enter a Residential Dwelling upon reasonable notice for purposes of eradicating any such infestation in one or more Residential Dwellings.

(G) For correction of emergency conditions in one or more Units or casualties to the Common Elements or the Units.

(H) For the purpose of enabling the Association, the Board of Directors or any committees appointed by the Board of Directors to exercise and discharge their respective rights, powers and duties under the Condominium Documents.

(I) For inspection of the Units to verify that the provisions of the Condominium Documents are being complied with by the Unit Owners, Lessees and other Residents, and their respective Invitees, including inspection of utility lines, connections and equipment on Units as needed where the operation of such equipment affects more than one Unit. Without limiting the foregoing, no Unit Owner may modify or tamper with connections to his water heater or utilities so as to damage any other Unit or interfere with the monitoring of water or utility usage by that Unit Owner or his Unit or the fair allocation of Water and Sewer Usage Fees to his Unit.

3.10 Easement for Unintended Encroachments. To the extent that any Party Wall or other Improvement encroaches on any Adjoining Unit or Common Element as a result of original construction, alteration or restoration authorized by this Declaration, settling or shifting, or any reason other than the encroachment onto the Common Elements or any Adjoining Unit caused by the intentional misconduct or gross negligence of a Unit Owner, a valid easement for the encroachment, and for the maintenance thereof, is hereby granted and shall exist in perpetuity. Declarant intends to construct certain Residential Dwellings and certain Party Walls on the boundary line between Adjoining Units and an easement in perpetuity is hereby granted and shall exist for such structures (or their reconstruction in the event of damage or destruction) as further provided in Section 3.7 above and in Article 5 and Article 8 below. Each Unit Owner understands and accepts that certain roof overhangs, eaves, window trim and casings may overhang onto their Unit or onto the Common Elements due to Declarant's placement of a Residential Dwelling on or in proximity to a boundary line of another Unit or the Common Elements and an easement in perpetuity is granted for such encroachment of overhanging structures.

3.11 Easements over a Front Unit Serving the Rear Units in that Triplex Unit Group. Each Rear Unit Owner shall have an easement as necessary over the Front Unit for purposes of maintenance, repair and replacement of all electrical, water and sewer lines running over, under and across the Front Unit (including over the finished ceiling of the Garage Structure and below the floor of the Front Unit's Residential Dwelling) to the extent such utility lines serve the Rear Units. Any maintenance to such lines shall be done to avoid any significant disturbance or interference with any other Unit Owner and, to the extent the repairs benefit more than one Unit Owner in a Unit Group, the Unit Owners so benefited shall share the cost of repair as further provided in Section 5.2 below in the same manner as a Major Shared Maintenance Expense.

ARTICLE 4 USE AND OCCUPANCY RESTRICTIONS

4.0 Single Family Residential Use. All Units and any Limited Common Elements as may be allocated thereto from time to time shall be used, improved and devoted exclusively to residential use by a Single Family. No gainful occupation, profession, trade or other nonresidential use shall be conducted on or in any Unit or such Limited Common Element, but a Unit Owner or Resident may conduct a business activity within a Unit so long as: (i) the existence or operation of the business activity is not apparent or readily detectable by sight, sound or smell from outside the Unit; (ii) the business activity conforms to all applicable zoning ordinances or requirements for the Condominium; (iii) the business activity only results in occasional or minimal time duration visits or contact with non-Residents coming to the Unit and does not involve the door-to-door solicitation of Residents in the Condominium; (iv) the trade or business conducted by the Unit Owner or Resident does not have more than one (1) employee working in or from such Unit who is not also a lawful Resident thereof; (v) the volume of vehicular or pedestrian traffic or parking generated by such trade or business does not result in congestion or parking violations; (vi) the trade or business does not use flammable liquids or hazardous materials in quantities not customary for residential use; and (vii) the business activity

is consistent with the residential character of the Condominium and does not constitute a nuisance or a hazardous or offensive use or threaten security or safety of Residents or Invitees in or to the Condominium, as may be determined from time to time in the sole discretion of the Board of Directors. The terms "business" and "trade" as used in this section shall be construed to have their ordinary, generally accepted meanings, and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation or other form of consideration, regardless of whether: (i) such activity is engaged in full or part time; (ii) such activity is intended or does generate a profit; or (iii) a license is required for such activity. The leasing of a Unit by the Unit Owner thereof shall not be considered a trade or business within the meaning of this section.

4.1 Antennas. No Unit Owner or other Person may erect, use or maintain any antenna, satellite television dish or other device for the transmission or reception of television or radio signals or any other form of electro-magnetic radiation outside of his Unit or Visible from Neighboring Property unless approved by the Board. Standard TV antennas and satellite dishes which are less than one meter in diameter shall be permitted within the boundaries of the Private Yard of a Unit if such over the air devices comply with any Architectural Rules or any restrictions imposed by the Board prior to granting the Owner such approval. Without limitation, the Board may require that such devices be reasonably screened and/or ground mounted as long as the Unit Owner can obtain a satisfactory signal.

4.2 Utility Service. Except for lines, wires and devices existing on the Condominium on the date the first Unit is conveyed to a Purchaser and maintenance and replacement of the same, no lines, wires or other devices for the communication or transmission of electric current or power, including telephone, television, and radio signals, shall be erected, placed or maintained anywhere in or upon the Condominium unless they are contained in conduits or cables installed and maintained underground or concealed in, under Residential Dwellings or other structures approved by the Board. No provision hereof shall be deemed to forbid the erection of temporary power or telephone structures incident to the construction of Residential Dwellings or structures approved by the Board. All utilities not separately metered to the Units shall be paid by the Association as a Common Expense. Nothing contained in this Section 4.2 shall be construed as prohibiting the placement of satellite dish receptors and related wiring approved in advance by the Board as provided in Sections 4.1 and 4.3 below.

4.3 Modifications.

(A) No Person shall make any Modifications on or within a Unit except for Modifications that: (i) are made exclusively within the interior of a Residential Dwelling and are non-structural or load bearing in nature and which do not affect in any way the structural integrity of any Improvement on an Adjoining Unit; (ii) Modifications that are specifically exempt pursuant to Section 3.1(D) above; or (iii) are located entirely within the Private Yard of a Unit and will not be Visible from Neighboring Property, unless, prior to the commencement of each proposed Modification, the Unit Owner of the Unit to be modified fully completes and delivers to the Board a Modification Approval Request Form promulgated by the Board. The Modification Approval Request Form may: (A) provide the Association with a written indemnity

against liability in accordance with Section 6.4 below; (B) evidence a written acknowledgment that any such Modification may negate or amend any contractual, statutory or common law warranty expressly or implicitly provided by Declarant; and (C) may establish any additional conditions, if any, imposed by the Board pursuant to Section 4.3(B) below. The Unit Owner shall, to the extent, permitted by Arizona law, be responsible for any damage to other Units and to the Common Elements which results from any such Modification.

(B) The Board of Directors may condition the approval of any proposed Modification to a Unit in any reasonable manner, including, without limitation: (i) restricting the time during which such work may be performed and establishing a time frame for completion of the Modification; (ii) requiring the placement of a construction security deposit in an amount determined by the Board of Directors in an account controlled by the Board of Directors; and (iii) requiring the Unit Owner causing the Modification to obtain and maintain, prior to commencement and during completion of the Modification, comprehensive general liability insurance in such amounts as may be required by the Board of Directors. The Unit Owner shall designate Declarant, the Association, the Board of Directors and any other Person designated by the Board as additional insureds under the policy.

(C) In reviewing plans and specifications for any Modification, the Board of Directors may consider any and all factors which the Board, in its sole and absolute discretion, determines to be relevant, including, but not limited to: (a) the harmony of the proposed Modifications with existing Residential Dwellings and other Improvements in the Condominium; (b) the location, the exterior design, finish materials and color of the proposed Modifications; and (c) compliance of the proposed Modifications with this Declaration and any Architectural Rules. The Board may designate the colors and types of paint that may be used in painting the Residential Dwelling as part of its approval process. The Board may disapprove a proposed Modification even though the plans and specifications may be in substantial compliance with this Declaration and any Architectural Rules if the Board, in its sole and absolute discretion, determines that the proposed Modification, or some aspect or portion thereof, is undesirable or unattractive. Decisions of the Board may be based on purely aesthetic considerations. Each Unit Owner acknowledges that such determinations are necessarily subjective in nature and that the decision of the Board shall be final on all matters submitted to it pursuant to this Section 4.3.

(D) If the Board fails to approve the requested Modification in writing within forty-five (45) days after the receipt of a fully complete Modification Approval Request Form, the requested Modification shall be deemed disapproved. If the Board receives an incomplete Form, the Board shall promptly notify the Unit Owner of any deficiencies and the time for approval shall not commence until a completed Application Form is delivered to the Board.

(E) The approvals required of the Board and/or Declarant pursuant to this Section 4.3 shall be in addition to, and not in lieu of, any approvals or permits which may be required under any federal, state or local law, statute, ordinance, rule or regulation.

(F) The Board shall have the right to charge a reasonable fee for reviewing requests for approval of any Modification, which fee shall be payable at the time the application for

approval is submitted to the Board. The Board may establish a schedule of architectural review fees as part of any Rules as may be adopted by the Association.

(G) The Association shall have the right to stop any work or Modification that is not in compliance with this Section 4.3 or any Rules of the Association governing Modifications, and, where appropriate, to seek an equitable injunction ordering the removal of a Modification or any portion thereof that does not comply with this Section 4.3. Neither Declarant, the Association, nor any of their respective officers, directors, employees, agents contractors, consultants or attorneys shall be liable to any Unit Owner or other Person by reason of: mistake in judgment; failure to point out or correct deficiencies in any plans or other submissions relating to, without limitation, structural safety, soundness, workmanship, materials, usefulness, conformity with building or other codes or industry standards; negligence; or any other misfeasance, malfeasance or nonfeasance arising out of or in any way connected with or relating to a Modification.

(H) Declarant is exempt from the provisions of this Section 4.3 and need not seek nor obtain the Board's approval of any Improvements or Modifications constructed on the Condominium by Declarant.

(I) The Board may establish an "*Architectural Committee*" to perform the architectural design review and related functions of the Board set forth in this Declaration and in this Section 4.3, in particular. If established, all references to "Board" in this Section 4.3 and elsewhere in this Declaration, as the context may require, shall mean and refer to the Architectural Committee. Any such Architectural Committee shall be a committee of the Board and shall consist of such number of regular members and alternate members as may be provided for in the Bylaws. The Board, and/or Architectural Committee, if any, may promulgate Architectural Rules to be followed in rendering its decisions. Such Architectural Rules may include, without limitation, provisions regarding: (i) architectural design, with particular regard to the harmony of the design with the surrounding structures and topography; (ii) requirements concerning exterior Improvements; and (iii) signage. The decision of the Architectural Committee shall be final on all matters submitted to it pursuant to this Declaration unless otherwise provided in the Bylaws. The Board may establish such other Committees as the Board may determine in its sole discretion and may establish Rules governing such Committee, including the number of Board members and alternate members as shall serve on such Committee and the function and delegated duties of such Committee.

4.4 Trash and Recycling Materials Disposal. Each Resident of a Unit shall regularly remove all garbage, trash and refuse materials from his Unit to prevent odors and the attraction of vermin or other pests and shall deposit the same in designated trash bins or dumpsters located on the Common Elements. No indoor or outdoor incinerators shall be kept or maintained in any Unit or on the Common Elements. The Board shall have the right to promulgate Rules regarding the collection of trash and recyclable materials not inconsistent with the provisions of this Section 4.4 and the Association shall have the right to assess monetary fines as provided in the Condominium Documents for violation of this section.

4.5 Machinery and Equipment. No Unit Owner, Lessee or other Resident may place, operate or maintain machinery or equipment of any kind upon the Condominium other than usual and customary machinery and equipment used in connection with the permitted uses of the Unit and Limited Common Elements. This Section 4.5 shall not apply to any such machinery or equipment which Declarant or the Association may require for the construction, improvement, operation and maintenance of the Common Elements.

4.6 Animals. No animals, birds, fowl, poultry, or livestock, other than a reasonable number of generally recognized house pets, shall be maintained in or on the Condominium and then only if such house pets are kept or raised solely as domestic pets (and not for commercial purposes) within a Residential Dwelling and the Private Yard therein. No more than two (2) dogs may occupy any Unit regardless of size or weight. No pet or other animal shall be allowed to make an unreasonable amount of noise, cause an odor, or to become a nuisance. All dogs or other house pets permitted hereunder and capable of being walked on a leash shall be kept on a leash not to exceed six (6) feet in length when outside a Unit, and all pets shall be directly under a Resident's control or direction at all times. No Unit Owner, Lessee, or other Resident or their respective Invitees shall permit any such pet being kept in the Unit to relieve itself on any portion of the Common Elements; it being understood that it shall be the responsibility of such person to immediately remove any droppings from pets. No structure for the care, housing, confinement, or training of any animal or pet shall be maintained on any portion of the Common Elements or in any Unit so as to be Visible from Neighboring Property. Upon the written request of any Unit Owner or other Resident, the Board of Directors shall determine whether, for the purposes of this section, a particular animal or bird is a generally recognized house pet, a nuisance, or whether the number of pets being kept within any Unit is reasonable. The right of Unit Owners, Lessees and other Residents to maintain a reasonable number of house pets in or on the Condominium pursuant to this section is expressly subject to the right of the Board of Directors to adopt Rules prospectively further restricting the size and/or number of dogs or other pets which may be maintained or kept in the Units or the Limited Common Elements allocated thereto while "grandfathering" pets in compliance with this Section 4.6 and then current pet Rules.

4.7 Temporary Occupancy. No trailer, tent, shack, garage, or similar structure, and no temporary Improvement of any kind shall be used at any time for a Residential Dwelling, either temporarily or permanently. Temporary buildings or structures used during the construction of Residential Dwellings or Modifications approved by the Board shall be permitted but must be removed promptly upon completion of the construction of the Improvement.

4.8 Mineral Exploration. No portion of the Condominium shall be used in any manner to explore for or to remove any water, oil or other hydrocarbons, minerals of any kind, gravel, earth, or any earth substance of any kind.

4.9 Environmental Restrictions. All Residents of the Condominium shall be responsible for complying with all federal and state environmental and health laws. Without limiting the foregoing, no Unit Owner, Resident or any other Person may dispose of, transport, or store "hazardous materials" in his Unit or elsewhere in the Condominium other than small

amounts of ordinary household non-combustible cleaning agents maintained in the Unit or Limited Common Element storage areas and in no event may any Unit Owner, Resident or any other Person dispose of any hazardous materials, including without limitation, motor oil, hydrocarbons, or other petroleum products, in or down a dry well on or adjacent to the Condominium. The Board may, from time to time, adopt Rules to reduce the level of noise emissions from the Units. The use of stereo equipment, televisions and musical instruments shall be subject to and must be used in accordance with such Rules and any noise reduction ordinance of the City.

4.10 Diseases and Insects. No Unit Owner, Resident or any other Person shall permit any thing or condition to exist upon the Condominium which could induce, breed or harbor infectious plant or animal diseases or noxious insects. Each Unit Owner and/or Resident shall be responsible to periodically perform or cause to be performed such pest control activities in their Unit as may be necessary to prevent insects, rodents and other pests from infesting the Unit.

4.11 General Restrictions Regarding Parking of Vehicles.

(A) No truck, automobile, mobile home, mini or standard size motor home, travel trailer, tent trailer, trailer, all-terrain vehicle, bus, camper shell, detached camper, recreational vehicle, boat, boat trailer, or other similar equipment or vehicle, including any motorized vehicle or equipment of any sort or nature (hereinafter in this Article 4 referred to as a "**Vehicle**") may be parked, kept, or maintained on any part of the Condominium except: (i) Vehicles completely parked in either the applicable Designated Space within the Garage Structure of a Triplex Unit Group or in any attached garage of a Residential Dwelling within a Duplex Unit Group; (ii) Vehicles temporarily parked on: (i) Tract A, (ii) the driveway located on the Front Unit of a Triplex Unit Group, or (iii) the driveway located on the Front and Side Yard of a Unit in a Duplex Unit Group for loading or unloading not exceeding a total of six (6) hours in any 24 hour period. A Unit Owner shall be responsible for any damage to the Tract A private drive and/or driveway caused by a Unit Owner's, Resident's or Invitee's Vehicle (such as e.g. by a large moving van). Without limiting the foregoing, at no time may a Vehicle be parked on a driveway located on any Unit if the driveway is not at least eighteen (18) from back of curb to the garage door or if the Vehicle does not otherwise fit entirely within the driveway.

(B) Except as provided in Section 4.11(C) below, Vehicles belonging to a Unit Owner, Lessee, Resident or Invitee may only be parked in the applicable Designated Space of the Garage Structure in the case of a Triplex Unit Group or in the attached garage of a Residential Dwelling in the case of a Duplex Unit Group. No Resident shall store items that would hinder or preclude the parking of a Vehicle in the Designated Space of the Garage Structure or attached garage of a Residential Dwelling located in a Duplex Unit Group. At no time may any Vehicle be parked along the private drive (Tract A) within the Condominium or on the driveway located on the Front and Side Yard of a Unit may not be parked so as to block access to another Unit Owner's Designated Space or to his garage in the case of a Unit Owner within a Duplex Unit Group. Garage doors shall be kept closed at all times except when a Resident or other person is entering or exiting the garage or otherwise using the garage or a Designated Space in the case of a Triplex Unit Group and shall also be kept closed if a Unit

Owner or other Resident is making or having an Invitee make minor repairs to a Vehicle in the garage or Designated Space, as applicable, that will create noise or vibration (regardless of how minor).

(C) To the extent any such parking spaces are available, Residents of Units within a Triplex Unit Group with only one Designated Space may park one (1) standard passenger automobile or truck with a manufacturer's rating of one ton or less in any undesignated parking space along the Tract A private drive as long as such Vehicle is not being "stored" on the Common Elements and only if the applicable Designated Space in the Garage Structure is already occupied by another Vehicle. Without limiting the foregoing, a Vehicle shall be deemed to be "stored" on the Common Elements if it: (i) is covered by a car cover, tarp or other material; (ii) has not been moved from its location for seven (7) consecutive days; (iii) lacks an engine or other parts necessary to render the Vehicle operable; (iii) has expired license tags; or (iv) has one or more flat tires for any period exceeding three (3) consecutive days.

(D) To minimize noise from garage door usage, replacement of garage door openers shall be with the same type as originally installed by Declarant (designed to minimize noise and vibration levels) or such other type or model garage door opener specifically designated by the Board in its Rules.

4.12 Vehicle Repair and Towing. Except for temporary emergency repairs, no Vehicle shall be constructed or reconstructed, serviced or repaired in the Front and Side Yard (including the concrete driveway leading to the Garage Structure or in an attached garage of a Residential Dwelling within a Duplex Unit Group) or on the private drive (Tract A). Other than temporary emergency repairs or minor repairs that do not require power equipment, do not make excessive noise (subject to Section 4.11(B) above), and can be completed in single day, no Vehicle shall be constructed, reconstructed, serviced or repaired within a Garage Structure of a Triplex Unit Group. The Board of Directors shall have the right to have any Vehicle parked, kept, maintained, constructed, reconstructed or repaired in violation of the Condominium Documents towed away at the sole cost and expense of the owner of the vehicle or equipment. If the Vehicle or equipment is owned by a Unit Owner, Lessee or Resident or any of their respective Invitees any amounts payable to the Association shall be secured by the Assessment Lien, and the Association may enforce collection of such amounts in the manner provided for the collection of Enforcement Assessments.

4.13 Signs. No Unit Owner, Resident or other Person may display any emblem, logo, sign or billboard of any kind so that it is Visible from Neighboring Property except for: (i) a Unit Owner name and address identification sign not exceeding 6 x 12 inches in size on the door of a Residential Dwelling; (ii) one standard size realty company "for sale" or "for lease" sign in the Front and Side Yard of a Unit; (iii) any signs as may be required by legal proceedings; (iv) one small alarm company sign on the Front and Side Yard of a Unit and located near the front door of a Residential Dwelling; and (v) such signs as are approved by the Board. This Section 4.13 shall not apply to; (i) signs used by Declarant to advertise Units for sale or lease and/or (ii) signs on the Common Elements as may be placed or approved by Declarant during the Period of Declarant Control, or by the Board thereafter.

4.14 Lawful Use. No immoral, improper, offensive, or unlawful use shall be made of any part of the Condominium. All valid laws, zoning ordinances, and regulations of all governmental bodies having jurisdiction over the Condominium shall be observed. Any violation of such laws, zoning ordinances or regulations shall be a violation of this Declaration.

4.15 Nuisances and Offensive Activity. No nuisance shall be permitted to exist or operate upon the Condominium, and no activity shall be conducted upon the Condominium which is offensive or detrimental to any portion of the Condominium or any Unit Owner, Lessee, Resident or their respective Invitees. No exterior speakers, horns, whistles, bells or other sound devices, except security or other emergency devices used exclusively for security or emergency purposes, shall be located, used or placed on the Condominium without the prior written approval of the Board of Directors.

4.16 Window Coverings and Balconies.

(A) No reflective materials, including, without limitation, aluminum foil, reflective screens or glass, mirrors or similar items, shall be installed or placed upon the outside or inside of any windows of a Residential Dwelling or other Improvement on a Unit without the prior written approval of the Board. No enclosures, drapes, blinds, shades, screens or other items affecting the exterior appearance of a Unit shall be constructed or installed in any Unit without the prior written approval of the Board, unless the items so installed are substantially identical in color, texture and size as previously approved and installed window coverings being so replaced. Window tinting is prohibited except for tinting provided by Declarant as part of the original construction of the Residential Dwellings.

(B) Furniture, furnishings, umbrellas and plants kept and maintained on any balcony of a Residential Dwelling shall be of a neutral color harmonious with and not in conflict with the color scheme of the exterior walls of the Residential Dwelling. No astroturf, carpet or other floor covering shall be installed on any balcony without the prior written approval of the Board of Directors. No balcony shall be used for a storage area for items or materials that are not customarily intended for use on a balcony, such as the use of a balcony to store bicycles or exercise equipment. No linens, blankets, rugs, swimsuits or similar articles may be hung from any balcony. Expressly subject to applicable law, including City code and ordinances, and Rules (such as safety measures) adopted by the Board, small barbeques, woks and related accessories and equipment may be used on balconies if they are appropriately screened when not in use.

4.17 Leasing of Units. No Unit Owner may lease less than his entire Residential Dwelling and Unit. All leases shall: (i) be in writing; (ii) provide that the terms of the lease shall be subject in all respects to the provisions of the Condominium Documents, and any failure by the Lessee and the other Residents of the Unit pursuant to the Lease to comply with the terms of the Condominium Documents shall be a default under the lease; and (iii) be of a duration of not less than ninety (90) days. At least ten (10) days prior to the commencement date of the lease of his Unit, a Unit Owner shall provide the Association with the following information: (i) the commencement date and termination date of the lease and the names of each Lessee or other

Resident who will be occupying the Unit during the term of the lease; (ii) the address and telephone number of the Unit Owner while the Lease is in effect. Any Unit Owner who leases his Unit must provide the Lessee with copies of this Declaration and the Rules. The Unit Owner shall be liable for any violation of this Declaration or the Rules caused by the Lessee, any other Resident of the Unit under the Lease, and their Invitees and family pets and, upon demand of the Association, shall immediately take all necessary actions to correct any such violations.

4.18 Time Sharing. A Unit may not be divided or conveyed on a time increment basis (commonly referred to as "time sharing") or measurable chronological periods other than pursuant to a written lease as permitted under Section 4.17 of this Declaration. The term "time sharing" as used herein includes any agreement, plan, program, or arrangement under which the right to use, occupy or possess the Unit, or any portion thereof, rotates among various Persons on a periodically recurring basis for value exchanged, whether monetary or like-kind use privileges, according to a fixed or floating interval or period of time for thirty (30) consecutive calendar days or less.

4.19 Community Privacy Measures. Each Unit Owner understands and agrees that neither the Association (nor its officers, directors, employees, and agents) nor the Declarant (nor its officers, directors, employees and agents) is responsible for the acts and omissions of any third parties (including the acts or omissions of any Unit Owners, Residents, or Invitees) to person or property. Any electronic entry/exit or privacy gate features or common privacy measures that may be used in the Condominium (as installed by Declarant or by the Board on behalf of the Association) will be maintained by the Association as a Common Expense Liability of the Unit Owners. Each Unit Owner understands that any entry/privacy gate features that are in effect at the time he becomes a Unit Owner may be abandoned, terminated and/or modified by a majority vote of the Board. The installation or commencement of any such devices or controls shall not be deemed to be an assumption of any duty on the part of the Association or Declarant with respect to the Condominium and neither Declarant, the Board (nor any committee thereof) make any representation or warranty concerning the efficacy of such devices relating to security or the ease of entry of fire, police or other emergency personnel.

4.20 Variances. The Board may authorize a variance from compliance with any of the provisions of this Declaration, including this Article 4, from time to time, when circumstances such as hardship, aesthetic or environmental considerations may require. Such variances must be evidenced in writing and must be signed by a majority of the Board. If such variance is granted, no violation of the covenants, conditions and restrictions contained in this Declaration shall be deemed to have occurred with respect to the specific matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose except as to the particular provision hereof covered by the variance, and only for so long as the special circumstances warranting the variance exist, nor shall it affect in any way the Unit Owner's obligation to comply with all governmental laws and regulations affecting the use of his Unit. The Board shall have the right to condition the granting of a variance as it may determine in the Board's sole discretion, including, without limitation; making a variance temporary or permanent; or requiring the removal or replacement of a non-permanent or semi-permanent structure upon the sale or other conveyance of a Unit. Moreover, because of the unique facts and circumstances surrounding

each variance request, the granting of a variance in one instance or under certain terms and conditions does not mandate the granting of a variance under similar or related circumstances, terms or conditions if the experiences of the Association and the Condominium as a whole or the differences in circumstances (however slight) of a variance request from a previously approved variance lead the Board, in good faith, to disapprove a variance request in such instance. In no event, may the Board grant any variance that would create or cause the Association to be in violation of any insurance policy limitation or restriction issued in favor of the Association and its Members as e.g. granting a variance to a Unit Owner to keep a certain breed or type of animal that is expressly prohibited under any applicable insurance policy.

ARTICLE 5 MAINTENANCE

5.0 Duties of the Association.

(A) The Association shall be responsible for maintaining:

(i) the private drives and curbing (Tract A);

(ii) all Common Element landscaping and irrigation or sprinkler systems thereon;

(iii) lighting and light fixtures in the Common Elements as originally installed by Declarant or as installed by the Association;

(iv) all Front and Side Yard landscaping and irrigation or sprinkler systems of a Triplex Unit Group;

(v) all lighting and light fixtures in the Front and Side Yards of a Triplex Unit Group as may be originally installed by Declarant, if any (but not lighting, light fixtures, or coach lights attached or affixed to the exterior of the Residential Dwellings);

(vi) the fire riser room located on a Front Unit and any inset test panel box located on the exterior of a Residential Dwelling on the Rear Unit farthest from the fire riser room as further provided in Section 3.9(C) and 3.9(D) above;

(vii) all walls and fences on or adjacent to the Common Elements and bordering a Common Element Tract;

(viii) the exterior face of any Party Wall between a Unit and a Common Element Tract; provided, further however, that should the structure of such a Party Wall require repair or replacement for any reason other than the negligence or intentional act of the Unit Owner, Residents, or their Invitees and pets, or any other Person for whom the Unit Owner is legally responsible, the Association shall restore the Party Wall between the Unit and such Common Element Tract;

(ix) the private water and sewer lines, and sewer lift station, if any, as provided in Section 5.0(C) below and the individual water submeters and ancillary equipment serving the entire Condominium;

(x) all other Improvements or portions of the Common Element Tracts.

(B) The cost of all such repairs, maintenance and improvements shall be a Common Expense and shall be paid for by the Association. The Board shall be the sole and absolute judge as to the appropriate maintenance of the Common Elements and the Condominium. No Unit Owner, Lessee, Resident or their respective Invitees shall obstruct or interfere with the Association in the performance of the Association's maintenance, repair and replacement of the Common Elements.

(C) As used in this Section 5.0(C), the term "*Utility Facilities*" shall mean all sewer and water lines, sewer lift station and appurtenant facilities within the boundaries of the Condominium except for: (a) any sewer and water lines which serve only one Unit and which are located within the boundaries of the Unit or are part of the Common Elements but are allocated to the Unit as a Limited Common Element by this Declaration; and (b) any sewer and water lines and appurtenant facilities, if any, which have been accepted by and are the responsibility of the City or a private utility company. The Association shall be responsible for maintaining and repairing the Utility Facilities from the point of connection to each Unit to the point of connection of such lines to the publicly dedicated Utility Facilities maintained by the City in accordance with all applicable federal, state or local laws, ordinances or regulations. If the Utility Facilities have a design flow exceeding the threshold as may be established by the Maricopa County Environmental Services from time to time for condominium projects of this nature, then the Association shall operate and maintain the Utility Facilities in accordance with the operation and maintenance plan approved by the Maricopa County Environmental Services Department in connection with the approval of the Utility Facilities. In the case of an emergency repair to the water or sewer lines, Unit Owners may call Declarant at Declarant's telephone number stated in their purchase documents for instructions on emergency contact personnel. After the Period of Declarant Control has expired, the Unit Owners should contact the Managing Agent or, if no Managing Agent has been retained by the Board, the Board's specified contact person for emergency matters as specified at the meeting in which Board control is turned over to the Unit Owners.

5.1 *Maintenance Duties of Unit Owners.* Each Unit Owner, by acceptance of a deed, acknowledges that even though such Unit Owner is purchasing a Unit in a Condominium, the sole obligation for maintaining and repairing the Residential Dwelling, including structural components thereof, shall belong to the Unit Owner, subject to the further provisions of this Article 5 and except as may otherwise be expressly delegated to the Association or another Person by the Condominium Documents. Without limitation, each Unit Owner shall maintain repair and replace, as applicable: (i) the roof, walls, exterior light fixtures and coach lights affixed to the Residential Dwelling, windows, doors and other structural components of his Residential Dwelling; (ii) Private Yard areas, including all landscaping and spas or other Improvements thereon; (iii) in the case of Units within a Duplex Unit Group only, the Front and

Side Yard of the Unit, including all Improvements located thereon; (iv) the garage door to his Designated Space in the Garage Structure and any garage door opener for such Designated Space as further provided in Section 4.11(D) above, in the case of a Triplex Unit Group; (v) the garage door and garage door opener of the attached garage of his Residential Dwelling in the case of a Duplex Unit Group; (vi) the interior perimeter walls and ceiling of his Designated Space in a Garage Structure in the case of a Triplex Unit Group; (vii) all plumbing, electrical and all other utility lines, conduits, equipment and facilities serving his Unit that are non-Utility Facilities (as defined in Section 5.0(C) above); and all air conditioning, heating, telephone, any solar and/or other water heating equipment, and cable or satellite television equipment servicing his Unit; (viii) irrigation and drainage systems located within any Unit and (ix) in the case of a Front Unit of a Triplex Unit Group only, the stairway leading from his Designated Space to his Residential Dwelling. Each Unit Owner acknowledges that although the Unit is part of a Condominium, the Unit includes all of the Improvements within the Unit and that therefore each Unit Owner has the maintenance obligations set forth in this Declaration. Because Adjoining Units in a Unit Group have certain Shared Maintenance Elements, the maintenance of Residential Dwellings within a Unit Group are subject to the further provisions of Section 5.2 below. Party Walls shall be maintained as provided in Section 5.5 below. Maintenance by Unit Owners pursuant to this Section 5.1 and Section 5.2 shall be expressly subject to the approval of the Board, as may be required pursuant to Section 4.3 above. In particular, all Improvements shall be maintained in a manner as shall be deemed necessary in the judgment of the Board to preserve the attractive appearance thereof, to protect the value of the Unit and the overall value of the Condominium, and to maintain the established system of drainage. In addition, all Unit Owners shall be solely responsible to keep exterior Residential Dwelling and coach lighting in good condition and working order at all times (including prompt replacement of burned out light bulbs) for safety and aesthetic reasons.

5.2 Shared Maintenance of Certain Exterior Components.

(A) The Residential Dwellings located on Adjoining Units within a Unit Group are designed and constructed to appear as a single structure or residential building and, as a result, the foundation, roof, stucco systems and painted exterior surfaces (collectively, the "**Shared Maintenance Elements**") are integrated. The responsibility for the cost of repairs (not caused by damage or destruction constituting an insured event subject to Article 8 below), maintenance or replacement of Shared Maintenance Elements exceeding Five Hundred Dollars (\$500.00) (a "**Major Shared Maintenance Expense**") shall be borne equally by the Unit Owners within a Duplex Unit Group and in the following ratio in the case of a Triplex Unit Group, unless otherwise expressly agreed by such Unit Owners: the Rear Unit with a two Vehicle Designated Space shall be allocated thirty-eight percent (38%) of such Major Shared Maintenance Expense; the other Rear Unit shall be allocated thirty-two percent (32%) of the Major Shared Maintenance Expense; and the Front Unit shall be allocated thirty percent (30%) of the Major Shared Maintenance Expense.

(B) In the event any Unit Owner in a Unit Group believes that there is a need to undertake a Major Shared Maintenance Expense, the Unit Owners in the Unit Group shall endeavor to reach agreement regarding proceeding with such work. In the event, such Unit

Owners are unable to reach agreement, the Unit Owner who believes the work is necessary shall provide the Association and the other Unit Owners in the Unit Group with a written request for a determination as to the necessity or appropriateness of such work, together with any proposals and cost estimates for such work (a "*Request for Determination*"). The Association shall provide the affected Unit Owners in the Unit Group with a written determination (a "*Determination Notice*") regarding any such Request for Determination within forty-five days of its complete receipt thereof unless the proposed work involves an emergency repair, in which case the Association shall endeavor to provide a Determination Notice with respect thereto as soon as possible following its receipt thereof. The Association's determination regarding matters addressed in any Request for Determination as set forth in a Determination Notice issued by the Association shall be binding upon the affected Unit Owners, and the affected Unit Owners in a Unit Group shall proceed with any work ordered to be done in any Determination Notice as soon as practical following the receipt of such a Determination Notice, but, in any event, commencing not later than thirty (30) days thereafter unless otherwise agreed by the Association in writing. The Association may also deliver a Determination Notice of its own accord, if it determines that Shared Maintenance Elements in a Unit Group require repair or maintenance and it has not received a Request for Determination from any of the Units Owners in that Unit Group. In the event any Unit Owner who is subject to a Determination Notice fails to pay its share of the work covered by the Notice, the Association may, without obligation, advance the costs allocable to the defaulting Unit Owner, in which event an amount equal to the costs so advanced by the Association shall be deemed to be an Enforcement Assessment secured by the Assessment Lien pursuant to Article 7 of this Declaration.

(C) Subject to the Board approval requirements of Section 4.3 above, a Unit Owner shall undertake maintenance, repairs and replacement of a Shared Maintenance Element that do not reach the Major Shared Maintenance Expense threshold set forth in Section 5.2 above within his Residential Dwelling or on his Unit (such as e.g. stucco and paint touch-ups); provided, further, that such Unit Owner may employ only competent contractors who shall ensure that such repair or work does not void any contractor's warranty covering the Residential Dwellings in a Unit Group. In particular, no work may be performed on the roof of a Residential Dwelling except by a contractor appropriately licensed, bonded and insured as a residential roofer in the State of Arizona. The Board may review the Major Shared Maintenance Expense threshold as frequently as annually and shall review the Major Shared Expense threshold at least once every five (5) years. As a result of such review and the recommendations of such consultants as the Board desires to employ, the Board may increase or decrease the Major Shared Maintenance Expense threshold as necessary by adopting and publishing such new threshold in its published Rules. The Board may also, in its discretion, establish a different Major Shared Maintenance Expense threshold for Triplex Unit Groups and Duplex Unit Groups based on the Board's experience with the frequency and amount of repair requirements for those Unit Groups.

5.3 Repair or Restoration Caused by Negligent or Wrongful Acts/Street Pavers.

(A) Each Unit Owner shall be liable to the Association or another Unit Owner, as applicable, for any damage to the Common Elements, the Residential Dwellings or other

Improvements on the Units, or equipment on the Units, which results from the negligence or willful misconduct or omission of the Unit Owner or that Owner's Residents, Invitees or family pets for whom the Unit Owner has responsibility, to the extent permitted by Arizona law. Without limiting the foregoing, each Unit Owner is hereby advised that Declarant intends to install decorative street pavers, concrete and asphalt materials in portions of the Tract A (private street). Such materials may be susceptible to cracking or damage if large commercial Vehicles or equipment, such as fully loaded moving vans, are driven over or parked for prolonged periods on Tract A. Unit Owners shall instruct the operators of such heavy or fully loaded Vehicles to avoid parking on Tract A for prolonged periods. If the Association determines that damage was caused by the operation of a Vehicle driven by or at the direction of a Unit Owner or other Resident of a Unit, the Association may assess that Unit as further provided in Section 5.3(B) below.

(B) The cost to the Association or the Unit Owner, as applicable, of any such repair, maintenance or replacement required by such act or omission of a Unit Owner (or Person for whom the Unit Owner is legally responsible) shall be paid by the Unit Owner, upon demand, to the party responsible for such maintenance and repair. The Association may enforce collection of any such amounts payable or reimbursable to the Association in the manner provided in this Declaration for the collection of Enforcement Assessments.

5.4 Unit Owner's Failure to Maintain. If a Unit Owner fails to maintain in good condition and repair, any portion of the Unit or any other Improvement thereon which he is obligated to maintain under this Declaration (including Shared Maintenance Elements as provided in Section 5.2 above), in the manner set forth in this Declaration and the required maintenance, repair or replacement is not performed within thirty (30) days after written notice has been given to the Unit Owner by the Association, the Association shall have the right, but not the obligation, to perform the required maintenance, repair or replacement. The cost of any such maintenance, repair or replacement shall be assessed against the nonperforming Unit Owner pursuant to Section 7.1(E) of this Declaration in the manner provided for in this Declaration for the collection of Enforcement Assessments secured by the Assessment Lien pursuant to Article 7 of this Declaration.

5.5 Repair and Replacement of Party Walls. The rights and duties of Unit Owners with respect to a shared boundary wall shall be governed by the following provisions:

(A) Each wall or fence which is placed on the dividing line between Adjoining Units, between adjoining Designated Spaces in a Garage Structure of a Triplex Unit Group, between the ceiling of a Designated Space in a Garage Structure and the Front Unit's Residential Dwelling, or between an Adjoining Unit and a Common Element Tract shall constitute a "**Party Wall.**" A Party Wall shall also include any wall which is partially or totally offset from said dividing line but serves as a physical separation between two Units or between a Unit boundary and a Common Element Tract.

(B) Party Walls between a Unit and a Common Element Tract shall be maintained as provided in Section 5.0 above. With respect to a Party Wall between Adjoining Units and with

respect to all other Party Walls, the Unit Owners sharing the use and benefit of such Party Wall shall assume the burden and be entitled to the benefit of the restrictive covenants contained in this Declaration, and to the extent not inconsistent with this Declaration, the general rules of law regarding Party Walls shall be applied as follows:

(i) To the extent the cost of such repairs is not covered by insurance maintained by the Association, the cost of reasonable repair and maintenance of a Party Wall shall be shared by the Unit Owners having the use and benefit of such wall in proportion to the use thereof, without prejudice, however, to the right of any Owner to call for a larger contribution from another Unit Owner under any rule of law regarding liability for negligent or willful acts or omissions as provided below.

(ii) In the event that any Party Wall is damaged or destroyed through the willful or negligent act of a Unit Owner or Resident of that Unit or his pets or Invitees, it shall be the obligation of such Unit Owner to rebuild and repair the Party Wall without cost to any other Unit Owner.

(iii) The right of any Unit Owner to contribution from any other Unit Owner under this section shall be appurtenant to the land and shall pass to such Owner's successors in title.

(iv) In addition to meeting the other requirements of this Declaration and of any other building code or similar regulations or ordinances, any Unit Owner proposing to make Modifications to a Party Wall shall first obtain the written consent of the Unit Owners sharing the use and benefit of the Party Wall.

(v) In the event of a dispute between Unit Owners with respect to the repair or the rebuilding of a Party Wall or with respect to sharing of the cost thereof, then, any such Unit Owner may submit a Request for Determination in the same manner as for a Shared Maintenance Element and the Association shall issue its Determination Notice in the same manner as provided in Section 5.2 above.

(vi) The provisions of this section shall be binding upon the heirs and assigns of any Unit Owners, but no Person shall be personally liable for any act or omission respecting the Party Wall except such as took place while he was a Unit Owner.

5.6 No Responsibility of the City. The City is not responsible for and will not accept maintenance of any private drives, private facilities, and landscaped areas, within this Condominium.

ARTICLE 6 THE ASSOCIATION

6.0 Rights, Powers and Duties of the Association. No later than the date on which the first Unit is conveyed to a Purchaser, the Association shall be organized as a nonprofit Arizona corporation. The Association shall be the entity through which the Unit Owners shall

act. The Association shall have such rights, powers and duties as are prescribed by law and as are set forth in the Condominium Documents together with such rights, powers and duties as may be reasonably necessary to effectuate the objectives and purposes of the Association as set forth in this Declaration and the Condominium Act. Without limiting the foregoing, the Association shall have the right to: (i) establish an Architectural Committee and delegate such functions of the Board, including those described in Section 4.3 above, as the Board determines in its discretion, to such committee, and (ii) finance capital Improvements in the Condominium by encumbering future Assessments if such action is approved by the written consent or affirmative vote of Unit Owners representing more than sixty seven percent (67%) of the votes in the Association and by Declarant during the Period of Declarant Control. Unless the Condominium Documents or the Condominium Act specifically require a vote of the Members, approvals or actions to be given or taken by the Association shall be valid if given or taken by the Board. The Association has the specific duty to make available to Declarant, Eligible Mortgage Holders, Unit Owners, and Eligible Insurers or Guarantors during normal business hours, current copies of the Condominium Documents and other books, records and financial statements of the Association as may be requested from time to time by such parties. Such requests shall be in writing, and the Association shall have the right to charge for copying expenses and the reasonable cost of postage, shipping or transmission of the information requested.

6.1 Directors and Officers.

(A) During the Period of Declarant Control, Declarant shall have the right to appoint and remove the members of the Board of Directors and the officers of the Association. Declarant appointed directors and officers are not required to be Unit Owners. Solely for purposes of determining when the Period of Declarant Control expires pursuant to Section 1.1(II)(i), the Condominium as a whole (including the Future Annexable Property) shall be deemed to contain one hundred twenty (120) Units.

(B) Upon the termination of the Period of Declarant Control, the Unit Owners shall elect the Board of Directors. The elected Board must consist of at least three (3) members, all of whom must be Unit Owners as further provided in the Bylaws. The Board elected by the Unit Owners shall then elect the officers of the Association.

(C) Declarant may voluntarily surrender his right to appoint and remove the members of the Board of Directors and the officers of the Association before termination of the Period of Declarant Control, and in that event, Declarant may require, for the duration of the Period of Declarant Control, that specified actions of the Association or the Board of Directors, as described in a Recorded instrument executed by Declarant, be approved by Declarant before they become effective.

6.2 Rules. The Board of Directors, from time to time and subject to the provisions of this Declaration and the Condominium Act, may adopt, amend, and repeal rules and regulations. The Rules may, among other things, restrict and govern the use of any area within the Condominium subject to the Association's jurisdiction and control; provided, however, that the

Rules may not unreasonably discriminate among Unit Owners and shall not be inconsistent with the Condominium Act, the applicable federal and state Fair Housing Acts, this Declaration, the Articles or Bylaws. A copy of the Rules, as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each Unit Owner and may be Recorded. As provided in Section 5.2 above, the Board shall periodically review and may revise the threshold amount of a Major Shared Maintenance Expense by Rule to take into account, among other things, increases in the cost of living for inflation and related costs.

6.3 Composition of Members. Each Unit Owner shall automatically, upon becoming a Unit Owner, be a Member of the Association. The membership of the Association at all times shall consist exclusively of all the Unit Owners. Membership in the Association is mandatory and such Membership and the Allocated Common Element, Common Expense Liability and voting Interests of the Unit are appurtenant thereto, and may not be assigned, separated or conveyed away from, ownership of the Unit; provided, however, such Allocated Common Element, Common Expense Liability and voting Interests of Units from time to time may be modified or changed as expressly permitted in this Declaration and authorized under the Condominium Act. No Owner during his ownership of a Unit shall have the right to relinquish or terminate his membership in the Association; provided however that at such time as a Unit Owner's ownership ceases for any reason, his Membership in the Association shall also automatically cease.

6.4 Personal Liability. Neither Declarant nor any member of the Board or of any committee of the Association, any officer of the Association nor any Managing Agent or other employee of the Association, shall be personally liable to any Member, or to any other Person, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence of Declarant, the Association, the Board, the Managing Agent, any representative or employee of the Association, or any committee, committee member or officer of the Association; provided, however, the limitations set forth in this Section 6.4 shall not apply to any Person who has failed to act in good faith or has engaged in willful or intentional misconduct.

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

6.6 Utility Services/Usage Fees.

(A) The Association shall contract for, acquire and pay for the following: (a) water, sewer, electrical and other utility services for the Common Elements; (b) trash collection for the Common Elements; and (c) water and sewer service for the Units as provided further in Section 6.6(B) below, subject to collection of a monthly Usage Fee from each Unit in addition to the Annual Assessment. Each Unit will be separately metered for electricity and all charges for electricity service to a Unit shall be paid by the Unit Owner. All fees for trash collection

services for the Condominium as a whole shall be part of the Common Elements and included in the budget for the Annual Assessment billed to the Unit Owners.

(B) The Association shall contract with a private company to electronically monitor at least once each month the master water meter for the Condominium, to collect and interpret the data signals therefrom, and to create a report to fairly and equitably allocate the water charges imposed by the City and billed to the Association for the Condominium to each Unit based on water usage by each Unit. In addition, the Association shall use such monthly water usage data as reported to fairly and equitably allocate to each Unit a portion of the City sewer charges billed to the Association. Such fees shall collectively be referred to as the "*Water and Sewer Usage Fee*"). The Water and Sewer Usage Fee for each Unit shall be broken out in the statement sent by the Association on a monthly basis to each Unit. No more frequently than monthly, the Association shall cause an invoice to be sent to the Unit Owners for their Water and Sewer Usage and such Water and Sewer Usage Fee shall be due and payable to the Association within ten (10) days of receipt of the invoice. Each Unit Owner understands that it is imperative that he abide by the obligation to timely pay the Water and Sewer Usage Fee to prevent the Association's default to the City for such services and the possible turn-off of water service by the City to the Condominium as a whole or in Unit Groups. Each Unit Owner understands that the Water and Sewer Usage Fee is a separate and additional obligation from the obligation to pay Assessments, but also understands and expressly understands that this obligation is secured by the Assessment Lien and collection of the Water and Sewer Usage Fee may be enforced in the same manner as an Enforcement Assessment. To ensure that the Association shall have adequate reserves for the payment of the Water and Sewer Usage Fees to the City and to avoid any shortfalls, each Unit Owner, upon becoming a Purchaser, shall deposit the non-refundable sum of \$60.00 (the "*Initial Usage Set-Up Fee*"). The Initial Usage Set-Up Fee is not a deposit and shall not be used to offset the water and sewer bills due from the Unit Owner commencing from the period after such Purchaser became a Unit Owner but rather shall be used to defray administrative and account set-up costs and to act as a reserve account for delinquencies, shortfalls and unanticipated expenses. The Association shall keep all Water and Sewer Usage Fees, including the Initial Usage Set-Up Fees, in a separate account and shall not commingle the account with any other Assessment fees or funds of the Association. Monies in that account maintained by the Association shall be used to pay only those fees directly associated with the payment of the City water and sewer bill and the payment of the private company retained by the Association to prepare the individual Water and Sewer Usage Fees report for each Unit. The Association may increase the Initial Usage Set-Up Fee set forth in this Section 6.6 by establishing the amount of such new Fee in its published Rules. In no event shall such increased Initial Usage Set-Up Fee exceed by more than twenty percent (20%) the previously established Initial Usage Set-Up Fee and, in no event, shall the Initial Usage Set-Up Fee be increased more frequently than annually.

(C) Water usage by a Unit shall be restricted to Water usage commonly associated with the requirements of a Single Family for household purposes within a Residential Dwelling Unit or sprinklering of landscaping or plants on the Private Yards within the Unit. In the event a Unit Owner, Resident or their Invitees fails to limit Water Usage to reasonable and customary level for domestic residential use by a Single Family, then the Board, in accordance

with Section 7.12 below, shall have the right to levy a monetary penalty against the violating Unit as determined by the Board.

ARTICLE 7 ASSESSMENTS

7.0 Preparation of Budget.

(A) At least sixty (60) days (or soon thereafter as feasible) before the beginning of the first full fiscal year of the Association after the first Unit is conveyed to a Purchaser and each fiscal year thereafter, the Board of Directors shall adopt a budget for the Association containing an estimate of the total amount of funds which the Board of Directors believes will be required during the ensuing fiscal year to pay all Common Expenses including, but not limited to: (i) the amount required to pay the cost of maintenance, management, operation, repair and replacement of the Common Elements and those parts of the Units, if any, which the Association has the responsibility of maintaining, repairing and replacing; (ii) the cost of wages, materials, insurance premiums, services, supplies and other expenses required for the administration, operation, maintenance and repair of the Condominium, including any related to providing Water Usage services and administering the Utility Facilities; (iii) the amount required to render to the Unit Owners all services required to be rendered by the Association under the Condominium Documents; and (iv) such amounts as are necessary to provide general operating reserves and reserves for contingencies and replacements. The budget shall separately reflect any Common Expenses to be assessed against less than all of the Units pursuant to Section 7.1(E) or Section 7.1(F) below and must include an adequate allocation to reserves as part of the Common Expense Assessment.

(B) Within thirty (30) days after the adoption of a budget, the Board of Directors shall send to each Unit Owner a summary of the budget and a statement of the amount of the Common Expense Assessment assessed against the Unit of the Unit Owner in accordance with Section 7.1 of this Declaration. The failure or delay of the Board of Directors to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of a Unit Owner's obligation to pay his allocable share of the Common Expenses as provided in Section 7.1 of this Declaration and each Unit Owner shall continue to pay the Common Expense Assessment against his Unit as established for the previous fiscal year until notice of the Common Expense Assessment for the new fiscal year has been established by the Board of Directors.

(C) The Board of Directors is expressly authorized to adopt and amend budgets for the Association, and no ratification of any budget by the Unit Owners shall be required.

7.1 Common Expense Assessment.

(A) For each fiscal year of the Association commencing with the fiscal year in which the first Unit is conveyed to a Purchaser, the total amount of the estimated Common Expenses set forth in the budget adopted by the Board of Directors (except for the Common Expenses which are to be assessed against fewer than all of the Units pursuant to Section 7.1 (E) and Section 7.1(F) below) shall be assessed against each Unit in the Condominium in proportion to the Unit's Common Expense Liability as set forth in Section 2.4 (subject to reduction regarding Units owned by Declarant pursuant to Section 7.1(G) below). The amount of the Common Expense Assessment assessed pursuant to this subsection (A) shall not exceed the maximum Common Expense Assessment for the fiscal year as computed pursuant to Section 7.1(B) below. If the Board of Directors determines during any fiscal year that its funds budgeted or available for that fiscal year are, or will, become inadequate to meet all Common Expenses for any reason, including, without limitation, nonpayment of Assessments by Members, it may increase the Common Expense Assessment for that fiscal year and the revised Common Expense Assessment shall commence on the date designated by the Board of Directors, except that no increase in the Common Expense Assessment assessed pursuant to this subsection (A) exceeding the maximum Common Expense Assessment for such fiscal year shall become effective unless approved by the requisite number of Members provided in Section 7.1(B) below.

(B) The maximum Common Expense Assessment for each fiscal year of the Association after the first full or partial fiscal year thereof shall not be greater than an amount equal to one hundred fifteen percent (115%) of the previous year's Common Expense Assessment established by the Board and assessed against the Units. From and after January 1 of the year immediately following the conveyance of the first Unit to a Purchaser, the Common Expense Assessment for any fiscal year of the Association may be increased by an amount greater than the maximum increase allowed in this Section 7.1(B), only by a vote of Members entitled to cast at least two-thirds (2/3) of the votes entitled to be cast by Members who are voting in person or by proxy at a meeting duly called for such purpose. The maximum Common Expense Assessment limitations herein contained shall apply only to the amount of the Common Expense Assessment assessed pursuant to subsection (A) of this section and shall not apply to the amount of Common Expenses assessed pursuant to Section 7.1 (E) or 7.1(F) below.

(C) The Common Expense Assessments shall commence as to all Units in the Condominium on the first day of the month following the conveyance of the first Unit to a Purchaser. The first Common Expense Assessment shall be adjusted according to the number of months remaining in the fiscal year of the Association. The Board of Directors may require that the Common Expense Assessments or Special Assessments be paid in installments. Unless otherwise directed by the Board, Common Expense Assessments shall be paid in monthly or quarterly installments (as determined by the Board) and shall be due and payable on the first day of each month or quarter, as applicable. Common Expense Assessments shall not commence as to any Units Groups or Phases within the Future Annexable Property unless and until Declarant has caused such Unit Groups or Phases to be irrevocably added to the Condominium as further provided in Section 2.7 above.

(D) Except as otherwise expressly provided for in this Declaration, all Common Expenses, including, but not limited to, Common Expenses associated with the maintenance, repair and replacement of a Limited Common Element, and reserves for Common Expenses shall be assessed against all of the Units in accordance with Section 7.1(A) above.

(E) If any Common Expense is caused by the negligence, omission or willful misconduct of any Unit Owner, the Association shall assess that Common Expense exclusively against his Unit.

(F) Assessments to pay a judgment against the Association may be made only against the Units in the Condominium at the time the judgment was entered, in proportion to their Common Expense Liability.

(G) The Common Expense Assessment for any Unit in the Condominium on which construction has not been "*substantially completed*" shall be an amount equal to twenty-five percent (25%) of the Common Expense Assessment for Units which have been substantially completed. So long as any Unit owned by Declarant qualifies for the reduced Common Expense Assessment provided for in this subsection (G), and, only if Declarant elects to pay such reduced Assessment, Declarant shall be obligated to pay to the Association any deficiencies in the monies resulting from Declarant having paid a reduced Common Expense Assessment and necessary for the Association to be able to timely pay all Common Expenses. Without limiting the foregoing, "substantial completion" of a Unit shall mean a Unit with an Single Family Residential Dwelling that is ready for immediate occupancy by a Resident either by sale or lease and a certificate of occupancy has been issued for such Unit and Residential Dwelling.

(H) All Assessments and Collection Costs levied against a Unit shall be the personal obligation of the Unit Owner of the Unit at the time the Assessments and Collection Costs became due. The personal obligation of a Unit Owner for Assessments, monetary penalties, late charges, interest, Collection Costs, and other fees and charges levied against his Unit shall not pass to the Unit Owner's successors in title unless expressly assumed by them.

(I) Notwithstanding anything to the contrary contained in this Section 7.1, the Board may adopt an annual Assessment in excess of the maximum Annual Assessment without the consent of the Members to cover any unanticipated increases in Association annual insurance costs.

7.2 Special Assessment. In addition to Common Expense Assessments, the Association may levy, in any fiscal year of the Association, a special assessment applicable to that fiscal year or the twelve month period following the effective date of the Special Assessment for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair, or replacement of a capital improvement of the Common Elements, including fixtures and personal property related thereto, or for any other lawful Association purpose (a "*Special Assessment*"). Any Special Assessment (other than a Special Assessment levied pursuant to Section 8.5 of this Declaration) shall have first been approved by Unit Owners representing two-thirds (2/3) of the votes in the Association and who are voting in person or by

proxy at a meeting duly called for such purpose and approved by Declarant, while Declarant owns any Units. Unless otherwise specified by the Board of Directors, Special Assessments shall be due thirty (30) days after they are levied by the Association and notice of the Special Assessment is given to the Unit Owners.

7.3 Notice and Quorum for Any Action Under Section 7.1 or 7.2. Written notice of any meeting called for the purpose of obtaining the consent of the Members for any action for which the consent of Members is required under Sections 7.1 or 7.2 shall be sent to all Members not less than thirty (30) days nor more than fifty (50) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes in the Association shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than fifty (50) days following the preceding meeting.

7.4 Enforcement Assessment. The Association may assess against a Unit Owner as an Enforcement Assessment any of the following expenses: (i) any Collection Costs, including attorneys' fees, incurred by the Association in attempting to collect Assessments or other amounts payable to the Association by the Unit Owner (whether or not suit is filed); (ii) any costs, including attorneys' fees incurred by the Association, with respect to any violation of the Condominium Documents by the Unit Owner, his Lessee or any other Resident of his Unit and their respective Invitees and/or in enforcing the provisions of the Condominium Documents (whether or not suit is filed); (iii) any monetary penalties and late charges levied against the Unit Owner in accordance with this Declaration and the Rules; or (iv) any amounts which become due and payable to the Association by the Unit Owner or his Lessee or any other Resident of his Unit and their respective Invitees pursuant to the Condominium Documents, including without limitation, delinquent interest and Water Usage Fees pursuant to Section 6.6 above. For purposes of this Section 7.4, the Association shall be deemed to automatically have assessed late charges and delinquent interest accruing against a specific Unit for non-payment of Assessments as provided for in this Declaration and/or adopted by Association Rule as an Enforcement Assessment without the requirement of a formal Board hearing or resolution of assessment against the applicable Unit or Unit Owner.

7.5 Effect of Nonpayment of Assessments; Association Remedies.

(A) Any Assessment, or any installment of an Assessment, which is not paid within fifteen (15) days after the Assessment first became due shall be deemed delinquent as of the original due date for the missed Assessment and shall bear interest from the date such payment was due at the rate of eighteen percent (18%) per annum. In addition, the Board of Directors may establish a reasonable late charge as part of the Rules to be charged to a Unit Owner and assessed against his Unit as part of the Assessment Lien for each installment of an Assessment that is deemed delinquent.

(B) All Assessments and Collection Costs shall be secured by the Assessment Lien as provided for in the Condominium Act. The Assessment Lien shall have priority over all liens or claims except for: (i) tax liens for real property taxes; (ii) assessments in favor of any municipal or other governmental body; and (iii) the lien of any First Mortgage. The Recording of this Declaration constitutes record notice and perfection of the Assessment Lien and no further recordation of any claim of lien shall be required. Although not required to perfect the Assessment Lien, the Association shall have the right, but not the obligation, to record a notice setting forth the amount of any delinquent Assessments and Collection Costs imposed or levied against the Unit or the Unit Owner which are secured by the Assessment Lien. The Association shall not be obligated to release the Assessment Lien until all delinquent Assessments and Collection Costs payable to the Association by the Unit Owner of the Unit have been paid in full.

(C) The Association shall have the right, at its option, to enforce collection of any delinquent Assessments and Collection Costs, in any manner allowed by law, including, but not limited to: (i) bringing an action at law against the Unit Owner personally obligated to pay the delinquent amounts which came due at the time he was the Owner thereof and such action may be brought without waiving the Assessment Lien securing any such delinquent amounts, provided, however, that the personal obligation to pay delinquent Assessments which came due prior to the transfer of ownership shall not pass to successors in title; (ii) bringing an action to foreclose its Assessment Lien against the Unit in the manner provided by law for the foreclosure of a realty mortgage; and (iii) suspending voting and Common Element use rights as provided in this Declaration and/or in the Bylaws. The Association shall have the power to bid in at any foreclosure sale and to purchase, acquire, hold, lease, mortgage and convey any and all Units purchased at such sale.

7.6 Subordination of Assessment Lien to Mortgages. The Assessment Lien shall be subordinate to the lien of any First Mortgage. Any First Mortgagee or any other party acquiring title or coming into possession of a Unit through foreclosure of a First Mortgage, purchase at a foreclosure sale or trustee sale, or through any equivalent proceedings, such as, but not limited to, the taking of a deed in lieu of foreclosure, shall acquire title free and clear of any claims for unpaid Assessments and Collection Costs against the Unit which became payable prior to such sale or transfer. Any Assessments or Collection Costs which accrue against a Unit prior to the sale or transfer of such Unit shall remain the obligation of the defaulting Unit Owner.

7.7 Exemption of Unit Owner. No Unit Owner may exempt himself from liability for payment of Assessments or Collection Costs by waiver and nonuse of any of the Common Elements and facilities or by the abandonment of his Unit.

7.8 Certificate of Payment. The Association, on written request, shall furnish to a lienholder, Unit Owner or Person designated by a Unit Owner, a recordable statement setting forth the amount of unpaid Assessments and Collection Costs against his Unit. The statement shall be furnished within fifteen (15) business days after receipt of the request and is binding on the Association, the Board of Directors, and every Unit Owner. The Association may charge a reasonable fee in an amount established by the Board of Directors for each such statement. In

addition, the Association shall furnish such statements as may be required under A.R.S. §33-1260 of the Condominium Act within the time frames set forth therein for compliance.

7.9 No Offsets. All Assessments and Collection Costs, and other fees and charges shall be payable in accordance with the provisions of this Declaration, and no offsets against such Assessments, Collection Costs and other fees and charges shall be permitted for any reason, including, without limitation, a claim that the Association is not properly exercising its duties and powers as provided in the Condominium Documents or the Condominium Act.

7.10 Working Capital Fund. Upon the closing of the sale of each Unit by Declarant, the Purchaser shall pay to the Association an amount equal to one-sixth (1/6) of the Common Expense Assessment for the Unit to establish a working capital fund to meet unforeseen expenditures or to purchase any additional equipment or services by or for the Association. Amounts paid to the Association pursuant to this Section 7.10 shall be nonrefundable and shall not be considered as an advance payment of any Assessments levied by the Association pursuant to this Declaration. During the Period of Declarant Control, such funds shall not be used to defray Association expenses, reserve contributions, or construction costs or to make up budget deficits and shall be transferred to a segregated fund maintained by the Board upon the expiration or earlier termination of the Period of Declarant Control. The sums due from a Purchaser at closing of a Unit under this Section 7.10 shall be in addition to the Initial Usage Set-Up Fees set forth in Section 6.6 above.

7.11 Surplus Funds. Surplus funds of the Association remaining after payment of or provisions for Common Expenses and any prepayment of reserves may in the discretion of the Board of Directors either be returned to the Unit Owners pro rata in accordance with each Unit Owner's Common Expense Liability or left in the Association's general operating account to be applied against anticipated Common Expenses in the budget for future Common Expense Assessments.

7.12 Monetary Penalties. In accordance with the procedures set forth in the Bylaws, the Board of Directors shall have the right to levy reasonable monetary penalties against a Unit Owner secured by the Assessment Lien for violations of the Condominium Documents.

7.13 Transfer Fee. Each Purchaser of a Unit shall pay to the Association immediately upon becoming a Unit Owner a transfer fee in such amount as is established from time to time by the Board of Directors, not exceeding one-twelfth of the then current Annual Assessment. The transfer fee may be paid to the Managing Agent of the Association, other than Declarant, as partial compensation for maintaining the books and records of the Association. Any transfer fee established pursuant to this Section 7.13 is in addition to and not part of or in lieu of the fee which the Association is entitled to charge for the Certificate provided pursuant to Section 7.8 of this Declaration and A.R.S. §33-1260(C) of the Condominium Act.

7.14 Reserves. The Assessments shall include a reasonable amount for reserves as determined by the Board of Directors for the future periodic maintenance, repair or replacement of all or a portion of the Common Elements, or any other purpose as determined by the Board of

Directors. All amounts collected as reserves, whether pursuant to this Section 7.14 or otherwise, shall be deposited by the Board of Directors in a separate bank account (the "**Reserve Account**") for any period commencing after the termination of the Period of Declarant Control. All funds in the Reserve Account shall be held in trust for the purposes for which they are collected and are to be segregated from and not commingled with other Association funds. Such reserves shall be deemed a contribution to the capital account of the Association by the Members. The Board of Directors shall not expend funds from the Reserve Account for any other purpose other than those purposes for which they are collected. After the Period of Declarant Control expires or Declarant waives its right to appoint officers and directors as provided in Section 6.01(C) above, withdrawal of funds from the Reserve Account shall require the signatures of two members of the Board of Directors or one member of the Board and an officer of the Association who is not also a Board member. After the termination of the Period of Declarant Control, the Board of Directors shall obtain a reserve study at least once every five (5) years, which study shall at a minimum include: (i) identification of the major components of the Common Elements having a remaining useful life of less than thirty (30) years as of the date of the study and their estimated probable remaining useful life; (ii) an estimate of the cost of maintenance, repair, replacement, restoration of such Common Elements during and at the end of their useful life; (iii) an estimate of the annual contribution to the Reserve Account necessary to defray such costs, after subtracting the funds in the Reserve Account as of the date of the study. The Board of Directors shall modify the budget in accordance with the findings of the reserve study.

ARTICLE 8 INSURANCE

8.0 Scope of Coverage.

(A) Commencing not later than the date of the first conveyance of a Unit to a an Owner other than Declarant, the Association shall maintain, to the extent reasonably available, the following insurance coverage:

(i) Property insurance on the entire Condominium, exclusive of Improvements and betterments or Improvements which were supplied or installed by Unit Owners and furniture, furnishings or personal property of the Unit Owners. The policy is to be issued on blanket causes of loss - "Special Form" policy or its equivalent with sprinkler leakage, debris removal and water damage endorsements, as applicable. Such property insurance shall cover the interests of the Association, the Board of Directors and all Unit Owners and their mortgagees (as their interests may appear) (subject, however, to the loss payment adjustment provisions in favor of the Insurance Trustee) in an amount equal to one hundred percent (100%) of the current replacement cost of the Condominium, exclusive of land, excavations, foundations and other items normally excluded from such coverage, without deduction for depreciation. The replacement cost shall be reviewed annually by the Board of Directors with the assistance of the insurance company affording such coverage. The Board of Directors shall also obtain and maintain such coverage on all personal property owned by the Association.

(ii) Broad form Commercial General Liability insurance, for a limit to be determined by the Board, but not less than \$1,000,000.00 for any single occurrence and \$2,000,000 general aggregate. Such insurance shall cover all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the Common Elements or arising out of the Association's maintenance of any part of the Unit. Such policy may include, at the discretion of the Board, medical payments insurance and contingent liability coverage arising out of the use of hired and nonowned automobiles and coverage for any legal liability that results from law suits related to employment contracts in which the Association is a party.

(iii) Workmen's compensation insurance to the extent necessary to meet the requirements of the laws of Arizona and a policy of employer's liability insurance with coverage limits as the Board may determine from time to time, if the Association employs any Persons.

(iv) Directors' and officers' liability insurance covering all the directors and officers of the Association in such limits as the Board of Directors may determine from time to time.

(v) Blanket fidelity bond coverage for all officers, directors, trustees and employees of the Association and all other Persons handling or responsible for funds of or administered by the Association including, without limitation, any Managing Agent, whether or not the Managing Agent receives compensation for its services. The total amount of the fidelity bonds maintained by the Association shall be based on the best business judgment of the Board, but shall not be less than the estimated funds, including the Reserve Account, in the custody of the Association or Managing Agent, as the case may be, at any given time during the term of the bond or the sum equal to three (3) months' aggregate Common Expense Assessments on all Units plus the Reserve Account amount. Fidelity bonds obtained by the Association shall name the Association as an obligee, shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of Persons serving without compensation from the definition of "employees" or similar terms or expressions; shall provide that they may not be cancelled or substantially modified without at least ten (10) days' prior notice to the Association and each First Mortgagee named in the bond. In the case the Association employs a Managing Agent to manage the Common Elements and to handle the general affairs of the Association, the Board of Directors shall require the Managing Agent to maintain the fidelity bond required of the Association pursuant to this Section 8.0(A).

(vi) Such other insurance as the Association shall determine from time to time to be appropriate to protect the Association, the members of the Board of Directors, or the Unit Owners, including, without limitation, umbrella general liability insurance which would provide general liability coverage in excess of the coverage provided by the policy to be obtained pursuant to Section 8.0(A)(ii).

(B) The insurance policies purchased by the Association shall, to the extent reasonably available, contain the following provisions:

(i) Each Unit Owner shall be an insured under the policy with respect to liability arising out of his ownership of an undivided interest in the Common Elements or his membership in the Association.

(ii) There shall be no subrogation with respect to the Association, its agents, servants, its Board of Directors or officers thereof, and employees against Unit Owners and members of their household.

(iii) No act or omission by any Unit Owner, unless acting within the scope of his authority on behalf of the Association, shall void the policy or be a condition to recovery on the policy.

(iv) The coverage afforded by such policy shall be primary and shall not be brought into contribution or proration with any insurance which may be purchased by Unit Owners or their mortgagees or beneficiaries under deeds of trust.

(v) A "severability of interest" endorsement which shall preclude the insurer from denying the claim of a Unit Owner because of the negligent acts of the Association or other Unit Owners.

(vi) The Association shall be the insured for use and benefit of the individual Unit Owners (designated by name if required by the insurer).

(vii) For policies of property insurance, a standard mortgagee clause providing that the insurance carrier shall notify the Association and each First Mortgagee named in the policy at least ten (10) days in advance of the effective date of any substantial change in coverage or cancellation of the policy.

(viii) Any Insurance Trust Agreement will be recognized by the insurer.

(ix) Such coverage shall not be contingent upon action by the insurance carrier's board of directors, policyholders or members or permit claims for contribution or assessments to be made against Unit Owners or their mortgagees, including Eligible Mortgage Holders, or Eligible Insurers or Guarantors.

(x) If the Condominium is located in an area identified by the Secretary of Housing and Urban Development as an area having special flood hazards, a "blanket policy" of flood insurance on the Condominium in the lesser of one hundred percent (100%) of the current replacement cost of the Buildings and any other property covered on the required form of policy or the maximum limit of coverage available under the National Insurance Act of 1968, as amended.

(xi) "Agreed Amount and Inflation Guard," and "Building Ordinance or Law" endorsements, except where expressly not applicable or not available.

8.1 Payment of Premiums/Deductibles. Premiums for all insurance obtained by the Association pursuant to this Article and all deductibles thereunder shall be Common Expenses and shall be paid for by the Association; provided, however, the Association may assess to a Unit Owner any deductible amount expended as a result of the negligence, misuse or neglect for which such Unit Owner is legally responsible under this Declaration and Arizona law. The Board of Directors may select deductibles in reasonable amounts applicable to the insurance coverage maintained by the Association pursuant to Section 8.0(A) above to reduce the cost to the Association for such insurance.

8.2 Insurance Obtained by Unit Owners/Non-Liability of Association. Each Unit Owner shall be responsible for obtaining the following insurance coverage for his own benefit and at his own expense: (a) property insurance covering his personal property located on his Unit and any Modifications to his Unit (whether installed by such Owner or any prior Unit Owner); and (b) personal liability coverage and such other coverages as are not provided by the Association pursuant to this Article 8. Notwithstanding the obligation of the Association to obtain insurance coverage as stated in this Declaration, neither the Declarant nor the Association, or their respective officers, directors, employees and agents, shall be liable to any Unit Owner or any other party if any risks or hazards are not covered by the insurance to be maintained by the Association or if the amount of the insurance is not adequate, and it shall be the responsibility of each Unit Owner to ascertain the coverage and protection afforded by the Association's insurance and to procure and pay for any additional insurance coverage and protection that the Unit Owner may desire. All policies of property insurance carried by Unit Owners shall be without contribution with respect to the policies of property insurance obtained by the Board of Directors for the benefit of all Unit Owners pursuant to Section 8.0(A) above. No Unit Owner shall separately insure his Unit against loss by fire or other casualty covered by any insurance carried by the Association. If any Unit Owner violates this provision, any diminution in insurance proceeds otherwise payable under the Association's policies that results from the existence of other insurance will be chargeable to the Unit Owner who acquired other insurance as an Enforcement Assessment.

8.3 Payment of Insurance Proceeds. Any loss covered by property insurance obtained by the Association in accordance with this Article 8 shall be adjusted with the Association and the insurance proceeds shall be payable to the Association and not to any mortgagee or beneficiary under a deed of trust. The Association shall hold any insurance proceeds in trust for Unit Owners and lienholders as their interests may appear, and the proceeds shall be disbursed and applied as provided for in §33-1253 of the Condominium Act.

8.4 Insurance Trust. Notwithstanding any of the other provisions of this Article 8 to the contrary, there may be named as an insured, on behalf of the Association, the Association's authorized representative, including any trustee with whom the Association may enter into any Insurance Trust Agreement or any successor to such trustee who shall have exclusive authority to negotiate losses under any policy providing such property or liability insurance and to perform such other functions as are necessary to accomplish such purpose. Each Unit Owner appoints the Association, or any insurance trustee or substitute insurance trustee designated by the Association, as attorney-in-fact for the purpose of purchasing and

maintaining such insurance, including: (i) the collection and appropriate disposition of the proceeds thereof; (ii) the negotiation of losses and execution of releases of liability; (iii) the execution of all documents; and (iv) the performance of all other acts necessary to accomplish such purposes.

8.5 Automatic Reconstruction. Any portion of the Condominium for which insurance is maintained by the Association (including, without limitation, any Residential Dwelling, Garage Structure or other Improvement on the Common Elements or Unit) which is damaged or destroyed shall be repaired or replaced promptly by the Association unless: (a) the Condominium is terminated; (b) repair or replacement would be illegal under any state or local health or safety statute or ordinance; or (c) eighty percent (80%) of the Unit Owners, including every Owner of a Unit or allocated Limited Common Element which will not be rebuilt, vote not to rebuild. The cost of repair or replacement of the damaged or destroyed portion of the Condominium in excess of insurance proceeds and reserves shall be a Common Expense and shall be assessed to the Members as a Special Assessment pursuant to Section 7.2 of this Declaration. If eighty percent (80%) of the Unit Owners vote not to rebuild Improvements on a Unit and the Condominium is not terminated in accordance with the Condominium Act, the insurance proceeds shall be distributed first to those Unit Owners whose Improvements on their Unit will not be rebuilt in proportion to their interests in the Common Elements as set forth in Section 2.3 above or to their lienholders as their interests may appear. The remainder of the proceeds shall be distributed to all Unit Owners or lienholders as their interests may appear in proportion to the Common Element interests of all the Units. The distribution of insurance proceeds in the event of a termination of the Condominium shall be governed by the provisions of A.R.S. §33-1228 of the Condominium Act, as amended from time to time, if such provisions are inconsistent with this Article 8.

8.6 Certificate of Insurance. An insurer that has issued an insurance policy pursuant to this Article 8 of the Declaration shall issue certificates or memoranda of insurance to the Association and, on written request, to any Unit Owner, mortgagee, or beneficiary under a Deed of Trust. The insurer issuing the policy shall not cancel or refuse to renew it until thirty (30) days after notice of the proposed cancellation or nonrenewal has been mailed to the Association, each Unit Owner, and each mortgagee or beneficiary under a deed of trust to whom a certificate or memorandum of insurance has been issued at their respective last known address.

ARTICLE 9 RIGHTS OF FIRST MORTGAGEES

9.0 Notification to First Mortgagees. Upon receipt by the Association of a written request from a First Mortgagee or insurer or governmental guarantor of a First Mortgage informing the Association of its correct name and mailing address and number or address of the Unit to which the request relates, the Association shall provide such Eligible Mortgage Holder or Eligible Insurer or Guarantor with timely written notice of the following:

(A) Any condemnation loss or any casualty loss which affects a material portion of the Condominium or any Unit on which there is a First Mortgage held, insured or guaranteed by such Eligible Mortgage Holder or Eligible Insurer or Guarantor;

(B) Any delinquency in the payment of Assessments or charges owed by a Unit Owner subject to a First Mortgage held, insured or guaranteed by such Eligible Mortgage Holder or Eligible Insurer or Guarantor or any obligation under the Condominium Documents, which delinquency or default remains uncured for the period of sixty (60) days;

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

(D) Any proposed action which requires the consent of a specified percentage of Eligible Mortgage Holders as set forth in Section 9.1 of this Declaration.

9.1 Approval Required for Amendment to Condominium Documents.

(A) The approval of Unit Owners representing at least sixty-seven percent (67%) of the total allocated votes in the Association and of Eligible Mortgage Holders holding First Mortgages on Units the Unit Owners of which have at least fifty-one percent (51%) of the votes in the Association allocated to Unit Owners of all Units subject to First Mortgages held by Eligible Mortgage Holders shall be required to add or amend any material provisions of the Condominium Documents which establish, provide for, govern or regulate any of the following:

(i) voting rights; (ii) Assessments, Assessment Liens, or subordination of Assessment Liens; (iii) reserves for maintenance, repair and replacement of Common Elements; (iv) insurance or fidelity bonds; (v) responsibility for maintenance and repairs; (vi) expansion or contraction of the Condominium, or the addition of property to Condominium (other than the addition of the Future Annexable Property); (vii) boundaries of any Unit; (viii) reallocation of interests in the Common Elements or Limited Common Elements or rights to their use; (ix) convertibility of Units into Common Elements or of Common Elements into Units; (x) leasing of Units; (xi) imposition of any restriction on a Unit Owner's right to sell or transfer his Unit; (xii) a decision by the Association to establish self-management when professional management had been required previously by an Eligible Mortgage Holder; (xiii) restoration or repair of the Condominium (after hazard damage or partial condemnation) in a manner other than specified in the Condominium Documents or Arizona law; (xiv) any action to terminate the legal status of the Condominium after substantial destruction or condemnation occurs; and (xv) any provisions which expressly benefit First Mortgagees, Eligible Mortgage Holders or Eligible Insurers or Guarantors.

(B) Any First Mortgagee who receives a written request to approve additions or amendments to any of the Condominium Documents, which additions or amendments are not material, who does not deliver or mail to the requesting party a negative response within thirty (30) days shall be deemed to have approved such request. Any addition or amendment to the

Condominium Documents shall not be considered material if it is for the purpose of correcting technical errors or for clarification only.

(C) The approvals required by this section shall not apply to amendments that may be executed by Declarant in the exercise of its Development Rights.

9.2 Prohibition Against Right of First Refusal. The right of a Unit Owner to sell, transfer or otherwise convey his Unit shall not be subject to any right of first refusal or similar restriction. This Section 9.2 may not be amended without the consent of all First Mortgagees then of record.

9.3 Right of Inspection of Records. Any Unit Owner, First Mortgagee or Eligible Insurer or Guarantor shall, upon written request, be entitled to: (i) inspect, during normal business hours, the current copies of the Condominium Documents and the books, records and any financial statements of the Association as have been prepared or are available, including the most recent annual audit, review or compilation of the Association prepared and made available by the Association in accordance with the requirements of A.R.S. §33-1243; and (ii) receive written notice of all meetings of the Members of the Association and be permitted to designate a representative to attend all such meetings. Without limiting the foregoing, all First Mortgagees and Eligible Insurers or Guarantors shall be entitled to receive, within a reasonable time after request, an audited financial statement of the Association for the immediately preceding fiscal year of the Association and, in any event, not later than one hundred twenty (120) days after the Association's fiscal year end. Notwithstanding the foregoing, the Board of Directors may withhold from disclosure such books, records and documents of the Association, or portions thereof, designated under the Board of Directors may withhold from disclosure such books, records and documents of the Association, or portions thereof, designated under A.R.S. §33-1258 of the Arizona Nonprofit Corporation Act. The Association shall have the right to charge for copying expenses and the reasonable cost of postage, shipping or transmission of any information requested under this Section 9.3 or Arizona law.

9.4 Prior Written Approval of First Mortgagees. Except as provided by statute in case of condemnation or substantial loss to the Units or the Common Elements, unless at least two-thirds (2/3) of all First Mortgagees (based upon one vote for each First Mortgage owned) or Unit Owners (other than Declarant or other sponsor, developer or builder of the Condominium) of the Units have given their prior written approval, the Association shall not be entitled to:

(A) By act or omission, seek to abandon or terminate this Declaration or the Condominium;

(B) Change the pro rata interest or obligations of any individual Unit for the purpose of: (i) levying Assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards; or (ii) determining the pro rata share of ownership of each Unit in the Common Elements;

(C) Partition or subdivide any Unit;

(D) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements shall not be deemed a transfer within the meaning of this subsection;

(E) Use hazard insurance proceeds for losses to any Units or the Common Elements for any purpose other than the repair, replacement or reconstruction of such Units or the Common Elements.

Nothing contained in this section or any other provision of this Declaration shall be deemed to grant the Association the right to partition any Unit without the consent of the Owners thereof. Any partition of a Unit shall be subject to such limitations and prohibitions as may be set forth elsewhere in this Declaration or as may be provided under Arizona law. All Unit Owners, by acceptance of the deed to their Unit, are deemed to approve the addition of the Future Annexable Property to the Condominium as and when such additions occur without any further approvals under this Declaration, including this Article 9, being required.

9.5 Liens Prior to First Mortgage. All taxes, assessments, and charges which may become liens prior to the First Mortgage under local law shall relate only to the individual Unit and not to the Condominium as a whole.

9.6 Condemnation or Insurance Proceeds. No Unit Owner, or any other party, shall have priority over any rights of any First Mortgagee of the Unit pursuant to its mortgage in the case of a distribution to such Unit Owner of insurance proceeds or condemnation awards for losses to or a taking of Units and/or Common Elements. Subject to the foregoing, the allocation of awards for the exercise of eminent domain, or deeds in lieu thereof, shall be governed by the provisions of §33-1206 of the Condominium Act.

9.7 Limitation on Partition and Subdivision. No Unit shall be partitioned or subdivided without the prior written approval of any First Mortgagee of that Unit. This Section 9.7 may not be amended without the consent of all First Mortgagees then of record.

9.8 Restoration or Repair of Condominium. Any restoration or repair of the Condominium after a partial condemnation or change due to an insurable hazard shall be substantially in accordance with this Declaration and the original plans and specifications unless the approval of Eligible Mortgage Holders holding mortgages on Units to which at least fifty one percent (51%) of the votes in the Association allocated to Units subject to First Mortgages held by Eligible Mortgage Holders is obtained.

9.9 Conflicting Provisions. In the event of any conflict or inconsistency between the provisions of this Article 9 and any other provision of the Condominium Documents, the provisions of this Article 9 shall prevail; provided, however, that in the event of any conflict or inconsistency between the different sections of this Article 9 and any other provision of the Condominium Documents with respect to the number or percentage of Unit Owners, First

Mortgagees, Eligible Mortgage Holders or Eligible Insurers or Guarantors that must consent to (i) an amendment to any of the Condominium Documents; (ii) a termination of the Condominium; or (iii) certain actions of the Association as specified in Sections 9.1 and 9.4 of this Declaration, the provision requiring the consent of the greatest number or percentage of Unit Owners, First Mortgagees, Eligible Mortgage Holders or Eligible Insurers or Guarantors shall prevail.

ARTICLE 10 ENFORCEMENT

10.0 General Right of Enforcement. Subject to the further provisions of Article 11, the Association, or any Unit Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens or charges now or hereafter imposed by the provisions of the Condominium Documents. Failure by the Association or by any Unit Owner to enforce any covenant or restriction contained in the Condominium Documents shall in no event be deemed a waiver of the right to do so thereafter.

10.1 Items of Construction/Equitable Relief. As provided in Section 4.3(G) and Section 10.2 of this Declaration, Declarant, the Association, and/or any Unit Owner shall have the right to use summary abatement or similar means to enforce the restrictions set forth in this Declaration, provided, however, a judicial decree authorizing such action must be obtained before any items of construction or any Modification can be altered or demolished by any Person other than the Unit Owner who caused the Modification to be made. Each Unit Owner shall be subject to all rights and duties assigned to Unit Owners under this Declaration.

10.2 Enforcement by Association. The Association may enforce the Condominium Documents in any manner provided for in the Condominium Documents or by law or in equity, including, but not limited to:

(A) imposing reasonable monetary penalties after notice and hearing as provided in the Bylaws and secured by the Assessment Lien as provided in this Declaration. A Unit Owner shall be responsible for payment of any fine levied or imposed against a Unit Owner as a result of the actions or omissions of the Unit Owner, his Lessee or Resident or their respective Invitees;

(B) suspending a Unit Owner's right to vote for as long as the Unit Owner is in violation of any provision of these Condominium Documents;

(C) suspending any Person's right to use any facilities within the Common Elements, provided, however, that nothing shall authorize the Board to limit ingress or egress to or from a Unit;

(D) suspending any services provided by the Association to a Unit Owner or the Unit Owner's Unit if the Unit Owner is more than fifteen (15) days' delinquent in paying any Assessment or other charge owed to the Association;

(E) exercising self-help or taking action to abate any violation of the Condominium Documents or to remove any structure of Improvement further subject to any limitations of Arizona law and the provisions of Section 10.2 of this Declaration;

(F) without liability to any Person, prohibiting any Invitee of a Unit Owner, Lessee or other Resident who fails to comply with the terms and provisions of the Condominium Documents from continuing or performing any further activities on the Condominium;

(G) towing Vehicles which are parked in violation of this Declaration or the Rules as further provided in Section 4.12 of this Declaration;

(H) filing a suit at law or in equity to enjoin a violation of the Condominium Documents, to compel compliance with the Condominium Documents, to recover Assessments, Collection Costs, and damages and/or to obtain such other relief as to which the Association may be entitled, including the remedies provided for in Section 7.5 of this Declaration;

(I) Recording a written notice of violation by any Unit Owner of any restriction or provision of the Condominium Documents as further provided in Section 12.17 of this Declaration; and

(J) Recording an Assessment Lien against a Unit as provided in Section 7.5(B) of this Declaration and the Condominium Act.

10.3 Limited Enforcement Obligation. The Association shall not be obligated to take any enforcement action if the Board of Directors determines, in its sole discretion, that, because of the strength of the Association's possible defenses, the time and expense of litigation or other enforcement action, the likelihood of a result favorable to the Association, or other facts deemed relevant by the Board of Directors, enforcement action would not be appropriate or in the best interests of the Association.

ARTICLE 11 CONSTRUCTION CLAIMS AND CONDOMINIUM DISPUTE RESOLUTION PROCEDURES

11.0 Dispute Notification and Resolution Procedure.

(A) It is Declarant's intent that the Common Elements, each Unit, the Residential Dwellings, and all other Improvements constructed within the Condominium be built in compliance with all applicable building codes and ordinances and that they be of a quality that is consistent with good construction and development practices for housing of this type. Nevertheless, due to the complex nature of construction and the subjectivity involved in evaluating such quality, disputes may arise as to whether a defect exists and Declarant's responsibility therefor. It is Declarant's intent to resolve all Disputes and Claims (as defined below) amicably, and without the necessity of time-consuming and costly litigation.

Accordingly, the Association, Board and all Unit Owners shall be bound by the following Dispute resolution procedure set forth in this Article 11.

(B) All actions or claims (i) by the Association against any one or more of Declarant, its builders, general contractors or brokers or their agents, employees or representatives (collectively, the "**Declarant Parties**"), (ii) by any Unit Owner(s) against any one or more of the Declarant Parties, or (iii) by both the Association and any Unit Owner(s) against anyone or more of the Declarant Parties, relating to or in any way arising out of the Condominium, including but not limited to, any provision of the Declaration or construction of or any condition on or affecting the Condominium including, but not limited to, construction defects, surveys, soils conditions, grading, specifications, installation of improvements (including, but not limited to, Units) or disputes which allege negligence or other tortious conduct, breach of contract or breach of implied or express warranties relating to the condition of the Condominium or any Improvements or financial matters relating to the Condominium or the Association (collectively, "**Dispute(s)**") shall be subject to the provisions of this Article 11. Declarant and each Unit Owner acknowledge that the provisions set forth in this Article 11 shall be binding upon current and future Unit Owners and upon the Association, whether acting for itself or on behalf of any Unit Owner(s).

11.1 Notice. Any Person (including the Association) with a Dispute claim shall notify the Declarant in writing of the claim, which writing shall describe the nature of the claim and any proposed remedy (the "**Claim Notice**").

11.2 Right to Inspect and Right to Corrective Action. If the Dispute relates to an alleged construction defect, Declarant and the claimant shall meet at a mutually acceptable place within the Condominium to discuss the claim within a reasonable period after receipt of the Claim Notice, which period shall not exceed sixty (60) days. At such meeting or at such other mutually agreeable time, the Declarant and the Declarant's representatives shall have full access to the property that is the subject of the claim and shall have the right to conduct inspections, testing and/or destructive or invasive testing of the same in a manner deemed appropriate by Declarant (provided Declarant shall repair or replace any property damaged or destroyed during such inspection or testing), which rights shall continue until such time as the Dispute is resolved as provided in this Article 11. The parties shall negotiate in good faith in an attempt to resolve the claim. If the Declarant elects to take any corrective action, Declarant and Declarant's representatives and agents shall be provided full access to the Condominium and the property which is the subject of the Claim Notice to take and complete corrective action.

11.3 No Additional Obligations; Irrevocability and Waiver of Right. Nothing set forth in this Article 11 shall be construed to impose any obligation on Declarant to inspect, test, repair or replace any item of the Condominium for which Declarant is not otherwise obligated under applicable law or any limited warranty provided by Declarant in connection with the sale of the condominium and/or the improvements constructed thereon. The right of the Declarant to enter, inspect, test, repair and/or replace reserved hereby shall be irrevocable and may not be waived or otherwise terminated except by a writing, in recordable form executed and recorded by Declarant in the Official Records of Maricopa County, Arizona.

11.4 Mediation. If the parties to the Dispute cannot resolve the Claim pursuant to the procedures described in Section 11.2 above, the matter shall be submitted to mediation pursuant to the mediation procedures adopted by the American Arbitration Association (except as such procedures are modified by the provisions of this Article 11) or any successor thereto or to any other entity offering mediation services that is acceptable to the parties. No person shall serve as a mediator in any dispute in which the person has any financial or personal interest in the result of the mediation, except by the written consent of all parties. Prior to accepting any appointment, the prospective mediator shall disclose any circumstances likely to create a presumption of bias or to prevent a prompt commencement of the mediation process. No litigation or other action shall be commenced against the Declarant without complying with the procedures described in this Section 11.4.

11.5 Position Memoranda; Pre-Mediation Conference. Within ten (10) days of the selection of the mediator, each party shall submit a brief memorandum setting forth its position with regard to the issues that need to be resolved. The mediator shall have the right to schedule a pre- mediation conference and all parties shall attend unless otherwise agreed. The mediation shall be commenced within ten (10) days following the submittal of the memoranda and shall be concluded within fifteen (15) days from the commencement of the mediation unless the parties mutually agree to extend the mediation period. The mediation shall be held in Maricopa County or such other place as is mutually acceptable by the parties.

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

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

11.8 Parties Permitted at Sessions. Persons other than the parties, the representatives and the mediator may attend mediation sessions only with the permission of both parties or by witnesses in the course of the mediator while serving in such capacity shall be confidential. There shall be no stenographic record of the mediation process.

11.9 Expenses. The expenses of witnesses for either side shall be paid by the party producing such witnesses. All other expenses of the mediation, including, but limited to, the fees and costs charged by the mediator and the expenses of any witnesses or the cost of any proof or expert advice produced at the direct request of the mediator, shall be borne equally by the parties unless they agree otherwise. Each party to the mediation shall bear its own attorney's fees and costs in connection with such mediation.

11.10 Arbitration. Should mediation pursuant to Section 11.4 above not be successful in resolving any Dispute which is the subject of a Claim Notice, such Dispute shall be resolved

by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association as modified or as otherwise provided in this Article 11. The parties shall cooperate in good faith to attempt to cause all necessary and appropriate parties to be included in the arbitration proceeding. Subject to the limitations imposed in this Article 11, the arbitrator shall have the authority to try all issues, whether of fact or law.

11.11 Place. The arbitration proceedings shall be heard in Maricopa County.

11.12 Arbitrator. A single arbitrator shall be selected in accordance with the rules of the American Arbitration Association from panels maintained by the Association with experience in relevant real estate matters or construction. The arbitrator shall not have any relationship to the parties or interest in the Condominium. The parties to the Dispute shall meet to select the arbitrator within ten (10) days after the service of the initial complaint on all defendants named therein.

11.13 Commencement and Timing of Proceeding. The arbitrator shall promptly commence the proceeding at the earliest convenient date in light of all the facts and circumstances and shall conduct the proceeding without undue delay.

11.14 Pre-hearing Conferences. The arbitrator may require one or more pre-hearing conferences.

11.15 Discovery. The parties shall be entitled only to limited discovery, consisting of the exchange between the parties of only the following matters: (i) witness lists; (ii) expert witness designations; (iii) expert witness reports; (iv) exhibits; (v) reports of testing or inspections of the property subject to the Dispute, including but not limited to, destructive or invasive testing; and (vi) trial briefs. The parties shall also be entitled to conduct further tests and inspections as provided in Section 11.2 above. Any other discovery shall be permitted by the arbitrator upon a showing of good cause or based on the mutual agreement of the parties. The arbitrator shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

11.16 Limitation on Remedies/Prohibition on the Award of Punitive Damages. The arbitrator shall not have the power to award punitive or consequential damages. As further provided below, the right to punitive and consequential damages is waived by the parties. The arbitrator shall have the power to grant all other legal and equitable remedies and award compensatory damages in the proceeding.

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

11.18 Arbitration Award. The arbitrator's award may be enforced as provided for in the Uniform Arbitration Act, A.R.S. 12-1501, et seq., or such similar law governing enforcement of awards in a trial court as is applicable in the jurisdiction in which the arbitration is held.

11.19 Waivers. NOTICE: BY ACCEPTANCE OF A DEED OR BY ACQUIRING ANY OWNERSHIP INTEREST IN ANY PORTION OF THE CONDOMINIUM, EACH PERSON, FOR HIMSELF OR HERSELF, HIS OR HER HEIRS, PERSONAL REPRESENTATIVES, SUCCESSORS, TRANSFEREES AND ASSIGNS, AGREES TO HAVE ANY DISPUTE RESOLVED ACCORDING TO THE PROVISIONS OF THIS ARTICLE 11 AND WAIVES THE RIGHT TO PURSUE ANY DISPUTE IN ANY MANNER OTHER THAN AS PROVIDED IN THIS ARTICLE 11. THE ASSOCIATION, EACH UNIT OWNER AND DECLARANT ACKNOWLEDGE THAT BY AGREEING TO RESOLVE ALL DISPUTES AS PROVIDED IN THIS ARTICLE 11, THEY ARE GIVING UP THEIR RESPECTIVE RIGHTS TO HAVE SUCH DISPUTES TRIED BEFORE A JURY. THE ASSOCIATION, EACH UNIT OWNER AND DECLARANT FURTHER WAIVE THEIR RESPECTIVE RIGHTS TO AN AWARD OF PUNITIVE AND CONSEQUENTIAL DAMAGES RELATING TO A DISPUTE. BY ACCEPTANCE OF A DEED OR BY ACQUIRING ANY OWNERSHIP INTEREST IN ANY PORTION OF THE CONDOMINIUM, EACH UNIT OWNER HAS VOLUNTARILY ACKNOWLEDGED THAT HE IS GIVING UP ANY RIGHTS HE MAY POSSESS TO PUNITIVE AND CONSEQUENTIAL DAMAGES OR THE RIGHT TO A TRIAL BEFORE A JURY RELATING TO A DISPUTE.

11.20 Statutes of Limitation. Nothing contained in this Article 11 shall be considered to toll, stay, reduce or extend any applicable statute of limitations.

11.21 Required Consent of Declarant to Modify. Neither this Section 11.21 nor Section 11.22 below may be amended except in accordance with Section 12.5 of this Declaration **and** with the express written consent of the Declarant.

11.22 Required Consent of Unit Owners for Legal Action. Notwithstanding anything to the contrary contained in this Declaration: (i) any action or Claim instituted by the Association against anyone or more of the Declarant Parties, relating to or arising out of the Condominium, the Declaration or any other Condominium Documents, the use or condition of the Condominium or the design or construction of or any condition on or affecting the Condominium, including, but not limited to, construction defects, surveys, soils conditions, grading, specifications, installation of improvements (including, but not limited to, Units) or (ii) disputes which allege negligence or other tortious conduct, breach of contract or breach of implied or express warranties as to the condition of the Condominium or any improvements; and for which the claimed or alleged damages or the current economic value of other available remedies would exceed \$25,000 in the aggregate shall have first been approved by Unit Owners representing not less than seventy-five percent (75%) of the votes allocated in the Membership (other than votes allocated to Declarant or any other Unit Owner who would be a defendant in such proceedings) who are voting in person or by proxy at a meeting duly called for such purpose. The foregoing restriction shall not apply to: (i) actions to enforce the collection of Assessments (including Collection Costs) or an Assessment Lien; (ii) actions to challenge ad valorem taxation or condemnation proceedings; (iii) actions to defend claims filed against the Association or to assert mandatory counterclaims therein; (iv) actions to enforce any specific covenant hereunder; or (v) or claims brought by a Unit Owner in his individual capacity concerning his Unit and Improvements located solely within his Unit; provided, further that each Unit Owner shall be bound by the mandatory arbitration provisions set forth herein and in any

contract of purchase. In the event of any conflict between the arbitration provisions of this Article 11 and any applicable contract of purchase, the arbitration provisions of the contract of purchase, if any, shall prevail. Otherwise, all provisions of this Article 11 shall be binding upon the Unit Owner. The Association must finance any legal proceeding with monies that are specifically collected for same and may not borrow money or use reserve funds or other monies that are collected for specific Association obligations other than legal fees.

11.23 Notice to Unit Owners. Prior to obtaining the consent of the Unit Owners in accordance with Section 11.22 above, the Association must provide written notice to all Unit Owners which notice shall (at a minimum) include (1) a description of the nature of any action or claim (the "**Claim**"), (2) a description of the attempts of Declarant to correct such Claim and the opportunities provided to Declarant to correct such Claim, (3) a certification from an engineer licensed in the State of Arizona that such Claim is valid along with a description of the scope of work necessary to cure such Claim and a resume of such engineer, (4) the estimated cost to repair such Claim, (5) the name and professional background of the attorney proposed to be retained by the Association to pursue the Claim against Declarant and a description of the relationship between such attorney and member(s) of the Board of Directors (if any), (6) a description of the fee arrangements between such attorney and the Association, (7) the estimated attorneys' fees and expert fees and costs necessary to pursue the Claim against Declarant and the source of the funds which will be used to pay such fees and expenses, (8) the estimated time necessary to conclude the action against Declarant, and (9) an affirmative statement from the Board of Directors that the action is in the best interest of the Association and its Members. In the event the Association recovers any funds from Declarant (or any other Person) to repair a Claim, any excess funds remaining after repair of such Claim shall be paid into the Association's reserve fund.

11.24 Notification to Prospective Purchasers. In the event that the Association commences any action or Claim or has notified the Unit Owners that it has delivered a Claim Notice of a Dispute to any of the Declarant Parties, all Unit Owners must notify prospective Purchasers of a Unit of the existence of such action, Claim or Claim Notice of a Dispute and must provide such prospective purchasers with a copy of the notice received from the Association in accordance with Section 11.23 above or any other notice so received from the Association.

11.25 Arizona Statutory Compliance. In the event a court of competent jurisdiction invalidates all or part of this Article 11 regarding the resolution of Disputes and Claims regarding construction defects and litigation unfortunately becomes necessary, Declarant, the Association, and all Unit Owners shall be bound by the applicable Arizona construction defect statute presently codified at A.R.S. §12-1361 et seq. and A.R.S. §33-2001 et seq.

ARTICLE 12 GENERAL PROVISIONS

12.0 Contract Limitations.

(A) Any agreement for professional management of the Condominium with a Managing Agent entered into by or on behalf of the Association at any time may not exceed a term of three (3) years and must also provide for termination by either party without cause and without payment of a termination fee upon thirty (30) days' or less written notice.

(B) During the Period of Declarant Control, any: (i) employment contract; (ii) lease; and (iii) or agreement of any nature with Declarant, or any member, agent or representative of Declarant or providing for services of Declarant and/or its affiliates, entered into by or on behalf of the Board or the Association must also provide for termination of such contract, lease or agreement by any Board elected by the Unit Owners after the Period of Declarant Control has expired or is terminated. The foregoing limitations shall not apply to bulk service provider contracts such as, without limitation, telephone, communications, satellite or cable TV, utility provider and utility monitoring or other similar service contracts, as long as Declarant, and its affiliates, are not the parties providing such services.

12.1 Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

12.2 Duration. Unless terminated as provided in Section 12.3 of this Declaration, the covenants and restrictions of this Declaration, as amended from time to time, shall run with the land and bind the Condominium in perpetuity. and inure to the benefit of the Unit Owners, Lessees, Residents and all other Persons having or acquiring any right, title or interest in the Condominium, or any part thereof, their heirs, successors in title and assigns.

12.3 Eminent Domain. Subject to the further provisions of this Declaration regarding Mortgagee notice requirements and priority of First Mortgagees in any award as provided in Article 9 above, any partial or total taking of a Unit or any part of the Common Elements shall be governed by the provisions of A.R.S. § 33-1206 of the Condominium Act. If all of the Units are acquired by eminent domain, the Condominium is terminated and the provisions of Section A.R.S. §33-1228 of the Condominium Act applies as further provided in Section 12.4 below. Each Unit Owner hereby appoints the Association as attorney-in-fact for the purpose of negotiations and settlement with condemning authority for the acquisition of the Common Elements or any part thereof. This power of attorney is coupled with an interest, shall be irrevocable, and shall be binding on any heirs, personal representatives, successors or assigns of an Owner.

12.4 Termination of Condominium. Subject to the further provisions of this Declaration regarding Mortgagee notice and consent requirements, the Condominium may be terminated only in the manner provided for in A.R.S. § 33-1228 of the Condominium Act.

12.5 Amendment.

(A) Except in cases of amendments that may be executed by Declarant in the exercise of its Development Rights under this Declaration or under §33-1220 of the Condominium Act, by the Association under §§ 33-1206 or 33-1216(D) of the Condominium Act or this Declaration, or by certain Unit Owners under §§ 33-1218(B), 33-1222, 33-1223 or 33-1228(B) of the Condominium Act, and except to the extent permitted or required by other provisions of the Condominium Act or this Declaration, both the Declaration and the Plat, may be amended only by a vote or written consent of the Unit Owners to which at least sixty-seven percent (67%) of the votes in the Association are allocated. Such amendment pursuant to this Section 12.5(A) may be made at any time and without regard to whether such amendment has uniform application to the Units or the Condominium as a whole. Notwithstanding the foregoing, in the case of a proposed amendment that would solely affect Unit Owners within a Duplex Unit Group or a Triplex Unit Group, as applicable, then the amendment may be adopted only by the vote or written consent of Unit Owners to which at least sixty-seven percent (67%) of the votes in all Triplex or Duplex Unit Groups have consented, without regard to the Condominium as a whole.

(B) Except to the extent expressly permitted or required by the Condominium Act, an amendment to the Declaration shall not create or increase Special Declarant Rights, increase the number of Units or change the boundaries of any Unit, the allocated interest of a Unit, or the use as to which any Unit is restricted, in the absence of unanimous consent of the Unit Owners.

(C) No amendment to Article 11 of the Declaration or purporting to terminate or decrease any unexpired Development Right, Special Declarant Right or Period of Declarant Control shall be effective unless Declarant approves the amendment in writing, regardless of whether Declarant owns any Units at the time of such amendment; provided, further, however, that if Declarant is deemed by any court of applicable jurisdiction not to have such an interest, then, in no event may Article 11 of this Declaration be amended without the consent of one hundred percent (100%) of the then Unit Owners.

(D) During the Period of Declarant Control, Declarant shall have the right to amend the Declaration, including any Recorded Plat, to comply with: (i) the Condominium Act; or (ii) the rules or requirements of any federal, state or local governmental entity or quasi-governmental entity or federal corporation or agency whose approval of the Condominium, the Plat or any other Condominium Document is required by law or requested by Declarant.

(E) During the Period of Declarant Control, Declarant shall have the right to amend the Condominium Documents to: (i) comply with applicable law or correct any error or inconsistency therein if the amendment does not adversely affect the rights of any Unit Owner or (ii) to exercise any Development Right or Special Declarant Right reserved herein in the manner provided in A.R.S. §33-1220 of the Condominium Act.

(F) Any amendment adopted by the Unit Owners pursuant to subsection (A) above shall be signed by the President or Vice-President of the Association and shall be Recorded. Any

such amendment shall certify that the amendment has been approved as required by this section. Any amendment made by Declarant pursuant to subsection (D) or (E) of this section or the Condominium Act shall be executed by Declarant and shall be Recorded.

12.6 Remedies Cumulative. Each remedy provided in Article 10 and elsewhere in this Declaration is cumulative and not exclusive and the exercise of one right or remedy shall not waive the right to exercise another right or remedy.

12.7 Notices. All notices, demands, statements or other communications required to be given or served under this Declaration shall be in writing and shall be deemed to have been duly given and served if delivered personally or sent by United States mail, postage prepaid, return receipt requested, addressed as follows: (i) if to a Unit Owner, at the address at which the Unit Owner shall designate in writing and file with the Association or, if no such address is designated, at the address of the Unit of such Unit Owner or (ii) if to the Association or Declarant, to the last known business address of such Person on file with the Arizona Corporation Commission, and if such address is no longer valid, then to the address of the statutory agent of such Person. A Unit Owner may change his address on file with the Association for receipt of notices by delivering a written notice of change of address to the Association pursuant to this section. A notice given by mail, whether regular, certified or registered, shall be deemed to have been received by the Person to whom the notice was addressed on the earlier of the date the notice is actually received or three days after the notice is mailed. If a Unit is owned by more than one Person, notice to one of the Unit Owners shall constitute notice to all Unit Owners of the same Unit. Each Unit Owner shall file his correct mailing address with the Association, and shall promptly notify the Association in writing of any subsequent change of address.

12.8 Binding Effect. By acceptance of a deed or by acquiring any ownership interest in any portion of the Condominium, each Person, for himself, his heirs, personal representatives, successors, transferees and assigns, binds himself, his heirs, personal representatives, successors, transferees and assigns, to all of the provisions, restrictions, covenants, conditions, easements, rules, and regulations now or hereafter imposed by the Condominium Documents and any amendments thereof. In addition, each such Person by so doing thereby acknowledges that the Condominium Documents set forth a general scheme for the improvement and development of the real property covered thereby and hereby evidences his interest that all the restrictions, conditions, covenants, easements, rules, and regulations contained in the Condominium Documents shall run with the land and be binding on all subsequent and future Unit Owners, grantees, purchasers, assignees, and transferees thereof. Furthermore, each such Person fully understands and acknowledges that the Condominium Documents shall be mutually beneficial, prohibitive and enforceable by the various subsequent and future Unit Owners and all other Persons having any interest in the Condominium. Declarant, its successors, assigns and grantees, covenants and agrees that the Units and the membership in the Association and the other rights created by the Condominium Documents shall not be separated or separately conveyed and each shall be deemed to be conveyed or encumbered with its respective Unit even though the description in the instrument of conveyance or encumbrance may refer only to the Unit.

12.9 Gender. The singular, wherever used in this Declaration, shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions of this Declaration apply to either entities or individuals, or men or women, shall in all cases be assumed as though in each case fully expressed.

12.10 Topic Headings. The marginal or topical headings of the sections contained in this Declaration are for convenience only and do not define, limit or construe the contents of the sections or of this Declaration.

12.11 Survival of Liability. The termination of membership in the Association or the cessation of residency by a Resident shall not relieve or release any such former Unit Owner, Member or Resident from any liability or obligation incurred under, or in any way connected with, the Association or this Declaration during the period of such ownership, membership, or residency or impair any rights or remedies which the Association may have against such former Unit Owner, Member or Resident arising out of, or in any way connected with, such ownership, membership or residency and the covenants and obligations incident thereto.

12.12 Construction. In the event of any discrepancies, inconsistencies or conflicts between the provisions of this Declaration and the provisions of any other Condominium Document, the provisions of this Declaration shall prevail.

12.13 Joint and Several Liability. In the case of joint ownership of a Unit, the liabilities and obligations of each of the joint Unit Owners set forth in, or imposed by, the Condominium Documents shall be joint and several.

12.14 Third Party Compliance. To the extent permitted by law, each Unit Owner shall be responsible for compliance with the Condominium Documents by all Residents of his Unit. In addition, each Unit Owner and Resident of a Unit shall, to the extent permitted by Arizona law, be responsible for compliance with the provisions of the Condominium Documents by each of his Invitees with the provisions of the Condominium Documents. A Unit Owner's or Resident's failure to ensure compliance by such Persons shall be grounds for the same action of enforcement to be available to the Association or any other Unit Owner desiring to enforce this Declaration against such Persons.

12.15 Attorneys' Fees. In the event Declarant, the Association or any Unit Owner employs an attorney or attorneys to enforce an Assessment Lien or to collect any amounts due from a Unit Owner or to enforce compliance with or recover damages for any violation or noncompliance with the Condominium Documents or in any other manner arising out of the Condominium Documents or the operations of the Association as provided in Article 10 and elsewhere in this Declaration, the prevailing party in any such action shall be entitled to recover from the other party his reasonable attorneys' fees incurred in the action.

12.16 Number of Days. In computing the number of days for purposes of any provision of the Condominium Documents, all days shall be counted including Saturdays, Sundays and holidays; provided, however, that if the final day of any time period falls on a

Saturday, Sunday or holiday, then the final day shall be deemed to be the next day which is not a Saturday, Sunday or holiday.

12.17 Notice of Violation. The Association shall have the right, but not the obligation, to record a written notice of a violation by any Unit Owner of any restriction or provision of the Condominium Documents. The notice shall be executed and acknowledged by an officer of the Association and shall contain substantially the following information: (i) the name of the Unit Owner; (ii) the legal description of the Unit against which the notice is being Recorded; (iii) a brief description of the nature of the violation; (iv) a statement that the notice is being Recorded by the Association pursuant to this Declaration; and (v) a statement of the specific steps which must be taken by the Unit Owner to cure the violation. Recordation of a Notice of Violation shall serve as a notice to the Unit Owner and to any subsequent Purchaser of the Unit that there is a violation of the provisions of the Condominium Documents. If, after the recordation of such Notice, it is determined by the Association that the violation referred to in the Notice has been cured, the Association shall record a notice of compliance which shall state the legal description of the Unit against which the Notice of Violation was recorded, the Recording data of the Notice of Violation, and shall state that the violation referred to in the Notice of Violation has been cured, or if such be the case, that it did not exist.

12.18 Declarant's Disclaimer of Representations. While Declarant has no reason to believe that any of the provisions contained 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 provisions of this Declaration. Any Unit Owner acquiring a Unit in reliance on one or more of the provisions in this Declaration shall assume all risks of the validity and enforceability thereof and by acquiring the Unit agrees to hold Declarant harmless therefrom.

12.19 No Absolute Liability. No provision of the Condominium Documents shall be interpreted or construed as imposing on Unit Owners absolute liability for damage to the Common Elements or the Units. Unit Owners shall only be responsible for damage to the Common Elements or Units caused by the negligence or intentional acts of the Unit Owners or other Persons or pets for whom they are legally responsible under Arizona law.

12.20 FHA/VA Approval. During the Period of Declarant Control, the following actions shall require the prior written approval of the Federal Housing Administration or the Veterans Administration: annexation of additional properties (other than the Future Annexable Property), dedication, conveyance or mortgaging of Common Elements, amendment of this Declaration, or amendment or dissolution of the Articles of the Association or merger or consolidation of the Association with any other non-profit or other entity.

12.21 References to VA and FHA. In various places throughout the Condominium Documents, references are made to the Department of Veterans Affairs or Veterans Administration ("**VA**") and the Federal Housing Administration ("**FHA**") and, in particular, to various consents or approvals required of either or both of such agencies. Such references are included so as to cause the Condominium Documents to meet certain requirements of such

agencies should Declarant request approval of the Condominium by either or both of those agencies. However, Declarant shall have no obligation to request approval of the Condominium by either or both of such agencies. Unless and until the VA or the FHA have approved the Condominium as acceptable for insured or guaranteed loans and at any time during which such approval, once given, has been revoked, withdrawn, cancelled or suspended and there are no outstanding mortgages or deeds of trust recorded against a Unit to secure payment of an insured or guaranteed loan by either of such agencies, all references herein to required approvals or consents of such agencies shall be deemed null and void and of no further force and effect.

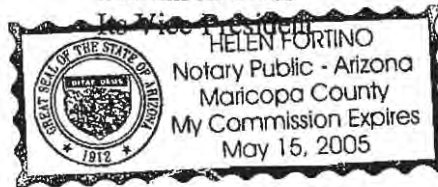
12.22 Declarant's Right to Use Similar Name. The Association hereby irrevocably consents to the use by any other corporation or other entity which may be formed or incorporated by Declarant of an entity name which is the same or deceptively similar to the name of the Association, provided, however, one or more words are added to the name of such other entity to make the name of the Association distinguishable from the name of such other entity. Within five (5) days after being requested to do so by Declarant, the Association shall sign such letters, documents or other writings as may be required by the Arizona Corporation Commission or the Arizona Secretary of State in order for any other corporation or other entity formed or incorporated by Declarant to use a name which is similar to the name of the Association.

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

DECLARANT:

D.R. HORTON, INC.,
a Delaware corporation

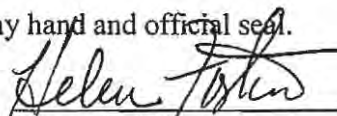
By 
William K. Peck



STATE OF ARIZONA)
)ss.
COUNTY OF MARICOPA)

The foregoing instrument was acknowledged before me this 5th day of June, 2004, by WILLIAM K. PECK, the Vice-President of D.R. HORTON, INC., a Delaware corporation, and who acknowledged that he, as such officer, being authorized so to do, executed the foregoing instrument on behalf of the corporation for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.


Notary Public

My Commission Expires:
3-15-2005

EXHIBIT A

Property Initially Subject to the Condominium

Units 7, 8, 9, 10, 11, 12, 109, 110, 111, 112, 113, and 114*, according to the Declaration of Condominium to which this Exhibit is attached and the Condominium Plat of CAVE CREEK VILLAS, A CONDOMINIUM RANCH in Book 677 of Maps, page 10, both of which were Recorded in the Official Records of Maricopa County, Arizona;

TOGETHER WITH an undivided interest in the Common Elements (Tracts A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U and V);

ALSO KNOWN AS:

A resubdivision of "CAVE CREEK VILLAS" a one lot plat recorded on October 16, 2003 at Book 656 of Maps, page 17, Records of Maricopa County, Arizona;

EXCEPT the Future Annexable Property described in **EXHIBIT B** attached hereto.

*Units 7, 8 and 9 comprise a Triplex Unit Group; Units 10, 11, and 12 comprise a Triplex Unit Group, Units 109 and 110 comprise a Duplex Unit Group, Units 111 and 112 comprise a Duplex Unit Group, and Units 113 and 114 comprise a Duplex Unit Group

EXHIBIT B

Legal Description of the Future Annexable Property

Units 1 through 6, inclusive, Units 13 through 108, inclusive, Units 115 through 120, inclusive, according to the Declaration of Condominium to which this Exhibit is attached and the Condominium Plat of CAVE CREEK VILLAS in Book 677 of Maps, page 10, both of which were Recorded in the Official Records of Maricopa County, Arizona;

TOGETHER WITH an undivided interest in the Common Elements (Tracts A, B, C, D, E, F, G and H).

Triplex Unit Group Phases:

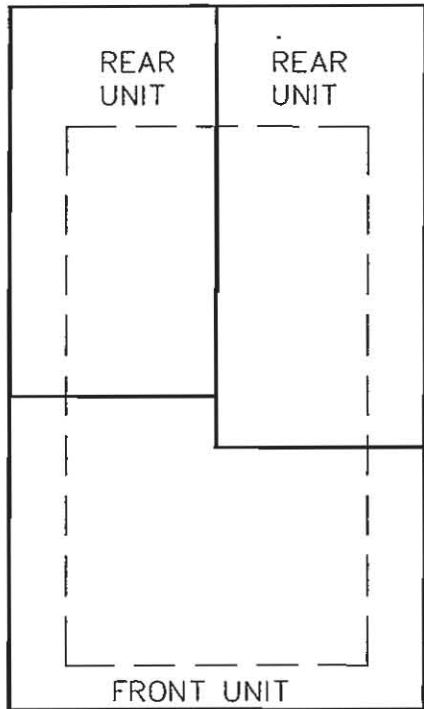
Units 1, 2 and 3
Units 4, 5, and 6
Units 13, 14, and 15
Units 16, 17, and 18
Units 19, 20 and 21
Units 22, 23, and 24
Units 25, 26, and 27
Units 28, 29, and 30
Units 31, 32, and 33
Units 34, 35, and 36
Units 37, 38, and 39
Units 40, 41, and 42
Units 43, 44, and 45
Units 46, 47, and 48
Units 49, 50, and 51
Units 52, 53, and 54
Units 55, 56, and 57
Units 58, 59, and 60
Units 61, 62, and 63
Units 64, 65, and 66
Units 75, 76, and 77
Units 78, 79, and 80
Units 83, 84, and 85
Units 88, 89, and 90
Units 97, 98, and 99
Units 102, 103, and 104

Duplex Unit Group Phases:

Units 67 and 68
Units 69 and 70
Units 71 and 72
Units 73 and 74
Units 81 and 82
Units 86 and 87
Units 91 and 92
Units 93 and 94
Units 95 and 96
Units 100 and 101
Units 105 and 106
Units 107 and 108
Units 115 and 116
Units 117 and 118
Units 119 and 120

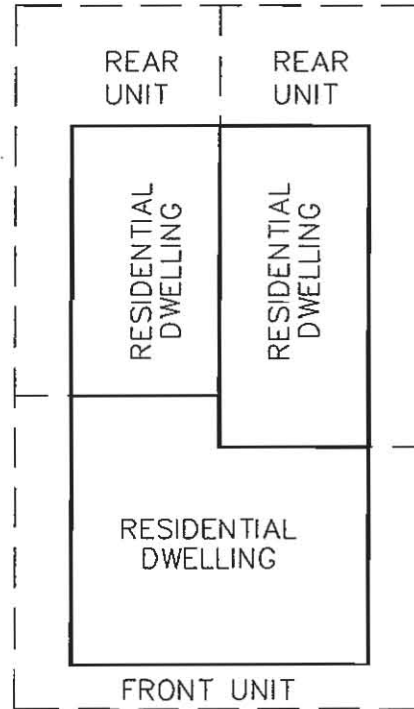
EXHIBIT "C"

NOTE: THE UNIT DESIGNATION NUMBERS IN THIS EXHIBIT ARE FOR EXAMPLE ONLY AND DO NOT CORRESPOND TO THE RECORDED PLAT.



UNIT GROUP

(INCLUDES 3 RESIDENTIAL DWELLINGS
SHARING A GARAGE STRUCTURE)



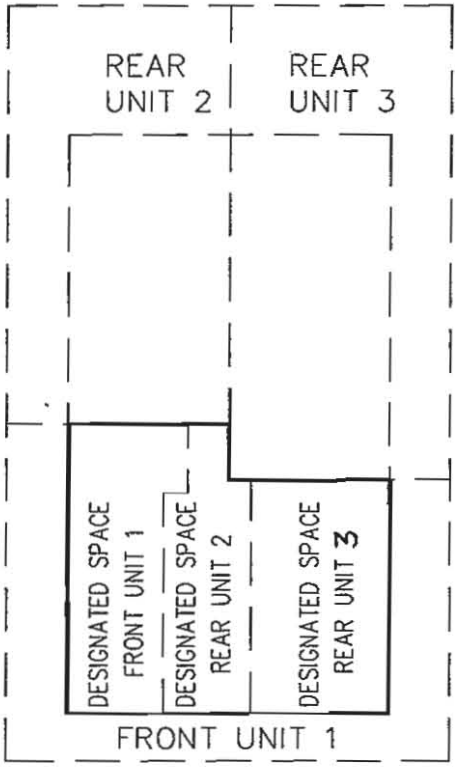
RESIDENTIAL DWELLINGS

(WITHIN A UNIT GROUP)

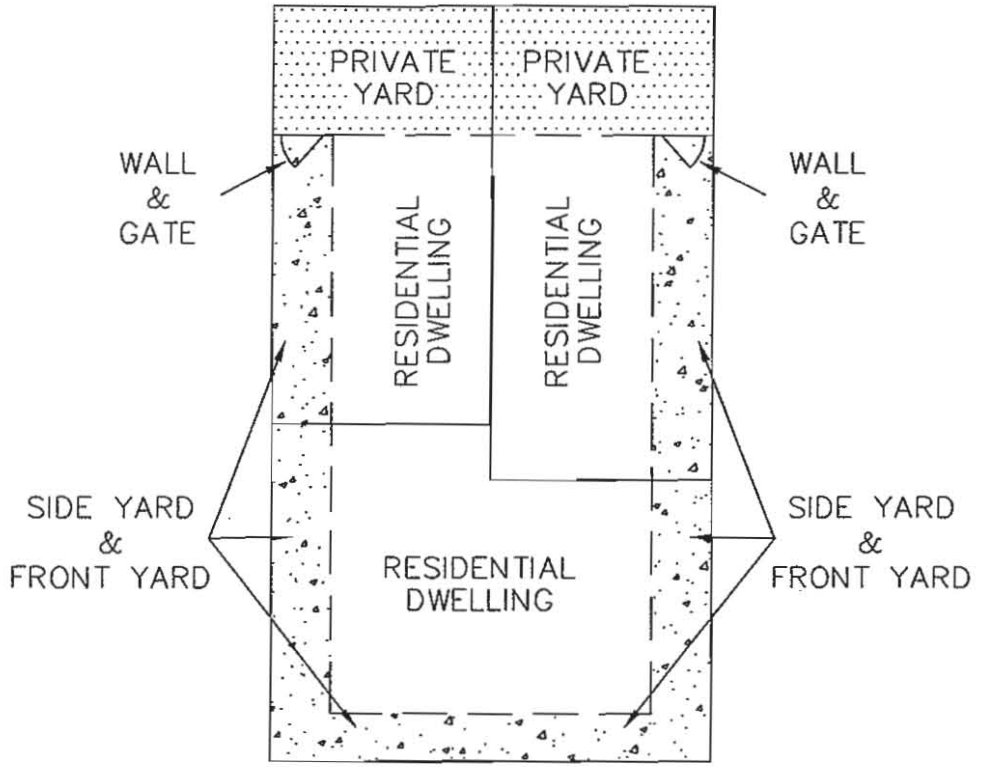
NOT TO SCALE

EXHIBIT "C"

NOTE: THE UNIT DESIGNATION NUMBERS IN THIS EXHIBIT ARE FOR EXAMPLE ONLY AND DO NOT CORRESPOND TO THE RECORDED PLAT.



GARAGE STRUCTURE



YARD LAYOUT

NOT TO SCALE

DHI Title

OFFICIAL RECORDS OF
MARICOPA COUNTY RECORDER
HELEN PURCELL
20040683214 06/16/2004 13:58
850FAB-5-1-1--
ELECTRONIC RECORDING

When recorded, return to:

Phyllis H. Parise, Esq.
Law Offices of Phyllis H. Parise, P.C.
5125 N. 16th St., Ste. B223
Phoenix, Arizona 85016

850 - FAB

**FIRST AMENDMENT TO DECLARATION OF CONDOMINIUM
AND OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR CAVE CREEK VILLAS, A CONDOMINIUM
(Addition of Future Annexable Property)**

THIS FIRST AMENDMENT to Declaration of Condominium and of Covenants, Conditions and Restrictions for Cave Creek Villas, A Condominium (the "**First Amendment**") is made this 14th day of June, 2004, by **D.R. HORTON, INC.**, a Delaware corporation (the "**Declarant**").

RECITALS:

(A) On June 9, 2004, Declarant caused a Declaration of Condominium and of Covenants, Conditions and Restrictions to be Recorded for Cave Creek Villas, A Condominium at Instrument No. 2004-0653384 in the Official Records of the Maricopa County, Arizona Recorder (the "**Declaration**"). The Declaration subjects certain real property described on the Plat Recorded in Book 677 of Maps, page 10 of the Official Records of the Maricopa County, Arizona Recorder and on **Exhibit A**, attached hereto and incorporated herein by this reference, to a Condominium pursuant to the Condominium Act, subject to the further provisions of the Declaration. Declarant is presently the Owner of all of the Units in the Condominium.

(B) Capitalized terms used in this First Amendment without definition shall have the meanings given to such terms in the Declaration.

(C) Section 2.7 of the Declaration reserved to the Declarant the right to expand the Condominium in Phases by Recording an amendment to the Declaration adding to the Condominium the real property defined as "**Future Annexable Property**" in Section 1.1(AA) of the Declaration and further described on **Exhibit B** attached hereto and incorporated herein by this reference.

(D) Declarant desires to expand the Condominium by conditionally adding the Future Annexable Property to the Condominium as provided herein.

NOW, THEREFORE, the Declarant hereby declares and amends the Declaration as follows:

1. The Future Annexable Property is hereby conditionally added to the Condominium, subject to the further conditions of this Paragraph 1 and Section 2.7 of the Declaration. For purposes of this First Amendment, the Future Annexable Property is divided into forty-one (41) separate Phases, each of which comprises one Unit Group each as identified on Exhibit B. A Phase within the Future Annexable Property shall become irrevocably added to the Condominium and subject to the Declaration on the date the first Unit within that Phase (Unit Group) is conveyed to a Purchaser or, if earlier, on the date the Declarant Records a Confirmatory Declaration of Annexation for that Phase for purposes of satisfying FHA or VA requirements as further provided in said Section 2.7 (the "***Effective Date***"). No Phase or Unit Group shall become subject to the terms and conditions of this Declaration or deemed irrevocably added to the Condominium until the Effective Date for such Phase, except as provided in this Paragraph 1 and in Paragraph 6 below.

2. The total number of Units being conditionally added by this First Amendment is one hundred eight (108). The Identifying Numbers of those Units are Units 1 through 6, inclusive, Units 13 through 108, inclusive, and Units 115 through 120.

3. All of the Future Annexable Property added to the Condominium shall be comprised of the Units within the Unit Groups or Phases so added.

4. Upon the Effective Date for each Phase, the undivided interest in the Common Elements and in the Common Expenses shall be allocated equally among all of the Units then subject to the Declaration so that each Unit's undivided interest in the Common Elements and in the Common Expenses of the Association shall be the fraction, the numerator of which is one and the denominator of which is all Units then irrevocably committed to the Condominium and subject to the Declaration. In addition, upon the Effective Date for each Phase, the votes in the Association shall be allocated equally among all of the Units then subject to the Declaration with each Unit having one vote.

5. All of the Development Rights and Special Declarant Rights granted to, or reserved by, the Declarant in the Declaration, shall apply to the Future Annexable Property.

6. Declarant may not withdraw any Phase of the Future Annexable Property after the Effective Date for that Phase and Declarant shall be deemed to have irrevocably added all of the Future Annexable Property to the Condominium unless, within seven (7) years after the Recording of the Declaration, and in accordance with Section 2.6 thereof, the Declarant records an amendment withdrawing any portion of the Future Annexable Property that has not been irrevocably added by the sale of a Unit in that Phase or Unit Group or by the recordation of a Confirmatory Declaration of Annexation for purposes of satisfying FHA or VA requirements.

7. Section 12.2 of the Declaration is amended to correct the Section reference in the first line thereof to read "12.4" instead of "12.3." Exhibit A attached to the Declaration is hereby deemed deleted and superseded in all respects and shall be replaced by Exhibit A of this First Amendment.

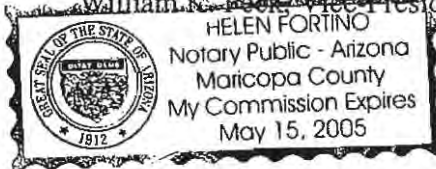
8. Except as amended by this First Amendment, the Declaration shall remain unchanged.

IN WITNESS WHEREOF, the Declarant has executed this First Amendment on the day and year first set forth above.

DECLARANT:

D.R. HORTON, INC.,
a Delaware corporation

By *William K. Peck*
William K. Peck, Vice President



STATE OF ARIZONA)
)ss.
COUNTY OF MARICOPA)

The foregoing instrument was acknowledged before me this 15th day of June, 2004, by WILLIAM K. PECK, the Vice-President of D.R. HORTON, INC., a Delaware corporation, and who acknowledged that he as such officer, being authorized so to do, executed the foregoing instrument on behalf of the corporation for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Helen Fortino
Notary Public

My Commission Expires:
5-15-2005

EXHIBIT A

Property Initially Subject to the Condominium

Units 7, 8, 9, 10, 11, 12, 109, 110, 111, 112, 113, and 114*, according to the Declaration of Condominium Recorded on June 9, 2004 at Instrument No. 2004-0653384 and the Condominium Plat of CAVE CREEK VILLAS, A CONDOMINIUM in Book 677 of Maps, page 10, both of which were Recorded in the Official Records of Maricopa County, Arizona;

TOGETHER WITH an undivided interest in the Common Elements (Tracts A, B, C, D, E, F, G and H);

ALSO KNOWN AS:

A resubdivision of "CAVE CREEK VILLAS" a one lot plat recorded on October 16, 2003 at Book 656 of Maps, page 17, Records of Maricopa County, Arizona;

EXCEPT the Future Annexable Property described in **EXHIBIT B** attached hereto.

*Units 7, 8 and 9 comprise a Triplex Unit Group; Units 10, 11, and 12 comprise a Triplex Unit Group, Units 109 and 110 comprise a Duplex Unit Group, Units 111 and 112 comprise a Duplex Unit Group, and Units 113 and 114 comprise a Duplex Unit Group

EXHIBIT B

Legal Description of the Future Annexable Property

Units 1 through 6, inclusive, Units 13 through 108, inclusive, Units 115 through 120, inclusive, according to the Declaration of Condominium Recorded on June 9, 2004 at Instrument No. 2004-0653384 and the Condominium Plat of CAVE CREEK VILLAS in Book 677 of Maps, page 10, both of which were Recorded in the Official Records of Maricopa County, Arizona;

TOGETHER WITH an undivided interest in the Common Elements (Tracts A, B, C, D, E, F, G and H).

Triplex Unit Group Phases:

Units 1, 2 and 3
Units 4, 5, and 6
Units 13, 14, and 15
Units 16, 17, and 18
Units 19, 20 and 21
Units 22, 23, and 24
Units 25, 26, and 27
Units 28, 29, and 30
Units 31, 32, and 33
Units 34, 35, and 36
Units 37, 38, and 39
Units 40, 41, and 42
Units 43, 44, and 45
Units 46, 47, and 48
Units 49, 50, and 51
Units 52, 53, and 54
Units 55, 56, and 57
Units 58, 59, and 60
Units 61, 62, and 63
Units 64, 65, and 66
Units 75, 76, and 77
Units 78, 79, and 80
Units 83, 84, and 85
Units 88, 89, and 90
Units 97, 98, and 99
Units 102, 103, and 104

Duplex Unit Group Phases:

Units 67 and 68
Units 69 and 70
Units 71 and 72
Units 73 and 74
Units 81 and 82
Units 86 and 87
Units 91 and 92
Units 93 and 94
Units 95 and 96
Units 100 and 101
Units 105 and 106
Units 107 and 108
Units 115 and 116
Units 117 and 118
Units 119 and 120