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FIDELITY NATIONAL TITLE  
HOLD FOR PICK-UP

*attn: Mona Williams*

WHEN RECORDED RETURN TO:

Matthew R. Berens, Esq.  
BERENS, THOMSON, PLC  
Post Office Box 33876  
Phoenix, Arizona 85067-3876

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS  
FOR  
GREENFIELD HEIGHTS  
CITY OF MESA, MARICOPA COUNTY, ARIZONA

This Declaration made this 13<sup>th</sup> day of September, 2001, by SIVAGE-THOMAS OF ARIZONA, INC., a New Mexico corporation ("*Declarant*").

RECITALS

A. The Declarant owns that parcel of real property situated in Maricopa County, Arizona, more particularly described in Exhibit A hereto (the "*Parcel*").

B. The Declarant desires to create a planned, single-family, residential community which will include common facilities for the benefit of the community, and Declarant hereby revokes the prior Declaration of Covenants, Conditions and Restrictions recorded at Document No. 2001-0101928 in the Official Records of Maricopa County.

C. Declarant desires to submit and subject the Parcel, together with all buildings, improvements and other permanent fixtures of whatever kind now or hereafter located thereon, and all easements, rights, appurtenances and privileges belonging or in any way pertaining thereto (all of which are included within the term "*Property*" as defined in Section 1.27 hereof), to the covenants, conditions and restrictions set forth herein.

D. The Declarant desires to establish for its own benefit and for the mutual benefit of all future owners and occupants of the Property, and every part thereof, certain easements and rights in,

over and upon the Property and certain mutually beneficial restrictions and obligations with respect to the proper use, conduct and maintenance thereof.

E. The Declarant desires and intends that the owners, mortgagees, beneficiaries and trustees under trust deeds, occupants and all other persons hereafter acquiring any interest in the Property shall at all times enjoy the benefits of, and shall hold their interests subject to, the rights, easements, privileges, covenants and restrictions hereinafter set forth, all of which shall run with the land and be binding upon the Property and all parties having or acquiring any right, title or interest in or to the Property, or any part thereof, and shall inure to the benefit of each owner thereof, and all of which are declared to be in furtherance of a plan to promote and protect the Property and are established for the purpose of enhancing and perfecting the value, desirability and attractiveness of the Property.

## DECLARATIONS

NOW, THEREFORE, the Declarant, for the purposes above set forth, declares as follows:

1. Definitions. Defined terms used in this Declaration have the first letter of each word in the term capitalized. Unless the context otherwise requires, defined terms shall have the following meanings:

1.1 “*Articles*” means the Articles of Incorporation for the Association, and any properly adopted amendments and supplements to them.

1.2 “*Association*” means the Greenfield Heights Homeowners Association, Inc., an Arizona nonprofit corporation, its successors and assigns.

1.3 “*Board*” means the Board of Directors of the Association.

1.4 “*Bylaws*” means the Bylaws of the Association and any properly adopted amendments and supplements to them.

1.5 “*Common Areas*” means that portion of the Property owned by the Association, together with the improvements and facilities constructed thereon, which is not part of any Lot as shown on the Plat and which has not been dedicated to the public as a public street or otherwise.

1.6 “*Constituent Documents*” means this Declaration, the Articles of Incorporation and Bylaws of the Association, any guidelines, rules and regulations of the Association, and all such other similar documents as pertain to the Project, together with any properly adopted amendments to any of them.

1.7 “*Declarant*” means the above-recited Declarant or any Person to whom Declarant’s rights here under are hereafter assigned in whole or in part by recorded instrument.

1.8 “*Declaration*” means this Declaration of Covenants, Conditions and Restrictions for Greenfield Heights, as amended from time to time.

1.9 “*Designated Builder*” means any Person designated on Exhibit B who is engaged in the business of constructing and selling residences to the public and who is entitled to enjoy the privileges and benefits provided for in this Declaration or any Person to whom any such Designated Builder’s rights here under are hereafter assigned by recorded instrument.

1.10 “*Eligible Holder*” means any First Mortgagee or Institutional Guarantor that requests notice of certain matters in accordance with Section 18.18 hereof.

1.11 “*First Mortgage*” means a Mortgage which is the first and most senior of all Mortgages upon the same property.

1.12 “*First Mortgagee*” means limit holder of the note secured by the First Mortgage and includes, as appropriate in the context of the regulations of any interested Institutional Guarantor, any such Institutional Guarantor with respect to such a note or First Mortgage.

1.13 “*Fractional Interest*” means that fraction, the numerator of which is one and the denominator of which is the total number of Lots then in the Project.

1.14 “*Improvement*” means: (a) any Residence, building, fence or wall; (b) any swimming pool, tennis court, basketball goal, backboard or apparatus or playground equipment; (c) any road, driveway or parking area; (d) any trees, plants, shrubs, grass or other landscaping improvements of any type and kind; (e) any statuary, fountain, artistic work, craft work, figurine or ornamentation of any type or kind, and (f) any other structure of any type, kind or nature.

1.15 *Institutional Guarantor* means the Federal Housing Administration (“*FHA*”), the Veterans Administration (“*VA*”), the Federal Home Loan Mortgage Corporation (“*FHLMC*”), and the Federal National Mortgage Association (“*FNMA*”), including any successor thereto, if such an agency purchases any note, or guarantees or insures the payment of any note, secured by a First Mortgage.

1.16 “*Lot*” means each portion of the Property separately designated and described as a lot on the Plat, or on the plat of any annexed real property, together with any and all improvements thereon.

1.17 “*Majority of Owners*” means, for purposes of the Constituent Documents, the Owners holding more than 50% of the total weighted voting strength (irrespective of the total number of Owners); and, any specified fraction or percentage of Owners means, for purposes of the Constituent Documents, the Owners holding that fraction or percentage of the total weighted voting strength (irrespective of the total number of Owners).

1.18 “*Mortgage*” means any recorded, filed or otherwise perfected instrument pertaining to a portion of the Property (which is not a fraudulent conveyance under Arizona law), given in good faith and for valuable consideration as security for the performance of an obligation including, but not limited to, deeds of trust, but shall not include any instrument creating or evidencing solely a security interest arising under the Uniform Commercial Code.

1.19 “*Mortgagee*” means the holder of a note secured by a Mortgage, including the trustee and beneficiary under any deed of trust.

1.20 “*Mortgagor*” means the party executing a Mortgage as obligor.

1.21 “*Occupant*” means a person or persons, other than an Owner, in rightful possession of a Lot.

1.22 “*Owner*” means the record owner, whether one or more persons or entities, of fee simple title to any Lot, whether or not subject to any Mortgage, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation. If fee simple title to a lot is vested of record in a trustee pursuant to Arizona Revised Statutes, Section 33-801 et seq., fee simple title shall be deemed to be in the trustor.

1.23 “*Parcel*” means the parcel of real estate herein above described, which is initially subjected to this Declaration.

1.24 “*Person*” means an individual, corporation, partnership, trustee or other legal entity.

1.25 “*Plat*” means the plat or plats of subdivision of the Property, as first recorded in Book 546 of Maps at page 41 of the official records of Maricopa County, Arizona, as thereafter amended from time to time amended.

1.26 “*Private Yard*” means that portion of a Lot other than the residential structure, which is enclosed or shielded from view by walls, fences, hedges or the like so that it is not generally Visible from Neighboring Property.

1.27 “*Property*” and “*Project*” are synonymous. and shall include the Lots, the Common Areas, and all easements, rights appurtenances and privileges belonging or in any way pertaining thereto.

1.28 “*Public Yard*” means that portion of a Lot other than the residential structure, which is located between the street right-of-way and the front walls of the residential structure and/or the return fences which connect a residential structure on any Lot to a residential structure on the adjacent Lot, not including any portion of the Lot which is fenced in, behind a gate, or which constitutes any portion of the Private Yard.

1.29 “*Record*” or “*Recording*” refers to the act of recording a document in the office of the County Recorder of Maricopa County, Arizona.

1.30 “*Fractional Interest*” means that fraction, the numerator of which is one and the denominator of which is the total number of Lots then in the Project.

1.31 “*Residence*” means any building, or portion of a building, designed and intended for independent ownership and for use and occupancy as a residence.

1.32 “*Servicer*” means the person or entity servicing a First Mortgage (including the First Mortgagee, if applicable), its successors or assigns, pursuant to the regulations of any interested Institutional Guarantor.

1.33 “*Visible from Neighboring Property*” means capable of being clearly seen without artificial sight aids by an individual six feet tall standing at ground level on any Lot or on any Common Area, public street or right-of-way in or abutting the Property.

2. Binding Covenants: Rights and Obligations. The Declarant hereby submits and subjects the Property to the rights, easements, privileges, covenants and restrictions set forth in this Declaration, and hereby declares that all of the Property, including the Lots and Common Areas, shall be owned, leased, sold, conveyed and encumbered or otherwise held or disposed of subject to the terms, conditions and provisions of this Declaration and the prior Declaration of Covenants, Conditions and Restrictions recorded at Document No. 2001-0101928 in the Official Records of Maricopa County is hereby revoked and of no further force and effect as to the Property. Each grantee of a Declarant, by the acceptance of a deed of conveyance, and each purchaser under any contract for a deed of conveyance, and each purchaser under any agreement of sale, and each Person at any time hereafter owning or acquiring any interest in any part of the Property, accepts the interest subject to all restrictions, conditions, covenants, reservations, liens and charges, and the jurisdiction, rights and powers created or reserved by this Declaration. All rights, benefits and privileges of every character hereby granted, created, reserved or declared, and all impositions and obligations hereby imposed shall be deemed and taken to be covenants running with the land and equitable servitudes, binding upon any Person having any interest or estate in the Property at any time, and inuring to the benefit of the grantee, purchaser or Person as though the provisions of this Declaration were recited and stipulated at length in each and every deed of conveyance, purchase contract or other instrument whereby each such Person acquires an interest in the Property.

3. Property Rights and Rights of Enjoyment in the Common Areas.

3.1 *Right of Enjoyment.* Subject to the provisions of Section 3.3, every Owner shall have a right and easement of enjoyment in and to the Common Areas. The easement shall be appurtenant to, and shall pass with the title to, every Lot. Except as otherwise provided herein (including, but not limited to, the provisions of Section 3.3(c) and the Association's right to grant easements for utilities and similar and related purposes), the Common Areas may not be alienated, released, transferred, hypothecated or otherwise encumbered without the prior approval of two-thirds of each class of Members in the Association and two-thirds of all First Mortgagees (based upon one vote for each First Mortgage owned) and without compliance with the applicable requirements of Section 18 of this Declaration.

3.2 *Conveyance of Common Areas.* At such time as improvements on the Common Areas have been completed, the Declarant shall cause such improvements and the common areas to be conveyed to the Association by appropriate instrument of conveyance, which conveyance shall be free and clear of all liens and encumbrances except the lien for real property taxes not yet due and payable. At the time of conveyance, the Association will be provided a title insurance policy insuring good and marketable title to the Common Areas in the Association. The Association shall have in place on the date of conveyance all insurance on the Common Areas which the Association is required to maintain under Section 10 of this Declaration.

3.3 Limitations. The rights and easements of enjoyment created in this Declaration shall be subject to the following, subject to compliance with the applicable requirements of Section 18 hereof.

(a) The right of the Association, in accordance with this Declaration and the Articles and Bylaws of the Association, to borrow money for the purpose of improving the Common Areas and in aid thereof to mortgage the properties of the Association; provided, however, that the consent of two-thirds of each class of Members shall be required prior to mortgaging or pledging any portion of the Common Areas;

(b) The right of the Association to take such steps as are reasonably necessary to protect the Common Areas against foreclosure in the event of default upon any mortgage covering them;

(c) The right of the Association, as provided in its Articles and Bylaws, to suspend the enjoyment and voting rights of any Owner or other Person for any period during which any assessment remains unpaid, and for any period not to exceed 30 days for any infraction of the Association's rules and regulations and successive

30-day periods for so long as the infraction remains unresolved; provided, however, that no such suspension shall prevent reasonable access to a Lot across Common Areas;

(d) The right of the Association to dedicate or transfer all or any part of the Common Areas to any public agency, authority, or utility company for such purposes and subject to such conditions as may be agreed to by the Owners, provided that no such dedication or transfer, or determination as to the purposes or as to the conditions thereof, shall be effective: (i) unless such dedication or transfer is subject to an Owner's right and egress over the Common Areas to its Lot, if necessary, and (ii) unless an instrument signed by Owners entitled to cast two-thirds of the votes of each class of membership has been recorded, agreeing to the dedication, transfer, purpose or condition, and unless written notice of the proposed agreement and action thereunder is sent to every Owner at least ninety (90) days in advance of any action being taken.

3.4 *Delegation of Rights.* Any Owner may delegate his rights of enjoyment in the Common Areas to the members of his family who reside upon the Property or to any Occupant of his Lot. The Owner shall notify the Association in writing of the name of any Person to whom such rights of enjoyment are delegated if they are not immediate family living on the Owner's Lot, which notice shall include the relationship of the Owner to the authorized Person. The rights and privileges of any such Person are subject to suspension as provided in this Declaration or the Bylaws of the Association to the same extent as those of the delegating Owner, and are subject to such further regulation as the Association may provide in its Bylaws or in its rules and regulations.

#### 4. Membership and Voting Rights in the Association.

4.1 *Association.* The Association has been formed to serve as the governing body for all of the Owners for the enforcement of this Declaration, the protection, improvement, alteration, maintenance, repair, replacement, administration and operation of the Common Areas, the maintenance of landscaping and related facilities and fixtures within the Rights of Way, the assessment of expenses, payment of losses, disposition of casualty insurance proceeds, and other matters as provided in this Declaration, the Articles and the Bylaws. The Association shall not be deemed to be conducting a business of any kind, and all funds received by the Association shall be held and applied by it for the Owners in accordance with the provisions of this Declaration, the Articles and the Bylaws.

4.2 *Membership.* Subject to the provisions of Section 3.3(c) hereof, each Owner shall be a member of the Association so long as he is an Owner. Membership shall automatically terminate when the Owner ceases to be an Owner. Upon the transfer of his ownership interest, the new Owner succeeding to the ownership interest shall likewise automatically succeed to the membership in the Association. A membership in the Association

shall not be transferred, pledged or alienated in any way, except upon the sale of the Lot to which it appertains (and then only to the purchaser of the Lot) or by intestate succession, testamentary disposition, foreclosure of a Mortgage or other legal process transferring fee simple title to the Lot (and then only to the Person to whom fee simple title is transferred). Notwithstanding the foregoing, if an Owner grants an irrevocable proxy or otherwise pledges or alienates his voting right regarding special matters to a Mortgagee as additional security, only the vote of the Mortgagee will be recognized in regard to the designated special matters (subject to the provisions of Section 3.3(c) hereof) if a copy of the proxy or other instrument pledging or alienating the Owner's vote has been filed with the Board. If more than one such instrument has been filed, the Board shall recognize the rights of the first Mortgagee to so file, regardless of the priority of the Mortgages themselves. Any attempt to make a prohibited transfer of a membership is void and will not be recognized by or reflected upon the books and records of the Association.

4.3 *Classes of Membership and Voting Rights: Appointment of Board Members.*

The Association shall have two classes of voting membership:

**Class A.** Class A members shall be all Owners but shall not include the Designated Builder. Class A members shall be entitled to one vote for each Lot owned on each matter to be decided. When more than one Person holds an interest in any Lot, all such Persons shall collectively hold the voting rights for the Lot. The voting for such a Lot shall be exercised as they determine among themselves, but in no event shall the vote be split or more than one vote be cast with respect to any Class A Lot. If such Persons are unable to agree how their single vote is to be cast, their vote shall not be counted.

**Class B.** The Class B members shall be the Designated Builder, who shall hold one Class B membership for each Lot owned and shall be entitled to three votes for each such Class B membership on each matter to be decided. The Designated Builder may cast its votes in such proportions on any matter as it may determine. Class B memberships shall cease and be converted to Class A memberships, without further act or deed, upon the happening of any of the following events, whichever occurs first:

(a) The voting rights relating to any particular Lot shall be converted upon the sale or other disposition of the Lot by the Designated Builder, other than in connection with an assignment by the Designated Builder of all or substantially all of its rights under this Declaration (including a pledge or assignment by the Designated Builder to any lender as security); or

(b) With respect to all remaining Class B memberships, upon the first to occur of the following:



(1) One hundred twenty (120) days following the first date when the total votes outstanding in the Class A membership equals or exceeds the total votes outstanding in the Class B membership, or

(2) Five (5) years following conveyance of the first Lot within the Project by the Designated Builder.

If any lender to whom the Designated Builder has assigned, or hereafter assigns, all or substantially all of its rights under this Declaration as security succeeds to the interests of the Designated Builder by virtue of the assignment, the Class B memberships of the Designated Builder shall not be terminated, and the lender shall hold the Class B memberships of the Designated Builder on the same terms as they were held by the Designated Builder.

#### 4.4 *Association Board of Directors: Appointment by Designated Builder.*

(a) The Board of the Association shall initially be comprised of the individuals specified in the Association's Articles of Incorporation. Each Board member shall serve until his successor is elected or appointed in accordance with the Bylaws or upon his resignation or removal from office, as the case may be. For so long as any Class B memberships are outstanding in the Project, and the Designated Builder shall appoint three Board members. From and after the date that no Class B memberships are outstanding in the Project, the number of Board positions may be increased as provided in the Bylaws and the Board members shall be elected by the Class A members pursuant to the procedures set forth in the Bylaws.

(b) Except for members elected or appointed by any Designated Builder, each director shall be an Owner (or, if an Owner is a corporation, partnership or trust, a director may be an officer, partner or beneficiary of the Owner). If a director ceases to meet these such qualifications during his term, he will thereupon cease to be a director and his place on the Board shall be deemed vacant. Except for directors elected or appointed by any Designated Builder, directors shall be elected in the manner and at the times set forth in the Articles or Bylaws.

4.5 *Board's Determination Binding.* In the event of any dispute or disagreement between any Owners or other Persons relating to the Project, or any question of interpretation or application of the provisions in this Declaration, the Articles, Bylaws or rules and regulations of the Association, the determination by the Board shall be final and binding on each and all of such Owners or other Persons (subject to any contrary determination by a court of competent jurisdiction).

4.6 *Additional Provisions in Articles and Bylaws.* The Articles and Bylaws may contain any provision relating to the conduct of the affairs of the Association and the rights and powers of its directors, officers, employees, agents, members and other interested Persons

not inconsistent with law, this Declaration or the regulations of any interested Institutional Guarantor.

4.7 *Indemnification.* Every director, officer and agent of the Association (whether or not such agency relationship results from appointment, election or employment) shall be indemnified by the Association, to the extent not prohibited by law, against all expenses and liabilities, including attorneys' fees, incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a director, officer or agent of the Association, or any settlement thereof, whether or not he is a director, office or agent at the time such expenses are incurred, provided that the Board determines, in good faith, that such director, officer or agent did not act, fail to act, or refuse to act, willfully or with gross negligence or fraudulent or criminal intent in the performance of his duties. The foregoing rights of indemnification shall be in addition to and not exclusive of all other rights to which such directors, officers or agents may be entitled.

4.8 *Easements.* In addition to the blanket easements granted in Section 5 below, the Board is authorized and empowered to grant such licenses, easements and rights-of-way upon the Common Areas for sewer lines, water lines, underground conduits, storm drains and other public or private utility purposes as may be necessary and appropriate for the orderly maintenance, preservation and enjoyment of the Common Areas or for the preservation of the health, safety, convenience and welfare of the Owners, provided that any damage to a Lot resulting from such a grant shall be repaired by the Association at its expense.

4.9 *Accounting.* The Board, at all times, shall keep, or cause to be kept, true and correct records of account in accordance with generally accepted accounting principles, together with recent financial statements. The Board shall keep such books and record available for the inspection of all Owners, First Mortgagees and Institutional Guarantors, upon request, during normal business hours or other reasonable times. Required books and records shall specify in reasonable detail all expenses incurred and funds accumulated from assessments or otherwise.

4.10 *Constituent Documents.* The Board, at all times, shall keep, or cause to be kept, current copies of the Constituent Documents, together with any amendments thereto, and shall make such documents available for the inspection of all Owners, First Mortgagees and Institutional Guarantors, upon request, during normal business hours or other reasonable times.

4.11 *Termination of Association.* If the Association is terminated or dissolved, the assets of the Association shall be transferred to a successor owners' association, a public agency or a trust for the benefit of the Owners and Mortgagees, whichever appears to the Board, in its sole and absolute discretion, to then be the most reasonable and equitable distribution thereof consistent with applicable tax and other laws.

5. Blanket Easements and Use of Common Areas.

5.1 *Creation of Easement.* There is hereby created a blanket easement upon, across, over and under the Common Areas for ingress and egress, installing, constructing, replacing, repairing, maintaining and operating all utilities including, but not limited to, water, sewer, gas, telephone, electricity, television cable, security systems, and communication lines and systems, and in addition thereto for the use of emergency vehicles of all types. By virtue of the easement, it shall be expressly permissible for the providing governmental agency or utility company to erect and maintain necessary facilities and equipment on the Common Areas. Notwithstanding anything to the contrary contained in this Section 5, no easements shall be created nor shall any sewers, electrical lines, water lines or other facilities be installed or relocated on the Common Areas except as initially created and approved by the Declarant or thereafter created or approved by the Board. This provision shall in no way affect any other recorded easements on the Property.

5.2 *General Use Rights.* Except for the use limitations provided in Section 3.3 and Section 9, each Owner shall have the non-exclusive right to use the Common Areas in common with all other Owners as required for the purposes of access and use, occupancy and enjoyment of, the respective Lot owned by the Owner. The right to use the Common Areas shall extend to each Owner and Occupant and the agents, servants, tenants, family members and invitees of each Owner. The right to use and possess the Common Areas shall be subject to and governed by the provisions of this Declaration, the Articles, Bylaws, and rules and regulations of the Association and such reasonable limitations and restrictions as may, from time to time, be contained therein. The areas of some Lots denoted on the Plat as "Access/Curb Easement" shall be treated as if same were Common Areas for maintenance, access, use and insurance purposes and the Owners of the Lots upon which such "Access/Curb Easements" have been established shall suffer no liability by reason of such easements and shall be indemnified by the Association therefor.

5.3 *Wall Easement.* There is hereby created as an easement upon, over and across each Lot within the Property which is adjacent to the perimeter boundaries of the Project or any public street or Common Area within the Project for reasonable ingress, egress, installation, replacement, maintenance and repair of a Project perimeter wall located on the easement. The easement created by this Section 5.3 shall be in favor of the Declarant and Designated Builder and appurtenant to the portions of the Project owned by them at any time, as well as in favor of the Association and those Owners whose Lots are subject to the easement.

5.4 *Maintenance Easement.* There is hereby created a maintenance, roof overhang and drainage easement upon, over and across the eight (8') feet of each Lot as set forth on the Plat allowing the Owner or Occupant of each adjacent Lot (the "Benefitted Lot") to perform maintenance upon the wall and fence improvement or the roof of the residence so

built upon the adjacent Lot. The easement granted herein is for roof overhang, roof, drainage and other maintenance purposes only and includes such access as may be reasonably necessary to allow the Owner or Occupant of the benefitted Lot to gain access to, and use of, the easement areas of the Burdened Lot (as hereafter defined) as set forth herein. The Owner of the Burdened Lot shall own the roof and wall structure which attaches the residences on the Burdened and Benefitted Lots (such structure together with any pillars directly attached shall hereafter be referred to as the "Attaching Structure") located within the easement area, except the wall and roof overhang of the residence on the Benefitted Lot. The Owner of the Benefitted Lot shall own and maintain the wall, roof overhang of the residence on the Benefitted Lot located within the easement area. Neither the Owner of the burdened Lot (nor any other Occupant, person or entity) shall modify or change in any way, the Attaching Structure, the roof overhang, or wall of the residence of the Benefitted Lot that is within the easement area. Such Owner may provide landscaping under and around the Attaching Structure only so long as such landscaping does not interfere with the maintenance, roof overhang and drainage easement granted hereby. The Owner of the Burdened Lot shall maintain the Attaching Structure at such Owner's sole cost and expense. The owner of the Burdened Lot shall also maintain the fence in its yard. The Owner or the Occupant of the Benefitted Lot shall give reasonable notice to the Owner or Occupant of the Lot upon which the easement exists (the "Burdened Lot") before such access may be utilized for maintenance purposes, except in cases where emergency repairs are necessary to prevent damage or further damage to the structure upon the Benefitted Lot. The Owner or Occupant of the Benefitted Lot utilizing such easement for maintenance purposes shall be responsible for restoring the Lot upon which the easement is granted to its original condition prior to such access for maintenance purposes. Lots which do not have a maintenance easement specified on the Plat shall not be subject to the easement created by the Plat as more fully described in this Section 5.4.

6. Managing Agent. All powers, duties and rights of the Association or the Board, as provided by law and herein, may be delegated to a managing agent under a management agreement. Any agreement for professional management, or any other contract providing for services of and Declarant, any Designated Builder, or any other party, shall not provide for compensation to the managing agent or other contracting party in excess of those amounts standard within the community in which the Project is located, nor exceed a term of one year, but the term may be renewed by agreement of the parties for successive one-year periods. Any such agreement shall provide for termination by either party with or without cause and without payment of a termination fee upon 60 days' written notice; provided, however, that the Association may also terminate the agreement for cause upon 30 days' written notice. Any decision by the Association to terminate professional management after it has begun and assume self-management of the Project shall not be effective until approved in writing by two-thirds of the Owners and two-thirds of the First Mortgage Mortgagees (based upon one vote for each Mortgage owned).

7. Common Expenses.

7.1 *Assessment for Common Expenses.* Except as otherwise specifically provided herein, each Owner, including the Designated Builder so long as it is an Owner, shall pay to the Association an amount equal to his proportionate share of the expenses of the administration, maintenance and operation of the Common Areas, maintenance of landscaping and related facilities and fixtures within the Rights of Way, and of any other expenses incurred in conformance with this Declaration, the Articles, Bylaws and rules and regulations of the Association, including specifically, but not by way of limitation, insurance, maintenance and repair of the Common Areas (and any and all replacements and additions thereto), water, electricity and other utilities provided to the Project, and establishment and maintenance of such reasonable reserves for contingencies, replacements and other proper purposes as the Board may from time to time elect to establish and maintain (which expenses are herein sometimes referred to as "*Common Expenses*"). Common Expenses shall include such amounts as determined by the Board for the establishment and maintenance of a reserve fund (the "*Reserve Fund*"), which shall be adequate to meet the costs and expenses of customary maintenance, repairs and replacements of landscaping and related facilities and fixtures within the Rights of Way and of those Common Areas which must be maintained, repaired, and replaced on a periodic basis. Reserve Funds shall be funded and derived from the regular assessments payable in regular installments and not by means of a special assessment or levy. The proportionate share of the Common Expenses for each Owner shall be in the same ratio as his Fractional Interest. Notwithstanding anything foregoing to the contrary, so long as any Class B memberships in the Association are outstanding, the Designated Builder may elect to pay for Lots owned by such Designated Builder an amount equal to one-quarter of the amount otherwise payable hereunder as such Lots' share of the Common Expenses in the absence of this proviso. A Designated Builder may make the election provided for in the preceding sentence for any budget year by giving the Association written notice prior to the commencement of the budget year; provided, however, that the Designated Builder may make such an election for the first budget year of the Association by giving notice prior to sale and conveyance of the first Lot by the Designated Builder or the commencement of the budget year, whichever is later.

An election for reduced assessments made by the Designated Builder as provided herein shall remain in effect until it is rescinded by written notice to the Association or Class B memberships cease to be outstanding, in which event the reduced assessments shall terminate and full assessments shall be payable as of the commencement of the next following budget year. In the event that a Designated Builder makes the election for reduced assessments provided for herein, the Designated Builder shall be obligated to pay, in addition to assessments, any amount by which (i) the Common Expenses of the Association for the budget year in which such an election is effective, multiplied by a fraction, the numerator of which is the number of Lots owned by the Designated Builder and the Denominator of which is the number of Lots in the Project, exceeds (ii) the assessments payable by Owners

(including the Designated Builder at the reduced rate). The obligations of the Designated Builder set forth in the preceding sentence shall be a lien against Lots owned by the Designated Builder pro rata and shall be enforceable by the Association in the same manner as assessments provided for herein.

7.2 *Commencement.* Assessment for Common Expenses provided herein shall commence for all Owners, including the Designated Builder, upon the sale and delivery by the Designated Builder of the first Lot within the Project with a completed residence thereon. Until the assessments for Common Expenses commence, the Designated Builder shall be responsible for payment of the Common Expenses. Any sale and simultaneous leaseback of a model residence for use in marketing shall not constitute a sale of the residence for purposes of the preceding sentence so long as the model continues to be used for marketing rather than residential purposes.

7.3 *Capital Contribution.* In addition to the regular assessments for Common Expenses provided herein, each Owner shall, at the time of purchase of a Lot with a completed residence on it from the Designated Builder, pay to the Association an amount equal to two monthly installments of the Lot's share of the Common Expenses, which sum shall be a contribution to the capital of the Association and shall be used by the Association as a reserve and for working capital. Such payments shall not relieve an Owner from payment of any installment of the regular assessments payable by the Owner.

7.4 *Payments and Liens.* Except as otherwise provided herein, payment of Common Expenses shall be in such amounts and at such times as may be provided in the Articles and Bylaws or as determined by the Board in accordance with Section 7.7 hereof. Such payments, together with interest at the annual rate of 18% (or such lesser rate as the Board may select from time to time but in no event in excess of the maximum lawful rate or the maximum rate allowed under applicable requirements of Institutional Guarantors) on sums due but unpaid, costs, reasonable attorneys' fees and such reasonable late charges as the Board may impose by rule or regulation, shall constitute the personal obligation of the Person who was the Owner at the time the payment fell due. The personal obligation for delinquent payments shall not pass to an Owner's successor in title unless expressly assumed by him. If any Owner fails or refuses to make any payment of Common Expenses when due, the amount thereof, together with interest, costs, reasonable attorneys' fees and any late charges, shall constitute a lien from the date the amount was due on the Owner's Lot and on any rents or proceeds therefrom. The lien shall be subordinate to the lien of a first Mortgage on the Lot, except for the amount of the unpaid Common Expenses which accrues from and after the date on which the First Mortgagee comes into possession of or acquires title to the Lot, whichever occurs first (together with any interest, costs, reasonable attorneys' fees and any late charges related thereto). If any lien for unpaid assessments prior to the date the First Mortgagee comes into possession of or acquires title to the Lot has not been extinguished by the process by which the First Mortgagee came into possession of or acquired title to the Lot, the First Mortgagee shall not be liable for accrued unpaid assessments and, upon written request to the

Board by the First Mortgagee, the lien shall be released in writing by the Association to the extent of any such prior assessments.

7.5 *Certificate of Payment.* Any person acquiring an interest in a Lot shall be entitled to a statement from the Association setting forth the amount of unpaid assessments attributable to the Lot, if any. No Person shall be liable for, nor shall any lien attach to a Lot in excess of, the amount set forth in such a statement, except for assessments which occur or become due after the date thereof and any interest, costs, reasonable attorneys' fees and late charges related to the assessments. The Association may charge a reasonable fee for the preparation of any such statement.

7.6 *Foreclosure of Lien.* The lien provided for in this Section may be foreclosed by the Association in any manner provided or permitted for the judicial foreclosure of realty mortgages or deeds of trust in the State of Arizona. All of the provisions of this Section 7 relating to the lien provided for herein (including, but not limited to, the subordination provisions) shall apply with equal force in each other instance provided for in this Declaration wherein it is stated that payment of a particular assessment, charge or other sum shall be secured by the lien provided for in this Section 7.

7.7 *Budget.* Not later than 60 days prior to the beginning of each fiscal year of the Association, the Board shall prepare, or cause to be prepared, a pro forma annual budget for the Association for the upcoming fiscal year. The budget shall take into account all anticipated Common Expenses, and, to the extent that assessments from the prior year(s) have been more or less than the expenditures and provision for reserves of such prior year(s), the surplus or deficit. If, during the course of any fiscal year, or portion thereof, it appears that the assessments determined in accordance with the estimated annual budget are insufficient to cover the actual Common Expenses, or are in excess of the amount necessary to cover the actual amount necessary for payment of Common Expenses, then the Board may prepare a supplemental budget and increase or decrease the assessment as may be necessary, subject, however, to the limitations set forth in Section 7.8. Unless otherwise expressly determined by the Board, any surplus moneys of the Association shall be held by the Association and placed in one or more reserve accounts as determined by the Board, and shall not be paid to the Owners or credited against the Owners' respective liabilities for assessments hereunder.

7.8 *Maximum Assessments.* Prior to January 1 of the year following the first conveyance of a Lot with a completed residence on it by the Designated Builder to an Owner, the maximum assessment which any Owner shall be required to pay his proportionate share of the Common Expenses may not exceed \$840.00 per year (or \$70.00 per month) (which amount shall be prorated if the year in which first conveyance occurs is less than a full calendar year). Notwithstanding the provisions of Section 7.7, prior to January 1 of the year immediately following conveyance of the first Lot with a completed residence on it by the Designated Builder to an Owner, the Board may fix and thereafter adjust the assessment payable by all Owners for Common Expenses at such amounts as the Board reasonably elects.

provided the maximum amount payable by each Owner does not exceed the maximum amount set forth in the preceding sentence. From and after this January 1, the maximum assessment which each Owner may be required to pay as his proportionate share of the Common Expenses may be increased each year by the Board to an amount not in excess of the sum of (i) the amount of the assessment due and payable by an Owner as his proportionate share of Common Expenses for the preceding year, plus the greater of (ii) an amount equal to 10 % of the maximum assessment for the preceding year, or (iii) an amount equal to the percentage change in the Consumer Price Index - United States City Average for Urban Wage Earners and Clerical Workers - all Items (1986 = 100), as published by the United States Department of Labor, Bureau of Labor Statistics (or such other government index with which it may be replaced), for the preceding year times the amount of the maximum assessment for the preceding year. Notwithstanding the foregoing, if two-thirds of each class of members of the Association present or represented at a meeting duly called for such purpose approve by affirmative vote in person or by proxy, the maximum allowable assessment may be increased by an amount greater than otherwise permitted pursuant to this Section 7.8. Notwithstanding anything to the contrary in this Section 7.8, the Board may, without the approval of the members of the Association, increase the maximum annual assessment for any fiscal year by an amount sufficient to permit the Board to meet any increases over the preceding fiscal year in: (i) premiums for any insurance coverage required by this Declaration to be maintained by the Association; (ii) taxes assessed against the Common Areas; or (iii) charges for utility services necessary to the Association's performance of its obligations under this Declaration.

7.9 *Special Assessments.* In addition to the regular assessments for Common Expenses authorized above, the Board may levy in any assessment year a special assessment applicable to that year only for the purpose of deferring, in whole or in part, the cost of (a) any construction, reconstruction, (including, but not limited to, restorations described in Section 11 hereof, repair or replacement of a capital improvement upon the Common Areas or other improvements or property the Association is responsible for maintaining (including fixtures and personal property related thereto); and (b) any unanticipated or underestimated expense normally covered by regular assessments; provided however, that in all events, no such special assessment shall be made without the affirmative vote in person or by proxy of two-thirds of each class of Members of the Association present or represented at a meeting duly call for such purpose. Notwithstanding anything to the Contrary in this Section 7.9, the affirmative vote of two-thirds of each class of Members shall not be required if the special assessment does not cause the maximum allowable assessment under Section 7.8 to be exceeded for the year in which the special assessment is levied.

7.10 *Procedures for voting on Assessments.* Written notice of any meeting call for the purpose of taking any action authorized by Section 7.8, 7.9 or 11.5 hereof shall be sent to all Owners not less than 30 days nor more than 60 days in advance of the meeting. At the first such meeting called, the presence of members or proxies therefor entitled to cast 25 % of all the votes of the Membership shall constitute a quorum. If the 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 of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than 60 days following the preceding meeting. While any Class B Membership exists, the quorum requirements described above shall apply to both classes and a quorum shall not exist for a meeting unless a quorum of each Class is present.

7.11 *Due Date of Assessments.* All regular and special assessments under this Section 7 shall be assessed on an annual basis and shall be payable on such dates as may be determined by the Board. The Board may elect that assessments hereunder be paid in periodic installments as determined by the Board (but in no event shall such installments be due more frequently than monthly). If any Owner fails to pay any assessment hereunder when due, the entire annual assessment for the year in which such delinquency occurs shall become immediately due and payable at the option of the Board without further notice to such Owner.

8. Mortgages. Each Owner shall have the right, subject to the provisions hereof, to make separate Mortgages for his Lot. No Owner shall have the right or authority to make or create or cause to be made or created any Mortgage, or other lien or security interest, on or affecting the Property or any part thereof, except only to the extent of his Lot.

9. Exclusive Use Rights. By action of the Board, minor portions of the Common Areas adjoining a Lot may be reserved for the exclusive control, possession and use of the Owner of the Lot. If such an area serves as access to and from two Lots, the Owners of the two Lots shall have joint control, possession and use of the area as reasonably serves both Lots. The exclusive use rights created herein are subject to the blanket utility easement, maintenance and architectural control provisions contained in this Declaration and to such reasonable rules and regulations with respect to possession, control, use and maintenance as the Board may from time to time promulgate. Easements are hereby created in favor of and running with each Lot having such an area, for the creation of such exclusive control and use of each such area. Each Owner, by accepting title to a Lot, shall be deemed to have further ratified the easements and rights to exclusive use created by this Section 9.

10. Insurance. Insurance shall be carried by the Association on the Common Areas and the activities of the Association and shall be governed by the following provisions:

10.1 *Authority to Purchase.* The Association, by and through the Board, shall purchase and maintain certain insurance upon the Common Areas and the activities of the Association including, but not limited to, the insurance described in Section 10.2. Provision shall be made for the issuance of certificates of endorsement to any First Mortgagee if requested by it. Such policies and endorsements thereon, or copies thereof, shall be deposited with the Association. The Board shall deliver a copy of the policies or, by and through its agent, advise the Owners of the coverage of the policies, to permit the Owners to determine which particular items are included within the coverage so that the Owners may insure themselves as they see fit if certain items are not insured by the Association. Without limiting the generality of the foregoing, it shall be each Owner's responsibility to provide for himself

insurance on the contents of any dwelling constructed on his Lot, the residence and any other additions and improvements on his Lot, decorating therein and furnishings and personal property therein, his personal property stored elsewhere on the Property, his personal liability to the extent not covered by the liability insurance for all of the Owners obtained as part of the Common Expenses as above provided, and such other insurance which is not carried by the Association as the Owner desires. No Owner shall maintain any insurance on his Lot which would limit or reduce the insurance proceeds payable under the casualty insurance maintain by the Association in the event of damage to the improvements of fixtures in the Common Areas.

10.2 *Coverage.* The Association shall maintain and pay for policies of insurance as follows:

(a) Policies of a multi-peril type covering the Common Areas providing, as a minimum, fire and extended coverage, and au other coverage in kinds and amounts customarily acquired or required for projects similar in construction, location and use including, but not limited to, sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief, and windstorm and water damage, in an amount not less than 100% of the insurable value (based upon replacement cost as determined at least once every two years by a qualified insurance appraiser selected by the Board), and, if available, agreed amount, inflation guard and construction code endorsements.

(b) A comprehensive policy of public liability insurance covering all of the Common Areas and public ways in the Project in a minimum amount of at least \$1,000,000.00 per occurrence for personal injury, deaths and/or property damage. This insurance policy shall contain a "*severability of interest*" endorsement which shall preclude the insurer from denying the claim of an Owner because of the negligent acts of the Association and its agents or other Owners. The scope of coverage shall include all other coverage in the kinds and amounts customarily acquired or required for projects similar in construction,, location and use including, but not limited to, liability of the Association related to employment contracts of the Association, water damage liability, liability of non-owned and hired automobiles, and liability for property of others.

(c) If there is ever a steam boiler in operation in connection with the Project, there must be in force boiler explosion insurance evidenced by the standard form of boiler and machinery insurance policy and providing, as minimum coverage, One Hundred Thousand Dollars (\$100,000) per accident per location.

(d) The Association must obtain fidelity coverage against dishonest acts on the part of directors, officers, managers, trustees, agents, employees or volunteers responsible for handling funds belonging to or administered by the Association. The

fidelity bond or insurance must name the Association as the named insured and shall be written to provide protection which is in no event less than the greater of: (i) one and one half times the Association's estimated annual operating expenses and reserves or, (ii) the sum of three months' assessments on all Lots then with the Project plus the Reserve Funds held by the Association. In connection with such coverage, an appropriate endorsement to the policy to cover any person who serves without compensation shall be added if the policy would not otherwise cover volunteers.

(e) A worker's compensation policy, if necessary to meet the requirements of law.

(f) Such other insurance as the Board shall determine from time to time to be desirable.

(g) Notwithstanding any other provisions herein, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for similarly projects established by any interested Institutional Guarantor, except to the extent such coverage is not reasonably available or has been waived in writing by the Institutional Guarantor.

10.3 *Provisions Required.* The insurance policies purchased by the Association shall, to the extent reasonably possible, contain the following provisions:

(a) The coverage afforded by policies shall not be brought into contribution or proration with any insurance which may be purchased by Owners or First Mortgagees.

(b) The conduct of any one or more Owners shall not constitute grounds for avoiding liability on any policies.

(c) There shall be no subrogation with respect to the Association, its agents or employees, Owners and members of their household and their families and employees, and each Mortgagee of all or any part of the Property or of any Lot, or the policy(ies) should name such people as additional insured; and, each policy must contain a waiver of any defenses based on co-insurance or on invalidity arising from the acts of the insured.

(d) A "severability of interest" endorsement shall be obtained which shall preclude the insurer from denying the claim of an Owner because of negligent acts of the Association or other Owners.

(e) A statement of the name of the insured shall be included in all policies, in form and substance similar to the following:

“GREENFIELD HEIGHTS HOMEOWNERS ASSOCIATION,  
INC., for the use and benefit of the individual owners”  
[designated by name, if required].

(f) A standard mortgagee clause which must be endorsed to provide that any proceeds shall be paid to the Association, for the use and benefit of Mortgagees as their interests may appear, or which must be otherwise endorsed to fully protect the interest of First Mortgagees, their successors and assigns.

(g) For policies of hazard insurance, a standard mortgagee clause shall provide that the insurance carrier shall notify the First Mortgagee named at least ten days in advance of the effective date of any reduction in or cancellation of the policy.

(h) Any “*no other insurance*” clause shall exclude insurance purchased by Owners or the First Mortgagees.

(i) Coverage must not be prejudiced by (a) any act or neglect of Owners when such an act or neglect is not within the control of the Association or (b) any failure of the Association to comply with any warranty or condition regarding any portion of the Property over which the Association has no control.

(j) Coverage may not be canceled or substantially modified without at least 30 days (or such lesser period as otherwise provided herein) prior written notice to any and all insureds including First Mortgagees, their successors, and assigns, and interested Institutional Guarantors and their Servicer, if any.

(k) Any policy of property insurance which gives the carrier the right to elect to restore damage in lieu of a cash settlement must provide that such an election is not exercisable without the prior written approval of the Association, or when in conflict with the insurance trust provisions contained herein, or any requirement of law.

#### 10.4 *First Mortgagee Protection*

(a) The Association shall, upon written request, provide each First Mortgagee with a letter wherein the Association agrees (i) to give timely written notice to each First Mortgagee or Servicer, or any entity or individual designated by a First Mortgagee or Servicer, whenever damage (whether arising from casualty, condemnation or otherwise) to the Common Areas and related facilities exceeds \$10,000, (ii) to give timely written notice to the First Mortgagee or Servicer, or any

entity or person designated by a First Mortgagee or Servicer, whenever damage (whether arising from casualty, condemnation or otherwise) to a Lot known to the Association covered by the First Mortgage exceeds \$1,000, and (iii) any lapse, cancellation or material modification of any insurance or fidelity bond maintained by the Association.

(b) Each hazard insurance policy shall be written by a hazard insurance carrier which has a financial rating by Best's Insurance Reports of Class VI or better, or if this rating service is discontinued, an equivalent rating by a successor thereto or a similar rating service.

(c) Each insurance carrier must be specifically licensed or authorized by law to transact business within the State of Arizona.

(d) Policies shall not be utilized where: under the terms of the carrier's charter, bylaws or policy, contributions may be required or assessments may be made against the Owner or First Mortgagee or any entity or individual purchasing or guaranteeing any First Mortgage or may become lien superior to any First Mortgage; by the terms of the carrier's charter, bylaws or policy, loss payments are contingent upon action by the carrier's board of directors, policyholders, or members; or, the policy includes any limiting clauses (other than insurance condition) which could prevent any Owner or the First Mortgagee, successors or assigns from collecting insurance proceeds.

(e) The mortgagee clause of each insurance policy shall be properly endorsed, and necessary notices of transfer must have been given, and any other action required to be taken must be taken in order to fully protect, under the terms of the policies and applicable law, the interest of all First Mortgagees, their successors and assigns. Where permissible, the insurance carrier shall be required to name the Servicer of a First Mortgage or {name of Servicer}, its successors or assigns, as the First Mortgagee under the mortgagee clause. If permissible, where a deed of trust is utilized, the insurance carrier shall be required to use {name of Servicer}, its successors or assigns, beneficiary or {name of trustee}, its successors or assigns, for the benefit of {Name of Servicer} instead of only the name of the trustee under the deed of trust.

(f) All insurance drafts, notices, policies, invoices and all other similar documents, or their equivalent, shall be delivered directly to each Servicer involved, if any, regardless of the manner in which the mortgagee clause is endorsed. The Servicer's address on any First Mortgagee endorsement on a policy shall be used in the endorsements in lieu of the address of the First Mortgagee if requested by the First Mortgagee.

(g) First Mortgagees may pay overdue premiums, or may secure new insurance coverage on the lapse of a policy, with respect to any insurance required to be maintained by the Association as provided in this Section 10, and First Mortgagees making expenditures therefor shall be owed immediate reimbursement by the Association.

10.5 *Non-Liability of Association/Board.* Notwithstanding the duty of the Association to obtain insurance coverage as stated herein, neither the Association nor any Board member or other Person shall be liable to any Owner or Mortgagee if any risks or hazards are not covered by insurance or if the amount of insurance is not adequate. It shall be the responsibility of each Owner to ascertain the coverage and protection afforded by the Association's insurance and to procure and pay for such additional insurance coverage and protection as the owner may desire.

10.6 *Premiums.* Premiums for insurance policies purchased by the Association shall be paid by the Association as a Common Expense, except that the amount or increase over any annual or other premium occasioned by the use, misuse, occupancy or abandonment of a Lot or its appurtenances, or of the Common Areas, by an Owner, or by any Occupant, guest or invitee of an Owner, shall be assessed against that particular Owner.

10.7 *Insurance Claims.* The Association, acting by and through its Board, is hereby irrevocably appointed agent and attorney-in-fact for each Owner and for each holder of a First Mortgage or other lien upon a Lot, and for each owner of any other interest in the Property, subject to the provisions contained herein, to adjust all claims arising under insurance policies purchased by the Association and to execute and deliver releases upon the payment of claims, and the Board has full and complete power to act for the Association in this regard.

10.8 *Benefit.* Except as otherwise provided herein, all insurance policies purchased by the Association shall be for the benefit of the Association, the Owners, First Mortgagees and interest Institutional Guarantors, as their interested Institutional Guarantors, as their interests may appear.

## 11. Damage, Destruction and Condemnation.

11.1 *Definitions.* As used in this Section, the following terms shall have the following definitions:

(a) "*Destruction*" shall exist whenever the Board determines that, as a result of any casualty, damage or destruction, the Common Areas, or any part thereof, have been damaged.

(b) "*Condemnation*" means the taking of any property interest in the Common Areas by the exercise of a power of eminent domain, or the transfer or

conveyance of such an interest to a condemning authority in anticipation of such an exercise.

(c) “*Restoration*” in the case of Destruction means the repair or reconstruction of the damaged or destroyed portions of the Common Areas in accordance with the provisions of this Section. “*Restoration*” following any Condemnation means the repair or reconstruction of the remaining portions of the Common Areas, if any, to restore the Common Areas to an attractive, sound, functional desirable condition, including, if the Board deems it desirable or necessary, the replacement of any improvements so taken. Insofar as reasonably possible, taking into account the portions of the Common Areas subject to Destruction or taken by Condemnation, Restoration shall be in conformance with the original plans and specifications or, if the Board determines that adherence to original plans and specifications is impracticable or is not in conformance with applicable laws, ordinances, building codes or other governmental rules or regulations then in effect, such repairs or reconstruction shall be of a kind and quality substantially the same as the condition in which the affected portions of the Common Areas existed before the Destruction or Condemnation. Any Restoration not in accordance with original plans and specifications shall first be approved by a majority of First Mortgagees, based on one vote for each mortgage owned.

(d) “*Restoration Funds*” in the case of any Destruction means any proceeds of insurance received by the Association as a result of the Destruction of any portion of the Common Areas, but excluding that portion of any proceeds of insurance legally required to be paid to any party other than the Association, including a Mortgagee of all or any part of the Common Areas, and any uncommitted funds or income of the Association other than that derived through assessments or special assessments. “*Restoration Funds*” in the case of Condemnation means the entire amount received by the Association as compensation for any Condemnation including, but not limited to, any amount awarded as severance damages, but deducting therefrom reasonable and necessary costs and expenses including, but not limited to, attorneys’ fees, appraiser’s fees and court costs, together with any uncommitted funds or income of the Association other than that derived through assessments or special assessments.

11.2 *Restoration of Common Areas.* In the event of any Destruction or Condemnation of the Common Areas, the Association shall undertake the Restoration of the Common Areas without a vote of the Owners unless two-thirds of each class of Members of the Association and two-thirds of the First Mortgagees (based upon one vote for each Mortgage owned) agree in writing at or prior to the special meeting hereinafter provided that the Association should not undertake the Restoration of the Property.

11.3 *Construction Contract.* In the event the Association undertakes the Restoration of the Common Areas, the Board shall contract with a reputable contractor or contractors who shall, if required by the Board, post a suitable performance or completion bond. The contract with such contractors shall provide for the payment of a specified sum for completion of the work described therein and shall provide for periodic disbursements of funds, which shall be 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.

11.4 *Restoration Funds.* Upon receipt by the Association of any insurance proceeds, condemnation awards or other funds resulting from the Destruction or Condemnation of any portion of the Common Areas, the Association may cause the Restoration Funds to be paid directly to a bank located in Maricopa County, Arizona, whose accounts are insured by the Federal Deposit Insurance Corporation, or its successor agency, as designated by the Board, as trustee (the "*Restoration Funds Trustee*") for the Association. Any such funds shall be received, held and administered by the Restoration Funds Trustee subject to a trust agreement consistent with the provisions of this Declaration and which shall be entered into between the Restoration Funds Trustee and the Association. Disbursement of such funds shall be made only upon the signatures of two members of the Board. Disbursements to contractors performing any repair or reconstruction upon the Common Areas shall be made periodically as the work progresses in a manner consistent with procedures then followed by prudent lending institutions in Maricopa County, Arizona.

11.5 *Special Assessment for Restoration.* If the Restoration Funds are, or appear to the Board to be, insufficient to pay all of the costs of Restoration, the Board shall, upon the affirmative vote in person or by proxy of two-thirds of each class of Members of the Association at a meeting duly called for such purpose, levy a special assessment to make up any deficiency. Such a special assessment shall be levied against all Owners to the extent necessary to make up any deficiency for deficiency for Restoration of the Common Areas. The amount of the required special assessment shall be determined by the Board, in its sole discretion, and notices of such amount shall be given to the Owners prior to the Owners' vote thereon. The special assessment relating to the Restoration of the Common Areas shall be levied against the Owners in the same proportion as their Fractional Interests. The special assessment shall be payable at such time or in installments from time to time, as the Board may determine. The special assessment provided for herein shall be secured by the lien provided for in Section 7 of this Declaration.

11.6 *Special Meeting.* In the event of the Destruction or Condemnation of the Common Areas, the Board, at its election or upon presentation of a petition signed by not less than ten percent (10%) of the Owners requesting such a meeting, shall convene a special meeting of the Association for resolving whether the Association should undertake the Restoration of the Common Areas in accordance with Section 11.2.



11.7 *Decision Not to Restore.* If the Common Areas are not to be restored following any Destruction or Condemnation, the Board shall use the Restoration Funds to pay all of the Mortgages or other liens or encumbrances of record with respect to the Common Areas which will not be restored. If any Restoration Funds remain after such an application of them, they shall be held by the Association for working capital or reserves, in the discretion of the Board.

11.8 *Emergency Repairs.* Notwithstanding any provision of this Section 11, the Board may, without any vote of the Owners or First Mortgagees, undertake any repair which the Board deems reasonably necessary to avoid further damage or destruction which is likely, in the Board's sole opinion, to cause substantial diminution in the value of the Common Areas or which presents an unreasonable risk of injury to persons or property.

11.9 *Condemnation of a Lot.* In the event of the Condemnation of all or substantially all of a Lot so that it is no longer tenantable following reasonable repair or reconstruction, the Lot shall cease to be part of the Project, the Owner shall cease to be a member of the Association, and the Fractional Interest of each remaining Owner shall automatically be recomputed to reflect appropriately the number of Lots remaining in the Project.

11.10 *Destruction of a Lot.* In the event that any Lot is damaged or destroyed (in whole or in part), the Owner shall promptly undertake or cause to be undertaken either (a) the repair or reconstruction of the damaged or destroyed portions of the Lot, or (b) the razing of the damaged or destroyed portions of the Lot and restoration of the Lot to a safe, sound and sanitary condition. If a Lot is not restored within a reasonable time following notice by the Board to the Owner when restoration is mandatory hereunder, then the Association shall be entitled to exercise any right or remedy available under this Declaration, including affirmative injunctive relief, and shall have the further right to enter into possession of the Lot in order to undertake the restoration of the Lot in accordance with this Section at the expense of such Owner of such Lot.

## 12. Party Walls.

12.1 *Rights and Duties.* The rights and duties of the Owners and the Association with respect to party walls shall, to the extent not inconsistent with the provisions of this Section, be governed by the general rules of law regarding party walls and of liability for property damage due to negligent or willful acts or omissions. The cost of reasonable repairs and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to their use.

12.2 *Restoration.* 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 in proportion to their use, without

prejudice, however, to the right of any such Owner to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions. Notwithstanding any other provision of this Section, an Owner who, by his negligent or willful act, causes the party wall to be damaged or to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements. The right of an Owner to contribution from any other owner under this Section shall be appurtenant to the land and shall pass to the Owner's successors in title.

12.3 *Disputes.* In the event of any dispute between Owners concerning a party wall, or under the provisions of this Section, upon the written request of any one of the Owners addressed to the Association, the disputed matter shall be decided by the Board, whose decision shall be final and binding upon the Owners (subject to any contrary determination by a court of competent jurisdiction).

### 13. Maintenance, Repairs and Replacements.

13.1 *Maintenance of Lots.* Each Owner shall furnish and be responsible for, at his own expense, all of the maintenance, repairs and replacements of his own Lot and all improvements to it. Each Owner shall maintain his Lot in a neat and orderly condition, in accordance with such rules and regulations as may be adopted by the Association, and consistent with the level of quality, and in accordance with the plans and specifications applicable to the initial construction within the Project (subject to any modifications thereof in accordance with Section 14 hereof and the level of maintenance of the Common Areas by the Association).

13.2 *Maintenance of Common Areas.* Except as otherwise provided herein to the contrary, maintenance, repairs and replacements of the Common Areas shall be furnished by the Association as part of the Common Expenses, subject to the Bylaws and rules and regulation of the Association. The Common Areas shall be maintained by the Association in accordance with the landscaping plan for the Project approved by the City of Mesa. If, due to the intentional act or negligence of an Owner or his invitee, guest or other authorized visitor (for whom the Owner may be held legally responsible), or an Occupant, damage is caused to the Common Areas or maintenance, repairs or replacements are required which would otherwise be at the common expense, then the Owner shall pay for the damage and for such maintenance, repairs and replacements as may be determined by the Board, to the extent not covered by the Association's insurance. The Owner's payment obligation under the preceding sentences shall be secured by the lien provided for in Section 7 hereof. An authorized representative of the Board, or of the manager or managing agent of the Project, and all contractors and repairmen employed or engaged by the Board or the manager or managing agent, shall be entitled to reasonable access to each of the Lots as may be required in connection with maintenance, repairs or replacements of or to the Common Areas or any equipment, facilities or fixtures affecting or serving the Common Areas.

13.3 *Maintenance of Landscaping within Rights of Way.* Except as otherwise provided herein to the contrary, maintenance, repairs and replacements of the landscaping and related facilities and fixtures (including, but not limited to, plant material and irrigation systems) within the Rights of Way shall be furnished by the Association as part of the Common Expenses, subject to the Bylaws and Rules and Regulations of the Association. Such landscaping and related facilities and fixtures shall be maintained by the Association in accordance with the landscaping plan for the Project approved by the City of Mesa. Any plant or tree replacement made by the Association shall be as per the landscaping plan and not to mature size. No Owner or Occupant shall vary the landscaping in the Public Yard of any Lot without the prior written approval of the Board. If, due to the intentional act or negligence of an Owner or his invitee, guest or other authorized visitor (for whom the Owner may be held legally responsible), or an Occupant, damage is caused to such landscaping or related facilities or fixtures, or maintenance, repairs or replacements are required which would otherwise be at the common expense, then the Owner or Occupant shall pay for the damage and for such maintenance, repairs and replacements as may be determined by the Board, to the extent not covered by the Association's insurance. An authorized representative of the Board, or of the manager or managing agent of the Project, and all contractors and repairmen employed or engaged by the Board or the manager or managing agent, shall be entitled to reasonable access to each of the Lots as may be required in connection with maintenance, repairs or replacements of or to such landscaping or related facilities or fixtures.

13.4 *Enforcement of Obligations.* In the event that any Owner fails to maintain and repair his Lot and improvements on it as required here under, the Association, following reasonable notice to the Owner (except in emergency situations where such notice is not practical), in addition to all other remedies available to it hereunder or by law, and without waiving any alternative remedies, shall have the right, through its agents and employees, to enter upon the Lot any reasonable time and in any reasonable manner, and to repair, maintain, and restore the Lot, including the exterior of the improvements erected thereon. Each Owner (by acceptance of a deed for his Lot) hereby covenants and agrees to repay to the Association the cost of any such repairs immediately upon demand, and the failure of any Owner to make required payment shall carry with it the same consequences as the failure to pay any assessment hereunder when due, including the imposition of interest and late charges in accordance with the rules and regulations of the Association, all of which shall be the personal obligation of the Owner and secured by the lien provided for in Section 7.

13.5 *Disputes.* If any maintenance, repair, replacement or reconstruction involves more than one Lot, and if the Owners of the Lots do not agree as to who should perform the work, or as to the allocation of the cost thereof, the decision shall be made by the Board and the decision shall be final and binding upon the Owners (subject to any contrary determination by a court of competent jurisdiction).

#### 14. Architectural Control.

14.1 *Architectural Committee.* The Board may establish and appoint the members of an Architectural Committee to perform the functions of the Architectural Committee set forth in this Declaration. Prior to the appointment of the initial members of the Architectural Committee, and at any time when there is no one serving on the Architectural Committee (whether due to death, resignation or removal), the Board shall exercise any and all rights, powers, duties and obligations of the Architectural Committee. The Architectural Committee shall adopt, and may from time to time amend, supplement and repeal, architectural and landscaping standards for the Property and application procedures and shall make the same available to Owners. Such standards and procedures shall interpret, implement and supplement this Declaration, and shall set forth procedures for Architectural committee review. Such standards and procedures may include, without limitation, provisions regarding:

- (a) architectural design, with particular regard to the harmony of the design with surrounding structures and topography;
- (b) landscaping design, content and conformance with the character of the Property, and permitted and prohibited plants;
- (c) requirements concerning exterior color schemes, exterior finishes and materials; and
- (d) signage.

Such standards and procedures shall have the same force and effect as the rules and regulations promulgated hereunder by the Board. Such standards and procedures and all amendments, supplements, repeals or replacements to or of such standards and procedures shall be subject to the approval of the Board.

14.2 *Submission and Review of Plans.* Except for improvements installed or constructed by or for any Designated Builder, the plans for which improvements have been approved by the Association as of the date hereof, and except for landscaping installed by or for any Designated Builder, no construction, building, additions, modifications, improvements, alterations, repairs, excavation, grading, landscaping or other work which in any way alters the exterior appearance of any Lot or any structure or improvement thereon shall be made or done without the prior written approval of the Architectural Committee. No changes or deviations in or from the plans and specifications once approved by the Architectural Committee shall be made without the prior written approval of the Architectural Committee. Nothing contained herein shall be construed to limit the right of an Owner to make interior alterations within his Lot which are not Visible from Neighboring Property.

14.3 *Other Approvals: Liability.* No approval by the Architectural Committee of any proposed construction, installation, modification, addition or alteration shall be deemed to replace or be substituted for any building permit or similar approval required by any



the prior decision of the Architectural Committee shall be deemed modified to the extent specified by the Board.

15. Encroachments. Each Lot and the Common Areas shall be subject to an easement for encroachments, including, but not limited to encroachments of walls, ceilings, ledges, floors, and roofs created by construction, settling and overhangs as originally designed or constructed, or as created by discrepancies between the Plat and the actual construction. If any portion of the Common Areas actually encroaches upon any Lot, or if any Lot actually encroaches upon any portion of the Common Areas, or if any Lot actually encroaches upon another Lot, as the Common Areas and the Lots are shown by the Plat, an easement for the encroachment and for the maintenance therefor, so long as they stand, shall exist. In the event that any Lot or structure is repaired, altered or reconstructed, similar encroachments shall be permitted and an easement for the encroachments and for the maintenance thereof shall exist. Each Owner and any other Person acquiring any interest in the Property shall be deemed to acquiesce in and agree to the existence of such easements by accepting a deed from any seller or by acquiring any interest whatsoever in the Property.

16. Rental Lots. Notwithstanding anything herein to the contrary, any Owner may rent or otherwise grant occupancy rights to any Lot (but not less than an entire Lot) owned by him, with the lessee, renter or other Occupant being entitled to the same privileges of use of the Lot and Common Areas and subject to the same restrictions as the Owner of the Lot. With the exception of a First Mortgagee in possession of a Lot following a default in a First Mortgage, or a foreclosure proceeding or deed or other arrangement in lieu of foreclosure, no Owner may allow the use of his Lot for transient or hotel purposes or for a period of less than 30 days. All lease or other occupancy agreements, including those for a month-to-month tenancy, shall be in writing and provide that the terms of the agreement shall be subject in all respects to this Declaration and the Articles, Bylaws and rules and regulations of the Association, and that failure to comply with the provisions of such documents shall constitute a default under the agreement. A copy of the agreement shall be delivered by the Owner to the Board on or before the commencement of occupancy under the agreement. Each Owner granting occupancy rights to his Lot shall remain jointly and severally liable with the Occupant for the payment of any assessment required hereunder and compliance with this Declaration, the Articles, Bylaws and rules and regulations of the Association, including any fines or penalties levied as a result of a violation thereof.

17. Use and Occupancy Restrictions.

17.1 *Residential Use*. No Part of the Property shall be used for other than residential and related purposes except that the Designated Builder is hereby reserved the right to maintain sales offices, model units, and signs on the Property, together with rights of ingress thereto and egress therefrom, until all Lots have had residences constructed on them and the Lots and residences have been sold and conveyed. Each Lot shall be used as permitted by this Declaration and for no other purpose. Except as allowed by this or the following sentence, no religious, professional, commercial or industrial operations of any kind shall be conducted in or upon any Lot or the Common Areas, except such temporary uses as shall be

permitted to Designated Builder while Lots are being constructed and sold by the Designated Builder an Owner may conduct a business activity within a single-family house located on a Lot so long as the existence or operation of the business activity (a) is not apparent or detectable by sight, sound, or smell from the exterior of the single-family house; (b) conforms to all zoning requirements for the Project; (c) does not increase the liability or casualty insurance obligation or premium of the Association; and (d) is consistent with the residential character of the Project and does not constitute a nuisance or a hazardous or offensive use including, without limitation, excessive or unusual traffic or parking of vehicles in the vicinity of any Lot or the Common Area as may be determined in the sole discretion of the Board. The terms "business" and "trade," as used in the previous sentence, shall be construed to have their ordinary and generally accepted meanings and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves providing goods or services to persons other than the provider's family and for which the provider receives a fee, compensation or other form of consideration regardless of whether (a) such activity is engaged in full or part-time; (b) such activity is intended to or does generate a profit; (c) a license is required therefor.

17.2 *Landscaping within Public Yard.* The landscaping within the Public Yard on Each Lot shall be completed within 3 months after the close of escrow of the residence on the Lot. No landscaping (other than landscaping installed by or for the Designated Builder) shall be installed, placed or maintained anywhere in or upon the Public Yard of a Lot unless the plans therefore have been approved by the Architectural Committee as provided in Section 14.

17.3 *Temporary Structures.* No structure of a temporary character, whether trailer, basement, tent, shack, garage, barn, shed or other, shall be used as a residence, or otherwise kept on a Lot so as to be Visible from Neighboring Property, at any time except such structures as the Designated Builder may find necessary or convenient to the development and sale of Lots.

17.4 *Cancellation of Insurance.* No Owner shall permit anything to be done or kept in his Lot or in or upon any Common Areas which will result in the cancellation of insurance maintained by the Association on the Common Areas or which would be in violation of any law.

17.5 *Signs.* No sign of any kind shall be displayed to the public view on any Lot or any Common Areas without the approval of the Architectural Committee, except (a) such signs as may be used by the Designated builder in connection with the development and sale of Lots, or (b) one "For Sale" or "For Rent" sign on each Lot having a total face area of 5 feet or less, the location of which sign may be regulated by the Architectural Committee.

17.6 *Pets.* Subject to the provisions of Sections 17.7 and 17.20, a reasonable number of small, commonly accepted household pets may be kept in each Lot without the

prior approval of the Board. All additional pets are prohibited unless approved in advance by the Board. No animal shall be kept, bred or maintained for any commercial purpose, and, except as otherwise provided above, no animals of any Kind shall be raised, bred or kept in any Lot or in or upon any Common Areas. No animal shall be allowed to become a nuisance, whether by malting an unreasonable amount of noise or otherwise. All pets shall be leashed or otherwise appropriately restrained when in any part of the Property other than in a Private Yard or a residence. Upon the request of any Owner, the Board shall determine, in its sole and absolute discretion, whether, for the purposes of this Section 17.6, a particular animal is a commonly accepted household pet or whether a particular animal is a nuisance. The keeping of pets shall also be subject to such additional rules and regulations with respect thereto as the Association may adopt.

17.7 *Nuisances.* No Owner shall permit or suffer anything to be done or kept about or within his Lot which will obstruct or interfere with the rights of other Owners or Occupants, or annoy them by unreasonable noises or otherwise, nor commit or permit any nuisance about or within his Lot or commit or suffer any illegal act to be committed therein. Each Owner shall comply with all of the requirements of the health authorities and of all other governmental authorities with respect to his Lot and the Common Areas.

17.8 *Vehicles.* Except as specifically permitted by, the Board, (a) no boats, trailers, motor homes, campers, trucks classed by manufacturer capacity rating as exceeding 3/4 ton, or unlicensed or inoperative vehicles shall be parked or stored in or upon the Lot (other than in a portion of the Lot so that no portion of the parked vehicle is visible from a Neighboring Property) Common Areas or the streets of the Project for more than 4 hours during any 24-hour period; and (b) no vehicle shall be repaired or rebuilt upon any portion of a Lot that is Visible from Neighboring Property or upon the Common Areas or the streets of the Project.

17.9 *Lighting.* Except as initially installed by or for the Designated Builder or as otherwise approved in writing by the Architectural Committee, no spotlights, flood lights or other high intensity lighting shall be placed or utilized upon any Lot which will allow light to be directed or reflected in any manner on the Common Areas, or any part thereof, or any other Lot or streets in the Project.

17.10 *No Windbells.* No windbells, windchimes or similar devices shall be permitted on the Property except as approved in writing by the Architectural Committee.

17.11 *Air Conditioners and Mechanical Equipment.* No window air conditioners or portable units of any kind Visible from Neighboring Property shall be installed in any Lot except as approved in writing by the Architectural Committee. No heating, cooling, ventilating or air conditioning units, solar panels or equipment, or other mechanical equipment of any kind, shall be placed on any Lot so as to be Visible from Neighboring Property except as approved in writing by the Architectural Committee.



17.12 *Window Coverings.* Within sixty (60) days after the date of close of escrow, each Owner shall install permanent draperies or suitable window coverings on windows facing the street, exclusive of garage windows. All such window coverings facing the street must show white, earth tone or pastel colors unless otherwise approved in writing by the Architectural Committee. 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 which are Visible from Neighboring Property without the prior written approval of the Architectural Committee, unless installed by Declarant or a Designated Builder, which need no such approval.

17.13 *Antennas.* Mini-dish type satellite dishes are allowed so long as the location of same has been approved in writing in advance of installation by the Architectural Committee. No other radio, television or other antennas or satellite dishes of any kind or nature shall be placed or maintained upon any Lot except as may be permitted by the Architectural Committee.

17.14 *Trash Collection.* The Association may maintain trash and garbage collection bins or similar facilities in such areas of the Common Areas as the Board determines. No garbage or trash shall be kept, maintained or contained in any Lot so as to be Visible from Neighboring Property except in sanitary containers with lids or covers. Sanitary containers placed in public view for collection shall be promptly stored out of public view after collection.

17.15 *Clotheslines.* Outside clotheslines or other facilities for drying or airing clothes shall not be erected, placed or maintained on the Property unless they are within the Private Yard on a Lot and not Visible from Neighboring Property.

17.16 *Vegetation.* No shrub, tree or other vegetation belonging to any Owner shall be allowed to overhang another Lot without the consent of the Owner of the other Lot. Any such consent may be revoked at any time after having been given.

17.17 *No Mining.* No portion of the Property shall be used in any manner to explore for or remove any water, oil or other hydrocarbons or minerals of any kind or earth substance of any kind.

17.18 *Safe Condition.* Without limiting the foregoing, each Owner shall maintain and keep his Lot and any Common Areas subject to his exclusive control at all times in a safe, sound and sanitary condition and repair and shall correct any condition or refrain from any activity which might interfere with the reasonable enjoyment by other Owners of their respective Lots or the Common Areas.

17.19 *Enforcement.* The Board or its authorized agents may enter any Lot in which a violation of these restrictions or the rules and regulations of the Association exists and may

correct such violation at the expense of the Owner of the Lot if the violation is not cured within 30 days after written notice of the violation is given to the Owner of the Lot and the Owner is given an opportunity to be heard by the Board (if written request therefore is made by the Owner within such 30-day period); provided, however, that the foregoing notice and cure period and opportunity to be heard shall not apply if, in the sole opinion of the Board, there exists an emergency which threatens health, safety or property, or in the event of repeated violations of these restrictions or the rules and regulations of the Association.

17.20 *Changes/Waivers.* The Association may modify or waive the foregoing restrictions with the prior approval of a Majority of Owners, or otherwise restrict and regulate the use and occupancy of the Property, the Common Areas and the Lots by reasonable rules and regulations of general application adopted by the Board from time to time. All remedies described in Section 20 hereof and all other rights and remedies available at law or equity shall be available in the event of any breach by any Owner, or his guests, invitees, licensees, family members, or tenants, or any Occupant or other Person of any provision of this Section 17 or the rules and regulations of the Association.

18. Rights and Duties of First Mortgagee. Notwithstanding and prevailing over any other provisions of this Declaration, the Articles, Bylaws, rules and regulations of the Association, and management agreements, the following provisions shall apply to benefit each holder of a First Mortgage:

18.1 *No Right of First Refusal.* None of the Constituent Documents shall provide that the right of an Owner to sell, transfer or otherwise convey his Lot will be subject to any right of first refusal, or similar restriction, in favor of the Association. Any "right of first refusal" that may ever be contained in the Constituent Documents shall not impair or affect the rights of a First Mortgagee to foreclose or take title to a Lot pursuant to the remedies provided in the First Mortgage, to accept a deed (or assignment) in lieu of foreclosure in the event of default by a Mortgagor, or interfere with a subsequent sale or lease of a Lot so acquired by the First Mortgagee.

18.2 *Mortgagee in Possession.* A First Mortgagee who comes into possession of a mortgaged Lot by virtue of foreclosure of the Mortgage, or through any equivalent proceedings, such as, but not limited to, the taking of a deed or assignment in lieu of foreclosure or acquiring title at a trustee's sale under a first deed of trust, or any third party purchaser at a foreclosure sale or trustee's sale, will not be liable for the Lot's unpaid dues, charges or assessments which may accrue prior to the time the First Mortgagee or third party purchaser comes into possession of the Lot. Any such Person shall acquire title free and clear of any lien authorized by or arising out of the provisions of this Declaration which secures the payment of any dues, charges or assessments accrued prior to the time the Person came into possession of the Lot. Any such unpaid dues, charges or assessments against the Lot foreclosed shall be deemed to be a Common Expense charged proratably against all of the Lots. Nevertheless, in the event the Owner against whom the original assessment or charge

was made is the purchaser or redemptioner, the lien shall continue in effect and may be enforced by the Association for the amount of the unpaid dues, charges or assessments that were due prior to the final conclusion of any such foreclosure or equivalent proceedings. Further, any such unpaid assessment or charge shall continue to exist as the personal obligation of the defaulting Owner to the Association, and the Board may use reasonable efforts to collect from the Owner even after he is no longer a member of the Association.

18.3 *Consent of Mortgagees Required.* Unless at least two-thirds of the Eligible Holders (based upon one vote for each First Mortgage owned), including, in the case of the partition or subdivision of any Lot, the holder of the First Mortgage for the Lot, and two-thirds of the Owners, or such higher percentage as required in this Declaration or by applicable law, have given their prior written approval, neither the Owners nor the Association shall be entitled to:

(a) By act or omission, seek to abandon or terminate this Declaration, except where provided by law in the case of substantial destruction by fire or other casualty or in the case of taking by condemnation or eminent domain.

(b) Change the pro rata Fractional Interest or obligation of any individual Lot for the purpose of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards (except as provided in Section 11.9, relating to Condemnation of a Lot).

(c) Partition or subdivide any Lot.

(d) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Areas. (The actions described in Section 3.3(e) and the granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Areas by the Project shall not be deemed a transfer within the meaning of this clause).

(e) Use hazard insurance proceeds payable or paid to the Association due to losses to the Common Areas or the Lots or portions thereof for other than the repair, replacement or reconstruction of such areas, except as provided herein or by statute in case of substantial loss to the Common Areas. First Mortgagees shall have the right to participate in the adjustment and settlement of any claim under any insurance maintained by the Association.

18.4 *Tax Liens.* All taxes, assessments and charges which may become liens prior to a First Mortgage under local law shall relate only to the individual Lot and not to the Project as a whole.

18.5 *Priority of Mortgage.* No provision of the Constituent documents shall give an Owner, or any other party, priority over any rights of the First Mortgagee of a Lot pursuant to its First Mortgage in the case of a distribution to the Owner of insurance proceeds or condemnation awards for losses to or a taking of Lots and/or Common Areas.

18.6 *Amenities.* Amenities (if any) pertaining to the Project (such as parking, recreation and service areas) are a part of the Project.

18.7 *Notice of Default.* Upon request, each First Mortgagee and Institutional Guarantor shall be entitled to written notification from the Association of any default in the performance by its Mortgagor under the Constituent Documents, if the default is not cured within 30 days. All First Mortgagees and Institutional Guarantors shall be entitled to written notification by the Association upon the commencement of any condemnation proceedings against all or any part of the Property or the Lot securing its Mortgage.

18.8 *Review of Records.* First Mortgagees and Institutional Guarantors shall have the right upon reasonable written request to: (a) examine the books and records of the Association at reasonable times; (b) receive an annual financial statement of the Association within 90 days following the end of any fiscal year of the Association; and (c) receive written notice of all meetings of the Association and designate a representative to attend all such meetings.

18.9 *No Personal Liability.* A First Mortgagee shall not in any case or manner be personally liable for the payment of any assessment or charge, nor the observance or performance of any covenant, restriction, or rule and regulation of the Association, or any provision of the Articles or Bylaws, or any management agreement, except for those matters which are enforceable by injunctive or other equitable actions, not requiring the payment of money, except as specifically provided in this Section 18.

18.10 *Enforcement Against Successors.* An Action to abate the breach of any of these covenants, restrictions, reservations and conditions may be brought against a purchaser who has acquired title through foreclosure of a First Mortgage and the subsequent foreclosure or trustee's sales (or through any equivalent proceedings), and the successors in interest to any such purchaser, even though the breach existed prior to the time the purchaser acquired an interest in the Lot.

18.11 *Exercise of Owner's Rights.* During the pendency of any proceedings to foreclose a First Mortgage (including any period of redemption) or from the time a trustee under a first deed of trust has given notice of sale pursuant to a power of sale conferred under a deed of trust and pursuant to law, the First Mortgagee, or a receiver appointed in any such action, may (but need not exercise) any or all of the rights and privileges of the defaulting Owner of the Lot including, but not limited to, the right to vote as a member of the Association in the place and stead of the defaulting Owner.

18.12 *Mortgagee Subject to Declaration.* At such time as a First Mortgagee comes into possession of or becomes record Owner of a Lot, the First Mortgagee shall be subject to all of the terms and conditions of this Declaration including, but not limited to, the obligation to pay all assessments and charges accruing thereafter, in the same manner as any other Owner (subject to the provisions of Section 3.3(c) hereof).

18.13 *Lien Subordinate to First Mortgage.* The lien of the assessments provided for herein shall be subordinate to the lien of any First Mortgage now or hereafter placed upon any Lot; provided that the First Mortgage is in favor of a bank, savings and loan association, insurance company, mortgage banker, other institutional lender, or Institutional Guarantor and their successors or assigns or is otherwise bona fide and given for value; and provided further that subordination shall apply only to the assessments which have accrued prior to a sale or transfer of the Lot to which the First Mortgage relates pursuant to a decree of foreclosure or any other proceeding in lieu of foreclosure.

18.14 *No Impairment of Mortgage.* Notwithstanding any provision in the Constituent Documents to the contrary, no provision of this Declaration or the other Constituent Documents related to costs, use, set-back, minimum size, building materials, architectural, aesthetic or similar matters shall ever provide for reversion or foreclosure of title to a Lot in the event of violation thereof. No breach or violation of any provision of the Constituent Documents shall affect, impair, defeat or render invalid the interest or lien of any First Mortgagee.

18.15 *Amendment.* Notwithstanding and prevailing over all other provisions hereof, no amendment to this Declaration shall be made or become effective which is deemed "material" under the requirements of Institutional Guarantors without the prior written consent of two-thirds of all First Mortgagees (based upon one vote for each First Mortgage owned). Upon written request, each First Mortgagee and Institutional Guarantor shall be entitled to timely written notice of any proposed action which requires the consent of a specified percentage of Mortgagees.

18.16 *Enforcement.* First Mortgagees shall have the right to enforce against Owners, the Association and all others, any and all provisions of this Declaration including, but not limited to, this Section 18. Enforcement by First Mortgagees may be by injunction, mandatory or prohibitory, or any other lawful procedure. This Declaration shall be interpreted to the extent reasonably possible in conformity with all rules, regulations and requirements of any Institutional Guarantor of a Mortgage on any Lot in effect as of this date, or as they may be hereafter amended.

18.17 *Articles and Bylaws.* The Articles, Bylaws and all rules and regulations of the Association shall be governed by this Declaration and all provisions thereof which are inconsistent herewith shall be void.

18.18 *Eligible Holders.* Notwithstanding anything in this Declaration to the contrary, any Mortgagee or Institutional Guarantor may submit a written request to the Association, which identifies the name and address of the Mortgagee or Institutional Guarantor and the particular Lot or Lots subject to its rights as Mortgagee or Institutional Guarantor, to receive timely written notice of all or any of the matters specified below. Any Mortgagee or Institutional Guarantor which submits a request in the manner provided herein shall be considered an “*Eligible Holder*” for purposes of this Declaration. Those matters for which any Mortgagee or Institutional Guarantor may request notice:

(a) Any condemnation or casualty loss that affects either a material portion of the Project or a material portion of the Lot subject to its rights as Mortgagee or Institutional Guarantor;

(b) Any thirty- (30) day delinquency in the payment of assessments or charges owed by the Owner of the Lot subject to its rights as Mortgagee or Institutional Guarantor;

(c) A lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; and

(d) Any proposed action that requires the consent of a specified percentage of Eligible Holders.

18.19 *VA/FHA Approval.* For so long as there is a Class B Membership outstanding, the following actions shall require the prior approval of the Federal Housing Administration or Veterans Administration if either is then an interested Institutional Guarantor:

(a) Annexation of additional properties to the Project;

(b) Mortgaging or otherwise encumbering the Common Areas;

(c) Dedication of the Common Areas;

(d) Amendment of this Declaration; or

(e) Dissolution or liquidation of the Association.

19. Exemption of Designated Builder from Restrictions. Notwithstanding anything contained in this Declaration to the contrary (except that, in the event of a conflict with the provisions of Section 18 hereof, those provisions shall be controlling) and except as provided in Section 14 hereof, none of the restrictions contained in this Declaration shall be construed or deemed to limit or prohibit any act of Declarant or the Designated Builder, or any of their employees, agents and subcontractors, or parties designated by it in connection with the construction, completion,

marketing, sale or leasing of the Lots, or repair of Lots as required in this Declaration or any contracts of sale with Owners.

20. Remedies.

20.1 *Power to Enforce.* In the event of any default by any Person under the provisions of this Declaration, or the Articles, Bylaws or rules and regulations of the Association, the Association, or its successors or assigns, and the Board, or its agents, and an Owner of a Lot shall have each and all of the rights and remedies which may be provided for in this Declaration, the Articles, Bylaws or rules and regulations of the Association, and which may be available at law or equity, and may assess such fines against the defaulting Person as may be determined by the Board in the manner prescribed in the Bylaws and may prosecute any action or other proceedings against the defaulting Person for enforcement or foreclosure of its lien and appointment of a receiver for a Lot, or for damages or injunction, whether mandatory or prohibitory, or specific performance, or for judgment for payment of money and collection thereof, and to sell the Lot as hereafter in this Section 20 provided, or for any combination of remedies or for any other relief, all without notice and without regard to the value of the Lot or the solvency of the defaulting Person.

20.2 *Expenses.* The proceeds of any such rental or sale shall first be paid to discharge court costs; other litigation costs including, but not limited to, 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 proceed after satisfaction of such charges and any unpaid assessments hereunder or any liens shall be paid to the Owner or the Mortgagees of the Lot, as their interests may appear. Upon the confirmation of the sale, the purchasers 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 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.

20.3 *Lien Rights.* All expenses of the Association in connection with any action or proceeding described or permitted by this Section 20, including court costs and reasonable attorneys' fees and other fees and expenses, and all damages, liquidated or otherwise, together with interest thereon at the annual rate of eighteen percent (18%) (or such lesser rate) as the Board may select from time to time but in no event in excess of the maximum lawful rate or the maximum rate allowed under applicable requirements of Institutional Guarantors), 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 Common Expenses, and the Association shall have a lien as provided in Section 7 hereof for all such sums, as well as for nonpayment of his respective share of the Common Expenses, upon the Lot of the defaulting Owner and upon all of his additions and improvements thereto.

20.4 *Self Help.* In the event of a default by any Person, the Association and the Board, and the manager or managing agent, if authorized by the Board, shall have the authority to correct the default and to do whatever may be necessary, and all expenses in connection therewith shall be charged to and assessed against the defaulting Person, if the default is not cured within thirty (30) days after written notice of the default is given to the defaulting Person and the defaulting Person is given an opportunity to be heard by the Board (if written request therefor is made by such Person within such thirty-(30) day period); provided, however, that the foregoing notice and cure period and opportunity to be heard shall not apply if, in the sole opinion of the Board, there exists an emergency which threatens health, safety or property, or in the event of repeated violations of these restrictions or the rules and regulations of the Association. Such an assessment shall constitute a lien against a defaulting Owner's Lot as provided for in Section 7 of this Declaration. 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.

20.5 *Warning Notice.* If any Person (either by his conduct or by the conduct of any Occupant of his Lot, or the Owner's family, guests, invitees or tenants to the extent the Owner may be held legally responsible therefor) violates any of the provisions of this Declaration, or the Articles, Bylaws or rules and regulations of the Association, as then in effect, and the violation continues for 10 days after notice in writing to the defaulting Person or occurs repeatedly during any 10 day period after written notice, then the Board or any affected or aggrieved Owner shall have the power to file an action against the defaulting Person for a judgment or injunction, whether mandatory or prohibitory, requiring the defaulting Person to comply with the provisions of this Declaration, or the Articles, Bylaws or rules and regulations of the Association, and granting other appropriate relief, including money damages.

20.6 *Mortgage Priority.* Anything to the contrary herein notwithstanding, any breach of any of the covenants, restrictions, reservations, conditions and servitudes provided for in the Declaration, or any right of reentry by reason thereof, shall not defeat or adversely affect the lien of any Mortgage upon any Lot but, except as herein specifically provided, each and all of the covenants, restrictions, reservations, conditions and servitudes shall be binding upon and effective against any lessee or Owner of a Lot whose title thereto is acquired by foreclosure, trustee's sale, sale, deed in lieu of foreclosure or otherwise. To the extent that summary abatement or endorsement rights are herein reserved to a Designated Builder, the Association or any other Person, judicial proceedings for endorsement must be instituted before any items of construction can be altered or demolished.

21. Amendment. Amendments to this Declaration shall be made by an instrument in writing entitled "*Amendment to Declaration*" which sets forth the entire amendment. So long as there is outstanding any Class B membership in the Association, any amendment other than one authorized by Section 21.4 must be approved by all Institutional Guarantors.



21.1 *Adoption.* Amendments may be adopted with or without a duly held meeting of the Owners upon the approval of two-thirds of the Owners then entitled to vote for members of the Board. In the event that no meeting of Owners is held, the requisite number of Owners must consent in writing to the Amendment. Amendments properly adopted shall bear the signature of the president of the Association and shall be attested by the secretary, and shall be acknowledged by them as officers of the Association. Properly adopted amendments shall be effective upon recording in the appropriate governmental offices or at such later date as may be specified in the amendment. Notwithstanding the foregoing, any amendment of this Declaration which is deemed to be "*material*" under the requirements of Institutional Guarantors, including, but not limited to, any amendment which would change the Fractional Interest of any Owner, may be adopted only with the affirmative note of consent of two-thirds of the Owners and two-thirds of all First Mortgagees (based on one vote for each Mortgage owned).

21.2 *Effect.* It is specifically covenanted and agreed that any Amendment to this Declaration properly adopted will be completely effective to amend any and all of the covenants, conditions and restrictions contained herein which may be affected and any or all clauses of this Declaration, unless otherwise specifically provided in the section being amended or the amendment itself

21.3 *Required Percentages.* If this Declaration, the Articles or Bylaws requires the consent or agreement of all Owners and/or all lienholders and all trustees and/or beneficiaries under trust deeds, or any specified percentage of them, for any action specified in this Declaration, then any instrument changing, modifying or rescinding any provision of this Declaration with respect to such an action shall be signed by no lesser percentage of the Owners and/or lienholders and trustees and/or beneficiaries under trust deeds.

21.4 *Designated Builder Powers.* Notwithstanding any provision of this Section 21, for so long as any Class B membership in the Association is outstanding, the Designated Builder is hereby reserved the right, and shall be authorized and empowered, acting jointly, to amend this Declaration as necessary to comply with, or conform this Declaration to, the requirements or guidelines of an Institutional Guarantor and governmental authorities (including, but not limited to, requirements to qualify the Property and offer it for sale); provided, however, that the Designated Builder shall obtain the approval of any interested Institutional Guarantor or governmental authority to such an amendment. Upon the adoption and recording of any such amendment by the Designated Builder, a copy of the amendment shall be made available for the inspection of every Owner and Eligible Holder.

21.5 *Institutional Guarantors.* Anything to the contrary herein notwithstanding, no amendment shall be effective to materially modify, change, limit or alter the rights expressly conferred upon Mortgagees in this Declaration, or which is in any way materially inconsistent with the rules, regulations or requirements of any interested Institutional Guarantor, unless the Amendment is approved in writing by the Institutional Guarantor.

21.6 Approval by City. Anything to the contrary herein notwithstanding, no amendment shall be effective to modify, change, limit or alter the obligations of the Association under Sections 13.2 and 13.3 hereof or the provisions of this Section 21.6, unless the amendment is approved in writing by the City Attorney for the City of Mesa.

22. Notices. Notices provided for in the Declaration, or the Bylaws or rules and regulations of the Association, shall be in writing and shall be addressed to the Association or the Board, as the case may be, at an address to be established by the Board. The Association or the Board may at any time designate a different address or addresses for notices to them respectively by giving written notice of the change of address to all Owners. All notices to Owners shall be to their respective Lots. Any Owner may designate a different address or addresses for notices to him by giving written notice of his change of address to the Board. Notices addressed as above shall be deemed delivered when mailed by United States mail, first class with postage prepaid, or when delivered in person. Upon written request to the Board, a Mortgagee of a Lot shall be given a copy of all notices permitted or required by this Declaration to be given to the Owner of the Lot subject to the Mortgage.

23. Captions and Exhibits: Construction. Captions given to various sections herein are for convenience only and are not intended to modify or affect the meaning of any of the substantive provisions hereof. Any exhibits referred to herein are incorporated as though fully set forth where the reference is made. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the ownership and operation of the Property under the provisions of Arizona law.

24. Severability. If any provision of this Declaration, the Articles, Bylaws or rules and regulations of the Association, or any section, clause, sentence, phrase or word, or the application thereof in any circumstance, is held invalid, the validity of the remainder of this Declaration, the Articles, Bylaws or the rules and regulations, and of the application of any such provision, section, sentence, clause, phrase or word in any other circumstances, shall not be affected, and the remainder shall be construed as if the invalid part were never included therein.

25. Power of Attorney. Whenever the Association or the Board is granted rights, privilege or duties in this Declaration, the Board shall have the authority to act for the Association in accordance with the Articles and Bylaws. Further, unless otherwise specifically restricted by the provisions of this Declaration, wherever the Association or the Board is empowered to take any action or do any act including, but not limited to, action or acts in connection with the Common Areas, the Owners and each of them hereby constitute and appoint the Association, acting through its Board, as their attorney-in-fact for the purposes of taking such action or doing such acts including, but not limited to, executing, acknowledging and delivering any instruments or documents appropriate or helpful for such purposes. It is acknowledged that this power of attorney is irrevocable and coupled with an interest and by the acceptance of a deed for a Lot or by signing a contract for purchase of a Lot or by succeeding in any other manner to the ownership of a Lot, each Owner shall be deemed and construed to have ratified and expressly granted the above power of attorney.

26. Right to Cure Alleged Defects. It is the intent of Declarant and each Designated Builder that all Improvements constructed as part of the Project, whether on a Lot, as part or all of a Residence or as Common Areas, shall 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. Nevertheless, disputes may arise as to whether a defect exists with respect to the Improvements constructed as part of the Project and the responsibility of Declarant and/or a Designated Builder therefor. It is the intent of Declarant and each Designated Builder to resolve all disputes and claims regarding "Alleged Defects" (as defined below) amicably, and without the necessity of time-consuming and costly litigation. Accordingly, the Association, the Board and all Owners shall be bound by the following claim resolution procedure:

- (i) Right to Cure. In the event that the Association, the Board, or any Owner or Owners (collectively or singly, "Claimant") claim, content, or allege that any portion of the Common Area and/or any Improvements constructed on the Property are defective, or that Declarant, Designated Builder, their agents, consultants, contractors or subcontractors (collectively, "Agents") were negligent in the planning, design, engineering, grading, construction or other development thereof (collectively, an "Alleged Defect"), Declarant and the applicable Designated Builder hereby reserve the right for itself to inspect, repair and/or replace such Alleged Defect as set forth herein.
- (ii) Notice. In the event that a Claimant discovers any Alleged Defect, Claimant shall notify Declarant and the applicable Designated Builder, in writing, within fifteen (15) days of discovery of the Alleged Defect, of the specific nature of such Alleged Defect ("Notice of Alleged Defect").
- (iii) Right to Enter, Inspect, Repair and/or Replace. Within a reasonable time after the receipt by Declarant and Designated Builder of a Notice of Alleged Defect, or the independent discovery of any Alleged Defect by Declarant and Designated Builder, Declarant and Designated Builder shall have the right, upon reasonable notice to Claimant and during normal business hours, to enter onto or into, as applicable, the Common Area, a Residence, or a Lot, and/or any Improvements situated thereon for the purposes of inspecting and/or conducting testing and, if deemed necessary by Declarant or Designated Builder, repairing and/or replacing such Alleged Defect. In conducting such inspection, testing, repairs and/or replacement, Declarant and Designated Builder shall be entitled to take any actions as it shall deem reasonable and necessary under the circumstances.
- (iv) No Additional Obligations: Irrevocability and Waiver of Right. Nothing set forth in this Section shall be construed to impose any obligation on Declarant or Designated Builder to inspect, test, repair, or replace any item or Alleged

Defect for which Declarant and/or Designated Builder is not otherwise obligated under applicable law. The right of Declarant and/or Designated Builder 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 and Designated Builder.

- (v) Tolling of Statutes of Limitations. In no event shall any statutes of limitations be tolled during the period in which Declarant and/or Designated Builder conducts any inspection or testing of any Alleged Defects.

27. Legal Actions. All legal actions initiated by a Claimant shall be brought in accordance with and subject to Sections 28 (Binding Arbitration) and 29 (Approval of Litigation) of this Declaration. In the event a Claimant initiates any legal action, cause of action, proceeding, reference or arbitration against Declarant or Designated Builder alleging damages (i) for the costs of repairing or the replacement of any defective portion of the Project, a Lot, a Residence, or any Common Area, and/or Improvements constructed thereon, (ii) for the diminution in value of any real or personal property resulting from any such Alleged Defect, or (iii) for any consequential damages resulting from such Alleged Defect, any judgment or award in connection therewith shall first be used to correct and/or repair such Alleged Defect or to reimburse the Claimant for any costs actually incurred by such Claimant in correcting and/or repairing the Alleged Defect. In the event the Claimant is the Association, the Association must provide written notice to all Members prior to initiation of any legal action, cause of action, proceeding, reference or arbitration against Declarant or Designated Builder, which notice shall (at a minimum) include (i) a description of the Alleged Defect, (ii) a description of the attempts of Declarant or Designated Builder to correct such Alleged Defect and the opportunities provided to Declarant or Designated Builder to correct such Alleged Defect, (iii) a certification from an engineer licensed in the State of Arizona that such Alleged Defect exists along with a description of the scope of work necessary to cure such Alleged Defect and a resume of such engineer, (iv) the estimated cost to repair such Alleged Defect, (v) the name and professional background of the attorney retained by the Association to pursue the claim against Declarant or Designated Builder and a description of the relationship between such attorney and member(s) of the Board (if any), (vi) a description of the fee arrangement between such Attorney and the Association, (vii) the estimated attorneys' fees and expert fees and costs necessary to pursue the claim against Declarant or Designated Builder and the source of the funds which will be used to pay such fees and expenses, (viii) the estimated time necessary to conclude the action against Declarant or Designated Builder and (ix) an affirmative statement from the Board that the action is in the best interests of the Association and its Members. In the event the Association recovers any funds from Declarant or Designated Builder (or any other Person) to repair an Alleged Defect, any excess funds remaining after repair of such Alleged Defect shall be paid into the Association's reserve fund.

28. Binding Arbitration. In the event of a dispute between or among Declarant, its builders, contractors or brokers, or their agents or employees, on the one hand, any Owner(s) or

the Association, on the other hand, regarding any controversy or claim between the parties, including any claim based on contract, tort, or statute, arising out of or relating to the rights or duties of the parties under this Declaration, the design or construction of the Property, or an Alleged Defect, the matter shall be resolved by binding arbitration conducted in accordance with the following rules:

- (i) Initiation of Arbitration. The arbitration shall be initiated by any party delivering to the other a Notice of Intention to Arbitrate as provided for in the American Arbitration Association (“AAA”) Commercial Arbitration Rules, as amended from time to time (the “AAA Rules”).
- (ii) Governing Procedures. The arbitration shall be conducted in accordance with the AAA Rules and A.R.S. § 12-1501 et seq. In the event of a conflict between the AAA Rules and this Section, the provisions of this Section 28 shall govern.
- (iii) Appointment of Arbitrator. The parties shall appoint a single Arbitrator by mutual agreement. If the parties have not agreed within ten (10) days of the date of the Notice of Intention to Arbitrate on the selection of an arbitrator willing to serve, the AAA shall appoint a qualified Arbitrator to serve. Any arbitrator chosen in accordance with this Subsection (iii) is referred to in this Section as the “Arbitrator”.
- (iv) Qualifications of Arbitrator. The Arbitrator shall be neutral and impartial. The Arbitrator shall be fully active in such Arbitrator’s occupation or profession, knowledgeable as to the subject matter involved in the dispute, and experienced in arbitration proceedings. The foregoing shall not preclude otherwise qualified retired lawyers or judges.
- (v) Disclosure. Any candidate for the role of Arbitrator shall promptly disclose to the parties all actual or perceived conflicts of interest involving the dispute or the parties. No Arbitrator may serve if such person has a conflict of interest involving the subject matter of the dispute or the parties. If an Arbitrator resigns or becomes unwilling to continue to serve as an Arbitrator, a replacement shall be selected in accordance with the procedure set forth in subsection (iii) above.
- (vi) Compensation. The Arbitrator shall be fully compensated for all time spent in connection with the arbitration proceedings in accordance with the Arbitrator’s hourly rate not to exceed Three Hundred Dollars (\$300.00) per hour, unless otherwise agreed to by the parties, for all time spent by the Arbitrator in connection with the arbitration proceeding. Pending the final award, the Arbitrator’s compensation and expenses shall be advanced equally by the parties.

- (vii) Preliminary Hearing. Within thirty (30) days after the Arbitrator has been appointed, a preliminary hearing among the Arbitrator and counsel for the parties shall be held for the purpose of developing a plan for the management of the arbitration, which shall then be memorialized in an appropriate order. The matters which may be addressed include, in addition to those set forth in the AAA Guidelines, the following: (i) definition of issues; (ii) scope, timing and types of discovery, if any; (iii) schedule and place(s) of hearings; (iv) setting of other timetables; (v) submission of motions and briefs; (vi) whether and to what extent expert testimony will be required, whether the Arbitrator should engage one or more neutral experts, and whether, if this is done, engagement of experts by the Parties can be obviated or minimized; (vii) whether and to what extent the direct testimony of witnesses will be received by affidavit or written witness statement; and (viii) any other matters which may promote the efficient, expeditious, and cost-effective conduct of the proceeding.
- (viii) Management of the Arbitration. The Arbitrator shall actively manage the proceedings as the Arbitrator deems best so as to make the proceedings expeditious, economical and less burdensome than litigation.
- (ix) Confidentiality. All papers, documents, briefs, written communication, testimony and transcripts as well as any and all arbitration decisions shall be confidential and not disclosed to anyone other than the Arbitrator, the parties or the parties' attorneys and expert witnesses (where applicable to their testimony), except that upon prior written consent of all parties, such information may be divulged to additional third parties. All third parties shall agree in writing to keep such information confidential.
- (x) Hearings. Hearings may be held at any place within the State of Arizona designated by the Arbitrator and, in the case of particular witnesses not subject to subpoena at the usual hearing site, at a place where such witnesses can be compelled to attend.
- (xi) Final Award. The Arbitrator shall promptly (within sixty (60) days of the conclusion of the proceedings or such longer period as the parties mutually agree) determine the claims of the parties and render a final award in writing. The Arbitrator may award the prevailing party in the proceeding all or a part of such party's reasonable attorneys' fees and expert witness fees, taking into account the final result of arbitration, the conduct of the parties and their counsel in the course of the arbitration, and other relevant factors. The Arbitrator shall not award any punitive damages. The Arbitrator shall not award indirect, consequential or special damages regardless of whether the possibility of such damage or loss was disclosed to, or reasonably foreseen by

the party against whom the claim is made; provided, however, that such damages may be deemed by the Arbitrator to be direct damages in an award reimbursing payments made by a party therefor to a third party. The Arbitrator shall assess the costs of the proceedings (including, without limitation, the fees of the Arbitrator) against the non-prevailing party.

- (xii) Statute of Limitations. All statutes of limitation applicable to claims which are subject to binding arbitration pursuant to this Section 28 shall apply to the commencement of arbitration proceedings under this Section. If arbitration proceedings are not initiated within the applicable period, the claim shall forever be barred.

29. Approval of Litigation. The Association shall not incur attorney fees or other legal expenses in connection with legal proceedings or arbitration proceedings initiated by the Association or in connection with legal proceedings or arbitration proceedings in which the Association is joined as a plaintiff without the written approval of a Majority of Members, excluding the vote of any Owner who would be a defendant in such proceedings. 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 collected for specific Association obligations other than legal fees. In the event that the Association commences any legal proceedings, all Owners must notify prospective purchasers of such legal proceedings and must provide such prospective purchasers with a copy of the notice received from the Association in accordance with Section 26. This Section 29 shall not apply to legal proceedings initiated by the Association to collect any unpaid Assessments or other sums levied pursuant to this Declaration. Prior to any vote of the Members, the Association will provide full disclosure of the nature of the claim, the name and professional background of the attorney proposed to be retained by the Association to pursue the matter, a description of the relationship (if any) between the attorney and the Board of Directors (or any member of the Board of Directors) or the property management company, a description of the fee arrangement with the attorney, an estimate of the fees and costs necessary to pursue the claim, and the estimated time necessary to complete the proceedings and the nature of the disclosure regarding the legal proceedings that will be made public and/or which must be disclosed to prospective purchasers.

30. Repurchase Option for Alleged Defect Claims. Notwithstanding anything in this Declaration to the contrary, in the event any Owner, either directly or through the Association, shall commence an action against Declarant or Designated Builder and/or any contractor in connection with any Alleged Defects in such Owner's Lot, Declarant or Designated Builder (or any assignee of Declarant or Designated Builder) shall have the option (but not the obligation) to purchase such Lot on the following terms and conditions:

- (A) The Purchase price shall be an amount equal to the sum of the following, less any sums paid to such Owner under any homeowner's warranty in connection with the Alleged Defect:

- (i) The purchase price paid by the Owner of the Lot when originally purchased from Declarant or Designated Builder or from a prior Owner in a bona-fide, arm's length, non-related party transaction;
- (ii) The value of any Improvements made to the Lot after purchase by Owner by anyone other than Declarant or Designated Builder;
- (iii) The Owner's reasonable moving costs; and
- (iv) Any closing costs, including loan fees and/or "points" incurred by the Owner in connection with the purchase of another primary residence within ninety (90) days after the closing of the repurchase provided for herein.

(B) Close of escrow shall not occur later than forty-five (45) days after written notice from Declarant or Designated Builder to the Owner of Declarant's or Designated Builder's intent to exercise the option herein.

(C) Title shall be conveyed to Declarant free and clear of all monetary liens and encumbrances other than non-delinquent real estate taxes.

(D) All closing costs in connection with the repurchase shall be paid by Declarant or Designated Builder.

(E) Exercise of the repurchase option as provided hereinabove shall constitute full and final satisfaction of all claims, relating to the subject Lot, including claims relating to the Alleged Defect. The Owner (or Association, as applicable) shall promptly execute and deliver any notice of dismissal or other document necessary or appropriate to evidence such satisfaction.

31. Failure to Enforce. Failure of the Association or any Owner to enforce any covenant and reservation in this Declaration will not be deemed a waiver of the right of the Association or any Owner to enforce the covenants and restrictions in the future for the same or similar violation. Failure of the Association or any Owner to enforce any covenant or restriction in this Declaration will not subject the Association or any Owner to liability for its actions or inactions. No act or omission by the Declarant (nor any Designated Builder), whether in its capacity as a Member of the Association or as a seller or builder of any Lot or residence thereon, will act as a waiver, offset, or defense to the enforcement of this Declaration by the Association or any Owner.

32. Limitation on Recovery Against the Association. Each Owner of a Lot, by accepting a deed for that Lot (whether or not expressed in the deed or conveying instrument) or otherwise becoming an Owner, specifically acknowledges that any award of monetary damages made in favor of the Owner against the Association for the Association's failure to comply with, or accurately comply with, the provisions of A.R.S. §33-1806 will be satisfied from and limited solely to: (i) the proceeds available under any policy of insurance maintained by the Association for errors or

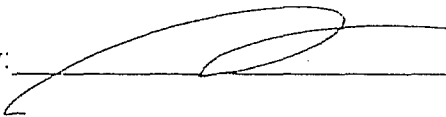


omissions of this type; or (ii) the amount available in any liability reserve account that may be established by the Association and funded through specific liability reserves collected as part of the annual assessments.

33. Declarant's Right to Use Similar Name. The Association irrevocably consents to the use by any other profit or nonprofit corporation that may be formed or incorporated by Declarant of a corporate name that is the same or deceptively similar to the name of the Association, provided one or more words are added to the name of the other corporation to make the name of the Association distinguishable from the name of the other corporation. Within five days after being requested to do so by; the Declarant, the Association will sign all letters, documents, or other writings as may be required by the Arizona Corporation Commission (or any other governmental entity) in order for any other corporation formed or incorporated by the Declarant to use a corporate name that is the same or deceptively similar to the name of the Association.

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

SIVAGE-THOMAS OF ARIZONA, INC., a New Mexico corporation


By: 

Its: VICE PRESIDENT, FINANCE

**RATIFICATION AND APPROVAL:**

The Association hereby ratifies and approves this Declaration

GREENFIELD HEIGHTS HOMEOWNERS ASSOCIATION, INC., a nonprofit Arizona Corporation

By: 

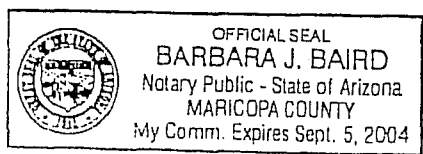
Its: TREASURER

STATE OF ARIZONA )  
 ) ss.  
County of Maricopa )

The foregoing instrument was acknowledged before me this 15<sup>th</sup> day of September 2001, by Barbara J. Baird, the V.P. Finance of Sivage-Thomas of Arizona, Inc., a New Mexico corporation, on behalf of the corporation.

Barbara J. Baird  
Notary Public

My Commission Expires:  
9/5/2004



STATE OF ARIZONA )  
 ) ss.  
County of Maricopa )

The foregoing instrument was acknowledged before me this 15<sup>th</sup> day of Sept. 2001, by Barbara J. Baird, the Treasurer of Greenfield Heights Homeowners Association, Inc., a nonprofit Arizona corporation, on behalf of the Corporation.

Barbara J. Baird  
Notary Public

My Commission Expires:  
9/5/2004

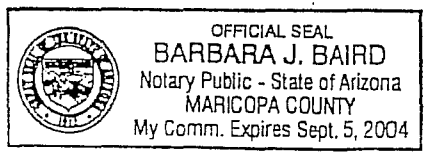


EXHIBIT A

Legal Description of Subdivision

Lots 1 through 58, inclusive and Tracts A, B, C, D, E, & F, inclusive as set forth in the Final Plat for Greenfield Heights recorded in Book 546 of Maps, page 41, of the Official Records of Maricopa County, Arizona.

EXHIBIT B

DESIGNATED BUILDERS