

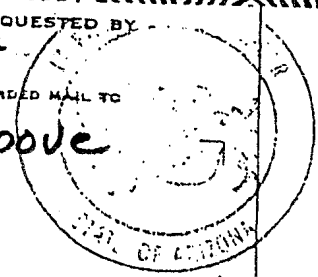
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WASHER STATE RECORDS DEPARTMENT
RICHARD M. HANFMAN, Director
State Land Water and Conservation
1.0 P.O. Box 412
Phoenix, Arizona 85001

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
SANDPIPER RESIDENTIAL COMMUNITY

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DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR THE SANDPIPER RESIDENTIAL COMMUNITY

THIS DECLARATION is made on the date hereinafter set forth by SANDPIPER VILLA, INC., an Arizona corporation, referred to as "Declarant."

WHEREAS, Declarant is the owner of certain real property situated in the County of La Paz, State of Arizona, which is more particularly described as Lots 1 through 14, 37 through 56 and 70 through 73 and Tracts "B" and "C" as shown and described on the plat of THE SANDPIPER, recorded in Book 9 of Maps at Pages 57-58, Office of the County Recorder of La Paz County, Arizona, formerly a portion of Yuma County, Arizona (hereinafter referred to as the "Plat");

NOW THEREFORE, Declarant, desiring to establish a general plan for the improvement, development, use and enjoyment of the property described above hereby declares that the said property shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, the real property and be binding on all parties having or acquiring any right, title or interest in the said property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof, provided, however, that Tract "A" as shown on the Plat specifically shall not be part of the Property, Development or Premises and specifically shall not be subject to such easements, restrictions, covenants and conditions.

ARTICLE I

DEFINITIONS

Section 1. "Articles of Incorporation" or "Articles" shall mean and refer to the Articles of Incorporation of the Association.

Section 2. "Association" shall mean and refer to The Sandpiper Community Association, an Arizona nonprofit corporation, its successors and assigns.

Section 3. "Board" or "Board of Directors" shall mean and refer to the Board of Directors of the Association.

Section 4. "Bylaws" shall mean and refer to the Bylaws of the Association.

Section 5. "Common Area" shall mean and refer to all real property, including the improvements thereto, owned by the Association for the common use and enjoyment of the Owners. The Common Area to be owned by the Association at the time of the conveyance of the first Lot is described as follows:

Tracts B and C, as shown on the plat of THE SANDPIPER, recorded in Book 9 of Maps at Pages 57-58, Office of the County Recorder of La Paz County, Arizona, formerly a portion of Yuma County, Arizona.

Additional property may hereafter be brought within the jurisdiction of the Association and be designated as "Common Area" pursuant to the provisions of this Declaration.

Section 6. "Constituent Documents" shall mean and refer to this Declaration, the Articles of Incorporation and Bylaws of the Association, the Plat, the rules and regulations of the Association and all other documents governing the Property, the Association and its members.

Section 7. "Declarant" means the above recited Declarant or any person to whom Declarant's rights hereunder are specifically assigned by recorded instrument. Unless so specifically assigned, no other person shall be entitled to exercise the rights reserved to the Declarant hereunder. However, the Declarant's rights may be hypothecated to an institutional lender as security for the performance of any legal obligation and if such lender thereafter succeeds to the Declarant's rights by foreclosure, or any other legal remedy, or conveyance in lieu thereof, such lender shall be entitled to all of the rights of the Declarant hereunder, provided that any such successor shall be bound by all of the terms of this Declaration as it relates to the rights of all parties now or hereafter affected hereby.

Section 8. "Holder" shall mean and refer to any bank, savings and loan association, insurance company, mortgage company or other entity or person holding a recorded first mortgage on any Lot.

Section 9. "Insurer" or "Guarantor" shall mean and refer to any person or entity which insures a recorded first mortgage on any Lot or any governmental entity which guarantees a recorded first mortgage on any Lot and provides the Association with its name and address and the address of the Lot.

Section 10. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Property with the exception of the Common Area; as used herein, "Lot" may include the improvements on a Lot.

Section 11. "Mortgage" shall mean and refer to a realty mortgage and includes a deed of trust; "Mortgagee" includes a beneficiary under a deed of trust; "Mortgagor" includes a trustor under a deed of trust; and "foreclosure" includes a trustee's sale proceeding pursuant to a deed of trust.

Section 12. "Occupant" shall mean and refer to a person or persons, including an Owner, legally in possession of a Lot.

Section 13. "Owner" shall mean and refer to the record owner, whether one or more persons or entities of a fee simple title to any Lot which is a part of the Property, and the person(s) or entity(ies) who are purchasers under a valid and outstanding recorded Agreement of Sale with respect to a Lot, but excluding those having such interest merely as security for the performance of an obligation.

Section 14. "Property or "Development" or "Premises" shall mean and refer to that certain real property hereinbefore described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association and become subject to this Declaration.

Section 15. "Unit" shall mean and refer to a residential living unit constructed upon a separately designated Lot, without limiting or restricting the definition of Lot referred to in Section 10 above, which also may include any improvements on a Lot.

ARTICLE II

USE RESTRICTIONS

Section 1. Residential Use. All of the Lots in the Development shall be known and described as, and limited in use to, residential purposes. No improvements or construction whatever, other than a private dwelling and appurtenant uses, may be erected or maintained on any of the Lots, unless specifically authorized, in writing, by the Board pursuant to Article IX below.

Section 2. Construction. All Units and structures on the Lots shall be of new construction and no buildings or structures shall be moved from any other location onto any of the Lots.

Section 3. Temporary Structures. No structures of a temporary character shall be permitted on the Premises, and no trailers (except those permitted to be parked pursuant to Section 8 of this Article), and no tents, shacks or barns shall be permitted on the Premises, either temporarily or permanently.

Section 4. Business or Offensive Activities. No noxious or offensive activity may be carried on or permitted on any part of the Property, nor shall anything be done thereon which may be or become an annoyance or nuisance to the neighborhood; nor shall any part of the Premises be used for business, professional, commercial, rest home (including but not limited to care or treatment of the physically or mentally sick or disabled), religious or institutional purposes. This Section does not apply to the activities of the Association in furtherance of its powers and purposes as set forth in this Declaration.

Section 5. Signs. No sign of any nature whatsoever shall be displayed or placed upon any Lot or on the outside of any Unit. No "For Sale" or "For Rent" signs of any nature whatsoever shall be permitted on

any part of the Premises, and no other signs shall be permitted on the Common Area without the prior written consent of the Board.

Section 6. Outside Lighting. Except as may be initially installed by Declarant, all outside lighting, except porch lights and other customary, indirect, low intensity, noncolored lighting, shall be subject to prior approval of the Board.

Section 7. Animals, Pets. Only a single dog, cat or other small household pet may be kept on a Lot without Board approval, provided that such household pets are not kept, bred or maintained for any commercial purposes. All additional household pets are prohibited unless approved by the Board. Notwithstanding the foregoing, no pet may be kept which, in the determination of the Board, results in an unreasonable annoyance to other Owners. Except as stated above, no animals or birds of any kind shall be raised, bred or kept on the Premises or any part thereof without the written consent of the Board first obtained. Pets shall not be allowed loose or unsupervised on any part of the Property and walking of pets shall be allowed only on such portions of the Property as the Board may prescribe by its rules and regulations.

Section 8. Trucks, Boats, Cycles, Campers. Except for trucks, vans or trailers belonging to persons doing work on the Premises during daylight hours (or at other times during emergencies), no trucks, buses, vans, trailers, boats, antique cars, campers, motorcycles and similar type vehicles or equipment shall be kept or parked in the streets or driveways (or any other place except as hereinafter stated) and any such equipment or vehicles shall be kept or parked only in such areas as the Board may specifically prescribe in writing by its rules and regulations. Except for antique cars, this Section does not apply to passenger automobiles and/or station wagons. No truck, bus, van, trailer, boat, antique car, camper, motorcycle, passenger car, station wagon or similar type vehicle or equipment shall be stored either permanently or temporarily on the Development, whether on blocks or otherwise, which is inoperable and/or in a state of disrepair, or which is in various stages of construction, repair, reconstruction, modification, or rebuilding with respect to the vehicle or any part thereof, including without limitation, engines, frames, bodies, and other parts and accessories. If the Board determines that any vehicle (including but not limited to a motorbike or motorcycle) is creating loud or annoying noises by virtue of its operation within the Property, such determination shall be conclusive and final that the operation of such vehicle is a nuisance and said operation, upon notice by the Board to the owner or operator thereof, shall be prohibited within the Property. Subject to the above restrictions, all vehicles must be operated in the Development by licensed operators.

Section 9. Garage Doors. Garage Doors shall be kept closed at all times, except when in actual, active use to permit ingress and egress of vehicles.

Section 10. Windows and Awnings. No reflective materials, including but not limited to, aluminum foil, reflective screens or glass, mirrors or similar type items shall be permitted to be installed or placed on the outside or inside of any windows or any other part of a Lot which can be seen from the outside of the Development or from other portions of the Development. The exterior side of all drapes, curtains or other window coverings shall be white or off-white in color. Further, no metal or rigid plastic awnings of any nature whatsoever shall be permitted to be placed or installed on or attached to the outside of any of the Units, or elsewhere on a Lot, except those initially installed by Declarant.

Section 11. Screening Areas, Fences. All screening areas and fences, hedges or walls shall be maintained upon the Premises in accordance with their original construction or installation, except as otherwise approved in accordance with Article IX.

Section 12. Accessories. Except as may be initially installed by the Declarant, no clotheslines, service yards, wood piles, basketball apparatus, free-standing mailboxes or newspaper receptacles, exterior storage areas, sheds or structures, heating or air conditioning equipment, evaporative coolers and pre-coolers, or other exterior fixtures, machinery or equipment shall be permitted except with the prior written approval of the Board. Any such use or equipment as is approved and authorized shall be attractively screened or concealed (subject to all required approvals as to architectural control.)

Section 13. Waste Disposal. No incinerators shall be permitted on the Premises or any part thereof, nor shall trash be burned on any part of the Premises. No garbage, rubbish, trash or debris shall be placed or allowed to accumulate on the Property.

Section 14. Underground Utilities. All electric, gas, power, telephone, water and other service and utility lines, pipes and/or other structures and media for transmission thereof shall be placed and maintained underground, except above-ground service pedestals and switch cabinets, and except to the extent (if any) such underground placement may be prohibited by law, and except for such above-ground structures and/or media for transmission as may be originally constructed by Declarant or as may be otherwise approved in writing by the Board.

Section 15. Noisy Equipment. Except for emergencies, no equipment which emanates disturbing sounds or loud noises, including but not limited to, lawn mowers, power hedge clippers, power chain saws and other similarly noisy equipment, shall be operated in any part of the Property on Sundays or National Holidays. All speakers, amplifiers, radios and other means of emitting sound, whether located inside or outside of a Unit, shall be subject to regulation by the Association as to noise levels and time of use.

Section 16. Antennas. No radio, television and other antennas of any kind or nature shall be placed and maintained upon any Lot or the

Premises or any part thereof (or the improvements located thereon) unless approved in writing by the Board.

Section 17. Leasing. No Owner shall lease less than the entire Lot owned by such Owner. All leases must be in writing, must be for a period of not less than thirty (30) days, shall be and must specifically provide that they are subject to the provisions of the Constituent Documents and that failure to comply with such Documents constitutes a default under any such lease and a copy of any such lease must be delivered to the Association within ten (10) days following execution by all parties. If the Owner fails to enforce a default under such lease for violation of the provisions of the Constituent Documents or of this Section, the Board, as agent for such Owner, shall have the right to enforce such default and any defaulting lessee and the Owner shall be subject to all remedies given to the Association under Articles III and XIII below.

Section 18. Subdividing. None of the Lots shall be resubdivided into smaller Lots or conveyed or encumbered in less than the full original dimensions as shown on the Plat of the Development.

Section 19. Walls. The walls of any buildings or improvements and fences constructed on any Lot shall not exceed the height of the original construction unless approved in writing by the Board. Setback lines shall be maintained in accordance with the original construction on each Lot unless otherwise permitted by written approval of the Board.

Section 20. Compliance. No Lot shall be used or maintained in violation of any applicable statute, ordinance, code or regulation of any governmental authority, the provisions of this Declaration or the rules and regulations of the Association.

Section 21. Limitation of Restrictions on Declarant. Declarant is undertaking the work of construction of residential living Units and incidental improvements upon the Property. The completion of that work and the sale, rental and other disposal of said Units is essential to the establishment and welfare of the Property as a residential community. In order that said work may be completed and the Property established as a fully occupied residential community as rapidly as possible, nothing in this Article or elsewhere in this Declaration shall be understood or construed to:

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

(b) Prevent Declarant or its representatives from erecting, constructing and maintaining, on any part of the Property, such structures as may be reasonable or necessary for the conduct of its business of completing said work and

establishing the Property as a residential community and disposing of the same by sale, lease or otherwise; or

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

The foregoing limitations of the application of the restrictions to the Declarant shall terminate upon the happening of either of the following events, whichever occurs first: (a) the Sale of the Declarant's entire interest in the Property, or (b) seven (7) years following conveyance of the First Lot in the Development to an Owner by Declarant. So long as Declarant, its successors and assigns, owns one or more of the Lots, except as hereinabove specifically provided, Declarant, its successors and assigns shall be subject to the provisions of this Declaration. Declarant shall make every effort to avoid disturbing the Owners' use and enjoyment of their Lots while Declarant is completing any work necessary on the Lots and Common Area.

ARTICLE III

PROPERTY RIGHTS

Section 1. Owners' Easements of Enjoyment. Every Owner shall have a nonexclusive right and easement of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Lot. It is expressly acknowledged and agreed by all parties concerned that this Section is for the mutual benefit of all Owners of the Lots and is necessary for the protection of all Owners. Such easement of enjoyment is, however, subject to the following provisions:

(a) the right of the Association to charge the Owners, the Owners' tenants and/or the Owners' licensees reasonable admission and other fees for the use of any recreational facility situated upon the Common Area;

(b) the right of the Association to suspend the voting rights of an Owner and/or the right to the use of the recreational facilities by an Owner, an Owner's tenants and/or an Owner's licensees for any period during which any assessment against such Owner's Lot remains unpaid, and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations;

(c) the right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members; provided,

however, that no such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer signed by two-thirds (2/3) of each class of members has been recorded; and

(d) the right of the Association to establish uniform rules and regulations pertaining to the use of the Common Area.

Section 2. Delegation of Use. Any Owner may delegate, in accordance with this Declaration, the Articles of Incorporation, the Bylaws, and the rules and regulations of the Association, his right of enjoyment to the Common Area and recreational facilities to the members of his family or to his tenants who reside on the Property.

ARTICLE IV

EASEMENTS

Section 1. Blanket Easement for Utilities. There is hereby created a blanket easement upon, across, over and under the Common Area for ingress, egress, installation, replacing, repairing and maintaining all utilities, including but not limited to water, sewer, telephones, cable television and electricity. By virtue of said easement, it shall be expressly permissible for the providing utility company to erect and maintain the necessary facilities and equipment on the Property and to affix and maintain wires, circuits, conduits and related facilities and equipment on, above, across and under the roofs and exterior walls of the Units. Notwithstanding anything to the contrary contained in this Section, no easements shall be created nor shall any sewers, electrical lines, water lines, or other facilities for utilities be installed or relocated on the Property except as initially created, programmed and approved by Declarant or thereafter created or approved by Declarant or the Association. This provision shall in no way affect any other recorded easements on the Property.

Section 2. Common Area Easements. There is hereby created a blanket easement upon and across the Common Area in favor of (1) each Lot Owner and his guests and invitees for the purpose of providing ingress and egress to the Lot owned by said Owner, (2) the Association and its invitees, employees or independent contractors for the purpose of providing landscaping or other maintenance to the Common Area, and (3) the Declarant and its invitees, employees or independent contractors for the purpose of providing landscaping or other maintenance to the Common Area, and for any activities related to the promotion and sale of any of the Lots or any Lots within the expansion areas referred to in Article XVII below.

Section 3. Rights of Association and Declarant. There is hereby created a blanket easement upon, across, over and under the Lots in favor of the Declarant and the Association, their respective invitees,

employees or independent contractors for the purpose of maintaining or replacing any improvements upon such Lots to the extent the Declarant and/or the Association have the authority under this instrument to undertake such maintenance or replacement.

Section 4. Encroachments. Each Lot, Unit and the Common Area shall be subject to an easement for encroachments, including but not limited to encroachments of patios, balconies, ledges, roofs, walls, fences, driveways and trellises, created by construction, settling and overhangs, as designed or constructed by Declarant or its nominee. A valid easement for said encroachments and for the maintenance of same, so long as they stand, shall and does exist. In the event any Unit or any structure is partially or totally destroyed and then rebuilt, the Owners of Units agree that similar encroachments of parts of the adjacent Units or Common Area due to construction, settling and overhangs shall be permitted and that a valid easement for said encroachments and the maintenance thereof shall exist.

Section 5. Interference. Except as may be constructed by Declarant or its nominee or as specifically allowed by this Declaration and the Plat, no building or other structures shall be placed or erected on any easements nor interference made with the free use thereof for the purposes intended.

ARTICLE V

ASSOCIATION, MEMBERSHIP AND VOTING RIGHTS

Section 1. Purpose. The Association shall be a nonprofit corporation organized under and by virtue of the laws of the State of Arizona for the general welfare and benefit of the property Owners in the Development. The Association, through its Members and Board, shall take the appropriate action to manage and maintain, repair, replace and improve the Common Area together with improvements located thereon, to perform related activities, and to perform all other functions and duties assigned to the Association by this Declaration, all in accordance with this Declaration and with the Articles of Incorporation and Bylaws.

Section 2. Membership. Membership in the Association shall be limited to the Owners of Lots as hereinabove defined, and such membership shall be subject to all the provisions of this Declaration and to the Association's Articles of Incorporation and Bylaws, as the same may be amended from time to time. An Owner of a Lot shall automatically, upon becoming the Owner of a Lot, be a Member of the Association. An Owner shall remain a Member of the Association until such time as his ownership for any reason ceases, at which time his membership in the Association automatically shall cease. Ownership of a Lot shall be the sole qualification and criterion for membership. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to

assessment by the Association. A membership in the Association shall not be transferred, pledged or alienated in any way except by the sale of such Lot and then only to such purchaser who shall automatically become a member of the Association after such conveyance, or by intestate succession, testamentary disposition, foreclosure of a Mortgage of record, or other legal process. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association. At the discretion of the Board, no certificates of membership need be issued, and if certificates are not issued, membership shall be evidenced by an official list of Members kept by the Secretary of the Association.

Section 3. Voting Rights. The Association shall have two (2) classes of voting memberships:

Class A. Class A members shall be all Owners, with the exception of the Declarant, and shall be entitled to one vote for each Lot owned. In the event any such Lot is owned by two (2) or more persons, the membership as to such Lot shall be joint, and a single membership for such Lot shall belong to all Owners, and they shall designate to the Association in writing one of their number who shall have the power to vote said membership, and in the absence of such designation, and until such designation is made, the Board shall make such designation. In no event shall more than one vote be cast with respect to any Lot.

Class B. The Class B member(s) shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership, or

(b) three (3) years following conveyance of the first Lot to an Owner by Declarant in the event additional property has not been annexed and become subject to this Declaration within such three (3) year period; or, in the event additional property has been annexed and become subject to this Declaration within such three (3) year period, five (5) years following conveyance of the first Lot to an Owner by Declarant.

ARTICLE VI

COVENANT FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Property, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs, and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, costs, and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to such owner's successor in title unless expressly assumed by such successor.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the purposes of promoting the general benefit, recreation, health, safety and welfare of the residents in the Property. Such purposes shall include, but shall not be limited to, and the Association's rights and powers shall include (in addition to the rights and powers set forth in this Declaration and in the Association's Articles of Incorporation and Bylaws) provision for the improvement, construction, repair, maintenance, care, upkeep and management of the Common Area and the improvements and facilities thereon; and further, shall include the payment of charges and assessments related to sewage treatment services, whether pertaining to the Lots or the Common Area, the payment of taxes and assessments, if any, which may be assessed against and levied upon any property owned by the Association, and all premiums for hazard and public liability insurance, together with all other costs and expenses related to the management and maintenance of the Common Area and Unit exteriors.

Section 3. Basis of Assessments. The Board, subject to the provisions of this Article, shall determine and establish a budget and make assessments upon the Owners of Lots on the basis of costs and expenses incurred or estimated to be incurred by the Association. The Owner of each Lot for said Owner and for said Owner's heirs, executors, administrators, personal representatives, successors and assigns, covenants and agrees that each Lot shall be subject to an assessment in an amount to be determined, which amount shall be the said Lot's pro rata share of the following:

- (a) The actual cost to the Association of all taxes and improvement assessments (if any), water, utilities, insurance, management and administrative costs and repair, construction,

replacement and maintenance of the Common Area and the improvements and facilities located thereon, and Unit exteriors, and shall include but not be limited to charges in connection with the sprinkler systems, street paving, pathways, security guard service (if any), utility expense related to Lots served by joint meters (if any), and other services benefiting the Owners, and all other charges necessary or appropriate to carry out the purposes of the Association as set forth in this Declaration, the Articles of Incorporation and Bylaws of the Association, and its rules and regulations; and

(b) Such sums as the Board shall determine to be fair and prudent for the establishment and maintenance of an adequate reserve fund for maintenance, repair and replacement of Common Area and the improvements and facilities located thereon and for taxes, insurance, management and administrative costs and other charges as specified herein.

Section 4. Maximum Annual Assessments. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be _____ (\$ _____) per Lot, payable at the rate of \$ _____ per month.

(a) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased effective January 1 of each year without a vote of the membership in conformance with the rise, if any, of the Consumer Price Index (published by the Department of Labor, Washington, D.C.) for the preceding month of July, or a five percent annual increase, whichever is greater.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased above that established by the formula set forth in subsection (a) above by a vote of the members for the next succeeding two (2) years and at the end of each such period of two (2) years, for each succeeding period of two (2) years, provided that any such change shall have the assent of two-thirds (2/3) of the votes of each class of members who are voting in person or by proxy, at a meeting duly called for such purpose.

(c) The Board of Directors may fix the annual assessment at an amount not in excess of the maximum.

Section 5. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any

replacement and maintenance of the Common Area and the improvements and facilities located thereon, and Unit exteriors, and shall include but not be limited to charges in connection with the sprinkler systems, street paving, pathways, security guard service (if any), utility expense related to Lots served by joint meters (if any), and other services benefiting the Owners, and all other charges necessary or appropriate to carry out the purposes of the Association as set forth in this Declaration, the Articles of Incorporation and Bylaws of the Association, and its rules and regulations; and

(b) Such sums as the Board shall determine to be fair and prudent for the establishment and maintenance of an adequate reserve fund for maintenance, repair and replacement of Common Area and the improvements and facilities located thereon and for taxes, insurance, management and administrative costs and other charges as specified herein.

Section 4. Maximum Annual Assessments. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be ONE THOUSAND THREE HUNDRED EIGHTY DOLLARS (\$ 1380.00) per Lot; payable at the rate of \$115.00 per month.

(a) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased effective January 1 of each year without a vote of the membership in conformance with the rise, if any, of the Consumer Price Index (published by the Department of Labor, Washington, D.C.) for the preceding month of July, or a five percent annual increase, whichever is greater.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased above that established by the formula set forth in subsection (a) above by a vote of the members for the next succeeding two (2) years and at the end of each such period of two (2) years, for each succeeding period of two (2) years, provided that any such change shall have the assent of two-thirds (2/3) of the votes of each class of members who are voting in person or by proxy, at a meeting duly called for such purpose.

(c) The Board of Directors may fix the annual assessment at an amount not in excess of the maximum.

Section 5. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any

construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds ($\frac{2}{3}$) of the votes of each class of members who are voting in person or by proxy at a meeting duly called for such purpose.

Section 6. Notice and Quorum for Any Action Authorized Under Sections 4 and 5. Written notice of any meeting called for the purpose of taking any action authorized under Section 4 or 5 shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting and shall set forth the purpose 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 of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half ($\frac{1}{2}$) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 7. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all Lots and must be collected on a monthly basis.

Section 8. Date of Commencement of Annual Assessments. The annual assessments provided for herein shall commence as to all Lots in a given phase (as described and specifically provided for in Article XVII hereof) on the first day of the month following the conveyance of the Common Area in such phase to the Association, provided, however, that for a period of sixty (60) days following conveyance of the Common Area, the share of annual assessments attributable to unsold and unoccupied Units may be reasonably reduced as determined by the Board, provided that such reduced assessment shall not be less than twenty-five percent (25%) of the amount of the assessment being paid by Owners of Lots on which Units have been constructed and are occupied. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, within ten (10) days of any written request from any interested person or mortgage holder, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance.

Section 9. Establishment of Working Capital Fund. For a period of one (1) year from and after conveyance of the first Lot in a phase to an Owner by Declarant, the Board shall maintain a working capital fund

equal to at least a two (2) month share of the first year's annual assessment. At the time of closing of a sale of a Lot, such Lot's share of such working capital fund shall be collected and transferred to the Association and maintained by the Association in a segregated account. Each unsold Lot's share shall be paid to the Association within sixty (60) days after conveyance of the first Lot in a given phase, provided, however, that at such time as any such Lot is conveyed and its share of the working capital fund collected, Declarant shall be entitled to reimburse itself for any and all such advance payments made to the Association from the funds collected at such closing. Such contributions to the working capital fund shall not be considered as advance payments of regular installments of annual assessments required to be paid hereunder.

Section 10. Individual Assessment for Restoration of Owner's Lot.

(a) In the event the Owner of a Lot fails to maintain his Lot (including the yard, patio and landscaping thereon as required pursuant to Article VII, Section 2, but excluding those obligations of the Association pursuant to Article VII, Section 1 hereof) in a first-class, neat and clean condition, and generally in a manner satisfactory to the Board, the Association or the Board, through its agents, employees and/or independent contractors, shall have the right, and each Owner expressly grants and assigns the Association the right (subject to prior notice as hereinbelow set forth) to enter upon such Owner's Lot and repair, maintain, rehabilitate and restore the Lot, yard, patio, and exterior of any and all buildings and/or other structures located thereon to the condition deemed satisfactory to the Board, or to remove structures therefrom which are, in the opinion of the Board or the Association, in such a state of disrepair or in such a condition as to be objectionable to surrounding Lot Owners. The cost thereof shall be charged against and collected from the Owner of the Lot, the amount thereof to be paid by the Owner within thirty (30) days from the date of the invoice sent to the Owner, and said amount further shall be secured by and subject to all provisions regarding the assessment lien as provided in this Article.

(b) Prior to exercising the aforesaid right of restoration, the Board shall give written notice to the Owner of said Lot specifying the necessary repairs, maintenance, rehabilitation or restoration to be undertaken, and granting the Owner thirty (30) days to accomplish the same. If, at the end of said period, the work required to be performed has not been completed (or has been completed in a manner unsatisfactory to the Board), or if, in the opinion of the Board, sufficient action has not been taken to effect same, then the Association or the Board shall have the right, as above set forth, to make such repairs, maintenance, rehabilitation or restoration.

(c) Nothing herein contained shall be construed as granting to the Association or the Board any right to enter into or inside of any building or buildings located on a Lot without the consent of the Owner thereof.

Section 11. Joint Ownership Payments. In cases where a Unit is owned by more than one person, such Owners shall arrange between themselves as to which one of them (the "Designated Person") shall make payments of assessments so that only one payment is made to the Association. Under no circumstances shall the Association be required to accept multiple checks or partial payments of assessments from joint owners.

Section 12. Effect of Nonpayment of Assessments: Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of twelve percent (12%) per annum. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the property. No owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.

Section 13. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to foreclosure of a first mortgage or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof. Nothing contained herein shall prohibit such Lot's proportionate share of assessments which became due prior to the foreclosure of a first mortgage and were extinguished as a result of such foreclosure from being reallocated among and assessed against all Owners as a part of the annual assessment.

ARTICLE VII

MAINTENANCE

Section 1. Rights and Obligations of Association. The Board, acting for and on behalf of the Association, shall have the obligation to maintain, repair and replace the Common Area (except any portion now or hereafter maintained by any governmental agency with jurisdiction over said portion), and all landscaping, recreational facilities and other improvements located thereon, in accordance with the terms and conditions hereof. The appropriate governmental agency may assume responsibility for maintenance of the streets located within the Development and the Board is authorized to enter into any such maintenance agreement as it deems advisable. Any cooperative action necessary or appropriate for the proper maintenance and upkeep of the tracts above described, including

but not limited to the parking areas and walks, shall be taken by the Board, acting for and on behalf of the Association. Without limiting the generality of the foregoing, the Association shall have the right at any and all times to promulgate reasonable rules and regulations concerning the landscaping, color scheme and other related matters affecting the outside appearance of the Development as a whole, including without limitation the appearance of all patio areas, and the individual Unit Owners shall be bound thereby. The powers, rights and duties of the Association and Board shall be as contained in this Declaration, and as may be adopted in its Articles of Incorporation and Bylaws not inconsistent herewith.

In addition to maintenance of the Common Area, the Board, acting for and on behalf of the Association, shall provide exterior maintenance of each Lot which is subject to assessment as follows: paint, repair, replacement and care of roofs, gutters, downspouts, exterior building surfaces, walks and other exterior improvements. Such exterior maintenance shall include maintenance of the landscaping, if any, installed by the Declarant or Association in the front yard portion of each Lot, but shall not include maintenance of any landscaping located on any other portion of a Lot, including without limitation, patios and balconies. Such exterior maintenance shall likewise not include maintenance of glass surfaces.

If, due to the act or neglect of an Owner of his invitee, guest or other authorized occupant or visitor of such Owner, damage shall be caused to the Common Area or to a Lot owned by others, or maintenance, repairs or replacements shall be required which would otherwise be at the common expense, then such Owner, if liable under state law, shall pay for such maintenance, repairs and replacements as may be determined by the Board, to the extent not covered by the Association's insurance.

Section 2. Rights and Obligations of Owners. Except for those items for which the duty to maintain or repair is imposed on the Association in accordance with Section 1 of this Article, all fixtures and equipment (including heating and air conditioning units) installed within a Unit or a Lot, including but not limited to, patios, and all windows which are a part of any Unit, and all landscaping on the rear portion of the Lot, shall be maintained and kept in repair by the Owner thereof at his sole cost and expense except that the Association shall have the right to promulgate reasonable rules and regulations as aforesaid, and the Association shall have the right at any time to maintain and repair utility lines, pipes, wires, conduits, or similar systems or facilities up to the point where they enter the exterior walls of a Unit. Each Owner shall be responsible for maintenance and repair of any driveway located upon his Lot. Termite control shall be the responsibility of the Owner. An Owner shall do no act nor any work that will impair the structural soundness or integrity of the Development or impair any easement, nor do any act nor allow any condition to exist which will adversely affect the other Units or their Owners.

ARTICLE VIII

PARTY WALLS

Section 1. General Rules of Law to Apply. Each wall which is built as a part of the original construction of the Units upon the Property and placed on the dividing line between the Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

Section 2. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use.

Section 3. Destruction by Fire or Other Casualty. Subject to the provisions of Articles X and XI, if a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

Section 4. Destruction by Adjoining Owner. Notwithstanding any other provision of this Article, in the event a party wall is damaged or destroyed as a result of the negligent or willful act or omission by an adjoining Owner, his agents, tenants, licensees, guests or family, then, in such event, such Owner shall bear the whole cost of rebuilding and/or repairing such party wall.

Section 5. Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

Section 6. Extension or Alteration. In addition to meeting the other requirements of this Declaration and of any building code or similar regulations or ordinances, any Owner proposing to modify, make additions to or rebuild his Unit in any manner which requires the extension or other alteration of any party wall shall first obtain the written consent of the adjoining Owner.

Section 7. Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, each Owner shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, or if the two arbitrators cannot agree as to the selection of the third arbitrator within five (5) days, then any Judge of the Superior Court of La Paz County, Arizona shall choose the additional arbitrator. A determination of the matter signed by any two (2) of the

three (3) arbitrators shall be binding upon the Owners, who shall share the cost of arbitration equally. In the event one Owner fails to choose an arbitrator within ten (10) days after receipt of a request in writing for arbitration from the other Owner, then said other Owner shall have the right and power to choose both arbitrators.

Section 8. Covenants Binding. These covenants shall be binding upon the heirs and assigns of any Owners, but no person shall be liable for any act or omission respecting any party wall except as took place while an Owner.

ARTICLE IX

ARCHITECTURAL CONTROL

No building, fence, wall or other structure shall be commenced, erected or maintained upon any Lot, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, colors, materials and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Association, or, at the sole discretion of the Board, by an architectural committee composed of three (3) or more representatives appointed by the Board. In the event said Board, or its designated committee, fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with, provided that the building, structure or other improvement to be built or placed on the Property shall be governed by all of the Restrictions in this Declaration. The initial landscaping that is provided or approved by the Board shall not be altered or changed (except for similar replacements and rehabilitation) without the prior approval of the Board. Notwithstanding the foregoing, the Restrictions and controls set forth in this Section shall not be applicable to Declarant with respect to any original construction or landscaping undertaken by Declarant within the Property.

ARTICLE X

INSURANCE

Section 1. Property Insurance. The Board shall have the authority to and shall obtain a blanket policy of insurance insuring the entire Property, including the Units and the improvements and personal property located on the Common Area, against loss or damage by fire, hazards covered by a standard extended coverage endorsement, and such other hazards as are customarily insured against in similar projects in the La Paz County, Arizona area, including all perils normally covered by the standard "all risk" endorsement to the extent such coverage is available. Such insurance shall be in an amount sufficient to provide full replacement of any damage in an amount not less than one hundred percent

(100%) of the full replacement value of the Units, the improvements located on the Common Area and all Association-controlled personal property, as determined at least once each year by the Board and covered by an "Agreed Amount" or "Inflation Guard" endorsement if available. All insurance coverage shall be written in the name of and the proceeds thereof shall be payable to the Association or to its authorized representative as Trustee for the use and benefit of the Association, the individual unit owners and the holders of mortgages covering each of the Units, as their interests may appear. Such policy of insurance shall contain a waiver of subrogation rights by the insurer against individual Owners, shall provide that the insurance is not prejudiced by any act or neglect of individual Owners which is not in the control of all of the Owners and shall provide that the policy is primary in the event an Owner has other insurance covering the same loss.

Section 2. Liability Insurance. The Board shall have the authority to and shall obtain public liability insurance covering the Common Area. Such insurance policies shall contain a "severability of interest" endorsement which shall preclude the insurer from denying the claim of an Owner because of negligent acts of the Association or of other Owners. The scope of coverage shall be in the kinds and amounts required by private institutional mortgage investors for similar projects in La Paz County, Arizona, but must include coverage for property damage, bodily injury and death in connection with the operation, maintenance or use of the Common Area. Coverage shall be for not less than One Million Dollars (\$1,000,000.00) per occurrence, for personal injury and/or property damage. In addition, the Board shall obtain liability insurance covering any legal liability that results from lawsuits related to employment contracts in which the Association is a party.

Section 3. Fidelity Bonds. The Board shall have the authority to and shall obtain and carry fidelity bond or insurance coverage against dishonest acts of its directors, management agent, management agent's employees, trustees, employees or volunteers responsible for handling associated funds, regardless of whether such individuals serve with or without compensation. A management agent that handles funds for the Association shall also be covered by its own fidelity bond. Except for fidelity bonds that a management agent obtains for its personnel, all other bonds shall name the Association as an obligee. The fidelity bond or insurance shall be written in an amount sufficient to provide protection as determined by the Board, but in no event less than one and one-half (1½) times the insured's estimated annual operating expenses and reserves.

Section 4. Flood Insurance. If the Property is located within an area identified by any agency of the Federal Government as having special flood hazards, the Board shall maintain a blanket policy of flood insurance on the entire Property, including the Units and the improvements located on the Common Area, in an amount aggregating the lesser of (i) the maximum limit of coverage available under the National Flood Insurance Program, or any successor thereto, or (ii) one hundred percent (100%) of the current replacement cost of all buildings and other

property covered by such policy, provided, however, that in no event shall the amount of such policy be less than the outstanding principal balances of all mortgage loans on the Units covered thereby.

Section 5. Additional Insurance. Premiums for all of the above-referenced insurance shall be common expenses included in the annual assessment. Each Owner shall be responsible for his own insurance on the personal property contents of his Unit, any additions, decorating or other improvements placed therein following purchase, and all furnishings and personal property therein or stored elsewhere on the Property. Each Owner shall further be responsible to provide his own personal liability insurance to the extent not covered by the liability insurance to be provided by the Board as set forth above. No Association-acquired insurance coverage, as required under this Article X, shall be brought into contribution with insurance purchased by individual Owners, or their mortgages.

Section 6. Mortgages Held by Governmental Entities. Notwithstanding any provision of this Article X, if at any time any of the Lots are covered by mortgages which are held by the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC") or which are insured or guaranteed by the Federal Housing Administration ("FHA") or the Veterans Administration ("VA") (or any successor to such entities which performs their present functions) the Board shall at all times carry all casualty, flood and liability insurance and a fidelity bond in such amounts and containing such provisions as are required from time to time by such entities or such successors, unless such coverage is unavailable or waived by them in writing. If such entities require less coverage or other protection than is specifically required by this Article X, the Board shall be free to provide such lesser coverage and such substitute protection. All insurance policies provided pursuant to this Article X must contain a provision requiring not less than ten (10) days prior written notice of cancellation or material modification, such notice to be sent to the Association, each Mortgage Holder and all insureds, including all loan servicers on behalf of FNMA and FHLMC. Further, all Insurers and Guarantors, including FHA and VA, that have filed with the Association a written request for notice shall be entitled to receive written notification from the Association of any lapse, cancellation or material modification of any insurance policy or bond provided pursuant to this Article X.

ARTICLE XI

DAMAGE AND DESTRUCTION

Section 1. Use of Insurance Proceeds. In the event the Property or any portion thereof is damaged or destroyed by fire or other hazard covered by insurance pursuant to the provisions of Article X above, the Board shall contract with a licensed contractor or contractors to rebuild or repair such damaged or destroyed portions of the Property in conformance with the original plans and specifications, or, if the Board

determines that adherence to such original plans and specifications is not in conformance with applicable laws, ordinances, building codes, or other governmental rules or regulations then in effect, such repairs or rebuilding shall be of a kind and quality substantially equivalent to the original construction of such improvements. The contract with such licensed contractor or contractors shall provide for payment to the contractor or contractors of a specified sum for performance and execution of the work therein described, and shall have provisions for periodic disbursement of funds which shall be consistent with procedures then followed by prudent lending institutions doing business in La Paz County, Arizona. Disbursements to the contractor shall be made subject to the prior presentation of an architect's certificate containing such provisions as may be appropriate in the circumstances and deemed suitable by the Board. The Board may employ a licensed architect to supervise the repair and rebuilding to insure that all work, services and supplies are in conformity with the requirements of the construction contract. The Board shall use insurance proceeds for the purpose set forth in this paragraph.

Section 2. Insufficient and Excessive Insurance Proceeds. If the insurance proceeds are insufficient to pay all costs of repair and rebuilding, the Board shall levy a special assessment to make up any deficiency. If the insurance proceeds exceed the costs of repair and reconstruction, then following completion of such repair and rebuilding, the excess shall be paid over to the Owners and the holders of first mortgages on their Lots as their respective interests may appear. Each payment to an Owner and his Mortgagee shall be by joint payee check or draft. The assessment shall be levied against and all payments made to the Owners equally. The assessment provided for herein shall be secured by the lien provided for in Article VI of this Declaration.

Section 3. Notice to Holders. In the event of damage to or destruction of any Unit or any material portion of the Common Area, the Holder, Insurer or Guarantor of the first mortgage(s) on any such Unit(s), and the Holders, Insurers or Guarantors of the first mortgages on all Units in the case of Common Area damage, shall be entitled to timely written notice from the Association of such damage or destruction, provided such Holder, Insurer or Guarantor has filed with the Association a written request for such notice.

ARTICLE XII

CONDEMNATION

Section 1. Payment of Award. If a portion of the Common Area should be taken by exercise of the power of eminent domain, or should be transferred and conveyed to a condemning authority in anticipation of such exercise, the entire award made as compensation for such taking, including, but without limitation, any amount awarded as severance damages, or the entire amount received and paid in anticipation of such taking, after deducting therefrom, in each case, reasonable and necessary

costs and expenses, including, but without limitation, attorneys' fees, appraiser's fees and court costs (which net amount is hereinafter in this Article XII referred to as the "Award") shall be paid to the Association, as trustee for all Owners and the owners and holders of first mortgages then encumbering the Units. The Association shall, as soon as practicable, cause the Award to be utilized for the purpose of repairing, replacing and restoring the affected area, including, if the Association deems it necessary or desirable, the replacement of any Common Area improvements so taken or conveyed. Any such repair, replacement and restoration shall be performed, to the extent reasonably possible following such condemnation, substantially in accordance with the original plans and specifications.

Section 2. Special Assessment for Deficiency. If the cost of any repair and restoration shall exceed the amount of the Award, a special assessment shall be levied against the remaining Owners to the extent necessary to make up such deficiency. Such assessment shall be levied equally against the Owners. The special assessment provided for herein shall be secured by the lien provided for in Article VI of this Declaration.

Section 3. Notice to Holders. If the Common Area or any material portion thereof is made the subject matter of any condemnation or eminent domain proceedings or is otherwise sought to be acquired by a condemning authority, the Holders, Insurers or Guarantors of the first mortgages on all Units will be entitled to timely written notice of such proceedings or proposed acquisition, provided such Holders, Insurers or Guarantors have filed with the Association a written request for such notice. No provision of any document establishing the project will entitle the Owner of a Unit or other party to priority over such Holder, Insurer or Guarantor with respect to the distribution of the proceeds of any award or settlement.

ARTICLE XIII

REMEDIES

In the event of any default by any Owner under the provisions of this Declaration, the Articles of Incorporation, the Bylaws, or the rules and regulations of the Association, the Association, or its successors or assigns, or the Board, or its agents shall have each and all of the rights and remedies which may be provided for in the Articles of Incorporation, the Bylaws or said rules and regulations, or which may be available by law, and may prosecute any action or other proceedings against such defaulting Owner and others for enforcement or foreclosure of the Association's lien and the appointment of a receiver for the defaulting Lot without notice, without regard to the value of such Lot or the solvency of such Owner, or for damages or injunction, or specific performance, or for a judgment for payment of money and collection thereof, or the right to sell the Lot as hereinafter in this paragraph provided, or for any combination of remedies or for any other relief. The proceeds of any such

judicial sale shall first be paid to discharge court costs, other litigation costs, including but without limitation reasonable attorneys' fees, and all other expenses of the proceeding and sale, and all such items shall be taxed against the defaulting owner in a final judgment. Any balance of proceeds after satisfaction of such charges and any unpaid assessments hereunder or any liens shall be paid to the Owner. Upon the confirmation of the sale, the purchasers thereupon shall be entitled to a deed to the Lot and to immediate possession of the Lot and may apply to the court for a writ of restitution for the purpose of acquiring such possession, and it shall be a condition of any such sale, and the judgment shall so provide, that the purchaser shall take the interest in the property sold subject to this Declaration. All expenses of the Association in connection with any such action or proceeding, including court costs and reasonable attorneys' fees and other fees and expenses, and all damages, liquidated or otherwise, together with interest thereon at the rate of twelve percent (12%) per annum until paid, shall be charged to and assessed against such defaulting Owner and shall be added to and deemed part of his respective share of the assessments payable to the Association, and the Association shall have a lien for all of the same, as well as for nonpayment of his respective share of the assessments, upon the Lot of such defaulting Owner and upon all of his additions and improvements thereto. In the event of any such default by any Owner, the Association and the Board, and the manager or managing agent, if so authorized by the Board, shall have the authority to correct such default and to do whatever may be necessary for such purpose, and all expenses in connection therewith shall be charged to and assessed against such defaulting Owner, and such assessment shall constitute a lien against the defaulting Owner's Lot. Any and all such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by the Association or the Board. The liens provided for in this Article XIII shall be junior to prior first mortgages to the same extent as provided in Article VI of this Declaration, and shall be foreclosed in the same manner as the lien provided for in Article VI.

Without in any way limiting the rights of the Association as set forth in Section 1 of Article III above, if any Owner (either by his conduct or by the conduct of any other Occupant of his Lot or Unit) shall violate any of the provisions of this Declaration, the Articles of Incorporation, the Bylaws or the rules and regulations, as then in effect, and such violation shall continue for ten (10) days after notice in writing from the Board or shall occur repeatedly during any ten-day period after written notice or request to cure such violation, the Association, Board or any aggrieved Owner shall have the power to file an action against the defaulting Owner or Occupant requiring the defaulting Owner to comply with the provisions of this Declaration, the Articles of Incorporation, the Bylaws or the rules and regulations, and granting other appropriate relief, including money damages. If the Association, its successors or assigns or the Board or its agents shall violate or fail to comply with any of the provisions of this Declaration, the Articles of Incorporation, the Bylaws or the rules and regulations, as then in effect, then any aggrieved Owner shall have the power to file an action against the

Association or Board to comply with the Declaration, the Articles of Incorporation, the Bylaws or the rules and regulations, and granting other appropriate relief, including money damages. Anything to the contrary herein notwithstanding, any breach of any of the covenants, restrictions, reservations, conditions and servitudes provided for in this Declaration, or any right of re-entry by reason thereof, shall not defeat or adversely affect the lien of any mortgage or deed of trust made in good faith and for value upon any Lot but, except as herein specifically provided, each and all of said covenants, restrictions, reservations, conditions and servitudes shall be binding upon and effective against any Owner whose title thereto is acquired by foreclosure, Trustee's Sale, deed in lieu of foreclosure or otherwise.

The rights reserved in this Article in favor of Declarant, or its assignee, to enforce the provisions of this Declaration shall be limited to the period of time during which Declarant owns one or more Lots in the Development.

ARTICLE XIV

DURATION AND AMENDMENT

The covenants and restrictions of this Declaration shall run with and bind the land and shall be binding upon each Owner and his heirs, executors, administrators, successors and assigns and all other persons claiming an interest in and to the Property, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be changed, modified or rescinded during the first twenty (20) year period by an instrument in writing setting forth such change, modification or rescission, executed as follows:

(a) If the Class B membership then exists, such instrument shall bear the signatures of Declarant and not less than ninety percent (90%) of the Owners of Lots not owned by Declarant;

(b) If the Class B membership does not then exist, such instrument shall bear the signature of not less than ninety percent (90%) of the Owners of all Lots. Subsequent to the first twenty (20) year period, this Declaration may be changed, modified or rescinded by an instrument in writing setting forth such change, modification or rescission, executed as follows:

(i) If the Class B membership then exists, such instrument shall bear the signatures of Declarant and not less than seventy-five percent (75%) of Owners of all Lots not owned by Declarant;

(ii) If the Class B membership does not then exist, such instrument shall bear the signature of not less than seventy-five percent (75%) of the Owners of all the Lots.

Any amendment must be recorded in the office of the County Recorder of La Paz County, Arizona.

Notwithstanding the provisions of the foregoing paragraph, if this Declaration, the Articles of Incorporation, or the Bylaws require the consent or agreement of a greater percentage of Owners or require the consent or agreement of a specified percentage of Mortgage Holders, for any action specified in this Declaration, then any instrument changing, modifying or rescinding any provision of this Declaration with respect to such action shall be signed by such percentage of Owners and/or Mortgage Holders, as required by this Declaration.

ARTICLE XV

RIGHTS OF MORTGAGE HOLDERS

No breach of any of the covenants, conditions and restrictions herein contained, nor the enforcement of any lien provisions herein, shall render invalid the lien of any first mortgage (meaning a mortgage with first priority over any other mortgage) on any Lot made in good faith and for value, but all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure, trustee's sale, or otherwise. Notwithstanding any provision in the Constituent Documents to the contrary, Mortgage Holders shall have the following rights:

(a) All Holders of first mortgages that have filed with the Association a written request for notice of default shall be entitled to receive written notice from the Association of any default by the Mortgagor of any Mortgage on a Unit (the beneficial interest in which is held by said Holder) in the performance of such Mortgagor's obligations under the Constituent Documents, which is not cured within sixty (60) days. All Holders of first mortgages that have filed with the Association a written request therefor shall be entitled to receive written notice of any proposed action that would require the prior approval of a specified percentage of Mortgage Holders as set forth in subparagraph (c) of this Article XV. Insurers and Guarantors shall also, upon written request therefor to the Association, be entitled to receive such written notices as provided for in this subparagraph (a).

(b) The Association shall discharge its obligation to notify Mortgage Holders, Insurers and Guarantors by sending written notices required herein to such parties requesting

notice, at the address given on the current request for notice, in the manner prescribed by Article XVIII.

(c) Unless at least sixty-seven percent (67%) of the Owners of all Lots (other than Declarant), at least sixty-seven percent (67%) of the Mortgage Holders (based upon one vote for each first mortgage owned) and Declarant (if Declarant then owns any Lots in the Property) have given their prior written approval, neither the Association nor the Owners shall be entitled to:

(1) By act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of Units, the maintenance of the Common Area and the upkeep of landscaping;

(2) By amendment to the Declaration, to the Articles of Incorporation, to the Bylaws or otherwise, change the method of determining the obligations of Owners, levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards;

(3) Make any material amendment to the Declaration, to the Articles, to the Bylaws or to any of the other Constituent Documents concerning any of the following: voting rights; assessments, assessment liens or subordination of such liens; reserves for maintenance, repair and replacement of the Common Area; insurance or fidelity bond requirements; use of hazard insurance proceeds; boundaries of any Unit or of the Common Area; rights to use the Common Area; responsibility for maintenance and repair of the Units or Common Area; leasing of Units; or any provision which is for the express benefit of Mortgage Holders, Insurers or Guarantors;

(4) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area; provided, however, that the granting of easements for public utility or other public purposes in accordance with the provisions of this Declaration shall not be considered a transfer for purposes of this subparagraph;

(5) Impose any right of first refusal or similar restriction on the right of an Owner to sell, transfer or otherwise convey its Lot; it

being understood, however, that if the Federal Housing Administration ("FHA") and/or the Veterans Administration ("VA") have approved the Development for FHA and/or VA loans, neither the Association nor the Owners shall have any right whatsoever to impose any such right of first refusal or similar restriction;

(6) Expand or contract the Project or annex to or withdraw property from the Project, except as specifically provided for herein; or

(7) Effectuate any decision by the Association to terminate professional management and assume self-management, if such professional management was previously required by a Mortgage Holder, Insurer or Guarantor.

(d) Any Mortgage Holder, Insurer or Guarantor and any Owner will, upon request, be entitled to (a) inspect the Declaration, the Articles, the Bylaws, rules and regulations, books and records of the Association during normal business hours, and (b) receive an annual audited financial statement of the Association within ninety (90) days following the end of the fiscal year of the Association.

(e) Any provision of the Constituent Documents which gives an Owner, or any other party, priority over any rights of first mortgagees of Lots pursuant to their mortgages in the case of a distribution to Owners of insurance proceeds or condemnation awards for losses to or taking of Units and/or Common Area shall not be enforceable against such mortgagees.

(f) Any Mortgage Holder who obtains title to a Lot pursuant to a foreclosure of the mortgage on the Lot will not be liable for such unpaid dues and assessments against the Lot which accrued prior to acquisition of the Lot by the Mortgage Holder.

(g) Partition or subdivision of the Common Area is prohibited.

(h) Mortgage Holders may, but shall not be required to, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy and Mortgage Holders making such payments shall be entitled to immediate reimbursement therefor from the Association.

ARTICLE XVI

COMPLIANCE WITH FNMA, FHLMC, FHA AND VA REGULATIONS

22. Compliance With FNMA, FHLMC, FHA And VA Regulations. It is the intent of the Declarant that the Project shall comply with all requirements of the Federal National Mortgage Association ("FNMA") and of the Federal Home Loan Mortgage Corporation ("FHLMC") pertaining to the purchase by FNMA and FHLMC of mortgages on individual Lots and with all requirements of the Federal Housing Administration ("FHA") and of the Veterans Administration ("VA") pertaining to the insurance by FHA and VA of mortgages on individual lots. In furtherance of that intent and notwithstanding any other provisions of this Declaration or any provision of the other Constituent Documents, Declarant expressly reserves the right and shall be entitled by unilateral amendment as long as Declarant owns more than twenty-five percent (25%) of the Lots in the Development to incorporate any provisions that are, in the opinion of FNMA, FHLMC, FHA or VA required to conform this Declaration, the Articles, the Bylaws or the Project to the requirements of FNMA, FHLMC, FHA or VA. Each Owner and each mortgagee by acceptance of a deed or encumbrance consents to the incorporation in the Constituent Documents of any such provisions and agrees to be bound by any such provisions as if they were originally contained in the Constituent Documents. The Board, each Owner and each Mortgagee shall take any action or shall adopt or consent to any resolutions required by FNMA, FHLMC, FHA or VA to conform this Declaration, the other Constituent Documents or the Project to the requirements of FNMA, FHLMC, FHA or VA.

ARTICLE XVII

ANNEXATION

Section 1. Method of Annexation. Additional land within the area described on Exhibit "A" attached hereto and by this reference incorporated herein (hereinafter referred to as the "Additional Property") may be annexed to the Property by Declarant in one or more phases without the consent of the Owners or Mortgage Holders within seven (7) years of the date of recordation of this Declaration. Declarant shall in no way be obligated to annex the Additional Property but if, when and at such time as the Additional Property, or any portion thereof, is annexed, the Additional Property or said portion of it which is annexed, shall, in addition to and together with the Property which is the subject of this Declaration (hereinafter in this Article referred to as the "Initial Property"), be referred to as the "Development," the "Property" or the "Premises." Any such annexation must be accomplished in accordance with the following provisions:

- (a) The annexation shall become effective upon, but not before, the recording, within seven (7) years of the date of recordation of this Declaration, in the Office of the County Recorder of La Paz County, Arizona, of a certificate signed

and acknowledged by Declarant (or any of its successors in interest to the Additional Property to which Declarant has specifically assigned its rights hereunder by recorded instrument) which (1) describes the Initial Property and the portion of the Additional Property which is to become part of the Development; (2) refers to this Declaration; (3) declares that it is desired and intended that the provisions of this section shall become effective and affect the property described in the certificate; and (4) describes the Common Area being transferred to the Association for the common use and enjoyment of the Owners of the Development.

(b) Subject to recording the certificate in compliance with subsection (a) hereof, this Declaration shall further apply to and affect the Additional Property, or such portion thereof as may be referred to and described in any such certificate, all of the Lots and Common Area located in the property described in any such certificate, and the then and future Owners of such Lots, with the same effect as if the property described in the certificate(s) was originally subjected to the provisions of this Declaration and to the same extent and degree as this Declaration shall and does apply to the Initial Property, all of the Lots and Common Area located in the Initial Property, and the then and future Owners of such Lots. Thereupon, the powers and responsibilities of the Association and the Board shall be co-extensive with regard to all property included within the Development, the Association shall, pursuant to the provisions of this Declaration, constitute the homeowners' association for the Development and shall own all of the Common Area in the Development, and the rights and obligations of the Owners of Lots in the Additional Property shall be the same and identical to the rights and obligations of the Owners of the Lots in the Initial Property.

(c) Notwithstanding the rights of Declarant contained in this Article XVII, in the event the Additional Property becomes part of the Development pursuant to the provisions of this Section, the total number of Lots to be permitted on the Additional Property, in its entirety, shall not exceed thirty-five (35) Lots. All improvements intended for future phases shall be substantially completed prior to annexation. In addition, all improvements constructed on property included in the Development shall be consistent in terms of quality of construction with the improvements constructed on the Initial Property.

(d) So long as there is a Class B membership and provided the Federal Housing Administration ("FHA") and/or the Veterans Administration ("VA") have approved the Development for FHA and/or VA loans, any annexation in

accordance with the provisions of this Section shall require a determination by the FHA and/or VA that said annexation is in accord with the general plan previously approved by the FHA and/or VA.

Section 2. Rights of Declarant. Notwithstanding any of the provisions regarding annexation set forth in Section 1 of this Article XVII, Declarant shall have the following rights with regard to the Additional Property:

(a) Declarant may, at its option, at any time hereafter, without requesting or receiving the consent of the Owners of any portion of the Initial Property or of any other property constituting a part of the Development, or of any mortgagees of any Lot located therein, elect to permanently remove the Additional Property, or any portion thereof, from the right of Declarant to include the Additional Property, or such portion thereof, in the Development, by recording a written notice of such removal, signed by Declarant, in the Office of the Maricopa County Recorder. Upon such recording, the Additional Property, or such portion thereof as described in the notice, shall no longer be eligible for inclusion in the Development as contemplated under Section 1 of this Article XVII.

(b) Declarant reserves the right at any time and from time to time, without requesting or receiving the consent of the Owners of any portion of the Initial Property or of any other property constituting a part of the Development, or of any mortgagees of any Lot located therein, to resubdivide, amend the subdivision map, modify, alter or otherwise change the legal or other status or configuration of the Additional Property, or any portion thereof, to enter into any written agreement with La Paz County, Arizona, changing the location of any of any easements previously granted to said County with respect to the Additional Property, and to grant easements to other third parties in connection with the development and/or improvement of the Additional Property, provided that no Lot on the property which is the subject of such change, modification, amendment or easement has previously been sold by Declarant to an Owner. The power herein granted to Declarant shall be and is a power coupled with an interest and shall be irrevocable; each Owner of a Lot in the Development appoints Declarant as his attorney-in-fact for the purpose of effecting any such change, modification or amendment or of granting such easements.

Section 3. Amendments Regarding Annexation. Notwithstanding anything to the contrary in the Declaration, the provisions of this Article XVII may not be amended without the prior written consent of Declarant.

ARTICLE XVIII

GENERAL

Section 1. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no wise affect any other provisions which shall remain in full force and effect.

Section 2. Construction and Interpretation of Declaration. Except for judicial construction, the Association shall have the exclusive right to construe and interpret the provisions of this Declaration. In the absence of any adjudication to the contrary by a court of competent jurisdiction, the Association's construction or interpretation of the provisions hereof shall be final, conclusive and binding as to all persons and property benefited or bound by these Restrictions.

Section 3. Gender. Whenever the context of this Declaration so requires, words used in masculine gender shall include the feminine and neuter genders. Words used in the neuter gender shall include the masculine and feminine genders, words in the singular shall include the plural, and words in the plural shall include the singular.

Section 4. Captions, Titles and Headings. All captions, titles and headings of the Articles and Sections of this Declaration are for the purpose of reference and convenience only and are not to be deemed to limit, modify or otherwise affect any of the provisions hereof, or to be used in determining the intent or contents hereof.

Section 5. Jurisdiction. All Owners agree that any matter arising under this Declaration may be finally adjudged or determined in any court or courts of the State of Arizona or of the United States of America having jurisdiction in the State of Arizona, and such Owners hereby submit generally and unconditionally to the jurisdiction of such courts and of any of them in respect to any such matter; provided, however, as to those matters to be submitted to arbitration pursuant to any provision hereof, such arbitration provisions shall be controlling and prevail.

Section 6. Notices. Notices provided for in this Declaration or the other Constituent Documents and addressed to the Association or the Board shall be in writing and shall be addressed to the Association or the Board, at any address to be established by the Board from time to time. The Board may designate a different address for such notices by giving written notice of such change of address to all Owners. All notices to Owners shall be to their respective Units. Any Owner may also designate a different address for notices to him by giving written notice of his change of address to the Board. Notices addressed as above shall be deemed delivered 72 hours after they have been mailed by United States mail postage prepaid, or when delivered in person.

Upon written request to the Board, the Holder of any recorded mortgage encumbering any Lot shall be given a copy of all notices

permitted or required by this Declaration to be given to the Owner or Owners of the Lot subject to such mortgage.

Section 7. FHA/VA Approval. As long as there is a Class B membership and provided the FHA and/or VA have approved the development for FHA and/or VA loans, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration: Annexation of additional Properties, dedication of Common Area and amendment of this Declaration of Covenants, Conditions and Restrictions.

Section 8. Perpetuities and Restraints on Alienation. If any of the options, privileges, covenants or rights created by this Declaration shall be unlawful, void or voidable for violation of the rule against perpetuities, then such provision shall continue until twenty-one (21) years after the death of the survivor of the now living descendants of the President of the United States on the date hereof.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereunto set its hand and seal this 6th day of November, 1984.

SANDPIPER VILLA, INC.,
an Arizona corporation

By E. Darby Cox, Jr.
Its President

DECLARANT

STATE OF Arkansas)
County of Jefferson) ss.

The foregoing instrument was acknowledged before me this 6th
day of November, 19 84 by E. Harley Col. A.
President of
SANDPIPER VILLA, INC., the Arizona corporation, on behalf of said
partnership.

Jim Gutridge
Notary Public

My commission expires:
1/30/92