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JUN 30 '88 - 8 00 AM
John A. Marxer, County Recorder
FEE 512.00 PGS 18352

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DECLARATION OF CONDOMINIUM OWNERSHIP
TOGETHER WITH
COVENANTS, CONDITIONS AND RESTRICTIONS
OF
RIO DEL SOL HOMEOWNERS ASSOCIATION

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Lake Havasu City, Arizona 86403

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DECLARATION OF CONDOMINIUM OWNERSHIP
TOGETHER WITH
COVENANTS, CONDITIONS AND RESTRICTIONS
OF
RIO DEL SOL HOMEOWNERS ASSOCIATION

This Declaration is made pursuant to A.R.S. §33-1201 through 33-1270, this 15th day of June, 1988, by RIO DEL SOL, an Arizona copartnership, hereinafter referred to as "Declarant" or "Developer".

WITNESSETH:

WHEREAS, the Declarant is the fee owner of that certain real property situated in Lake Havasu City, Mohave County, Arizona (the "Parcel"), described on Exhibit A attached hereto and incorporated herein by this reference.

WHEREAS, Declarant desires to submit the Parcel, together with all buildings and improvements now or hereafter constructed on the Parcel, and all easements and rights appurtenant thereto (hereinafter referred to as the "Property"), to a Condominium pursuant to Sections 33-1201/33-1270, Arizona Revised Statutes; and

WHEREAS, Declarant desires to establish for its own benefit and for the mutual benefit of all future Owners or Occupants of the Property, certain covenants, conditions, restrictions, easements, rights, privileges, assessments, and liens as set forth herein (hereinafter collectively referred to as the "Restrictions") which shall run with and be a burden upon the Property; and

WHEREAS, Declarant intends that the Owners, Occupants, Lenders, and all other persons hereinafter acquiring any interest in the Property shall at all times enjoy the benefits of, and shall hold their interest subject to, this Declaration, which is recorded in furtherance of establishing the general plan of condominium ownership for the Property and for establishing rules for the use, occupancy, management and enjoyment thereof, all for the purpose of enhancing and protecting the value, desirability, and attractiveness of the Property and the quality of life therein;

ARTICLE I
DEFINITIONS

Section 1. The following words when used in this Declaration or any Supplemental Declaration (unless the context shall prohibit) shall have the following meanings:

(a) "Act" shall mean Sections 33-1201 through 33-1270, Arizona Revised Statutes, pertaining to Condominiums in the State of Arizona.

(b) "Apartment" shall mean part of the property including one or more rooms situated in a building comprising part of the Property, designed or intended for independent use as a residential dwelling unit, together with the respective fractional interest in the Common Elements and any exclusive and non-exclusive easements appurtenant thereto.

Each Apartment shall consist of the space enclosed and bounded by the horizontal and vertical planes as shown on the Plat; provided, however, that no component of the security system, if any, master television antenna system, if any, or other communication system, no structural components of the Building in which each Condominium Unit is located, and no pipes, wires, conduits, ducts, flues, shafts, or public utility, water or sewer lines situated within such Apartment and forming part of any system serving one or more other Apartments or the Common Elements shall be deemed part of an Apartment.

Unless otherwise indicated, all air space boundary lines intersect at right angles.

(c) "Association" shall refer to the RIO DEL SOL HOMEOWNERS ASSOCIATION, INC., whose membership shall include each Owner of an Apartment Unit in the Property and whose function shall be to serve as the Association as defined in the Act. The Association will be incorporated under the name of RIO DEL SOL HOMEOWNERS ASSOCIATION, INC., an Arizona non-profit corporation, prior to the conveyance of an Apartment by Declarant.

(d) "Association Rules" shall mean and refer to the rules and regulations adopted by the Association pursuant to this Declaration and in furtherance of the Bylaws.

(e) "Assessments" shall mean the charges against Owners to defray the Common Expenses as well as miscellaneous special Assessments, special Assessments for capital improvements, and special Assessments for the purpose of restoring and reconstructing the Property in the event of casualty, all as provided in this Declaration.

(f) "Board" shall mean the Board of Directors of the Association elected pursuant to the Bylaws and serving as the governing body of the Association.

(g) "Building" shall mean and refer to each of the nine (9) principal structures containing Condominium Units located on the Parcel and forming part of the Property as shown on the Plat, whether or not such structures are composed of one or more floors or stories.

(h) "Bylaws" shall mean the Bylaws adopted by the Association pursuant to Section 33-1246 of the Act for the purpose of regulating the affairs of the Association, as the same may be amended from time to time.

(i) "Common Elements" shall mean portions of the Property except the Units, including the Limited Common Elements, unless and to the extent otherwise specified, and including without limitation, the following: the Parcel and all landscaping, sidewalks, drives and driveways located thereon; the parking area; all structural components of the

Building including support, columns, floors, ceilings, doors, windows, roof and foundation; interior and exterior stairways, entrances and exits, halls and lobby; loading berths; storage areas, basement, garage automobile elevator, passenger elevators and elevator shafts, mechanical and electrical rooms; waste disposal chute, compactor room and equipment; security system, master television antenna system and other communication systems (whether leased or owned); all pipes, ducts, flues, shafts, electrical wiring and conduit, and central heating, cooling, ventilation and hot water heating equipment; all mechanical, electrical, plumbing and fire protection sprinkler systems, fixtures and equipment located within or serving all or any portion of the Property (but excluding any pipes, ducts, flues, electrical wiring and conduit and any individual heating, cooling, ventilation, mechanical, electrical or plumbing apparatus, equipment, fixture or component thereof situated entirely within a Unit and serving only such Unit) and all other apparatus, fixtures and equipment serving the Common Elements.

(j) "Common Expenses" shall mean the actual and estimated costs for: (i) maintenance, management operation, repair and replacement of the Common Elements which are maintained by the Association; (ii) deficiencies arising by reason of unpaid Assessments; (iii) management and administration of the Association, including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and employees; (iv) utilities other than separately metered utilities for the Condominium Units, trash pickup and disposal, gardening, pool service, and other related services; (v) insurance and bonds required by this Declaration or any additional insurance and bonds obtained by the Board in its discretion; (vi) the establishment of reasonable reserves as the Board shall deem appropriate in its discretion; (vii) other miscellaneous charges incurred by the Association or the Board pursuant to this Declaration, the Bylaws, or Association Rules in furtherance of the purposes of the Association or in discharge of the duties and powers of the Association.

(k) "Condominium Instruments" shall mean all documents and authorized amendments thereto recorded pursuant to the provisions of the Act, including this Declaration, the Bylaws and the Plat.

(l) "Condominium Unit" shall mean part of the Property, including one or more rooms situated in a Building comprising part of the Property, designed or intended for independent use as a dwelling Unit, together with the Limited Common Elements appurtenant to such Unit and the respective percentage interest in the Common Elements, and any exclusive and non-exclusive easements appurtenant thereto. Each Condominium Unit shall consist of the space enclosed and bounded by the horizontal and vertical planes as shown on the Plat; provided, however, that no component of the security system, if any, master television antenna system, if any, or other communication system, no structural components of the Building in which each Condominium Unit is located, and no pipes, wires, conduits, ducts, flues, shafts or public utility, water or sewer lines situated within such Condominium Unit and forming part of any system serving one or more other Condominium Units or the Common Elements shall be deemed part of a Condominium Unit.

(m) "Declarant" shall mean RIO DEL SOL, an Arizona copartnership, including its successors and assigns. The term "Developer, as used herein, shall be synonymous with the term "Declarant."

(n) "Declaration" shall mean this entire document, as same may from time to time be amended.

(o) "Development Rights" shall mean the rights reserved by the Declarant under Article II of this Declaration to create Units, Common Elements, and Limited Common Elements within the Property.

(p) "Garage Rights" shall mean the right to park or store boats, motor vehicles or other property in a garage, initially designated on the Plat as appurtenances to specific Units. Not all Units have Garage Rights. A Garage Right is a Limited Common Element appurtenant to the Unit acquiring such right. Garage Rights may be transferred by the Declarant or the Owner with the Unit or to another Unit Owner.

(q) "Lender" shall mean: (i) an institutional holder of a first mortgage or first deed of trust on a Condominium Unit which is a bank, savings and loan association, insurance company, established mortgage company, or other entity chartered under state or federal law; and (ii) any Person which is a holder of a first mortgage or first deed of trust on a Condominium Unit.

(r) "Limited Common Elements" shall mean the portions of the Common Elements designated on the Plat attached hereto as Exhibit A or designated and assigned as set forth on Exhibit B for the exclusive or priority use of one or more Unit Owners, but less than all Unit Owners.

The Limited Common Elements appurtenant to a Unit include, without limitation: (i) perimeter doors (except for the main entrance doors to a Unit from the passenger elevators) and windows of the Unit; (ii) the interior surface of structural perimeter walls, ceilings and floors which define the boundary planes of the Unit and all associated fixtures and structures therein as lie outside the Unit boundaries; (iii) any system or component part thereof (such as heating, cooling, ventilating, electrical or water systems) which serves a Unit exclusively to the extent that such system or component part is located outside the boundary planes of such Unit; (iv) any shutters, awnings, window boxes, doorsteps, stoops, walkways, porches, decks, balconies, patios and each exterior door and window or other fixture designed to serve a single Unit that is located outside the boundaries of the Unit; (v) stoops and steps and walls above door openings at the entrances to each building, which provide access to less than all Units, the use of which is limited to the Units to which they provide access; (vi) attic space above each Unit with an attic, the use of which is limited to the Unit beneath it; (vii) stairways, the use of which is limited to certain Units as shown on the plans; (viii) chimneys, if any, the use of which is limited to the Unit in which its fireplace is located. In the event of a multiple flue chimney, each flue will be a Limited Common Element allocated to the Unit containing its fireplace while the chimney will be a Limited Common Element allocated to both Units; (ix) utility areas, the use of which is

limited to the Unit or Units as shown on the Plans; and (x) certain courtyards and patios and decks at the entrances to each Unit the use of which is limited to the Unit as shown on the Plat and Plan. The right to park or store boats, motor vehicles and other property in a specific garage (Garage Rights) shall be considered a Limited Common Element appurtenant to the Unit, as initially designated on the Plat or as subsequently acquired. Such Garage Rights may be transferred by the Declarant or Owner with the Unit to which they are appurtenant, or to other Unit Owners to be a Limited Common Element appurtenant to such other Unit.

(s) "Occupant" shall mean a Person or Persons, other than an Owner, in possession of a Condominium Unit.

(t) "Owner" shall mean the Person or Persons who are vested with record title of a Condominium Unit according to the records of the County Recorder of Mohave County, Arizona; however, Owner shall not include a Person who holds an interest in a Condominium Unit merely as security for the performance of an obligation. Declarant shall be considered the Owner of any Condominium Unit prior to its initial conveyance by Declarant.

(u) "Parcel" shall mean the real property described in the first recital to this Declaration.

(v) "Plat" means the plat of survey of the Property submitted to this Condominium and showing thereon Ninety-Six (96) Condominium Units, each of which is identified by a number, together with 38 garage spaces, each also designated by a number and shown as initially being appurtenant to specific Units as shown on Exhibit "C" attached hereto. A copy of the Plat is attached hereto as Exhibit "B". The original Plat is recorded as Fee No. 88-19961 in the records of the County Recorder of Mohave County, Arizona.

(w) "Person" shall mean a natural individual, corporation, partnership, trustee or other legal entity capable of holding title to real property.

(x) "Property" shall mean the Parcel, the Buildings, improvements and permanent fixtures located thereon, and all easements and rights appurtenant thereto.

(y) "Restrictions" shall mean the covenants, conditions, assessments, easements, liens and restrictions set forth in this Declaration.

(z) "Special Declarant Rights" shall mean rights reserved for the benefit of a declarant to (i) complete improvements indicated on plats and plans filed with the Declaration; (ii) exercise any development rights to create Units, Common Elements, and Limited Common Elements; (iii) maintain sales offices, management offices, signs advertising the community, and models; (iv) use easements through the Common Elements for the purpose of making improvements within the Property or within real estate that may be added to the Property; or (v) appoint or remove an officer of the Association or a master association or any Board member during any period of Declarant control.

(aa) "Undivided Interest" shall mean the undivided percentage of ownership in the Common Elements of each Unit Owner set forth in Article II, Section 5 hereof.

(bb) "Unoccupied" with reference to any apartment or apartments shall mean any apartment that has been constructed but not yet conveyed by Developer or Declarant.

ARTICLE II
DECLARATION OF CONDOMINIUM

Section 1. PROPERTY SUBJECT TO THIS DECLARATION:
Declarant is the owner of the Parcel which is, and shall be held, transferred, sold, conveyed and occupied subject to this Declaration, which is located in Mohave County, Arizona, and is more particularly described on Exhibit A attached hereto.

Section 2. DECLARATION. SUBMISSION. Declarant hereby submits and subjects the Property to a Condominium pursuant to the Act, and in furtherance thereof, makes and declares the Restrictions contained in this Declaration, and Declarant hereby declares and agrees that the Property and all of the Condominium Units shall be held, conveyed, transferred, sold, leased, mortgaged, encumbered, occupied, used, and improved subject to the Restrictions, which Restrictions shall constitute covenants and conditions running with the land and shall be binding upon and inure to the benefit of Declarant, the Association, and each Owner, including their respective heirs, executors, administrators, personal representatives, successors and assigns.

Section 3. DESCRIPTION OF PROJECT.

(a) NAME. The Property shall be known as RIO DEL SOL CONDOMINIUMS.

(b) DESCRIPTION OF THE SPACE OF THE BUILDING.
nine (9) multi-apartment buildings which have been constructed upon the said real property.

(c) CUBIC CONTENT SPACE OF CONDOMINIUM UNITS. The cubic content space of each of the Ninety-Six (96) Condominium Units within the Buildings is set forth on the Plat. The horizontal boundaries of each Condominium Unit shall be the underside of the finished but undecorated ceiling and the top of the finished but undecorated floor of the Condominium Unit as shown on the Plat. The vertical boundaries of each Condominium Unit shall be the interiors of the finished but undecorated walls located on the perimeter lines of the respective Condominium Units as shown on the Plat.

Each Condominium Unit shall be identified numerically as One (1) through Ninety-Six (96) as shown on the recorded Plat.

(d) DESCRIPTION OF COMMON ELEMENTS. The Common Elements shall consist of the entire Property, excluding the Condominium Units and the Limited Common Elements.

(e) FRACTIONAL INTEREST. Each Apartment shall bear an undivided fractional interest in the entire Condominium in

such amounts and at such times as set forth in Article II, Section 5 below.

(f) MAINTENANCE BY OWNERS. Each Owner shall furnish and be responsible for, at his own expense, all of the maintenance, repairs, and replacements within his own Condominium Unit and the Limited Common Elements. Such obligation shall include: (i) the maintenance of all interior doors, all lath, furring, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring, and any other materials constituting the finished surfaces of floors, ceilings or interior walls (all other portions of the walls, floors, or ceilings are part of the Common Elements); (ii) repair and replacement of all window and door glass and the interior and exterior cleaning of such window and door glass; (iii) the maintenance of, in an open and unobstructed condition, all sewer and drainage pipes, water and other utility lines serving an Owner's respective Condominium Unit and Limited Common Elements between the points at which the same enter the respective Condominium Unit and Limited Common Elements and the points where the same join the utility lines serving other Condominium Units and Limited Common Elements; and (iv) maintenance, replacement, repair and restoration of all of the following which service an Owner's Condominium Unit and Limited Common Elements exclusively: lighting fixtures, plumbing fixtures, stoves, refrigerators, hot water heaters, air conditioning units (including compressors and condensers) and such other appliances, fixtures, and decorations as an Owner may install. An Owner may make non-structural alterations within his Condominium Unit or Limited Common Elements, but an Owner shall not make any structural or exterior alterations of the Common Elements.

(g) UTILITIES. All utilities for individual Condominium Units and Limited Common Elements, except water service charges (which will be metered collectively and paid by the Association as a Common Expense item) will be metered separately to each Condominium Unit and Limited Common Elements and such utility charges shall be the responsibility of the respective Owners.

Section 4. VERTICAL DIMENSION. All reference to vertical dimension made in this document or on the recorded map referred to in Section 1, Article II, shall be based upon the elevations as described below:

Beginning at the intersection of the centerline of Smoketree Avenue and the centerline of [Injo Drive], said point also being "Temporary Bench Mark Spike and Washer" as recorded on the plat of "Rio Del Sol Condominium", Lake Havasu City, Fee No. 88-19961, in the records of Mohave County, Arizona at elevation [644.22]'. .

Section 5. DEVELOPMENT AND ANNEXATION.

(a) The Declarant reserves the following Development Rights:

(i) The right by amendment, to create Units, Common Elements, and Limited Common Elements in the location shown as "Development Rights Reserved in this Area" on the Plat and Plans.

(ii) The right by amendment, to allocate as Limited Common Elements not more than 139 of the parking spaces as shown on the Plat and assign them to particular Units. No assurance is given that such spaces will be allocated, however.

(iii) The right to construct underground utility lines, pipes, wires, ducts, conduits and other facilities across the land not designated "Development Rights Reserved in this Area" on the Plat for the purpose of furnishing utility and other services to buildings and improvements to be constructed on the land designated "Development Rights Reserved in this Area" on the Plat. The Declarant also reserves the right to withdraw and grant easements to public utility companies and to convey improvements within those easements anywhere in the Property not occupied by buildings, for the above-mentioned purposes. If the Declarant grants any such easements, Exhibit A will be amended to include reference to the recorded easement.

(iv) The right to withdraw real estate from the condominium.

(v) The right to subdivide units, convert units into common elements or convert common elements within a condominium.

(b) This project shall be constructed in four (4) Phases. The Declarant is committed to construct all 96 apartment units as contemplated by this Declaration, but this Condominium shall not apply to a Phase until each Phase is (1) completed, and (2) the first apartment unit in any such Phase has been conveyed by the Declarant to an Apartment Unit Owner. All Phases of this project shall be completed no later than December 31, 1998. The Phases as described hereinafter shall be defined by reference to the Plat attached hereto as Exhibit A.

Upon the completion of each Phase of construction as defined above, and the conveyance by the Declarants to an Apartment Unit Owner that phase (in its entirety) shall be deemed to have been fully annexed into this declaration and thereafter bound by and subject to the provisions of this declaration.

Upon completion of each Phase of the project, each individual Apartment Unit Owner shall own a fractional interest of the common elements of this project, as defined elsewhere in this declaration, as set forth below:

<u>Phase</u>	<u>Fractional Interest</u>
I	1/22
II	1/46
III	1/66
IV	1/96

Except as herein otherwise provided, upon completion of each Phase to this project (and its annexation), each apartment unit in the annexed phase as described above, shall be deemed part of the sub-division as established hereby. All owners of apartment units in any such annexed

phase shall have those rights and obligations set forth in this declaration, and shall be treated as if the entire project had been developed at the same time.

Section 6. LIMITATIONS ON DEVELOPMENT RIGHTS. The Development Rights reserved in Section 5 are limited as follows:

(a) The Development Rights may be exercised at any time, but not more than seven (7) years after the recording of the initial Declaration;

(b) The quality of construction of any buildings and improvements to be created on the Property shall be consistent with the quality of those constructed pursuant to this Declaration as initially recorded.

(c) All Units and Common Elements created pursuant to the Development Rights will be restricted to residential use in the same manner and to the same extent as the Units created under this Declaration as initially recorded.

Section 7. PHASE OF DEVELOPMENT RIGHTS. No assurances are made by the Declarant regarding the portions of the areas shown as "Development Rights Reserved in this Area" on the Plans and Plat as to the portions where the Declarant will exercise its Development Rights or the order in which such portions, or all of the areas, will be developed. The exercise of Development Rights as to some portions will not obligate the Declarant to exercise them as to other portions.

Section 8. SPECIAL DECLARANT RIGHTS. The Declarant reserves the following Special Declarant Rights, to the maximum extent permitted by law, which may be exercised, where applicable, anywhere within the Property:

(a) To complete improvements indicated on Plans and Plans filed with the Declaration;

(b) To exercise a Development Right reserved in the Declaration;

(c) To maintain sales offices, management offices, signs advertising the Common Interest Community, and models;

(d) To use easements through the Common Elements for the purpose of making improvements within the Common Property;

(e) To appoint or remove an officer of the Association or an Executive Board member during a period of Declarant control subject to the provisions of Section 13 of this Article of the Declaration.

Section 9. MODELS, SALES OFFICES AND MANAGEMENT OFFICES. As long as the Declarant is Unit Owner, the Declarant and its duly authorized agents, representatives and employees may maintain any Unit owned by the Declarant or any portion of the Common Elements as a model Unit or sales office or management office.

Section 10. CONSTRUCTION, DECLARANT'S EASEMENT. The Declarant reserves the right to perform warranty work, and repairs and construction work, and to store materials in secure areas, in Units and in Common Elements, and the further right to control all such work and repairs, and the right of access thereto, until its completion. All work may be performed by the Declarant without the consent or approval of the Board. The Declarant has such an easement through the Common Elements as may be reasonably necessary for the purpose of discharging the Declarant's obligations or exercising Special Declarant Rights, whether arising under the Act or reserved in this Declaration. Such easement includes the right to convey utility and drainage easements to public utilities, municipalities, the State, riparian owners or upland owners to fulfill the plan of development.

Section 11. SIGNS AND MARKETING. The Declarant reserves the right to post signs and displays in the Common Elements to promote sales of Units, and to conduct general sales activities, in a manner as will not unreasonably disturb the rights of Unit Owners.

Section 12. DECLARANT'S PERSONAL PROPERTY. The Declarant reserves the right to retain all personal property and equipment used in the sales, management, construction and maintenance of the premises that has not been represented as property of the Association. The Declarant reserves the right to remove from the property, promptly after the sale of the last Unit, any and all goods and improvements used in development, marketing and construction, whether or not they have become fixtures.

Section 13. DECLARANT CONTROL OF THE ASSOCIATION.

(a) Subject to Subsection 13(b): There shall be a period of Declarant control of the Association, during which a Declarant, or persons designated by the Declarant, may appoint and remove the officers and members of the Board. The period of Declarant control terminates no later than the earlier of:

(i) 90 days after the conveyance of 75 percent of the Units that may be created to Unit Owners other than a Declarant;

(ii) four years after all Declarants have ceased to offer Units for sale in the ordinary course of business;

(iii) two years after any last right to add new Units was exercised; or

(iv) five years after the first Unit is conveyed to a Unit Owner other than a Declarant.

A Declarant may voluntarily surrender the right to appoint or remove officers and members of the Board before termination of that period, but in that event the Declarant may require, for the duration of the period of Declarant control, that specified actions of the Association or Board, as described in a recorded instrument executed by the Declarant, be approved by the Declarant before they become effective.

(b) Not later than 60 days after conveyance of 25 percent of the Units that may be created to Unit Owners other than a Declarant, at least one member and not less than 25 percent of the members of the Board shall be elected by Unit Owners other than the Declarant. Not later than 60 days after conveyance of 50 percent of the Units that may be created to Unit Owners other than a Declarant, not less than 33-1/3 percent of the members of the Board must be elected by Unit Owners other than the Declarant.

(c) Not later than the termination of any period of Declarant control, the Unit Owners shall elect a Board of at least three members, at least a majority of whom shall be Unit Owners. The Board shall elect the officers. The Board members and officers shall take office upon election.

(d) Notwithstanding any provision of this Declaration or the Bylaws to the contrary, following notice under the Act, the Unit Owners, by a two-thirds vote of all persons present and entitled to vote at a meeting of the Unit Owners at which a quorum is present, may remove a member of the Board with or without cause, other than a member appointed by the Declarant.

Section 14. LIMITATIONS ON SPECIAL DECLARANT RIGHTS. Unless sooner terminated by an amendment to this Declaration executed by the Declarant, any Special Declarant Right may be exercised by the Declarant until the earlier of the following: so long as the Declarant (a) is obligated under any warranty or obligation, (b) holds a Development Right to create additional Units or Common Elements, (c) owns any Unit; or (d) owns any security interest in any Units; or (d) for seven (7) years after recording of certain rights may occur by statute.

Section 15. INTERFERENCE WITH SPECIAL DECLARANT RIGHTS. Neither the Association nor any Unit Owner may take any action or adopt any rule that will interfere with or diminish any Special Declarant Right without the prior written consent of the Declarant.

Section 16. RIGHTS OF LENDERS TO THE DECLARANT. Additional limitations on the right of the Declarant to exercise Development Rights may be found in Article XIV of the Declaration.

ARTICLE III HOMEOWNERS ASSOCIATION

Section 1. RIO DEL SOL HOMEOWNERS ASSOCIATION, INC., a nonprofit corporation organized under and by virtue of the laws of the State of Arizona governing nonprofit corporations, shall accept responsibility for and provide such necessary and appropriate action for the proper maintenance, repair, replacement, operation, management, beautification, and improvement of Common Elements to be used in common by and for the benefit of the owners of Condominiums constructed on said Property.

ARTICLE IV
PROPERTY RIGHTS

Section 1. OWNERS' EASEMENTS OF ENJOYMENT. Every Owner shall have a right and easement of enjoyment in and to the Common Elements which shall be appurtenant to and shall pass with the title to every Condominium Unit subject to the following provisions:

(a) The right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Elements;

(b) The right of the Association to suspend the right to use of the recreational facilities by an Owner for any period during which any assessment against his Condominium Unit or living unit remains unpaid; and for a period not to exceed Sixty (60) days for any infraction of this Declaration;

(c) The right of the Association to dedicate or transfer all or any part of the Common Elements to any public agency, authority, or utility, for such purposes and subject to such conditions as may be agreed by eighty percent (80%) of the Owners agreeing to such dedication or transfer. No such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer signed by eighty percent (80%) of each class of members has been recorded.

(d) The right of the Developer (and his sales agents and representatives) to the non-exclusive use of the Common Elements and the facilities thereof, for display and exhibit purposes in connection with the sale of Condominium Units which right Declarant hereby reserves. No such use by Developer or its sales agents or representatives shall otherwise restrict the Members in their use and enjoyment of the Common Elements and facilities thereon.

(e) The right of the Association to limit the number of guests of members.

(f) The right of the Association to establish uniform rules and regulations pertaining to the use of the Common Elements and the recreational facilities thereon.

(g) The right of the Association in accordance with its Articles and Bylaws to borrow money for the purpose of improving the Common Elements and facilities thereon.

Section 2. DELEGATION OF USE. Any Owner may delegate, in accordance with this Declaration, his right of enjoyment to the Common Elements and facilities to the members of his family, his tenants, or to a reasonable number of his guests or invitees, said number shall be as determined from time to time by the Board of Directors.

Section 3. USE OF LIMITED COMMON ELEMENTS. Subject to the provisions of Article X hereof the portions of the Common Elements designated as Limited Common Elements are reserved for the exclusive use of the Unit or Units which they serve. The rights of use herein reserved shall extend to the Unit Owner whose Unit is benefited thereby, members

of his family who reside with him in his Unit, and his lessees, servants and invitees.

Section 4. REPAIRS RESULTING FROM NEGLIGENCE. Each Unit Owner will reimburse the Association for any damages to any other Unit or to the Common Elements caused intentionally, negligently or by his or her failure to properly maintain, repair or make replacements to his or her Unit or to those Limited Common Elements for which he or she is responsible under the Declaration. The Association will be responsible for damage to Units caused intentionally, negligently or by its failure to maintain, repair or make replacements to the Common Elements. If such expense is caused by misconduct, it will be assessed following notice and hearing.

Section 5. ALLOCATION AND REALLOCATION OF LIMITED COMMON ELEMENTS. A Common Element not previously allocated as a Limited Common Element may be so allocated only pursuant to the provisions of this Article IV, Section 5. All allocations will be made by amendments to the Declarant specifying to which Unit or Units the Limited Common Element is located. The Declarant has reserved the right, under this Declaration, to allocate as Limited Common Elements not more than 189 of the parking spaces shown on the Plat. If any such parking spaces are so allocated, they shall be assigned to particular Units by amendment to this Declaration.

Any parking spaces which are not allocated as Limited Common Elements at the termination of the Development Rights period may be so allocated by the Association by amendment to this Declaration.

All amendments shall specify to which Unit or Units the Limited Common Element is allocated.

No Limited Common Element depicted on the Plat or Plans may be reallocated by an amendment to this Declaration pursuant to this Article IV except for Garage Units or as part of a relocation of boundaries of Units pursuant to this Declaration. Garage Units may be reallocated by an amendment to the Declaration executed by the Unit Owners between or among those Units the reallocation is made as provided in Article XVIII, Section 15 hereof.

ARTICLE V MEMBERSHIP VOTING RIGHTS AND AMENDMENTS

Section 1. MEMBERSHIP. Every Owner of a Condominium Unit which is subject to the covenants of record and assessment shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Condominium Unit or living unit which is subject to assessment. The rights and obligations of an Owner and membership in the Association shall not be assigned, transferred, pledged, conveyed, or alienated in any way except upon transfer of ownership to such Condominium Unit or by intestate succession, testamentary disposition, foreclosure of a mortgage or record, or such other legal process that is now in effect or as may hereafter be established under or pursuant to the laws of the State of Arizona. Any attempt to make a prohibited transfer shall be void. Any transfer

of ownership shall operate to transfer said membership to the new Owner, and a reasonable charge may be assessed by the Association for each such transfer.

Section 2. VOTING RIGHTS. All Owners shall be entitled to one vote for each Condominium Unit owned. When more than one person holds an interest, all such persons shall become Members. The vote for such Condominium Unit shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Condominium Unit, and fractional votes shall not be allowed. In the event more than one vote is cast for a particular Condominium Unit, the vote shall be allowed as provided under §33-1250 of the Act. Developer shall be entitled to appoint and remove the officers and members of the Board of Directors as provided in Article II, Section 13.

Section 3. SPECIAL AMENDMENT. Declarant reserves the right and power to record a special amendment ("Special Amendment") to this Declaration at any time and from time to time which amends this Declaration (a) to comply with requirements of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Department of Housing and Urban Development, the Federal Housing Association, the Veteran's Administration, or any other governmental agency or any other public, quasi-public or private entity which performs (or may in the future perform) functions similar to those currently performed by such entities or any institutional lender issuing a commitment to make first mortgage loans covering twenty percent (20%) or more of the Units, (b) to induce any of such agencies or entities to make, purchase, sell, insure, or guarantee first mortgages covering Units (c) to conform this Declaration with the requirements of the Act, or (d) to correct clerical or typographical errors in this Declaration or any Exhibit hereto or any supplement or amendment thereto. In furtherance of the foregoing, a power coupled with an interest is hereby reserved and granted to Declarant to make or consent to a Special Amendment on behalf of each Unit Owner. Each Deed, mortgage, trust deed, other evidence of obligation, or other instrument affecting a Unit and the acceptance thereof shall be deemed to be a grant and acknowledgement of, and a consent to the reservation of, the power reserved to Declarant to make, execute and record Special Amendments. The rights reserved to the Declarant under this Section 3 shall terminate at such time as the Declarant's right to control under Article V, Section 2 above has terminated.

Section 4. AMENDMENTS TO DECLARATION. Subject to the provisions of Section 1 above and except as otherwise provided by the Act or other provisions of the Condominium Instruments, the provisions of this Declaration may be amended, changed, modified or rescinded in whole or in part by the affirmative vote or signature in counterpart of Owners (either in person or by proxy) representing at least seventy-five percent (75%) of the total votes, as evidenced by an instrument setting forth such amendment, change, modification or rescission and containing an affidavit by an officer of the Board certifying that the same was approved by Owners having the affirmative vote required for such approval, or by an instrument in writing, which may be in

counterpart, setting forth such amendment, change, modification or rescission, signed and acknowledged by the Unit Owners owning at least seventy-five percent (75%) of the total Units and provided that in either case there shall be attached to said instrument an affidavit by an officer of the Board, certifying that a copy of the amendment, change, modification or rescission has been mailed by certified mail to all Lenders, not less than ten (10) days prior to the date of such affidavit; except that in addition to the foregoing requirements (a) the provisions relating to the development rights or special rights or period of control of the Declarant or the Developer may be amended only upon the written consent of the Declarant or the Developer, as the case may be, (b) the provisions of this Declaration which specifically grant rights to the Lenders may be amended only with the written consent of all Lenders, (c) an amendment shall not create or increase special declarant rights (as defined in the Act), increase the number of Units or change the boundaries of any Unit, the Undivided Interests of a Unit or the use to which any Unit is restricted, in the absence of the unanimous consent of the Unit Owners, and (d) the consent of the Declarant is required in all cases during the period of control specified in Article V, Section 2 above. No amendment shall become effective until recorded in the Office of the Recorder, Mohave County, Arizona, after having received all necessary governmental approvals.

Section 5. AMENDMENTS PRIOR TO FIRST SALE. Prior to the conveyance of the first Condominium Unit to an Owner other than a Declarant, this Declaration and any amendments thereto may be amended or revoked by the execution by Declarant of an instrument amending or revoking the same.

Section 6. FHA/VA APPROVALS. During the period of control specified in Article V, Section 2, the following actions may require the prior approval of the Federal Housing Administration or the Veteran's Administration: Annexation of additional properties, merging and consolidations, mortgaging of Common Elements, dedication of Common Elements, and amendments of this Declaration of Covenants, Conditions and Restrictions.

ARTICLE VI COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. PERSONAL OBLIGATION OF ASSESSMENTS. Each Owner of a Condominium Unit, except as provided by Article III, Section 3 hereof, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, and (2) special assessments for capital improvements, such assessments to be established and collected as provided in the Articles and Bylaws. The annual and special assessments, late payment penalties, if any, together with interest thereon, and reasonable attorney's fees and costs to collection thereof, shall be a continuing lien on the Condominium Unit and the Common Elements as created by this Declaration from the time the first installment of the assessment becomes due. Each such assessment, together with interest, costs, reasonable attorney's fees and costs of collection, shall also be the personal obligation of the person who was the Owner of such

Condominium Unit at the time when the assessment fell due. Until the Association makes a Common Expense assessment, the Declarant shall pay all Common Expenses. The Association on written request shall furnish to a lienholder, Owner or person designated by an Owner a recordable statement setting forth the amount of unpaid assessments against his Unit. The statement shall be furnished within twenty business days after receipt of the request and is binding on the Association, the Board and every Owner.

Section 2. PURPOSE OF ASSESSMENTS. The assessments levied by the Association shall be used to promote the recreation, health, safety, and welfare of all Owners, for the improvement and maintenance of the Common Elements, and for all purposes set forth in the Articles, including but not limited to, management fees, insurance premiums unless otherwise provided for, expenses for maintenance, repairs and replacements of Common Elements, reserves for contingencies, taxes, charges for water and other utilities for the Common Elements.

By appropriate action the Association may establish and maintain a reserve fund for replacements by the allocation and payment monthly to such reserve fund an amount to be designated from time to time by the Board of Directors. Such fund shall be depository, and may be in the form of cash deposit or invested in obligations of, or fully guaranteed as to principal by the United States of America. The reserve fund is for the purpose of effecting replacement or repair because of damage, depreciation or obsolescence to Common Elements.

Section 3. UNIFORM RATE OF ASSESSMENT. Both annual and special assessments must be fixed at a uniform rate for all Condominium Units and may be collected on a monthly basis; provided, however:

(a) Any Common Expense associated with the maintenance, repair or replacement of a Limited Common Element shall be equally assessed against the Units to which the Limited Common Element is assigned.

(b) Any Common Expense or portion of a Common Expense benefitting fewer than all of the Units shall be assessed exclusively against the Units benefitted.

(c) If any Common Expense is caused by the misconduct of any Unit Owner, the Association may assess that expense exclusively against his Unit.

(d) The Common Expense assessment for any Unit on which construction has not been substantially completed shall be an amount which is twenty-five percent of the Common Expense assessment for Units which have been substantially completed; provided, however, that the Declarant shall pay to the Association any deficiency in monies due to the Declarant having paid a reduced common assessment and necessary for the Association to be able to timely pay all Common Expenses.

(e) If Common Expense liabilities are reallocated, Common Expense assessments and any installments on the assessments not yet due shall be recalculated in accordance with the reallocated Common Expense liabilities.

Section 4. DATE OF COMMENCEMENT OF ANNUAL ASSESSMENTS. The annual assessments shall commence as to all units on the first day of the month following the conveyance to an Owner. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board shall fix the amount of the annual assessment against each unit at least Thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every owner subject thereto within thirty (30) days of its determination. The Board may adopt and amend such assessments from time to time without ratification by the Owners, except as provided below. The due dates shall be established by the Board of Directors.

The initial annual assessment, per Condominium Unit, shall be \$840.00; provided, however, that:

(a) From and after January 1 of the year immediately following the conveyance of the first Unit to an Owner, the maximum annual assessment may be increased each year not more than 5% above the maximum assessment for the previous year without a vote of the membership.

(b) From and after January 1 of the year immediately following the conveyance of the first Unit to an Owner, the maximum annual assessment may be increased above 5% by a vote of two-thirds (2/3) of each class of members who are voting in person or by proxy, at a meeting duly called for this purpose.

(c) The Board of Directors may fix the annual assessment at an amount not in excess of the maximum. Two months of the assessment shall be collected from each Owner at the closing of his Unit, and shall be used as a reserve against which expenses may be charged in the discretion of the Board.

Section 5. SPECIAL ASSESSMENT FOR CAPITAL IMPROVEMENTS. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Elements, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of members who are voting in person or by proxy at a meeting duly called for this purpose.

Section 6. NOTICE AND QUORUM FOR ANY ACTION AUTHORIZED UNDER SECTION 5. Written notice of any meeting called for the purpose of taking any action authorized under Section 5 shall be sent to all members not less than ten (10) days nor more than Sixty (60) days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast Sixty Percent (60%) of all votes of the membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than Sixty (60) days following the preceding meeting.

Section 7. EFFECT OF NONPAYMENT OF ASSESSMENTS. REMEDIES OF THE ASSOCIATION. Any assessment not paid within Thirty (30) days after the due date shall bear interest from the due date at the rate of TWELVE PERCENT (12%) per annum. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the property in the same manner as a mortgage on real estate. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Elements or abandonment of his Condominium Unit.

Section 8. SUBORDINATION OF THE LIEN TO MORTGAGES. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage. Sale or transfer of any Condominium Unit shall not affect the assessment lien. However, the sale or transfer of any Condominium Unit pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which become due prior to such sale or transfer. No sale or transfer shall relieve such Condominium Unit from liability for any assessments thereafter becoming due or from the lien thereof.

Section 9. HOMESTEAD WAIVER. Each Owner, to the extent permitted by law, does hereby waive, to the extent of any liens created pursuant to this Declaration, whether such liens are now in existence or are created at any time in the future, the benefit of any homestead or exemption laws of the State of Arizona now in effect, or in effect from time to time hereafter.

Section 10. SUSPENSION OF RECREATIONAL PRIVILEGES. The Board shall also suspend for the entire period during which an Assessment remains delinquent the obligated Owner's right to the use of the recreational facilities of the Property.

ARTICLE VII ARCHITECTURAL CONTROL

Section 1. ARCHITECTURAL APPROVAL: No building, fence, wall or other structure shall be commenced, erected or maintained upon the Properties, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials, and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Association.

ARTICLE VIII COMMON WALLS

Section 1. COMMON WALLS. The rights and duties of Owners with respect to Common Walls shall be as follows:

- (a) The Owners of contiguous Condominium Units who have a Common Wall or Walls shall both equally have the right to use such wall or walls provided that such use by

one Owner does not interfere with the use and enjoyment of same by the other Owner.

(b) In the event that any Common Wall or walls are damaged or destroyed through the act of an Owner or any of his agents or guests or members of his family (whether or not such act is negligent or otherwise culpable), it shall be the obligation of such Owner to rebuild and repair the Common Wall or walls without costs to the other adjoining Owner or Owners.

(c) In the event any such Common Wall or walls are destroyed or damaged (including deterioration from ordinary wear and tear and lapse of time), other than by the act of an adjoining Owner, his agents, guests or family, it shall be the obligation of the Association to rebuild and repair such wall or walls.

(d) Notwithstanding anything to the contrary herein contained, there shall be no impairment of the structural integrity of any Common Wall or walls without the prior consent of the Board.

(e) In the event of the dispute between Owners with respect to the construction, repair or rebuilding of a Common Wall or walls, or with respect to the bearing of the cost thereof, the Owners shall submit the dispute to the Board, the decision of which shall be final and binding on all Owners.

ARTICLE IX REPAIR AND MAINTENANCE

Section 1. BY OWNER. Each Owner of a Condominium Unit shall maintain, repair, replace, and restore at his own expense all portions of the Condominium Unit and all Limited Common Elements appurtenant thereto, and such maintenance, repair, replacement or restoration shall be subject to control and prior written approval of the Association. No Owner shall make any improvements or alterations to his Unit, or connect his Unit to an adjoining Unit, or change the appearance of the Common Elements, or the exterior appearance of a Unit or Limited Common Element or any other portion of the condominium, without the prior written permission of the Association. No Owner shall remove, alter, injure or interfere with any shrubs, trees, grass or planting placed upon any Property by Declarant or the Association without first obtaining the written consent of the Association.

Section 2. BY THE ASSOCIATION. The Association shall have full power and control and it shall be its duty to maintain, repair and make necessary improvements to and pay for out of the maintenance fund to be provided, all Common Elements and the improvements thereon, and all private roadways, streets, parking areas, walks and other means of ingress and egress within the project. This shall include the exterior portions of the Condominium Units except glass surfaces, and the building (except for the Condominium Units and limited Common Elements); the land upon which the buildings are located; the airspace above the buildings, all bearing walls, columns, floors, roofs, slabs, foundations, storage spaces, balconies, lobbies, garage doors, front

doors, arcadia and/or sliding glass doors, all waste, water, sewer, and gas pipes, ducts, shoots, conduits, wires, and all other utility installations of the building, wherever located, except the outlets thereof when located within the Apartments. The Association shall further be empowered with the right and duty to periodically inspect all Common Elements in order that minimum standards of repair, design, color and landscaping shall be maintained for beauty, harmony and conservation within the entire project. The Board shall be the sole judge as to the appropriate maintenance of the Common Elements.

Section 3. GENERAL MAINTENANCE. In the event that the Association determines that an improvement or the Common Elements are in need of repair, restoration or painting, or that the landscaping is in need of installation, repair, or restoration, the Association shall undertake to remedy such condition and the cost thereof shall be charged to the Owners and shall be subject to levy, enforcement and collection by the Association in accordance with the assessment lien procedure provided for in this Declaration. The Association shall have a limited right of entry in and upon all Common Elements as defined above and the exterior of all Condominium Units and Limited Common Elements for the purpose of taking whatever corrective action may be deemed necessary or proper by the Association. Nothing in this Article shall in any manner limit the right of the Owner to exclusive control over the interior of his Condominium Unit and Limited Common Elements; provided, however, that an Owner shall grant the right of entry therein to the Association or any other person or other Owner or Owners, or their authorized representatives, in case of any emergency originating in or threatening his Condominium Unit or Limited Common Elements whether the Owner is present or not, when so required to enter his Condominium Unit or Limited Common Elements for the purpose of performing installation, alterations or repair to the mechanical or electrical services, including water, sewer, and other utility services, provided, further, that reasonable requests for entry are made and that such entry is at a time reasonably convenient to the Owner whose Condominium Unit or Limited Common Elements are to be entered. In case of an emergency such right of entry shall be immediate without the necessity for a request having to be made.

Section 4. REPAIR NECESSITATED BY OWNER. In the event that the Association determines that the Common Elements are in need of improvement, repair, restoration or painting, or that the landscaping is in need of installation, repair, or restoration which has been caused by an Owner, or any person designated by the Owner, then the Association shall give written notice to the Owner of the unsatisfactory condition. Unless the Board has approved in writing corrective plans proposed by the Owner to remedy the condition complained of within such reasonable period of time as may be determined by the Board after said written notice is first given, and such corrective work so approved is completed thereafter within the time allotted by the Board, the Association shall undertake to remedy such condition or violation. The cost thereof shall be deemed to be an assessment to such Owner and his living unit or Condominium Unit and subject to levy, enforcement and collection provided for in the Articles or Bylaws. The Association shall have the same right of entry

in and upon all Common Elements as herein provided with Condominium Units.

The Board shall have the sole right to determine whether any such costs expended by the Association were related to General Maintenance or were Repairs Necessitated by an Owner, and the determination of same shall be binding and final as to an Owner.

ARTICLE X EASEMENT

Section 1. GENERAL EASEMENTS TO COMMON ELEMENTS. Subject to this Declaration and the Association Rules, non-exclusive reciprocal easements are hereby reserved and created for the purpose of support, ingress and egress, access, use and enjoyment in favor of each Owner, upon across, over, under and through the Common Elements, including the use of all pipes, wires, ducts, cables, conduits, and public utility lines and recreational facilities, which easements shall be appurtenant to each Condominium Unit. The Association, acting through the Board or its authorized agent, and public utility companies providing service to the Property, shall have non-exclusive easements with the right of access to each Condominium Unit to make inspections, to remove violations, to maintain, repair, replace or effectuate the restoration of the Common Elements accessible in such Condominium Unit; provided, however, such rights shall be exercised in a reasonable manner and at reasonable times with prior notification unless emergency situations demand immediate access.

Section 2. CABLE AND PUBLIC UTILITIES. Easements and rights over the Property for the installation and maintenance of electricity lines, telephone lines, cable television, water lines, gas lines, sanitary sewer lines, drainage facilities, and such other public utilities needed to serve the Property are hereby reserved by Declarant, together with the right to grant and transfer the same; provided, however, such easements and rights shall not unreasonably interfere with the use of the Common Elements and the Condominium Units by the Owners or Occupants.

Section 3. EASEMENTS FOR ENCROACHMENTS. If any portion of the Common Elements now encroaches upon any Condominium Unit, or if any Condominium Unit now encroaches upon any other Condominium Unit or the Common Elements, or if any such encroachment shall occur hereafter as a result of the manner in which the Buildings have been constructed or due to settling, shifting, alteration, replacement, repair, or restoration by Declarant or the Association, a valid easement for encroachment shall exist so long as the Buildings stand.

Section 4. PARKING. The parking area is a portion of the Common Elements intended for the parking of automobiles on the basis of one automobile per parking space. Each Owner shall be entitled to the use of one parking space assigned by the Board. All unassigned parking spaces shall be utilized for the benefit of the Association and the Board shall have the authority to manage the unassigned parking spaces in its sole discretion including, without limitation, the right to designate all or part of such unassigned

parking spaces as guest parking and/or to lease such unassigned parking spaces to Owners in accordance with the unassigned parking space rules adopted as part of the Association Rules.

Section 5. STORAGE AREAS. The storage areas located in Buildings 3, 4, 5 and 6 shall be part of the Common Elements and the Board may grant revocable licenses for storage purposes, under which the licensee shall have exclusive possession of the area within his assigned storage closet or area during the term of such license. The exclusive use and possession of storage closets shall be allocated among the respective Unit Owners in such manner and subject to such rules and regulations as the Board may prescribe. Storage closets and other storage areas shall be assigned and reassigned by the Board.

Section 6. STORAGE AND PARKING AREAS; DISCLAIMER OF LIABILITY. Each Unit Owner shall be responsible for his personal property located in the storage areas of the Common Elements and in the parking area. Notwithstanding anything to the contrary contained in this Declaration, neither the Board, the Association, any Unit Owner, the Developer nor the Declarant shall be (a) considered a bailee of any personal property of a Unit Owner stored in the Common Elements (including without limitation, property located in the storage areas of the Property and vehicles parked in the parking area), whether or not exclusive possession of any particular area shall be given to any Unit Owner for storage or parking purposes, or (b) responsible for the security of such personal property or for any loss or damage thereto whether or not due to negligence.

ARTICLE XI USE RESTRICTIONS

Section 1. SINGLE-FAMILY RESIDENTIAL USE. A Condominium Unit shall be used, improved, and devoted exclusively to Single-Family Residential use. Except for those activities conducted as a part of the marketing and development program of the Declarant, no gainful occupation, profession, trade or other non-residential use shall be conducted on any such property. Nothing herein shall be deemed to prevent the lease of a unit to a single-family from time to time by the Owner thereof, subject to all of the provisions of this Declaration. No immoral, improper, offensive or unlawful use may be made of the Property and Unit Owners shall comply with and conform to all applicable laws and regulations of the United States and of the State of Arizona and all ordinances, rules and regulations of Lake Havasu City. The violating Unit Owner shall hold the Association and other Unit Owners harmless from all fines, penalties, costs and prosecutions for the violation thereof or noncompliance therewith.

Section 2. ANIMALS. No animals, fowl, poultry, reptiles or other livestock shall be maintained in any apartment by any tenant. Nor shall any Owner maintain any animals, fowl, poultry, reptiles or other livestock in any apartment, except as shall be permitted by the approval of the Board. A reasonable number of fish and/or birds in cages may be maintained in any Condominium Unit by the Owner only if they are kept therein solely as domestic pets and

not for commercial purposes. No animal, reptile, fish or bird shall be allowed to make an unreasonable amount of noise, nor shall any equipment associated therewith be allowed which shall make an unreasonable amount of noise and/or become a nuisance. No structure for the care, housing, or confinement of any animal, reptile, fish or bird shall be maintained so as to be visible from a neighboring Condominium Unit or street. Upon the written request of any Owner, the Board shall conclusively determine, in its sole and absolute discretion, after ten days' notice and an opportunity to be heard, whether, for the purpose of this paragraph, a particular animal, reptile, fish or bird is a generally recognized household pet, or a nuisance, or whether the number of animals, reptiles, fish or birds in any such Condominium Unit is reasonable. Any decision rendered by the Board shall be enforceable as other restrictions contained herein. The Board shall have the right to prohibit maintenance of any animal, reptile, fish or bird which constitutes, in the opinion of the Board, a nuisance to any other Owner and the Board's opinion shall be binding upon the Owner of said animal, reptile, fish or bird. Failure by the Owner, after ten days' notice and an opportunity to be heard, to cause his tenant to cease harboring any animal, reptile, fish or bird, shall subject the Owner to a fine of \$10.00 per day for each day such condition exists. Such fine shall be subject to levy, enforcement and collection by the Association in accordance with the assessment lien procedure provided for in this Declaration.

Section 3. EXTERNAL FIXTURES. No external items such as, but not limited to, television and radio antennae, flag poles, clotheslines, wiring, insulation, air conditioning equipment, water softening equipment, fences, awnings, ornamental screens, screen doors, porch or patio or balcony enclosures, sunshades, walls, landscaping, and planting, other than those provided in connection with the original construction of the Property, and any replacements thereof, and other than those approved by the Board and any replacements thereof, shall be construed, erected or maintained on the Property, including any Buildings thereof. The foregoing notwithstanding, nothing herein shall be construed as preventing Declarant and its agents and assigns from engaging in all forms of construction and sales activities within the Property. The Association may maintain in effect or cause to be maintained in effect a central antenna system or systems, which shall provide connections to each Condominium Unit via underground or internal wall wiring, or a combination thereof.

Section 4. UTILITY SERVICE. No lines, wire, or other devices for the communication or transmission of electric current or power, including telephone, television, and radio signals, shall be erected, placed or maintained anywhere in or upon any property unless the same shall be contained in conduits or cables installed and maintained underground or concealed in, under or on buildings or other structures approved by the Board. No provision hereof shall be deemed to forbid the erection of temporary power or telephone structures incident to the construction of buildings or structures approved by the Board. No electrical device creating electrical overloading of standard circuits may be used without permission from the Board. Misuse or abuse of appliances or fixtures within a Unit which affects other

Units or the Common Elements is prohibited. Any damage resulting from such misuse shall be the responsibility of the Unit Owner from whose Unit it shall have been caused. Total electrical usage in any Unit shall not exceed the capacity of the circuits as labeled on the circuit breaker boxes.

Section 5. TEMPORARY STRUCTURES. No temporary buildings or structure of any kind shall be used at any time for a residence on any property.

Section 6. PARKING. Unless in a Limited Common Element or otherwise permitted by the Board, no motor vehicle (including a motorcycle), trailer, camper, boat, or similar item, and no bicycle, shall be permitted to remain upon the Property unless parked or placed with the Property in spaces designated for such use; provided, however, temporary parking of motor vehicles shall be permitted. For purposes hereof, "temporary parking" shall mean parking of vehicles belonging to invitees of Owners and Occupants, parking of delivery trucks, service vehicles and other commercial vehicles being used in the furnishing of goods and services to the Association or to the Owners and Occupants as well as parking of vehicles belonging to and being used by Owners, Occupants and invitees for loading and unloading purposes. Except for temporary parking no buses, vans, or trucks having a carrying capacity in excess of 3/4 tons or designed for commercial purposes shall be maintained or parked upon the Property except with the prior written approval of the Board. The Board may adopt Association Rules relating to the admission and temporary parking of vehicles within the Property, including the assessment of charges to Owners and Occupants who violate, or whose invitees, violate, such rules after notice and an opportunity to be heard. Any charges so assessed shall be special Assessments. Nothing herein shall be construed as preventing Declarant from using temporary structures or trailers for construction and sales activities within the Property.

Section 7. WINDOW COVERS. Only curtains, drapes and shades and blinds may be installed as window covers. No window shall be covered by paint, foil, sheets or similar items. The Board may adopt Association Rules regulating the type, color and design of the external surface of window covers.

Section 8. EXTERNAL LAUNDERING. Unless otherwise permitted by the Board, external laundering and drying of clothing and other items is prohibited.

Section 9. OUTSIDE SPEAKERS AND AMPLIFIERS. No radio, stereo, broadcast or loudspeaker units and no amplifiers of any kind shall be placed upon or outside, or be directed to the outside of any Building without the prior written approval of the Board.

Section 10. REPAIRS. No repairs of any detached machinery, equipments or fixtures, including without limitation, motor vehicles, shall be made upon the Property.

Section 11. UNSIGHTLY ITEMS. All rubbish, debris or unsightly materials or objects of any kind shall be regularly removed from Condominium Units and shall not be

allowed to accumulate therein or thereon. Refuse containers and machinery and equipment not a part of Units, shall be prohibited upon any Condominium Unit unless obscured from view of adjoining Condominium Units and Common Elements. Trash and garbage not disposed of by equipment contained within the Condominium Units shall be placed in containers by Owners and Occupants for removal from the Property in accordance with Association Rules applicable thereto adopted by the Board. The Board may adopt rules applicable to the provisions of this Section and their enforcement, including the assessment of charges to Owners and Occupants who violate, or whose invitees violate, such rules. Any charges so assessed shall be special Assessments. The foregoing notwithstanding, nothing herein shall be construed as preventing Declarant and its agents and assigns from engaging in all forms of construction and sales activities within the Property.

Section 12. OIL AND MINERAL ACTIVITY. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon the surface of the Property, nor shall oil wells, tanks, tunnels, mineral excavations or shafts be installed upon the surface of the Property or within five hundred (500) feet below the surface of the Property. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted upon the Property.

Section 13. DECLARANT'S EXEMPTION. Nothing contained in this Declaration shall be construed to prevent the erection or maintenance by Declarant or its duly authorized agents, of structures, improvements or signs necessary or convenient to the development, sale, operation or other disposition of Property.

Section 14. NUISANCES. No nuisance shall be permitted to exist or operate upon any property so as to be offensive or detrimental or any other property in the vicinity thereof or to its occupants. No rubbish, debris, material or containers of any kind shall be placed or permitted to accumulate upon or adjacent to property and no odors shall be permitted to arise therefrom, so as to render any such property or any portion thereof unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. No exterior speakers, horns, whistles, bells or other sound devices, except security devices used exclusively for security purposes, shall be located, used or placed on any such property. The Board in its sole discretion shall have the right to determine the existence of any nuisance.

Section 15. RENTING. The respective units shall not be rented by the Owners thereof for transient or hotel purposes, which shall be defined as (a) rental for any period less than thirty (30) days; or (b) any rental if the occupants of the unit are provided customary hotel service such as room service for food and beverage, maid service, furnishing laundry and linen, and bellboy service. Other than the foregoing obligations, the Owners of the respective Condominium Units shall have the absolute right to lease same in accordance with the terms herein contained, provided that said lease is made subject to the covenants and restrictions contained in this Declaration and further

subject to the Bylaws, and Association rules. Each Owner shall be responsible for compliance by said Owner's agent, tenant, guest, invitee, lessee, licensee, their respective servants and employees to the provisions of said Declaration, Bylaws and Association rules. The Owner's failure to so ensure compliance by such persons shall be grounds for the same action available to the Board by reason of said Owner's own noncompliance.

Section 16. OVERLOADING. All fixtures and equipment will be used for the purposes for which they were designed. There shall be no floor load in excess of fifty pounds per square foot, unless special arrangements are made, and an engineering determination of floor load capacity in the area of the heavy use is approved by the Association.

Section 17. RULES AND REGULATIONS. The Association shall have the power to make and adopt reasonable Association Rules with respect to activities which may be conducted on any part of the Property. The Board's determination as to whether a particular activity being conducted or to be conducted violates or will violate such Association Rules shall be conclusive unless, at a regular or special meeting of the Association, Owners representing a majority or the voting power of the Association vote to the contrary.

ARTICLE XII INSURANCE

Section 1. AUTHORITY TO PURCHASE. Commencing not later than the date a Condominium Unit is conveyed to a Person other than Declarant, the Board shall have the authority to and shall obtain the insurance provided for in this Article, to the extent it is reasonably available. If the insurance required pursuant to Sections 2 and 3 below is not reasonably available, the Association shall provide each Unit Owner and Lender with notice thereof as provided in this Declaration.

Section 2. HAZARD INSURANCE. The Board shall obtain a master or blanket policy of property insurance on the entire Property including the Condominium Units and the Common Elements (excluding land, excavations, foundations and other items normally excluded from such property policies) insuring the Property (including the Units and all fixtures, equipment and any improvements whether part of a Unit or a Common or Limited Common Element, and such personal property of Unit Owners as is normally insured under building coverage) against "all risks" of direct physical loss commonly insured against (including but not limited to loss or damage by fire and other hazards covered by the standard extended coverage endorsement, and against loss or damage by sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief, windstorm, and water damage.) Such master policy of property insurance shall be in a total amount of insurance equal to not less than 100% of the actual cash value of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations and other items normally excluded from such property policies. Personal Property owned by the Association shall be insured for an amount equal to its actual cash value. Such master policy of

property insurance shall contain an Agreed Amount Endorsement or its equivalent, if available, or an Inflation Guard Endorsement, together with such endorsements as may be satisfactory to any Lender. If more than one Lender exists, such policy and endorsements shall meet the highest maximum standards of all such Lenders.

The maximum deductible for insurance policies shall be \$10,000.00 or one percent (1%) of the policy face amount. The difference between the policy deductible and \$250 shall be paid by the Association as a Common Expense. Of the deductible portion, \$250 as per Unit Owner affected shall be paid by each of the Unit Owners suffering the loss.

Section 3. COMPREHENSIVE PUBLIC LIABILITY INSURANCE. The board shall obtain comprehensive general liability insurance, including medical payments insurance, insuring the Association, the Declarant, the agents and employees of the Association and the Declarant, the Owners and Occupants and the respective family members, guests and invitees of the Owners and Occupants, against liability for death, bodily injury and property damage, incident to the maintenance, ownership or use of the Common Elements. The limits of such insurance shall not be less than \$1,000,000.00 covering all claims for death of or injury to any one person and/or property damage in any single occurrence. Such insurance shall contain a Severability of Interest Endorsement or equivalent coverage which would preclude the insurer from denying the claim of an Owner because of the negligent acts of the Association or another Owner or Occupant. Such insurance shall also include protection against water damage liability, liability for nonowned and hired automobiles, and liability for the property of others. Such insurance must provide that, despite any provisions giving the carrier the right to elect to restore damage in lieu of a cash settlement, such option shall not be exercisable without the approval of the Association. The Board shall adjust the amount of the insurance carried under this Section from time to time.

Section 4. WORKMEN'S COMPENSATION INSURANCE. The Board shall purchase and maintain in effect workmen's compensation insurance for all employees of the Association to the extent that such insurance is required by law.

Section 5. FIDELITY BONDS. The Board shall obtain fidelity coverage against dishonest acts on the part of directors, officers, employees or volunteers who handle or who are responsible for handling the funds of the Association, whether or not they receive compensation for their services. Such fidelity bonds shall name the Association as obligee and shall be written in an amount no less than the sum of three months' assessments plus reserve funds, and shall contain waivers of any defense based on the exclusion of persons who serve without compensation from any definition of "employee" or similar expression. The bond shall include a provision that calls for ten (10) days' written notice to the Association, to each Lender, to each servicer that services a FNMA-owned or FHLMC-owned mortgage on a Unit and to the insurance trustee, if any, before the bond can be cancelled or substantially modified for any reason.

Section 6. DIRECTORS' AND OFFICERS' LIABILITY INSURANCE. The Board shall obtain and maintain directors' and officers' liability insurance, if available, covering all of the Directors and officers of the Association in such limits as the Board may, from time to time, determine.

Section 7. PREMIUMS. Premiums upon insurance policies purchased by the Board on behalf of the Association shall be paid by the Association as part of the Common Expenses.

Section 8. POLICY PROVISIONS. (a) Any insurer that has issued an insurance policy to the Association under this Article shall also issue a certificate or memoranda of insurance to the Association and, upon request, to any Owner or Lender.

(b) The named insured under any policy of insurance shall be the Association, as trustee for the Owners, or its authorized representative, including any trustee with which the Association may enter into any Insurance Trust Agreement, or any successor trustee, each of which shall be referred to as the "Insurance Trustee" who shall have exclusive authority to negotiate losses under the policies. The Association shall hold any insurance proceeds in trust for Unit Owners and lienholders as their interests may appear.

(c) Insurance coverage may not be brought into contribution with insurance purchased by the Owners, *i.e.*, the Association's policy shall provide primary insurance.

(d) Coverage must not be limited by (i) any act or neglect by Owners or Occupants, unless acting within the scope of their authority on behalf of the Association; or (ii) 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.

(e) Coverage may not be cancelled or fail to be renewed or substantially modified (including cancellation for nonpayment of premiums) without at least thirty (30) days prior written notice to the Association and all Lenders, and to any Owner to whom a certificate has been issued at their respective last known addresses.

(f) All policies must contain a waiver of subrogation by the insurer as to any and all claims against the Association, Owners, members of their households, Occupants and their respective agents and employees, and any defenses based on co-insurance or on invalidity arising from acts of the insured.

(g) Each Owner is an insured person under the policies with respect to liability arising out of his interest in the Common Elements or membership in the Association.

Section 9. SUPPLEMENTAL INSURANCE. The Board may obtain such other policies of insurance in the name of the Association as the Board deems appropriate to protect the Association and Owners, including, without limitation, errors and omissions insurance for officers and directors of the Association. 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 condominium projects established by Federal National Mortgage Association and Government National Mortgage Association, so long as either is a mortgage or Owner of a Condominium Unit, except to the extent such coverage is not available or has been waived in writing by Federal National Mortgage Association or Government National Mortgage Association.

Section 10. ANNUAL INSURANCE REPORT. Not later than sixty (60) days prior to the beginning of each fiscal year, the Board shall obtain a written report by a reputable independent insurance broker or consultant setting forth the existing insurance obtained pursuant to this Article and stating whether, in the opinion of such broker or consultant, the insurance complies with the requirements of this Article. Such report shall also set forth recommendations regarding current policy provisions and for additional insurance reasonably required for the protection of the Owners and Lenders in light of the insurance then available and the prevailing practice with respect to other similar Condominium Units. The Board will be fully protected in relying on the written report furnished pursuant to this Section provided reasonable care and prudence were exercised in selecting such independent insurance broker or consultant.

Section 11. INSURANCE OBTAINED BY OWNERS. An Owner or Occupant shall be permitted to insure his personal property against loss by fire or other casualty and may carry public liability insurance covering his individual liability for damage to persons or property occurring inside his Condominium Unit; no policy issued to the Association shall prevent an Owner or Occupant from obtaining such insurance for his own benefit. An Owner may carry additional hazard insurance covering his Condominium Unit and improvements as well as additional liability insurance covering exposure from the ownership or use of the Common Elements. All such policies as may be carried by an Owner shall contain waivers of subrogation of claims against the Association, the Board other Owners or Occupants, the Declarant and the agents and employees of each of the foregoing. All such policies as may be carried by an Owner shall not adversely affect or diminish any liability under any insurance obtained by the Association, and the Owner shall deposit a duplicate copy of certificate of any such other policy with the Board, except for casualty policies covering personal property and liability policies covering loss within the Condominium Unit.

ARTICLE XIII DESTRUCTION OF IMPROVEMENTS

Section 1. AUTOMATIC RECONSTRUCTION. In the event of partial or total destruction of a Building or Buildings or any portion of the Common Elements within the Property, the board shall promptly take the following action:

(a) The Board shall ascertain the cost of reconstruction by obtaining fixed price bids from at least two (2) reputable contractors, including the obligation to obtain performance and lien payment bonds.

(b) The Board shall determine the amount of insurance proceeds, if any, payable by contracting the appropriate representative of the insurer of said Building or Buildings.

(c) If the Board determines: (i) that insurance proceeds will cover eighty-five (85%) or more of the estimated cost of reconstruction, or (ii) that available insurance proceeds together with available reserves and/or a special Assessment equal to Twenty-five (25%) or less of the then aggregate annual regular Assessments for all Condominium Units will completely cover the estimated cost of reconstruction, then the Board shall cause notice to be sent to all Owners and to all Lenders encumbering Condominium Units within the Property setting forth such findings and informing said Owners and Lenders that the Board intends to commence reconstruction pursuant to this Declaration. In the event that at least twenty percent (20%) of the Owners based on one (1) vote for each Condominium Unit and for each owner of an assigned Limited Common Element that will not be rebuilt, object in writing to such reconstruction as indicated in such notice, the Board shall call a special meeting of the Owners pursuant to Section 2. In the event that the foregoing requirements are satisfied and the requisite number of Owners do not object in writing to such reconstruction, the Board shall cause reconstruction to take place as promptly as practicable thereafter. In connection with such reconstruction, the Board shall levy a uniform special Assessment as a Common Expense against each Owner at such time and in such amount as the Board shall determine is necessary to cover the costs of reconstruction in excess of insurance proceeds and available reserves.

(d) If the Board in good faith determines that none of the bids submitted under this Section reasonably reflects the anticipated reconstruction costs, the Board shall continue to attempt to obtain an additional bid which it determines reasonably reflects such costs. Such determination shall be made by the Board as soon as possible. However, if such determination cannot be made within Ninety (90) days after the date of such destruction because of the unavailability or unacceptability of an insurance estimate or reconstruction bid, or otherwise, the Board shall immediately call a meeting of the affected Owners and all Lenders pursuant to the Section 2.

(e) If the Board determines that any Condominium Unit has become uninhabitable by reason of its total or partial destruction, Assessments may abate against the Owner thereof until the Board determines that habitability has been restored. However, if the Board determines that such abatement would adversely and substantially affect the management, maintenance and operation of the Property, it may elect to disallow such abatement.

Section 2. RECONSTRUCTION BY VOTE. If reconstruction is not to take place pursuant to Section 1, as soon as practicable after same has been determined the Board shall call a special meeting of the Owners by mailing a notice of such meeting to each such Owner. Such meeting shall be held not less than Fourteen (14) days and not more than Twenty-one (21) days after the date of such notice. Unless the Owners, by a vote at such meeting or by the written consent of not less than eighty percent (80%) of the Owners based on

One (1) vote for each Condominium Unit, including every Owner of a Unit or Limited Common Element which will not be rebuilt, determine not to proceed with such reconstruction, reconstruction must take place and the Board shall levy a uniform special Assessment against each Owner at such time and in such amount as the Board shall determine is necessary to cover the costs of reconstruction in excess of insurance proceeds and available reserves.

Section 3. PROCEDURE FOR MINOR RECONSTRUCTION. If the cost of reconstruction is equal to or less than Ten percent (10%) of the face amount of insurance then carried under the Association's hazard insurance policy, then the Board shall contract with a licensed contractor or contractors to rebuild or repair such damaged or destroyed portions of the Property in conformance with the original plans and specifications, or if the Board determines that adherence to such original plans and specifications is impracticable or is not in conformance with applicable laws, ordinances, building codes, or other governmental rules or regulations then in effect, then such repairs or rebuilding shall be of a kind and quality substantially equivalent to the original construction of such improvements.

Section 4. PROCEDURE FOR MAJOR RECONSTRUCTION. If the cost of reconstruction is greater than Ten percent (10%) of the face amount of insurance then carried under the Association's hazard insurance policy, all insurance proceeds, together with such amounts from available reserves or special Assessments as are needed to complete the cost of reconstruction, shall be paid directly to a bank or savings and loan association located in Mohave County, Arizona, whose accounts are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or the successor to either agency, as designated by the Board, as trustee (hereinafter called the "Insurance Trustee") for all Owners and Lenders. Such proceeds shall be received, held and administered by the Insurance Trustee subject to the provisions of an insurance trust agreement which shall be consistent with the provisions of this Declaration and which shall be entered into between the Insurance Trustee and the Board. Disbursement of such funds shall be made only upon the signatures of two members of the Board and upon the terms and conditions provided in this Section.

As soon as practicable after notification of the receipt of insurance proceeds by the Insurance Trustee, the Board shall enter into a contract with a licensed contractor or contractors for the repair or rebuilding of all of the damaged or destroyed Condominium Units and Common Elements according to the original plans and specifications of said improvements or, if the Board determines that adherence to such original plans and specifications is impracticable or not in conformity with applicable statutes, ordinances, building codes, or other governmental rules and regulations then in effect, then of a quality and kind substantially equivalent to the original construction of such improvements. The contract with such licensed contractor or contractors shall provide for payment to the contractor or contractors of a specified sum for performance and execution of the work therein described, and shall have provisions for periodic disbursement of funds by the Insurance Trustee, which shall be consistent with procedures then followed by

prudent lending institutions doing business in Mohave County, Arizona. Such periodic disbursements of funds shall be for specific dollar amounts and shall not be paid until the contractor who is engaged by the Board shall furnish to the Board before the commencement of construction a full performance and lien payment bond written by a good and responsible corporate surety. Disbursements to the contractor shall be made subject to the prior presentation of an architect's certificate containing such provisions as may be appropriate in the circumstances and deemed equitable by the Board. The Board shall employ a licensed architect to supervise the repair and rebuilding to insure that all work, services and supplies are in conformity with the requirements of the construction contract. The Trustee, if any, may rely on the following certifications in writing made by the Executive Board:

(a) Whether or not damaged or destroyed Property is to be repaired or restored;

(b) The amount or amounts to be paid for repairs or restoration and the names and addresses of the parties to whom such amounts are to be paid.

Section 5. TERMINATION. If eighty percent (80%) or more of the Owners elect not to proceed with the reconstruction at the special meeting held pursuant to Section 2, or repair or replacement would be illegal under any State or local health or safety statute or ordinance, or the condominium is otherwise terminated as provided in §33-1228 of the Act, the Board shall use the insurance proceeds attributable to the damaged Common Elements in proportion to their Common Element interests to restore the damaged area to a condition compatible with the remainder of the condominium, and shall divide the remainder of the insurance proceeds attributable to Units and Limited Common Elements which are not rebuilt to the Owners thereof in the same proportion as such Owners' respective percentage interest in the Common Elements. The Board shall first make application of each Owner's share to the payment of each mortgage, deed of trust, or other encumbrance or lien of record with respect to said Condominium Unit. The remainder of the proceeds shall be distributed to all the Unit Owners or lienholders as their interests may appear, in proportion to their respective interests in the Common Elements. If all encumbrances are fully discharged by the Board with applicable insurance proceeds and available reserves and no Units are remaining, the Condominium shall be terminated at such time as all Owners execute, acknowledge and record a declaration evidencing such withdrawal. If there are mortgages, deeds of trust, or other encumbrances remaining against any of the Condominium Units after disbursement by the Board of the proportionate share of insurance proceeds and available reserves, and such deficiencies are not paid by the respective Owner or Owners, the holders of any such mortgage, deed of trust, or other encumbrance must also execute and acknowledge such declaration in order to lawfully withdraw the Property from the Condominium pursuant to Act. If the Owners vote not to rebuild any Unit, that Unit's undivided interests in the Common Elements are automatically reallocated on the vote as if the Unit had been condemned under §33-1206 of the Act and the Association shall promptly prepare, execute and record an amendment to

this Declaration reflecting the allocations. Notwithstanding the foregoing, if the Condominium is terminated pursuant to §33-1228 of the Act, that Section shall govern the distribution of proceeds.

Section 6. NEGOTIATIONS WITH INSURER. The Board shall have full authority to negotiate in good faith with representatives of the insurer of any totally or partially destroyed Building or any other portion of the Common Elements, and to make settlements with the insurer for less than full insurance coverage on the damage to such Building or any other portion of the Common Elements. Any settlement made by the Board in good faith shall be binding upon all Owners and Lenders.

Section 7. REPAIR OF CONDOMINIUM UNITS. Installation of improvements to, and repair of any damage to, the interior of a Condominium Unit and appurtenant Limited Common Elements shall be made by and at the individual expense of the Owner of that Condominium Unit and appurtenant Limited Common Elements and, in the event of a determination to reconstruct after partial or total destruction, shall be complete as promptly as practicable and in a lawful and workmanlike manner.

Section 8. PRIORITY. Nothing contained in this Article shall entitle an Owner to priority over any Lender under a lien encumbering his Condominium Unit as to any portion of insurance proceeds allocated to such Condominium Unit.

ARTICLE XIV RIGHTS OF LENDERS

Section 1. NOTICES OF LENDERS. A Lender shall not be entitled to receive any notice which this Declaration requires the Association to deliver to Lenders unless and until such Lender, or its mortgage servicing contractor, has delivered to the Board a written notice stating that such Lender is the holder of a loan encumbering a Condominium Unit within the Property. Notwithstanding the foregoing, if any right of a Lender under this Declaration is conditioned on a specific written request to the Association, in addition to having delivered the notice provided in this Section a Lender must also make such request in writing delivered to the Association. Except as provided in this Section, a Lender's rights pursuant to this Declaration, including, without limitation, the priority of any mortgage lien over the lien of Assessments levied by the Association hereunder shall not be affected by the failure to deliver a notice or request to the Board.

Section 2. PRIORITY OF LENDERS. No breach of the Restrictions herein contained, nor the enforcement of any lien provision herein, shall affect, impair, defeat or render invalid the lien or charge of any Lender made in good faith and for value encumbering any Condominium Unit, but all of said Restrictions shall be binding upon and effective against any Owner whose title to a Condominium Unit is derived through foreclosure or trustee's sale, or otherwise.

Section 3. RELATIONSHIP WITH ASSESSMENT LIENS.

(a) The lien provided for in Article VI for the payment of Assessments shall be subordinate to the lien of any Lender which was recorded prior to the date any such Assessment becomes due.

(b) If any Condominium Unit which is subject to a monetary lien created by this Declaration is also subject to the lien of a Lender recorded before the date on which the assessment sought to be enforced became delinquent, then: (i) the foreclosure of any lien created by this Declaration shall not operate to affect or impair the lien of such Lender; and (ii) the foreclosure of the lien of a Lender or the sale under a power of sale included in a mortgage or deed of trust shall operate to affect or impair the lien hereof, except that any Person who obtains an interest thereafter shall take title free of any lien created by this Declaration or any personal obligation for said charges as shall have accrued up to the time of any foreclosure, but subject to the lien hereof for all said charges that shall accrue subsequent to such foreclosure.

(c) Without limiting the provisions of subsection (b) of this Section, any Lender who obtains title to a Condominium Unit by reason of any foreclosure, or deed or assignment in lieu of foreclosure, or any Person who obtains title at a private or judicial foreclosure sale, shall take title to such Condominium Unit free of any lien or claim for unpaid Assessments against such Condominium Unit which accrued prior to the time such Lender or purchaser takes title to such Condominium Unit, except for liens or claims for a share of such Assessments resulting from a pro rata reallocation of such Assessments to all Condominium Unit within the Property.

(d) Nothing in this Section shall be construed as releasing any Person from his personal obligation to pay for any Assessments levied pursuant to this Declaration during the period such Person is an Owner.

Section 4. REQUIRED LENDER APPROVAL. Except upon the prior written approval of all Lenders, neither the Association nor the Board shall be entitled by action or inaction to do any of the following:

(a) Abandon or terminate by any act or omission the legal status of the Property as a Condominium, except for abandonment or termination provided by law and/or this Declaration in the case of substantial destruction by fire or other casualty or in the case of a taking by eminent domain;

(b) Amend a material provision of this Declaration or the Bylaws or the Articles, including, without limitation, any change of an Owner's Undivided Interest in the Common Elements;

(c) Partition or subdivide a Condominium Unit.

Section 5. OTHER RIGHTS OF LENDERS AND INSURERS. Any Lender and any insurer of a mortgage on a Unit who has notified the Association of its interest shall, upon written request to the Association, be entitled:

(a) To inspect the books and records of the Association during normal business hours;

(b) To receive any annual financial statement of the Association within Ninety (90) days following the end of the Association's fiscal year (such statements shall be audited by an independent certified public accountant if (i) the condominium contains fifty or more Units, in which case the cost of the audit shall be a Common Expense; or (ii) any Lender or insurer of a mortgage requests it, in which case the Lender or insurer shall bear the cost of the audit);

(c) To receive written notice of all annual and special meetings of the Association or of the Board, and Lenders and insurers shall further be entitled to designate a representative to attend all such meetings in order to, among other things, draw attention to violations of this Declaration which have not been corrected or made the subject of remedial action by the Association; provided, however, nothing contained in this Section shall give a Lender or insurer the right to call a meeting of the Board or of the Association for any purpose or to vote at any such meeting; and

(d) To receive written notification from the Association of any default in the performance of the obligations imposed by this Declaration, Bylaws or Association Rules by the Owner whose Condominium Unit is encumbered by a Lender, which default has not been cured within Thirty (30) days; provided, however, the Association shall only be obligated to provide such notice to Lenders and insurers who have delivered a written notice therefor to the Association specifying the Condominium Unit to which such request relates.

(e) To receive notice of:

(i) Any condemnation loss or any casualty loss which affects a material portion of the condominium or any Unit in which there is a first mortgage held, insured, or guaranteed by such Lender or insurer, as applicable;

(ii) Any delinquency in the payment of Common Expense assessments owed by a Unit Owner whose Unit is subject to a first mortgage held, insured, or guaranteed, by such Lender or insurer, as applicable, which remains uncured for a period of sixty (60) days;

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

(iv) Any proposed action which would require the consent of a specified percentage of Lender as specified in this Declaration; and

(v) Any judgment rendered against the Association.

Section 6. NOTICE OF DESTRUCTION OR TAKING.

In the event any Condominium Unit or the Common Elements are damaged or are made the subject of any condemnation proceedings or are otherwise sought to be

acquired by a condemning authority, the Board shall promptly notify any Lender affected by such destruction, taking or threatened taking.

Section 7. PERCENTAGE OF LENDERS. Wherever in this Declaration the approval or consent of a specified percentage of Lenders is required, it shall mean the approval or consent of Lenders which in the aggregate have allocated to them such specified percentage of votes in the Association when compared to the total allocated to all Units then subject to mortgages held by Lenders.

Section 8. CONSENT REQUIRED.

(a) Notwithstanding any lower requirement permitted by this Declaration or the Act, no amendment of any material provision of the Documents by the Association or Unit Owners described in this Subsection 8(a) may be effective without the vote of at least sixty-seven percent (67%) of the Unit Owners (or any greater Unit Owner vote required in this Declaration or the Act) and until approved in writing by at least fifty-one percent (51%) of the Lenders (or any greater Lender approval required by this Declaration). The foregoing approval requirements do not apply to amendments effected by the exercise of any Development Right. Material includes, but is not limited to, any provision affecting:

(i) Assessments, assessment liens or subordination of assessment liens;

(ii) Voting rights;

(iii) Reserves for maintenance, repair and replacement of Common Elements;

(iv) Responsibility for maintenance and repairs;

(v) Reallocation of interests in the Common Elements or Limited Common Elements except that when Limited Common Elements are reallocated by agreement between Unit Owners, only those Unit Owners and only the Lenders holding mortgages in such Units must approve such action;

(vi) Rights to use Common Elements and Limited Common Elements;

(vii) Definitions of boundaries of Units except that when boundaries of only adjoining Units are involved, or a Unit is being subdivided, then only those Unit Owners and the Lenders holding mortgages in such Unit or Units must approve such action;

(viii) Convertibility of Units into Common Elements or Common Elements into Units;

(ix) Expansion or contraction of the Condominium, or the addition, annexation or withdrawal of property to or from the Condominium;

(x) Insurance or fidelity bonds;

(xi) Leasing of Units;

(xii) Imposition of restrictions on a Unit Owner's right to sell or transfer his or her Unit;

(xiii) Establishment of self-management when professional management had been required previously by any Lender;

(xiv) Restoration or repair of the project after a hazard damage or partial condemnation in a manner other than that specified in the Condominium Instruments;

(xv) Termination of the Condominium after occurrence of substantial destruction or condemnation; and

(xvi) The benefits of mortgage holders, insurers or guarantors.

(b) Notwithstanding any lower requirement permitted by this Declaration or the Act, the Association may not take any of the following actions other than rights reserved to the Declarant as Special Declarant Rights, without the approval of at least 51% of the Lenders;

(i) Convey or encumber the Common Elements or any portion thereof, as to which an 80% Lender approval is required. (The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements by the Condominium will not be deemed a transfer within the meaning of this clause);

(ii) The establishment of self-management when professional management had been required previously by any Lender;

(iii) The restoration or repair of the Property (after a hazard damage or partial condemnation) in a manner other than that specified in the Condominium Instruments;

(iv) The termination of the Condominium for reasons other than substantial destruction or condemnation, as to which a sixty-seven percent (67%) Lender approval is required;

(v) The alteration of any partition or creation of any aperture between adjoining Units (when Unit boundaries are not otherwise being affected), in which case only the owners of Units affected and Lender of those Units need approve the action;

(vi) The merger of this Condominium with any other Condominium;

(vii) The granting of any easements, leases, licenses or concessions through or over the Common Elements (excluding, however, any utility easements serving or to serve the Condominium and excluding any leases, licenses or concessions for no more than one year);

(viii) The assignment of the future income of the Association, including its right to receive Common Expense assessments; and

(ix) Any action taken not to repair or replace the Property.

(c) The Association may not change the period for collection of regularly budgeted Common Expense assessments to other than monthly without the consent of all Lenders.

(d) The failure of a Lender to respond within thirty (30) days to any written request of the Association for approval of an addition or amendment to the Documents shall constitute an implied approval of the addition or amendment.

Section 9. DEVELOPMENT RIGHTS. No Development Rights may be exercised or voluntarily abandoned or terminated by the Declarant unless all Lenders holding interests in the Development Rights consent to the exercise, abandonment, or termination. In the event that Development Rights are exercised following seven years after recording of the initial Declaration, they may not be exercised without consent of the Lenders of 51% of the mortgages at the time of the extension, to the extension of this period.

Section 10. ENFORCEMENT. The provisions of this Article are for the benefit of Lenders and Insurers and their successors, and may be enforced by any of them by any available means, at law, or in equity.

Section 11. ATTENDANCE AT MEETINGS. Any representative of a Lender or insurer may attend and address any meeting which a Unit Owner may attend.

Section 12. APPOINTMENT OF TRUSTEE. In the event of damage or destruction or condemnation of all or a portion of the condominium, any Lender may require that such proceeds be payable to a Trustee established pursuant to this Declaration. Such Trustee may be required to be a corporate trustee licensed by the State of Arizona. proceeds will thereafter be distributed pursuant to this Declaration or pursuant to a condemnation award. Unless otherwise required, the members of the Board acting by majority vote through the president may act as Trustee.

ARTICLE XV SUBDIVISION OR COMBINATION OF UNITS

Section 1. SUBDIVISION OR COMBINATION. Any Unit Owner or Unit Owners may, at his or their own expense, subdivide or combine their Unit or Units and locate or relocate Common Elements affected thereby, subject to the prior written consent of the Board, which consent shall not be unreasonably withheld, and subject to the provisions of the Act; provided, however, that any resulting Unit shall have a minimum of 400 square feet of living quarters. Any Unit Owner or Unit Owners desiring to subdivide or combine his or their Units shall make written application to the Board requesting an amendment to the Condominium Instruments, setting forth in the application, a proposed reallocation to the new Unit or Units of the Undivided Interest(s) and setting forth with respect to subdivisions, whether the

Limited Common Elements, if any, previously assigned to the Unit to be subdivided should be assigned to each new Unit or to fewer than all of the new Units created. A Unit Owner shall prepare an amendment to the Declaration, including the Plat, which identifies the Unit involved, specifies the boundaries of each Unit created and its dimensions, assigns an identifying number to each Unit created and allocates the allocated interests formerly allocated to the subdivided Unit to the new Units in a reasonable manner. The amendment shall be executed by the Owner of the Unit to be subdivided and before recording, submitted to the Board of Directors. Unless the Board determines within thirty days that the proposed amendment is unreasonable, which determination shall be in writing and specifically state the reasons for disapproval, the Association shall execute its approval and record the amendment. The boundaries between or among adjoining Units may also be relocated by an amendment to the Declaration. The Owners of the Units shall prepare an amendment to the Declaration, including the Plat, that identifies the units involved, specifies the altered boundaries of the Units and their dimensions and includes the Units' identifying numbers. If the Owners of the adjoining Units have specified a reallocation between their Units of the Undivided Interests, the amendment shall state the proposed reallocation in a reasonable manner. The amendment shall be executed by the Owners of those Units, shall contain words of conveyance between or among them and, before recording the amendment, shall be submitted to the Board. Unless the Board determines within thirty days that the proposed amendment is unreasonable, which determination shall be in writing and specifically state the reasons for disapproval, the Association shall execute its approval and record the amendment. Each subdivision or combination or relocation of boundaries shall be effective upon the recording of an amendment to the Condominium Instruments in accordance with the provisions of the Act.

Section 2. INDEMNIFICATION. All work in connection with the subdivision or combination of any Unit or Units approved by the Board shall be completed in a good, workmanlike and lien-free manner and in accordance with the Act, the Condominium Instruments and all applicable legal requirements. The Unit Owner or Unit Owners whose Unit or Units are to be combined or subdivided shall indemnify and hold harmless the other Unit Owners, the Board and the Association from and against all claims of third parties for personal injury, property damage or non-payment of work performed or materials supplied in connection with said combination or subdivision.

ARTICLE XVI
REMEDIES FOR BREACH OF COVENANTS,
RESTRICTIONS AND REGULATIONS

Section 1. ABATEMENT AND ENJOYMENT. The violation of any rule or regulation adopted by the Board, or the breach of any covenant, restriction or provision contained in the Condominium Instruments, shall give the Board or any representative thereof, the right, in addition to the other rights provided in the Act, the Condominium Instruments or otherwise:

(a) to enter upon the Property upon which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Unit Owner, any structure, thing or condition that may exist thereon contrary to the intent and meaning of the provisions hereof, and the Board, and its agents, shall not thereby be deemed guilty in any manner of trespass; or

(b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach or violation. All expenses of the Board in connection with such actions or proceedings, including court costs and attorneys' fees and other fees and expenses, and all damages, liquidated or otherwise, together with interest thereon at the rate of 18% per annum or at the highest rate otherwise permitted by applicable law until paid, shall be charged to and assessed against such defaulting Unit Owner, and shall be added to and deemed part of his respective share of the Common Expenses, and the Board shall have a lien for all of the same upon the Unit of such defaulting Unit Owner and upon all of his personal property in his Unit or located elsewhere in the Property. Any and all of such rights and remedies may be exercised any any time and from time to time, cumulatively or otherwise, by the Board.

Section 2. INVOLUNTARY SALE. If any Unit Owner shall violate any of the covenants, restrictions or provisions of the Condominium Instruments or the rules or regulations adopted by the Board, and such violation shall continue for thirty (30) days after notice in writing from the Board, or shall occur repeatedly during any thirty (30) day period after written notice or request to cure such violation from the Board, then the Board shall have the power to issue to the defaulting Unit Owner, a ten (10) day notice in writing to terminate the rights of the defaulting Unit Owner to continue as a Unit Owner and to continue to occupy, use or control his Unit. Thereupon an action in equity may be filed by the Board against the defaulting Unit Owner for a decree of mandatory injunction against such unit owner or, subject to the prior consent in writing of any Mortgagee having a lien against the Unit of the defaulting Unit Owner, which consent shall not be unreasonably withheld, in the alternative a decree declaring the termination of the defaulting Unit Owner's right to occupy, use or control the Unit owned by him on account of said breach, and ordering that all the right, title and interest of such Unit Owner in the property shall be sold (subject to the lien of any existing mortgage) at a judicial sale upon such notice and terms as the court shall establish, except that the court shall enjoin and restrain the defaulting Unit Owner from re-acquiring his interest at such judicial sale. The proceeds of any such judicial sale shall be first paid to discharge court costs, court reporter charges, reasonable attorneys' fees and all other expenses of the proceeding and sale, and all such items shall be taxed against the defaulting Unit Owner in said decree. Any balance of proceeds, after satisfaction of such charges and any unpaid assessments hereunder or any liens, shall be paid to such Unit Owner. Upon the confirmation of such sale, the purchaser thereof shall thereupon be entitled to a deed to the applicable Unit, to immediate possession of the Unit sold and may apply to the court for a writ of assistance for the purpose of acquiring such possession. It shall be a condition of any such sale and the decree shall so provide,

that the purchaser shall take the interest in the Property sold subject to the condominium instruments, and the purchaser shall become a member of the association, in the place and stead of the defaulting Unit Owner. In the event the violation upon which such action in equity is predicated shall consist of conduct by any Unit Owner, occupant or invitee which in the judgment of the Board, which judgment shall be conclusive and shall not be subject to question, creates a substantial hazard to the safety of any other Unit Owner or occupant or to any employee of the Association or to the Property or any portion thereof or to any invitee thereon, the Board may file such action in equity without first giving the thirty (30) day notice or the ten (10) day notice hereinabove provided for. Pending the disposition of such proceeding, the Board may exercise any or all of its summary rights under Section 1 hereof.

ARTICLE XVII EMINENT DOMAIN

Section 1. AWARD UPON TAKING. If a Unit is acquired by eminent domain, or if part of a Unit is acquired by eminent domain leaving the Unit Owner with a remnant which may not practically or lawfully be used for any purpose permitted by the Declaration, the award must compensate the Unit Owner for his Unit and its interest in the common elements, regardless of whether any Common Elements are acquired. On acquisition, unless the decree otherwise provides, the Unit's allocated interests are automatically reallocated to the remaining Units in proportion to the respective Undivided Interests of those Units before the taking, and the Association shall promptly prepare, execute and record an amendment to the Declaration reflecting the reallocations. Any remnant of a unit remaining after part of a Unit is taken under this subsection becomes a Common Element.

Section 2. PARTIAL TAKING. Except as provided in Section 1, if part of a Unit is acquired by eminent domain the award must compensate the Unit Owner for the reduction in value of the Unit and its interest in the Common Elements, regardless of whether any Common Elements are acquired. On acquisition, unless the decree otherwise provides, all of the following apply:

(a) The Unit's Undivided Interests are reduced in proportion to the reduction in the size of the Unit.

(b) The portion of the Undivided Interests divested from the partially acquired Unit is automatically reallocated to that Unit and the remaining Units in proportion to the respective Undivided Interests of those Units before the taking, with the partially acquired Unit participating in the reallocation on the basis of its reduced Undivided Interests.

Section 3. COMMON ELEMENTS. If part of the Common Elements is acquired by eminent domain, the portion of the award attributable to the Common Elements taken shall be paid to the association for the benefit of the Unit Owners. Any portion of the award attributable to the acquisition of a Limited Common Element shall be equally divided among the

Owners of the Units to which that Limited Common Element was allocated at the time of acquisition.

Section 4. RIGHTS OF OTHERS. This Article does not restrict the rights of lessees, mortgagees, Declarant or any other person holding an interest in a Unit or its Common Elements from receiving separate compensation or a portion of the compensation payable, or both, pursuant to this Article.

ARTICLE XVIII GENERAL PROVISIONS

Section 1. ENFORCEMENT. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. SEVERABILITY. To the extent any of the provisions hereof are deemed to be inconsistent with the provisions of the Act, such provisions shall be deemed to be stricken from this Declaration. Invalidity of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 3. COVENANTS TO RUN WITH THE LAND; TERM; AMENDMENT. The covenants and restrictions of this Declaration shall run with and bind the Condominium Units and Common Elements, for the term of Fifty (50) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of Ten (10) years.

Section 4. VIOLATION OF LAW. Any violation of any state, municipal or local law, ordinance or regulation, pertaining to the ownership, occupation or use of any property is hereby declared to be a violation of this Declaration and subject to any and all of the enforcement procedures set forth herein.

Section 5. CONSTRUCTION. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a plan for the development of a residential Condominium community and for the maintenance of the Property. The Article and Section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction. Provisions of the Act which mandatorily apply to condominiums, though not specifically incorporated in this Declaration, shall nonetheless be applicable to the condominium created hereunder.

Section 6. GENDER AND NUMBER. Whenever the context of this Declaration requires, the singular shall include the plural, and vice versa, and the masculine shall include the feminine and the neuter, and vice versa.

Section 7. WAIVER OF DAMAGES. Neither Declarant nor Developer, nor their respective beneficiaries, representatives, successors or assigns, shall be liable for any claim whatsoever arising out of or by reason of any actions performed pursuant to any authorities granted to or delegated to it or them by or pursuant to the Condominium Instruments, or arising by reason of, the Property or any part thereof being or becoming out of repair or containing any patent or latent defects, or by reason of any act or neglect of any Unit Owner, the Board, the Association, and their respective agents, employees, guests and invitees, or by reason of any neighboring property or personal property located on or about the Property, or by reason of the failure to function or disrepair of any utility services.

Section 8. ATTORNEY'S FEES. In the event any action is instituted to enforce any of the provisions contained in this Declaration, the Bylaws, or Association Rules, the party prevailing in such action shall be entitled to recover from the other party thereto as part of the judgment reasonable attorneys' fees and costs for suit.

Section 9. NOTICES. Any notice to be given to an Owner, a Lender, or the Association under the provisions of this Declaration, shall be in writing and shall be delivered as follows:

(a) Notice to an Owner shall be delivered personally or placed in the first class United States mail, postage prepaid, to the most recent address furnished by such Owner in writing to the Board for the purpose of giving notice, or if no such address shall have been furnished, then to the street address of such Owner's Condominium Unit. Any notice so deposited in the mail shall be deemed delivered Seventy-two (72) hours after such deposit. In the case of co-Owners, any such notice may be delivered or sent to any one of the co-Owners on behalf of all co-Owners and shall be deemed delivered to all such co-Owners.

(b) Notice to a Lender shall be delivered by first class United States mail, postage prepaid, to the most recent address furnished by such Lender in writing to the Board for the purpose of notice or, if no such address shall have been furnished, to any office of the Lender in Mohave County, Arizona, or if no such office is located in Mohave County, to any office of such Lender. Any notice so deposited in the mail shall be deemed delivered Seventy-two (72) hours after such deposit.

(c) The declaration of an officer or authorized agent of the Association declaring under penalty of perjury that a notice has been mailed to any Owner or Owners, or to any Lender or Lenders, to the address or addresses for the giving of notice pursuant to this Section, shall be deemed conclusive proof of such mailing.

(d) Notice to the Association shall be delivered by registered or certified United States mail, postage prepaid, addressed as follows:

Rio Del Sol Homeowners Association, Inc.
1940 Mesquite Avenue, Suite M
Lake Havasu City, Arizona 86403

Any notice so deposited in the mail shall be deemed delivered upon the date of receipt.

Section 10. EFFECTIVENESS OF DECLARATION. This Declaration is made for the purpose set forth in the recitals in this Declaration and Declarant makes no warranties or representations, express or implied, as to the binding effect or enforceability of all or any portion of this Declaration, or as to the compliance of any of these provisions with public laws, ordinances, regulations and the like applicable thereto. Declarant shall have no liability whatsoever if any of the provisions of this Declaration, the Bylaws or Association Rules are determined to be unenforceable in whole or in part or under certain circumstances.

Section 11. PERSONAL COVENANT. To the extent the acceptance of a conveyance of a Condominium Unit creates a personal covenant between the Owner of such Condominium Unit and Declarant, other Owners or the Association, such personal covenant shall terminate and be of no further force or effect from and after the date when a Person ceases to be an Owner except to the extent this Declaration provides for personal liability with respect to the Assessments incurred during the period a Person is an Owner.

Section 12. NONLIABILITY OF OFFICERS AND DIRECTORS. To the fullest extent permitted by law, neither the Board nor any officer of the Association shall be liable to any Owner or the Association for any damage, loss, or prejudice suffered or claimed on account of any decision, approval or disapproval, course of action, act, omission, error, or negligence if such Board member or officer acted in good faith within the scope of his or their duties.

Section 13. UNSEGREGATED REAL PROPERTY TAXES. Until such time as real property taxes have been segregated by the County Assessor of Mohave County for the Condominium Units, the taxes shall be paid by the Association on behalf of the Owners. In connection with such payment, the proportionate share of such tax or installment thereof for a particular Condominium Unit shall be determined by multiplying the tax or installment in question by the respective percentage Undivided Interest of such Condominium Unit in the Common Elements. The Association may levy a special Assessment against any Owner who fails to pay his share of any real property taxes pursuant to this Section. In the event such special Assessment is not paid within thirty (30) days of its due date, the Board may resort to all remedies of the Association for the collection thereof. As soon as there is a Unit Owner other than Declarant, the Board shall cause each Unit to be separately taxed and assessed, and no separate tax or assessment may be rendered against the Common Elements.

Section 14. USE OF FUNDS COLLECTED BY THE ASSOCIATION. All funds collected by the Association, including Assessments and contributions to the Association paid by Owners, if any, shall be held by the Association in a fiduciary capacity to be expended in their entirety for non-profit purposes of the Association in managing, maintaining, caring for, and preserving the Common Elements and for other permitted purposes as set forth in this Declaration. No part of said funds shall inure to the benefit of any Owner (other than as a result of the

Association managing, maintaining, caring for, and preserving the Common Elements and other than as a result of expenditures made for other permitted purposes as set forth in this Declaration).

Section 15. NOTIFICATION OF SALE AND TRANSFER FEE.

(a) Transfer of Condominium Unit. Concurrently with the consummation of the sale or other transfer of any Condominium Unit, or within Fourteen (14) days after the date of such transfer, the transferee shall notify the Association in writing of such transfer and shall accompany such written notice with a nonrefundable transfer fee to cover Association documentation and processing. The transfer fee shall be equal to one-half the then current regular monthly Assessment, or such other amount as may be determined by the Board to be reasonable under the circumstances. The written notice shall set forth the name of the transferee and his transferor, the street address of the Condominium Unit purchased or acquired by the transferee, the transferee's mailing address, the date of the sale or transfer, and the name and address of the transferee's Lender, if any. Prior to the receipt of such written notice, all notices required or permitted to be given by the Association to the Owner shall be deemed to be duly made or given to the transferee if duly and timely made and given to the transferee's predecessor in interest. The transfer fee shall be the personal obligation of the new Owner and shall be secured by the lien. Notwithstanding the other provisions hereof, this Section shall not apply to a Lender who becomes an Owner by a foreclosure proceeding or any deed of assignment in lieu of foreclosure.

(b) Transfer of Limited Common Elements. The use of the Limited Common Elements, or any portion thereof, may be transferred between Unit Owners at their expense, provided that prior written notice of each such transfer shall be given to the Board and further provided that no such transfer shall prohibit or interfere with the use, benefit or enjoyment of the Property by the remaining Unit Owners in accordance with the provisions of the Act and the Condominium Instruments. Each transfer shall be made by an amendment to this Declaration executed by all Unit Owners who are parties to the transfer and consented to by all other Unit Owners who have any right to use the Limited Common Element affected and all Lenders who will be affected by the transfer. The amendment shall contain a certificate showing that a copy of the amendment has been delivered to the Board. The amendment shall contain a statement by the parties involved in the transfer which sets forth any change in the Undivided Interests of the Units affected thereby. Before recording, the amendment shall be submitted to the Board, unless the Board determines within twenty days that the proposed amendment is unreasonable, which determination shall be in writing and specifically state the reasons for disapproval, the Association shall execute its approval and record the amendment. No transfer shall become effective until the amendment has been Recorded. Rights and obligations with respect to any Limited Common Element shall not be affected, nor shall any transfer of any Limited Common Element be effective, unless the transfer is in compliance with the requirements of this Section 15(b).

IN WITNESS WHEREOF, Posada Del Rio has executed this Declaration this 15th day of June, 1988, by its duly authorized representative.

Posada Del Rio

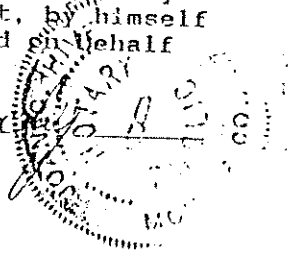
By: Posada Del Rio Corporation, its Managing Partner

By Ray W. Jackson III
Ray W. Jackson III
Its President

STATE OF ARIZONA)
 : ss.
COUNTY OF MOHAVE)

Before me this 15th day of June, 1988, personally appeared Ray W. Jackson III who acknowledged himself to be the President of Posada Del Rio Corporation, and that he, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation as President, by himself as such officer, such corporation acting for and on behalf of said partnership.

Jan C. Swartz
Notary Public



My Commission Expires: My Commission Expires Feb. 8, 1992

EXHIBIT "A"

Apartments 1 to 96 inclusive, RIO DILL SOL CONDOMINIUM, according to the plat of record in the office of the County Recorder of Mohave County, Arizona, recorded May 18, 1988, at Fee No. 88-19961.

Together with the common elements.

EXCEPT all oil, gas and minerals, as set forth in instrument recorded in Book 79 of Deeds, Page 461.

EXCEPT all underground water under or flowing through said land, with water rights appurtenant thereto, as set forth in instrument recorded in book 658 of Official Records, Page 574.

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FIRST AMENDMENT TO DECLARATION OF
CONDOMINIUM OWNERSHIP TOGETHER WITH
COVENANTS, CONDITIONS AND RESTRICTIONS

RIO DEL SOL
MOHAVE COUNTY, ARIZONA

This First Amendment to the "Declaration of Condominium Ownership Together with Covenants, Conditions and Restrictions" recorded in Book 1442 of Official Records, page ~~141-832~~ Records of Mohave County, Arizona, is made as of the 19th day of September, 1988.

WITNESSETH:

WHEREAS, heretofore there has been placed of record in the office of the County Recorder of Mohave County, Arizona, in Book 1442, commencing at page 781, a Declaration of Condominium Ownership Together with Covenants, Conditions and Restrictions (the "Basic Declaration"), pertaining to the following described real property, to-wit:

Condominium Units 1-96 inclusive, Garage Units 1-38 inclusive, Rio Del Sol Condominiums according to the Declaration of Condominium Ownership recorded in Book 1442 of Official Records, page 781, and plat recorded June 30, 1988, Records of Mohave County, together with an undivided interest in the common elements as set forth in said Declaration and Plat.

EXCEPT all oil, gas, coal and minerals, as set forth in Deeds recorded in Book 79 of Deeds, page 461, records of Mohave County, Arizona.

and

WHEREAS, Article V, Section 5 of said Basic Declaration states:

"Section 5. Amendment Prior to First Sale. Prior to the conveyance of the first Condominium Unit to an Owner other than a Declarant, this Declaration and any amendments thereto may be amended or revoked by the execution by Declarant of an instrument amending or revoking the same."

and

WHEREAS, the undersigned Declarant, prior to conveyance of any Condominium Unit to an Owner other than Declarant, desires to amend said Basic Declaration by amending Subsection 3, under Article XI, captioned "Use Restrictions,"

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS THAT the undersigned Declarant does affirmatively vote for the amendments to the Basic Declaration, as amended, set forth below.

(1) Subsection 15 of Article XI is hereby amended by adding the following as its second and third sentences:

"All furniture that may be placed on the exterior of a Unit on a Limited Common Element shall be of like kind and quality as,

and shall be coordinated with, the exterior pool and patio furniture which is made available to the Members by the Association. The Board may adopt Association Rules regulating to the use of such furniture on Limited Common Elements, including the requirement that an Owner first obtain approval of the Board or any designated committee."

(ii) Except as herein expressly amended, the Basic Declaration shall remain in full force and effect as originally written.

IN WITNESS WHEREOF, the undersigned Declarant has voted and executed this document on the 19th day of September, 1988.

Owner(s) of the following lots in Rio Del Sol, Fee No. 88-2680, Mohave County, Arizona:

Condominium Units 1 through 96, inclusive;
Garage Units 1 through 38, inclusive.

POSADA DEL RIO
By Posada Del Rio Corporation

By: Ray W. Jackson III
Ray W. Jackson III
Its President

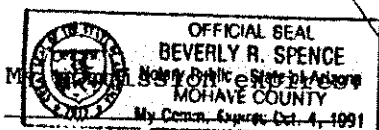
RIO DEL SOL HOMEOWNERS
ASSOCIATION, INC.

By: Ray W. Jackson III
Ray W. Jackson III
Its President

STATE OF ARIZONA)
 : SS.
COUNTY OF MOHAVE)

On this, the 19th day of September, 1988, before me, the undersigned officer, personally appeared RAY W. JACKSON III, who acknowledged himself to be the President of Posada Del Rio Corporation, an Arizona corporation, and that he, as such President, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the Corporation by himself, as President, for and on behalf of Posada Del Rio, an Arizona general partnership.

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

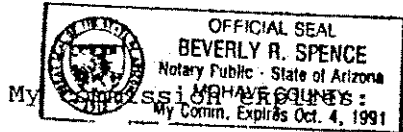


Beverly R. Spence
Notary Public

STATE OF ARIZONA)
 : SS.
COUNTY OF MOHAVE)

On this, the 19th day of September, 1988, before me, the undersigned officer, personally appeared RAY W. JACKSON III, who acknowledged himself to be the President of Rio Del Sol Homeowners Association, Inc., an Arizona corporation, and that he, as such President, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the Corporation by himself, as President.

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



Beverly R. Spence

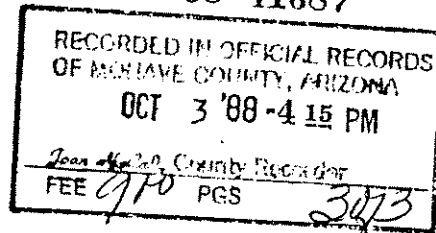
Notary Public

INDEX MISCELLANEOUS

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BOOK 1473 PAGE 95

CONSENT IN LIEU OF FIRST MEETING
OF BOARD OF DIRECTORS OF
RIO DEL SOL HOMEOWNERS ASSOCIATION, INC.

WHEREAS, Section 10-044 of the Arizona General Corporation Law provides that action required or permitted to be taken pursuant to authorization voted at a meeting of the board of directors or a committee may be taken without a meeting if all of the Directors or committee members, as the case may be, consent thereto in writing; and

WHEREAS, the undersigned, being all of the Directors of Rio Del Sol Homeowners Association, Inc., an Arizona nonprofit corporation (herein called the "Association"), desire that the action expressed in the resolutions hereinbelow set forth be taken in lieu of a First Meeting of the Board of Directors;

NOW, THEREFORE, the undersigned does hereby declare that the action expressed in the following resolutions, be, and the same hereby is, taken by the Board of Directors of the Association as of the date appearing after these resolutions:

1. RESOLVED, that the actions of the Incorporators at the First Meeting of this Association are hereby ratified, confirmed and adopted.

2. RESOLVED, that the true copy of the Articles of Incorporation of the Association, which were filed on the 20th day of January, 1989, in the office of the Arizona Corporation Commission of the State of Arizona be inserted in the front of the minute book of the Association.

3. RESOLVED, that the Bylaws presented to the Board of Directors, be, and the same hereby are, adopted article by article, and as a whole, as the Bylaws of the Association, and that the Secretary of the Association be, and hereby is, directed to cause a copy of said Bylaws to be inserted in the minute book

immediately following the true copy of the Articles of Incorporation of the Association.

4. RESOLVED, that the following named persons be and they hereby are elected to serve in the office set forth opposite their respective names until the next annual meeting of the Board of Directors of this Association and until their successors shall be duly elected and qualified:

Ray W. Jackson III	President
Ray W. Jackson III	Treasurer
John A. Marxer	Secretary
Donald R. Nelson	Assistant Secretary

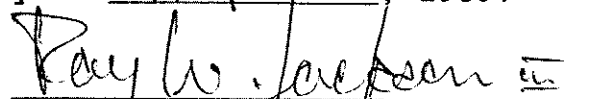
5. RESOLVED, that the fiscal year shall, until further action by the Board of Directors, be the period which ends on December 31 of each year.

6. RESOLVED, that any one or more of the officers of the Association shall be, and they hereby are, authorized to pay all expenses incurred in connection with the incorporation and organization of the Association.

7. RESOLVED, that the Resolution attached hereto and made a part hereof which designated Valley National Bank as a depository of the Association be, and hereby is, adopted and approved for and on behalf of the Corporation.

8. RESOLVED, that any one or more of the officers of the Association shall be, and hereby are, authorized and empowered in the name and on behalf of the Association to do any and all acts and things and execute any other instruments and documents which may be or become necessary, desirable or proper to carry out, put into effect and make operative any portion or portions of the foregoing resolutions.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands as of the 20TH day of MARCH, 1989.



Ray W. Jackson III



Donald R. Nelson



John A. Marxer

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