

F. ANN RODRIGUEZ, RECORDER  
RECORDED BY: RAA  
DEPUTY RECORDER  
2484 ROOE  
W  
TLM DEVELOPMENT



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*DECLARATION OF COVENANTS, CONDITIONS,  
AND RESTRICTIONS FOR  
SIERRA DE ORO LOTS 1 THROUGH 18,  
COMMON AREAS A AND B*

THIS DECLARATION is made this 29th day of July,  
1997, by FIDELITY NATIONAL TITLE AGENCY, INC., an Arizona corporation, as Trustee  
under Trust Agreement No. 10,727 and not otherwise, referred to herein as "Declarant."

Declarant is the owner of that certain real property in Pima County, Arizona, described  
as:

SEE EXHIBIT "A" ATTACHED HERETO  
(the "Properties")

Declarant desires to provide for the orderly development of the Properties and to provide  
a general plan for the development and sale of the Properties.

This instrument (this "Declaration") is executed by Declarant, being empowered by law  
as the owner of the Properties.

*ARTICLE I*

DEFINITIONS

Section 1. "Architectural Control Committee" shall mean the committee appointed by  
Declarant or by Board of Directors of the Association pursuant to this Declaration.

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Section 2. "Association" shall mean and refer to the Sierra de Oro Homeowners Association, an Arizona non-profit corporation, its successors and assigns.

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

Section 4. "Common Area" shall mean and refer to all property (including the improvements thereto) owned by the Association for the common use and enjoyment of the Owners and that shown as Common Areas A and B on the Plat.

Section 5. "Declarant" shall mean and refer to Fidelity National Title Agency, Inc., an Arizona corporation, as Trustee under Trust Agreement No. 10,727 and not otherwise, its successors and assigns, if such successors or assigns have acquired all or substantially all of the Properties from Declarant for the purpose of development and if Declarant has in writing assigned its rights hereunder to such successors.

Section 6. "Developer" shall mean and refer to CNB Homes, L.L.C., an Arizona limited liability company, the sole beneficiary of Declarant's Trust No. 10,727 and any successor beneficiary.

Section 7. "First Mortgage" shall mean and refer to any unpaid and outstanding mortgage, deed of trust, or other security instrument recorded in the office of Pima County, Arizona, Recorder, having priority of record over all other recorded liens except those governmental liens made superior by statute (such as general ad valorem tax liens and special assessments).

Section 8. "First Mortgagee" shall mean and refer to any person named as a mortgagee or beneficiary under any First Mortgage or any successor to the interest of any such person under such First Mortgage.

Section 9. "Lot" shall mean and refer to Lots 1 through 18, with the exception of the Common Areas, but together with all appurtenances and improvements now or hereafter thereon. The term "Lot" shall also include any adjacent lots or areas combined into one lot and used as one lot. Any two or more lots so combined shall be considered one Lot for all purposes, including voting and assessment.

If any land is annexed into the Properties, then that land shall be made a part of the Properties, and the lots therein shall also be deemed Lots.

Section 10. "Member" shall mean and refer to each Owner of a Lot that is subject to assessment. Membership in the Association shall be appurtenant to, and may not be separate from, ownership of a Lot. Reference to "Membership" shall mean both classes of Membership unless stated to the contrary.

Section 11. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any Lot that is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 12. "Original Builder" shall mean a successor in interest to Declarant that has purchased or optioned all or substantially all of the Properties from Declarant for purposes of developing residential dwellings.

Section 13. "Plat" shall mean the plat of the real estate subject to this Declaration and identified above as the Properties.

## *ARTICLE II*

### PROPERTY RIGHTS IN THE COMMON AREA

Section 1. Owners' Easements of Enjoyment. Subject to the provisions of Section 2 of this Article, every Owner shall have a nonexclusive right and easement of enjoyment in and to the Common Area, and such easement shall be appurtenant to and shall pass with the title to every Lot.

Section 2. Extent of Owners' Easements. The rights and easements of enjoyment created hereby shall be subject to the following:

A. The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Area and, with written consent of the Members entitled to vote two-thirds ( $\frac{2}{3}$ ) of the votes of each class of Membership, to mortgage such property as security for any such loan;

B. The right of the Association to take such steps as are reasonably necessary to protect the Common Area against foreclosure;

C. The right of the Association to promulgate and publish rules and regulations with which each Member shall strictly comply, including, but not limited to, the right of the Association to establish reasonable charges for the use of any recreational facilities.

D. The right of the Association, as provided herein or in its Articles and Bylaws, to levy reasonable monetary fines and to suspend a Member's voting rights and the right

to the use of recreational facilities within the Common Area for any period during which any assessment against his Lot remains unpaid and, for a period not to exceed sixty (60) days, for any infraction of its published rules and regulations;

E. The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members, provided that no such dedication or transfer shall be effective unless first approved in writing by the Members entitled to vote two-thirds (2/3) of the votes of each class of Membership hereunder, and unless written notice of the proposed agreement and action thereunder is sent to every Member at least thirty (30) days in advance of any action taken. Notwithstanding the foregoing, the granting of permits, licenses, and easements for roads, ingress and egress or for public utilities and/or for other purposes, including public or private purposes deemed proper by the Board, shall not be deemed a transfer within the meaning of this Subsection (e), and, provided further, that this provision in no way limits Declarant's rights of annexation and resubdivision;

F. The right of the Association, without any abatement of assessments, to close or limit the use of the Common Area while maintaining, repairing, and making replacements in the Common Area;

G. Easements for ingress, egress and utilities reserved hereby or on the Plat;

H. An easement for ingress, egress and utilities across all Common Area reserved hereby to Declarant and Declarant's successors and assigns as well as guests and invitees; and

I. The right of the Association to sell and convey all or part of the Common Area with the consent of two-thirds of the votes of each class of Members, provided that the Association Board determines that the transfer is consistent with the general scheme of development of the Properties. Notwithstanding the foregoing, and without limitation, the Association may transfer or quit-claim minor or insignificant portions of the Common Area necessitated by incidental construction encroachments or scrivener's error without any vote or consent of the Members.

Section 3. Delegation of Use. Any Owner, subject to the rules of the Association, may delegate, in accordance with the Bylaws, his right of enjoyment to the Common Area and facilities to the members of his family, his tenants, or contract purchasers who reside on his Lot.

Section 4. Payment of Taxes or Insurance by Mortgagees. First Mortgagees of Lots shall have the right, jointly or singly, to pay taxes or other charges or assessments that are in default and that may or have become a lien against the Common Area and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage on the lapse of a policy for the Common Area, or the Lot that secures such First Mortgage if the policy therefor is held by the Association, and any First Mortgagees making any such payment shall be owed immediate reimbursement therefor from the Association.

### ARTICLE III

## MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Every Owner of a Lot that is subject to assessment shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot.

Section 2. Rights and Responsibilities of Association. The Association, through the Board, unless specifically provided otherwise, shall have the right of enforcement of all of the provisions hereof. The Association shall be responsible for the proper and efficient management and operations of the Common Area, including:

- A. maintaining, operating, and rebuilding improvements thereon;
- B. maintaining and landscaping property owned or controlled by the Association, including private roads, paths and easement rights, if any;
- C. operating, maintaining, rebuilding and insuring improvements originally constructed by Declarant or Developer or later constructed by the Association on or about the Common Area;
- D. paying ad valorem real estate taxes, assessments and other charges on the Common Area and for maintaining all pathways and sidewalks shown on the Plat, if any;
- E. insuring all improvements that the Association is obligated to maintain against damage by casualty with such companies and in such limits as provided herein and as the Association deems appropriate;

F. hiring, firing, supervising and paying employees and independent contractors including, but not limited to, workmen, landscapers, attorneys, accountants, architects and contractors to carry out the obligations set forth herein;

G. maintaining such liability insurance as the Association deems necessary to protect the Members and the Board of Directors of the Association from any liability caused by occurrences or happenings on or about the Common Areas;

H. maintaining workman's compensation insurance for the employees of the Association;

I. purchasing all goods, supplies, labor and services reasonably necessary for the performance of the obligations set forth herein;

J. establishing and maintaining cash reserves as the Association may, in its sole and absolute discretion, deem reasonably necessary for the periodic maintenance, repair and replacement of the improvements that it is responsible to maintain;

K. providing for and payment of all utility services for the Common Area;

L. entering into such agreements and taking such actions as are reasonably necessary and convenient for the accomplishment of the obligations set forth above and the operation and maintenance of the Properties as a first-class, multi-use development;

M. granting licenses, easements and other agreements for the use of Common Area; and

N. maintaining any personal property owned by the Association.



Section 3. Classes of Membership. The Association shall have two classes of voting Membership:

Class A. Class A Members shall be all Owners, with the exception of Declarant. Each Class A Member shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members, and the vote for such Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any such Lot.

Class B. The Class B Member shall be Developer, and such Class B Member shall be entitled to three (3) votes for each Lot owned by Declarant that is neither leased nor rented nor otherwise occupied as a residence. Class B Membership shall cease and be converted to Class A Membership on the happening of any of the following events, whichever occurs earliest:

A. When the total votes outstanding in Class A Membership equal the total votes outstanding in Class B Membership; and

B. January 1, 1999.

Notwithstanding the above, Developer alone shall, for so long as Class B Membership shall exist, have the exclusive right to vote in matters that require only the vote or approval of the Board of Directors of the Association, and shall have the exclusive right to appoint the Directors of the Association.

Section 4. Non-liability of Officials. To the fullest extent permitted by law, neither Declarant, Developer, the Board, nor any committees of the Association nor any member thereof,

nor any officers, directors or employees of Declarant, Developer or of the Association, shall be liable to any Owner or to the Association or any other person for any damage, loss or prejudice suffered or claimed on account of any decision, course of action, act, inaction, omission, error, negligence or the like made in good faith and that Declarant, Developer and Board or such committees or officers reasonably believed to be within the scope of their respective duties.

#### *ARTICLE IV*

##### COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. Each Owner of any Lot, including Declarant, 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 and charges, and (2) special assessments, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, late charges, costs, and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. The lien may be enforced by foreclosure of the defaulting Owner's Lot by the Association in like manner as a mortgage or deed of trust on real property. In any such foreclosure, the Owner shall be required to pay the costs and expenses of such proceedings, including reasonable attorneys' fees.

The Board or managing agent of the Association may prepare a written notice setting forth the amount of such unpaid indebtedness, the name of the Owner of the Lot, and a description of the Lot. Such notice shall be signed by one of the Board Members or by the managing agent of the Association specifying the address of the Association and may be recorded in the office of the

Pima County, Arizona, Recorder. The lien for each unpaid assessment shall attach to each Lot at the beginning of each assessment period and shall continue to be a lien against such Lot until paid. The costs and expenses for filing any notice of lien shall be added to the assessment for the Lot against which it is filed and collected as part and parcel thereof.

Each assessment, together with interest, late charges, costs, and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment became due. The personal obligation for delinquent assessments shall not pass to such Owner's successors in title unless expressly assumed by them. The obligation to pay assessments shall in no manner be subject to any offset or reduction based on claims that an Owner allegedly has against Declarant, Developer or the Association. The Association's lien on a Lot for assessment shall be superior to any homestead exemption now or hereafter provided by the laws of the State of Arizona or any exemption now or hereafter provided by the laws of the United States. The acceptance of a deed to any Lot subject to this Declaration shall constitute a waiver of the homestead and any other exemption as against such assessment lien.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used to promote the recreation, health, safety, and welfare of the residents of the Properties, for all of those purposes and activities that may be required of the Association or that the Association may be empowered to pursue pursuant to this Declaration, the Articles of Incorporation, or Bylaws of the Association, including without limitation hazard insurance coverage on the structures located on the Common Area, as more fully provided herein, for the improvement and maintenance of the Common Area, for the improvement and maintenance of

landscaping of the Common Area and right-of-way, and for the maintenance, repair and replacement of any private sewer system or other private facilities, if any, serving the Properties, as provided for herein.

Section 3.     Maximum Annual Assessment.     Until commencement of the second annual assessment period, the maximum annual assessment shall be the maximum that has been determined in written minutes of the Board. Such minutes shall be prepared, if reasonably possible, prior to recording of the first deed to an Owner, other than to Declarant or a developer. Delay in establishment of the initial maximum annual assessment, however, shall in no way affect the validity of the initial maximum annual assessment when determined, and the initial annual assessment may be established at less than the maximum.

A.     Effective with the commencement of the second and each subsequent annual assessment period, the maximum annual assessment shall be increased effective each annual assessment year by the greater of six percent or in conformance with the rise, if any, of the BLS Consumer Price Index - U.S. published by the U.S. Department of Labor, Washington, D.C., for All Items for All Urban Wage Earners (1982-84 = 100), for the one (1) year period ending with the preceding month of October. This annual increase in the maximum annual assessment shall occur automatically upon the commencement of each annual assessment year without the necessity of any action being taken with respect thereto by the Association. In the event that the aforesaid Consumer Price Index is not published, for whatever reason, then the increase in the maximum annual assessment, as provided herein, shall be calculated by using a substantially comparable index designated by the Board.

B. Effective with commencement of the second and each subsequent annual assessment period, the maximum annual assessment may be increased above the greater of six percent or that established by the Consumer Price Index formula by a vote of the Members, provided that any such increase shall have the assent of the Membership as provided in Section 5 below.

C. The Board may, at any time and from time to time, after consideration of the projected maintenance costs and the other financial needs of the Association, fix the actual assessment against each Lot at an amount less than the maximum. In the event that the Board determines, at any time and from time to time, during any annual assessment period in which the Association shall have levied an assessment in an amount less than the maximum, that the rate of assessment then in effect is less than may be necessary to adequately fund all maintenance costs and other financial needs of the Association, then the Board may increase the actual assessment against each Lot upon written notification thereof to each Owner, provided that the amount of the actual assessment against each Lot shall not be increased to an amount in excess of the maximum annual assessment for that annual assessment period.

D. The limitations contained in this Section shall not apply to any change in assessments undertaken incident to a merger, consolidation or annexation in which the Association is authorized to participate.

E. The Association may, in its sole and absolute discretion, maintain a reserve fund out of the annual assessments for the maintenance, repair and replacement of those

elements of the Common Area that must be maintained, repaired or replaced on a periodic basis. The amount thereof shall, from time to time, be established by the Board.

Section 4. Special Assessments. In addition to the annual assessment authorized in this Article, the Association may levy, in any assessment year, a special assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair, or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, or for the funding of any operating deficit incurred by the Association. Any such assessment shall have the assent of two-thirds ( $\frac{2}{3}$ ) of the votes of each class of Membership who are voting in person or by proxy at a meeting duly called for this purpose.

Section 5. Notice and Quorum for Any Action Authorized Under Sections 3 and 4. Written notice of any meeting called for the purpose of taking any action authorized under Sections 3 or 4 of this Article shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of each of the Membership shall constitute a quorum. If the required quorum is not present, other meetings may be called subject to the same notice requirements, and the required quorum at each such subsequent meeting shall be one-half ( $\frac{1}{2}$ ) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 6. Uniform Rate of Assessment; Obligation of Optionees. Annual and special assessments must be fixed at a uniform rate for all Lots sufficient to meet the expected needs of

the Association, provided that, notwithstanding any provision to the contrary contained in this Declaration, the rate of annual and special (including reconstruction) assessments set for the Lots owned by Declarant that are not leased, rented, or otherwise occupied as a residence shall be fixed at one-quarter (1/4) of the assessment rate for the other Lots.

Should Declarant or its successors grant an option to any developer or builder to purchase any of the Lots within the Properties, then the obligation to pay assessments to the Association with respect to such Lots subject to the option shall be the obligation of the grantee of such option for so long as the option endures. For such Lots not leased, rented, or occupied as a residence, the rate of assessment shall be fixed at one-quarter (1/4) of the assessment rate for the other Lots. Notwithstanding the obligation of the grantee of any such option to pay such assessment, all lien rights and other provisions hereof shall continue to apply to the Lots in question.

Section 7. Date of Commencement of Annual Assessments. The initial annual assessment shall commence on the first day of the month following conveyance of the first Lot by Declarant to an Owner other than Declarant, and the second and each subsequent annual assessment period shall correspond with the fiscal year of the Association. The annual assessments shall be made due and payable in twelve (12) monthly installments on such dates as determined by the Board, provided that the first annual assessment shall be adjusted according to the number of months in the first annual assessment year. Such monthly installments may be referred to as "dues" or "fees." Any Owner purchasing a Lot between installment due dates shall pay a pro rata share of the last installment due.

Section 8. Effect of Non-payment of Assessments; Remedies of the Association. Any assessment not paid within ten (10) days after the due date thereof shall bear interest from and after the due date at the rate of twelve percent (12%) per annum, and the Association may assess a monthly late charge thereon of one percent (1%) per month. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against such Owner's Lot, and in the event that a judgment is obtained, such judgment shall include interest and late charges on the assessment, as above provided, and a reasonable attorney's fee to be fixed by the court, together with the costs of the action. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.

Section 9. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein, including without limitation any fees, costs, late charges or interest that may be levied by the Association in connection with unpaid assessments, shall be subordinate to the lien of any First Mortgage. Sale or transfer of any Lot shall not affect the liens for assessments or charges, except that sale or transfer of any Lot pursuant to foreclosure of any such First Mortgage or deed or proceeding in lieu thereof shall extinguish the lien of such assessment charges that became due prior to any such sale or transfer, or foreclosure or any proceeding in lieu thereof, including deed in lieu of foreclosure; provided, however, that any such delinquent assessment charges, including interest, late charges, costs, and reasonable attorneys' fees, that are extinguished as provided herein may be reallocated and assessed to all Lots as a common expense in the sole discretion of the Board. No such sale, transfer, foreclosure or any proceeding in lieu



thereof shall relieve such Lot from liability for any assessment charges thereafter becoming due nor from the lien thereof; provided, however, that in the event of foreclosure of a First Mortgage or proceeding or deed in lieu thereof, such First Mortgagee shall not be liable for unpaid assessments or other charges that accrue prior to the acquisition of title to the Lot in question by such First Mortgagee.

## *ARTICLE V*

### *ARCHITECTURAL CONTROL COMMITTEE*

*Section 1. Composition of Committee.* The Architectural Control Committee shall consist of three (3) or more persons appointed by the Board, provided, however, that until all Lots have been conveyed to the first Owner thereof (other than Declarant), Developer shall appoint the Architectural Control Committee. A majority of the Committee may designate a representative to act for it.

*Section 2. Review by Committee.* No structure, improvement, or any attachment to an existing structure shall be made or constructed upon the Properties (except by the Association upon the Common Area), and no alteration of the exterior of a structure or improvement shall be made, and no change in the final grade, nor the installation of any landscaping to any part of the Properties, except the Common Area, shall be performed, unless complete plans and specifications, including a construction schedule therefor, shall have first been submitted to and approved in writing by the Architectural Control Committee.

The Architectural Control Committee shall exercise its best judgment to the end that all attachments, improvements, construction, landscaping, and alterations to structures on lands

located within the Properties (collectively referred to in this Article V as "Architectural Improvements" or "alterations or modifications") conform to and harmonize with the structures already built or to be built by Developer or builders who purchase Lots from Declarant. In reviewing plans for alterations, modifications, additions or other changes to a structure upon a Lot, the Architectural Control Committee shall exercise its reasonable discretion in deciding whether or not an alteration or modification is in harmony with the overall scheme of subdivision development. The Architectural Control Committee shall have the right to deny alterations or modifications if the committee considers the alteration or modification to be unattractive in relation to the overall scheme of development, or if it considers the alteration or modification to be a nuisance or upset of design, or if it considers the alteration or modification to be in contrast to or out of harmony with the style of structures built or to be built by Developer, or if the physical views of the Properties will be disrupted by the alteration or modification. The Architectural Control Committee may elicit the opinion of other Owners, including the neighbors of the Owner submitting the plan for alteration or modification, as to the conformity and harmony of the proposed plan with the overall scheme of development, and the effect that the proposed plan might have on the physical views of other Owners. After eliciting these opinions, the Architectural Control Committee may, but need not, take them into account in making the final decision of approval or disapproval of an alteration or modification to an existing structure. While no single Lot Owner's opinion will control a decision of the Architectural Control Committee, the Architectural Control Committee may attach whatever significance, within its own

discretion, it deems sufficient to the statements of residents and neighbors of the Owner submitting the proposed alteration or modifications to an existing structure.

Architectural Control Committee approval shall not be required of any structures whatsoever to be erected, modified, painted, repainted, designed or redesigned by Developer or landscaping installed by Developer. Developer is exempt from such approval and from all provisions of this Article and from all other provisions of this Declaration governing architectural approvals or consents.

Section 3. Procedures. The Architectural Control Committee shall approve or disapprove all plans within thirty (30) working days after submission and issuance by the Association of a receipt therefor. In the event that the Architectural Control Committee fails to approve or disapprove such design and location within thirty (30) working days after such plans and specifications have been submitted to it, approval shall be deemed denied, except that the party submitting the plans may resubmit the plans, and if no response is given for a period of 30 days after a written request by certified mail for a decision, approval shall be deemed given.

Section 4. Vote. A majority vote of the Architectural Control Committee is required to approve a proposed change or improvement, unless the Architectural Control Committee has designated a representative to act for it, in which case the decision of the representative shall control.

Section 5. Liability. The Architectural Control Committee and the members thereof shall not be liable in damages to any person submitting requests for approval or to any Owner by

reason of any action, failure to act, approval, disapproval, or failure to approve or disapprove in regard to any matter within its jurisdiction hereunder.

Section 6. Variance. The Architectural Control Committee may grant reasonable variances or adjustments from any conditions and restrictions imposed by this Article or Article X hereof in order to overcome practical difficulties and to prevent unnecessary hardships arising by reason of the application of the restrictions contained in this Article or Article X hereof. Such variances or adjustments shall be granted only in case the granting thereof shall not be materially detrimental or injurious to the Properties and shall not militate against the general intent and purpose hereof.

Section 7. Nonconforming Architectural Improvements. In the event that the Architectural Improvements do not, upon the proposed date set forth in the construction schedule, conform to the plans submitted to and approved by the Architectural Control Committee, the Architectural Control Committee shall give written notice to the Owner of the Lot upon which such Architectural Improvements have been made. Such notice shall specify the nature of the nonconformity of the Architectural Improvements and shall grant the Owner a hearing before the Architectural Control Committee in accordance with the Bylaws.

If the Owner has not, within 30 days after the mailing or delivery of the written notice, corrected the nonconformity of the Architectural Improvements, then the Architectural Control Committee shall have the right and an easement to direct its agents, employees or contractors to enter upon the Owner's property for the purpose of making any or all of such improvements,

alterations, or repairs as are necessary to bring the Owner's Architectural Improvements into conformity with the plans submitted to and approved by the Architectural Control Committee.

All costs incurred by the Association in the course of the Architectural Control Committee's efforts to bring nonconforming Architectural Improvements into conformity with the approved plans as provided for in Section 2 of this Article, including costs of labor, materials and all associated administrative costs reasonably incurred by the Association in connection therewith, shall be added to and become part of the Assessment to which such Owner's Lot is subject and shall become a lien on such Owner's Lot and the improvements thereon and shall be enforceable and collected as provided for herein.

Section 8. Minor Violations of Setback Restrictions. If upon the erection of any residence upon any of the Lots it is disclosed by survey that a minor and incidental violation or infringement of setback or property lines has occurred, such violation or infringement shall be deemed waived by the Owners of the Lots immediately adjoining the Lot upon which the violation or infringement occurs, and such waiver shall be binding upon all other Owners who are subject to this Declaration. This provision shall apply only to structures built by Developer or by Developer's predecessors or successors in the course of original construction.

Section 9. Color; Building Materials; Antennae; and Satellite Dishes. Without limiting the foregoing, no color changes nor any changes in the original building structure, composition or products shall be permitted without approval of the Architectural Control Committee. Placement of antennae and satellite dishes will be denied in the sole discretion of the

Architectural Control Committee based upon such criteria as views and general overall aesthetics of the Properties.

## *ARTICLE VI*

### INSURANCE

Section 1. Insurance on Common Area. The Association shall maintain insurance covering all insurable improvements located or constructed upon the Common Area. The Association shall maintain the following types of insurance to the extent that such insurance is reasonably available and reasonably priced:

A. A policy of property insurance covering all insurable improvements located on the Common Area, with a "Replacement Cost Endorsement," an "Inflation Guard Endorsement," and an "Agreed Amount Endorsement." Such insurance as maintained by the Association pursuant to this subsection shall afford protection against at least the following:

(a) loss or damage by fire and other perils normally covered by the standard extended coverage endorsement; and

(b) such other risks as shall customarily be covered with respect to projects similar in construction, location and use, including all perils normally covered by the standard all risk endorsement, where such is available.

B. A comprehensive policy of public liability insurance covering all of the Common Area, insuring the Association in an amount not less than \$1,000,000 covering

bodily injury, including death to persons, personal injury, and property damage liability arising out of a single occurrence.

C. A policy providing adequate fidelity coverage or fidelity bonds to protect against dishonest acts on the part of officers, directors, trustees, and employees of the Association and all others who handle or are responsible for handling funds of the Association.

D. If the Common Area or any portion thereof is located within an area identified by the Federal Emergency Management Agency as having special flood hazards and flood insurance coverage on the Common Area has been made available under the National Flood Insurance Program, then such a policy of flood insurance on the Common Area in an amount at least equal to the lesser of: —

(a) the maximum coverage available under the National Flood Insurance Program for all buildings and other insurable property located within a designated flood hazard area; or

(b) one hundred percent (100%) of current replacement cost of all buildings and other insurable property located within a designated flood hazard area.

E. In addition, the Association may obtain insurance against such other risks of a similar or dissimilar nature as it shall deem appropriate, including insurance against loss of assessments, to the extent that such coverage is reasonably available and, without limitation, personal liability insurance to protect directors and officers of the Association from

personal liability in relation to their duties and responsibilities in acting as directors and officers on behalf of the Association.

All such policies of insurance shall contain waivers of subrogation and waivers of any defense based on invalidity arising from any acts of a Member of the Association and shall provide that the policies may not be cancelled or substantially modified without at least thirty (30) days' prior written notice to the insured, as well as to the First Mortgagees of any Lot. Duplicate originals of all policies and renewals thereof, together with proof of payment of premiums, shall be delivered to any First Mortgagee of any Lot upon written request. The insurance shall be carried in blanket forms naming the Association as the insured, as Trustee and attorney-in-fact for all Owners, and each Owner shall be an insured person under such policies with respect to liability arising out of any such Owner's membership in the Association.

Section 2. Insurance on the Structures and Personal Property on Lots. Fire, accident, casualty, liability and property damage insurance coverage on each dwelling and the Lot and upon furnishings and other items of real or personal property belonging to an Owner, including public or general liability insurance coverage upon each Lot, and any other insurance shall be the sole responsibility of the Owner thereof, and the Owner thereof shall at all times maintain such insurance.

Section 3. Annual Review of Insurance Policies. All insurance policies carried by the Association shall be reviewed at least annually by the Board of Directors of the Association to ascertain that the coverage provided by such policies adequately covers those risks insured by the Association.



## *ARTICLE VII*

### *DAMAGE OR DESTRUCTION*

*Section 1. Damage to Common Area.* In the event of damage or destruction to all or a portion of the Common Area due to fire or other adversity or disaster, the insurance proceeds, if sufficient to reconstruct or repair the damage, shall be applied by the Association to such reconstruction and repair. If the insurance proceeds with respect to such Common Area damage or destruction are insufficient to repair and reconstruct the same, the damaged or destroyed Common Area shall be promptly repaired and reconstructed by the Association, using the insurance proceeds and the proceeds of a reconstruction assessment. The reconstruction assessment provided for herein shall be a debt of each Owner and a lien on each Owner's Lot and the improvements thereon and shall be enforced and collected as provided herein.

*Section 2. Destruction of Improvements on Lot.* In the event of damage or destruction to a residence located on a Lot due to fire or other adversity or disaster, the insurance proceeds shall be used by the Owner to repair and restore the residence on such Lot to the extent permitted by any First Mortgagee with an interest therein. "Repair and Reconstruction" of any residence located on a Lot, as used in this Section 2, shall mean restoring the improvements to substantially the same condition in which they existed prior to such damage or destruction, with each such residence having the same boundaries as before.

A. If such insurance proceeds are sufficient to repair or reconstruct any damaged or destroyed residence, the Association shall promptly authorize the necessary repair and

reconstruction work by the Owner, and the insurance proceeds shall be applied by the Owner to pay the cost thereof.

B. If the insurance proceeds are insufficient to repair or reconstruct any damaged or destroyed residence located on a Lot, such damage or destruction shall be promptly repaired and reconstructed by the Owner, using the insurance proceeds and other funds supplied by the Owner. If the Owner does not promptly accomplish such repair and reconstruction, and acquire the money to accomplish same, the Association may take possession of the insurance proceeds, accomplish the repair using additional money obtained through a special assessment, and enforce a lien against the Lot or Lots in question and bring a personal action for damages against such defaulting Owner or Owners. Alternatively, the Association may use the available proceeds or may use its own funds to clean the Lot and remove any debris and reimburse itself through assessment against the Lot or Lots in question.

## *ARTICLE VIII*

### *PARTY WALLS*

*Section 1. Definition.* For purposes of this Article VIII, "Party Wall" shall mean and refer to any wall that is part of the original construction of the residences upon the Properties and is placed on or immediately adjacent to a Lot line. All Owners, by acceptance of a deed, are deemed to consent to the placement of walls on or adjacent to such dividing lines. No change to the structure or appearance of any party wall may be made without the approval of the Architectural Control Committee, and such approval will be denied if in such committee's sole discretion it is believed that the change will create a lack of harmony in appearance or be objectionable to any other user or owner of the party wall.

Exterior walls of detached dwellings and patio walls are not party walls, unless they are situated on the dividing line of two Lots, such as a "zero lot line" dwelling.

*Section 2. General Rules of Law to Apply.* To the extent not inconsistent with the provisions of this Article, the general rules of law regarding Party Walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

*Section 3. Sharing of Repair and Maintenance.* The cost of reasonable repair and maintenance of a Party Wall shall be shared equally by the Owners who make use of the Party Wall.

*Section 4. Destruction by Fire or Other Casualty.* If a Party Wall is destroyed or damaged by fire or other casualty, any Owner who has used the Party Wall may restore it, and if the other Owners thereafter make use of the Party Wall, they shall contribute to the cost of

restoration thereof in proportion to such use, without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

Section 5. Weatherproofing. Notwithstanding any other provisions of this Article, an Owner who by his negligent or willful act causes a Party Wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Section 6. Right to Contribution Runs with Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to and run with the land and shall pass to such Owner's successors in title.

Section 7. Arbitration. In the event of any dispute arising concerning a Party Wall under the provisions of this Article, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision shall be by a majority of all the arbitrators. Should any party refuse to appoint an arbitrator within ten (10) days after written request therefor by an owner, the Board shall select an arbitrator for the refusing party. The parties to the arbitration shall share the costs thereof, but each party shall pay its own attorneys' fees. This paragraph shall not apply to Declarant or to Developer.

Section 8. Dispute Resolution. Under no circumstances shall Declarant be subject to the arbitration of any dispute regarding any Party Walls. No approval of the Architectural Control Committee nor any other person or entity shall be necessary for Declarant or for any Original Builder that has purchased from Declarant or Declarant's successors to change any party wall.

## ARTICLE IX

### EXTERIOR MAINTENANCE

Section 1.     General. Except as otherwise provided herein, the Association shall provide all maintenance, repair, and replacement necessary upon the Common Area and all structures and other improvements located thereon, including without limitation streets, landscaping and drainage facilities. The Association shall be responsible for the maintenance, repair and replacement of any private sewer system serving the Properties. Such responsibility of the Association extends only to those portions of any private sewer system, if any, located on the Common Area or through the adjacent property pursuant to that certain Non-Exclusive Sewer Easement recorded at Docket 10597 at page 1664, Pima County Recorder's office.

In addition, the Association shall be responsible for the operation, maintenance and liability for drainage structures and detention basins. The Association shall have an Arizona Registered Professional Civil Engineer prepare a certified inspection report for the drainage and detention facilities at least annually, which reports shall remain on file with the Association. Appropriate City staff may periodically reasonably inspect the drainage and detention facilities to verify adequate maintenance. In the event the City demonstrates that reasonable maintenance is not occurring and the City assumes maintenance responsibility and liability, the Association shall reimburse the City for its reasonable costs of maintaining the drainage and detention facilities.

Each Owner shall provide all maintenance and repair of improvements and structures on his or her Lot, including roofs and any portion of any private sewer system located upon each Owner's Lot. All exterior surfaces, when maintained, shall be painted with paint of the same

finish, color, and hue as the original paint utilized in painting the same by Developer, unless the Architectural Control Committee authorizes the use of another paint in accordance with the provisions hereof.

Each Lot Owner shall be responsible for packaging all garbage and refuse in a manner reasonably required by the collection service employed by the Owner or by the Association and placing such garbage and refuse in the location or in receptacles specified by such collection service.

Each Owner shall be responsible for all interior maintenance, repair and replacement of all improvements and structures located upon each Owner's Lot and for the maintenance of all landscaping.

In the event that any Owner does not provide such maintenance, repair and replacement as is required hereby, the Association, acting through its Board or managing agent, shall be entitled, but not obligated, to undertake such maintenance, repair or replacement at such Owner's expense, and all costs, expenses and fees incurred by the Association for such maintenance, repair and replacement shall be the personal obligation of the applicable Owner and shall be added to and become part of the assessment to which such Owner's Lot is subject and shall be a lien on such Owner's Lot and the improvements thereon, and shall be enforceable and collected as provided in Article IV hereof. Any damage occasioned to an adjoining Lot or improvement thereon caused by an Owner undertaking the foregoing obligations shall be the responsibility of the Owner performing the maintenance or repair.

Section 2. Maintenance of Landscaping; Necessary Easement. Except as otherwise provided herein, the Association shall be responsible for the landscaping and maintenance of the Common Area, which shall include having the grass, weeds, trees and vegetation located thereon cut or trimmed when necessary. No Owner shall, in whole or in part, change the landscaping of any portion of the Common Area by the addition or removal of any items thereon without the prior written approval of the Architectural Control Committee.

Each Owner shall be solely responsible for the maintenance and landscaping of all portions of his or her Lot and shall also be solely responsible for the maintenance and landscaping of any area of Common Areas between the front boundary of his or her Lot and the street in front of his or her Lot located upon Common Areas.

Section 3. Access Easement. Each Lot shall be subject to an easement in favor of the Association and the Owners of all adjoining Lots (including their agents, employees, and contractors) for performing maintenance and landscaping as provided in this Article and for performing maintenance during reasonable hours after reasonable notice to the Owners or occupants of any affected Lot, except that in emergency situations entry upon a Lot may be made at any time, provided that the Owners or occupants of affected Lots shall be warned of impending emergency entry as early as is reasonably possible. The interior of any residence located on a Lot shall not be subject to such easements as provided for in this Section.

Section 4. Owner's Negligence. Notwithstanding anything to the contrary contained in this Article, in the event that the need for maintenance or repair or removal of improvements on the Common Area or a Lot is caused by the willful or negligent act or omission of any Owner

or by the willful or negligent act or omission of any member of such Owner's family or by a guest or invitee of such Owner, the cost of such repair or maintenance shall be the personal obligation of such Owner, and any costs, expenses, and fees incurred by the Association for such maintenance, repair, or removal shall be added to and become part of the assessment to which such Owner's Lot is subject and shall become a lien against such Owner's Lot as provided in Article IV of this Declaration. A determination of the negligence or willful act or omission of any Owner or any member of an Owner's family or a guest or invitee of any Owner and the amount of the Owner's liability therefor shall be determined by the Association at a hearing after notice to the Owner, provided that any such determination that assigns liability to any Owner pursuant to the terms of this Section may be appealed by the Owner to a court of law.

#### *ARTICLE X*

##### RESTRICTIONS

Section 1.     General Plan. It is the intention of Declarant to establish and impose a general plan for the improvement, development, use and occupancy of the Properties, all thereof in order to enhance the value, desirability and attractiveness of the Properties and to serve to promote the sale thereof.

Section 2.     Restrictions Imposed. Declarant hereby declares that all of the Properties shall be held and shall henceforth be sold, conveyed, used, improved, occupied, owned, resided upon and hypothecated subject to all provisions, conditions, limitations, restrictions, agreements, and covenants set forth in this Declaration.

Section 3.     Use of Common Area.



A. No use shall be made of the Common Area that will in any manner violate the statutes, rules, or regulations of any governmental authority having jurisdiction over the Common Area.

B. Except as otherwise provided herein, no Owner shall place any structure whatsoever upon the Common Area, nor shall any Owner engage in any activity that will temporarily or permanently deny free access to any part of the Common Area to all Members.

C. The use of the Common Area shall be subject to such rules and regulations as may be adopted from time to time by the Board.

D. No use shall ever be made of the Common Area that will deny ingress and egress to those Owners having access to Lots only over Common Area, and the right of ingress and egress to such Lots is hereby expressly granted.

Section 4. Residential Use. Lots shall be used for residential purposes only; no business or profession of any nature shall be conducted on any Lot or in any structure constructed thereon, except as hereinafter provided. Notwithstanding the foregoing, Declarant or its designees, including Developer, may use Lots and residences or buildings of any nature erected thereon for show homes and sales offices, field construction offices, storage facilities, general business offices and for parking areas adjacent to the facilities incident to any of the aforesaid.

Section 5. Animals. No animals, livestock, poultry or bees of any kind shall be kept or maintained on any Lot, except that Owners may keep dogs, cats, fish, or other household pets so long as no Owner has more than two cats or dogs (not two of each, and no more than three

in total) and so long as such pets are not kept for commercial purpose, do not make objectionable noises or are not kept in such number or manner as otherwise to constitute a nuisance or inconvenience to any residents of the Properties and are kept in compliance with all existing applicable local ordinances. Each Owner shall be responsible for the immediate removal and disposal of all solid animal waste of his pet from his Lot or any other area within the Properties. No animals shall be permitted upon the Common Area, except as controlled on a leash or similar device held by its Owner. The Association shall have, and is hereby given, the right and authority reasonably to determine that any household pets are being kept for commercial purposes, are making objectionable noises or are being kept in such number or manner so as to constitute a nuisance or inconvenience to any resident of the Properties and to take such action or actions as it deems reasonably necessary to correct the same.

Notwithstanding the above, the Association may require that dogs and cats be licensed by the Association subject to specific terms and provisions of each such license, and licenses may be revoked if the licensed pet causes any disturbance.

Section 6. Temporary Structures. Except as hereinafter provided, no structure of a temporary character, including without limitation a house trailer, tent, shack, garage or outbuilding, shall be placed or erected upon any Lot, and no residence placed or erected upon any Lot shall be occupied in any manner at any time prior to its being fully completed, nor shall any residence when completed be in any manner occupied until made to comply with all requirements, conditions and restrictions herein set forth; provided, however, that during the actual construction or alteration of a structure on any Lot, necessary temporary structures for storage of materials

may be erected and maintained by the person doing such work. The work of constructing, altering or remodeling any structure on any part of any Lot shall be prosecuted diligently from the commencement thereof until the completion thereof.

Section 7.      *Miscellaneous Restrictions.*

(a) No advertising or signs of any character shall be erected, placed, permitted or maintained on any Lot other than a name plate of the occupant and a street number, and except for one "For Sale" or "For Rent" sign not to exceed five (5) square feet, which may be placed in a front yard area of any Lot. Notwithstanding the foregoing, Declarant or Developer shall be permitted to use larger, numerous and different signs such as Declarant or Developer in its sole discretion may desire or permit.

(b) Except as may otherwise be permitted by the Architectural Control Committee and except as built by Declarant or its successors, including Developer who have Declarant's permission, all types of refrigerating, cooking and heating apparatus shall be concealed.

(c) Except as may otherwise be permitted by the Architectural Control Committee or as built by Developer, all antennae shall be installed inside the improvements on any Lot.

(d) Except as may otherwise be permitted by the Architectural Control Committee or as built by Developer, no fence shall be constructed, erected or maintained on any Lot.

Section 8. Lots to be Maintained. Each Lot shall at all times be kept in a clean, sightly and wholesome condition. No trash, litter, junk, boxes, containers, bottles, cans, implements, machinery, lumber or other building materials shall be permitted to remain exposed upon any Lot so that the same are visible from any neighboring Lot or street, except as necessary during the period of construction.

Section 9. Lots Not to be Subdivided. No Lot shall be subdivided, except by Declarant or for the purpose of combining portions of a Lot with an adjoining Lot or area, provided that no additional building site is created thereby. Not less than one entire Lot, as so reconfigured, shall be used as a building site. Declarant expressly reserves and shall have the right to resubdivided Lots that it owns without any consent or approval whatsoever of any other Owners or Members or of the Association and may amend this Declaration to reference any new plat of the Properties.

Section 10. Underground Utility Lines. All electric, television, radio and telephone line installations and connections from any property line of a Lot to a residence or other structure shall be placed underground, except that during the construction of a residence the contractor or builder may install a temporary overhead utility line, which shall be promptly removed upon completion of construction.

Section 11. No Noxious or Offensive Activity. No noxious or offensive activity shall be carried on upon any Lot nor shall anything be done or placed on any Lot that is or may become a nuisance or cause embarrassment, disturbance or annoyance to others.

Section 12. No Hazardous Activities. No activities shall be conducted on the Properties or on improvements constructed on the Properties that are or might be unsafe or hazardous to any

person or property. Without limiting the generality of the foregoing, no firearms shall be discharged upon the Properties, and no open fires shall be lighted or permitted on the Properties except in a contained barbecue unit while attended and in use for cooking purposes or within a safe and well-designed interior fireplace or firepit or except such campfires or picnic fires on property designated for such use by the Association.

Section 13. No Annoying Light, Sounds, or Odors. No light shall be emitted from any Lot that is unreasonably bright or causes unreasonable glare; no sound shall be emitted on any Lot that is unreasonably loud or annoying; and no odor shall be emitted on any Lot that is noxious or offensive to others.

Section 14. Restrictions on Parking and Storage. Each house trailer, camping trailer, boat trailer, hauling trailer, running gear, boat, truck larger than  $\frac{3}{4}$  ton, and accessories thereto, motor-driven cycle, self-contained motorized recreational vehicle, van, and other such type of vehicle or vehicular or recreational equipment parked or stored on the Properties shall be parked or stored only in an enclosed garage with the door closed. Automobiles shall be parked on the Lot in the driveways only and with the garage door shut if the dwelling contains a garage. There shall be no exceptions to these rules without written approval of the Association; provided, however, that any vehicle may be otherwise parked as a temporary expedience for loading, delivery, or emergency. This restriction shall not restrict trucks or other commercial vehicles within the Properties that are necessary for construction or for the maintenance of the Common Area or Lots. No boats, trailers, motorhomes or similar vehicles will be permitted to be stored on a Lot unless, as stated, within an enclosed garage. No parking area shall be converted to

another use unless it is demonstrated to the Architectural Control Committee that sufficient off-street, onsite parking exists. The provisions of this Section shall be subject to and may be modified and supplemented by any rules and regulations of the Association, provided there is no conflict with the Master Declaration.

Section 15. Clotheslines and Storage. No clotheslines, dog runs, drying yards, service yards, wood piles, or storage areas shall be so located on any Lot as to be visible from a street, public view or the Common Area

Section 16. Garbage and Refuse Disposal. No garbage, refuse, rubbish or cuttings shall be deposited on any street or on any Lot unless placed in a suitable container suitably located solely for the purpose of garbage pickup. All equipment for the storage or disposal of such materials shall be kept in clean and sanitary condition.

Section 17. Repair. No activity such as without limitation maintenance, repair, rebuilding, dismantling, repainting or servicing of any kind of vehicles, trailers or boats may be performed on any Lot or on the Common Area, unless it is done within completely enclosed structures that screen the sight and sound of the activity from the street and from adjoining property.

Section 18. Tanks. No tanks of any kind, either elevated or buried, shall be erected, placed or permitted upon any Lot.

Section 19. Management Agreements and Other Contracts. The Association may utilize professional management in performing its duties hereunder. Any agreement for professional management of the Association's business shall have a maximum term of one (1) year and shall

provide for termination by either party thereto, with or without cause and without payment of a termination fee, upon thirty (30) days' prior written notice. Any such management contracts entered into by the Association with a manager or managing agent while there is a Class B Membership shall terminate absolutely, in any event, not later than thirty (30) days after termination of Class B Membership.

Section 20. Rules and Regulations. Reasonable rules and regulations concerning and governing the Properties or any portion thereof may be adopted, amended or repealed from time to time by the Board, and the Board may establish and enforce penalties for the infraction thereof, including without limitation the levying and collecting of reasonable monetary fines for the violation of any of such rules and regulations.

Initially, such monetary fines shall not exceed fifty dollars per infraction but may, effective with the commencement of the second assessment period, be increased in accordance with the rise in the Consumer Price Index as provided for herein. Such fines shall be added to and become part of the assessment to which such Owner's Lot is subject and shall become a lien on such Owner's Lot and the improvements thereon and shall be enforceable and collected as provided herein.

The Association or any aggrieved Owner may take judicial action against any Owner to enforce compliance with such rules and regulations, to collect fines or obtain damages for noncompliance, or for injunctive relief, or all of them, all to the extent permitted by law; in any such action, the prevailing party shall be entitled to recover its costs and reasonable attorneys' fees incurred pursuant thereto.

Section 21. Acts of Declarant; Use of Common Area. Notwithstanding any other provision hereof, Declarant and Developer shall be permitted full use of the Properties for any of its activities in connection with the construction, marketing and sale of the Properties and may conduct construction at times and in manners determined in its sole discretion and may erect and maintain permanent and temporary buildings, signs and other improvements on the Common Area and Lots for the marketing and promotion of the Properties. Declarant shall have an easement over and across the Common Area for all such purposes.

Declarant or Developer shall have the right to build entry features, perimeter walls and other improvements on the Common Area.

#### ARTICLE XI

##### FIRST MORTGAGES

Section 22. Financial Statements. The Association shall provide an annual financial statement for the immediately preceding fiscal year, free of charge to the party so requesting, including any First Mortgagee of a Lot, or any insurer or guarantor of such a First Mortgage, within a reasonable time after written request therefor by any such party.

Section 23. Association Books and Records. The Association shall make available to Owners, First Mortgagees of Lots, and insurers or guarantors of any such First Mortgage, current copies of this Declaration, and the Articles of Incorporation, Bylaws, rules and regulations, books, records, and financial statements of the Association. "Available" shall mean available for inspection, upon request, during normal weekday business hours or under other reasonable circumstances.



## *ARTICLE XII*

### GENERAL PROVISIONS

Section 1. Enforcement. Enforcement of the covenants, conditions, restrictions, easements, reservations, rights-of-way, liens, charges and other provisions contained in this Declaration, the Articles of Incorporation and Bylaws of the Association shall be by any proceeding at law or in equity against any person or persons violating or attempting to violate any such provision, to enjoin or restrain such violation or attempted violation or to recover damages, or both, and the Association and any aggrieved Owner shall have the right to institute, maintain, and prosecute any such proceedings; in any such action the prevailing party shall be entitled to recover its costs and reasonable attorneys' fees incurred pursuant thereto. Failure by the Association or any Owner to enforce any provision of this Declaration or the Articles of Incorporation or Bylaws of the Association shall in no event be deemed a waiver of the right to do so thereafter.

Prior to any decision by the Board to suspend voting rights or the rights to use the Common Area, impose monetary penalties pursuant to the provisions of this Declaration, or as otherwise provided for in the Articles and Bylaws, the Board shall give the sanctioned party written notice of the basis for such sanction and shall be granted an opportunity to be heard by the Board no less than five (5) working days after such notice has been given.

Section 2. Severability. Invalidation of any of these covenants or restrictions by judgment or court order shall in no way affect or limit any other provisions, which shall remain in full force and effect.

Section 3.     Construction and Maintenance Easement. If any portion of any exterior wall of a residence is situated within five feet of any adjoining Lot line, a valid easement for the benefit of the Owner of such residence is hereby created, five feet in width along the open spaces, if any, of the adjoining Lot and adjacent to the Lot line, which easement may be used by such Owner for access for the maintenance and repair of the exterior of his or her residence.

Section 4.     Easement for Encroachments. If any portion of a residence encroaches upon the Common Area or upon any adjoining Lot, or any portion of the Common Area encroaches upon any residence, including any future encroachments arising or resulting from the repair or reconstruction of a residence subsequent to its damage, destruction, or condemnation, a valid easement on the surface and for subsurface support below such surface and for the maintenance of same, so long as it stands, shall and does exist.

Section 5.     Utilities. There is hereby created a blanket easement upon, across, over and under the Properties and Common Area for utilities and the installation, replacement, repair and maintenance of utilities, including but not limited to water, sewer, gas, telephone, electricity and master television antenna systems, if any, provided that blanket easement shall not extend under any dwelling located on any Lot. By virtue of this blanket easement, it shall be expressly permissible to erect and maintain the necessary facilities, equipment and appurtenances on the Properties and to affix, repair and maintain water and sewer pipes, gas, electric, telephone and television wires, circuits, conduits and meters. In the event that any utility or quasi-utility company furnishing a service covered by the general easement created herein requests a specific easement by separate recordable document, Declarant reserves and is hereby given the right and

authority to grant such easement upon, across, over, or under any part or all of the Common Area without conflicting with the terms hereof; provided, however, that such right and authority shall cease and terminate upon conveyance by Declarant of the last Lot to the first purchaser thereof (other than Declarant).

Section 6.     Rights of Declarant and Developer Incident to Construction. An easement is hereby retained by and granted to Declarant and Developer, its successors and assigns, for access, ingress and egress over, in, upon, under and across the Common Area, including but not limited to the right to store materials thereon and to make such other use thereof as may be reasonable, necessary or incidental to Declarant or Developer's constructions on the Properties.

Section 7.     Conflicts of Provisions. In case of any conflict between this Declaration, the Articles of Incorporation, or Bylaws of the Association, this Declaration shall control. In case of any conflict between the Articles of Incorporation and the Bylaws of the Association, the Articles of Incorporation shall control.

Section 8.     Condemnation. In the event that proceedings are initiated by any government or agency thereof seeking to take by condemnation or by the power of eminent domain the Common Area, any material part thereof, or any material interest therein, the Association shall give prompt notice thereof, including a description of the part of or interest in the Common Area sought to be condemned, to all Members. The Association shall have full power and authority to defend in such proceedings and to represent the Owners in any negotiations, settlements, and agreements with a condemning authority for acquisition of the Common Area, any part thereof, any improvements thereon, or any interest therein, and each

Owner hereby appoints the Association as its attorney in fact for such purposes. Any award or proceeds of settlement shall be payable to the Association to be used as herein provided.

A. In the event that all the Common Area is taken, condemned, sold or otherwise disposed of, in lieu of or in avoidance thereof, any award or settlement shall be apportioned by the Association among the Members and their Mortgagees on a reasonable basis as the Association determines to be equitable in the circumstances or as determined by judicial decree. If the allocation of the condemnation award is already established in the negotiations, judicial decree, or otherwise, then in allocating the condemnation award, the Association shall employ such allocation to the extent that it is relevant and applicable.

B. In the event that less than the entire Common Area is taken, condemned, sold or otherwise disposed of, in lieu of or in avoidance thereof, the condemnation award shall first be applied by the Association to the rebuilding and replacement of those improvements on the Common Area damaged or taken by the condemning public authority, unless sixty-seven percent (67%) of the Owners and sixty-seven percent (67%) of the First Mortgagees (based upon one vote for each First Mortgage held) agree otherwise. Any surplus of the award or other portion thereof not used for rebuilding and replacement that is less than or equal to Five Thousand Dollars (\$5,000.00) shall be retained by the Association to offset normal operating expenses, and any excess shall be distributed by the Association on the same basis as indicated in subparagraph (a) of this Section 8. No provision of the Declaration or any other document relating to the Properties shall be deemed to give an Owner or any other party priority over the rights of a First Mortgagee pursuant to the terms of a First Mortgage in the case of a distribution

to the Owner of insurance proceeds or condemnation awards for losses to or taking of Lots or Common Area or both.

Section 9. Duration, Revocation, and Amendment. Each and every provision of this Declaration shall run with and bind the land for a term of twenty-one (21) years from and after the date of recordation of this Declaration, after which time this Declaration shall be automatically extended for successive periods of ten (10) years each unless prior to the end of any ten (10)-year extension period the Owners of at least seventy-five percent (75%) of the Lots agree in writing that this Declaration shall terminate at the end of the extension period then applicable. This Declaration may be amended during the first twenty-one (21)-year period, and during subsequent extensions thereof by any instrument approved in writing by the Owners or Owner of not less than seventy-five (75%) of the Lots. Such amendment shall be effective when duly recorded in Pima County, Arizona, and no such amendment made to the provisions hereof shall be deemed void or ineffective merely because such amendment is non-uniform as to all Lots, but no amendment may be made so long as Declarant owns any Lot if the effect of such amendment is to limit or take from Declarant any of the special or reserved rights or privileges of Declarant.

Notwithstanding anything to the contrary contained in this Declaration, if Declarant shall determine that any amendments to this Declaration or any amendments to the Articles of Incorporation or Bylaws of the Association shall be necessary in order for existing or future mortgages, deeds of trust or other security instruments to be acceptable to the Veterans Administration, the Federal Housing Administration of the U.S. Department of Housing and Urban Development, the Government National Mortgage Association, the Federal National

Mortgage Association, or the Federal Home Loan Mortgage Corporation, then Declarant shall have and hereby specifically reserves the right and power to make and execute any such amendments without obtaining the approval of any Owners, First Mortgagees, or any other person or entity.

Section 10. Annexation. Additional residential property and Common Area may be annexed by Declarant to the Property with the consent of two-thirds ( $\frac{2}{3}$ ) of each class of Members and the recording of a Declaration of Annexation.

Section 11. FHA/VA Approval. As long as there is Class B membership, the following actions shall require the prior approval of the Federal Housing Administration or the Veterans Administration if such agencies have previously approved of this Declaration: annexation of additional properties to the Properties, dedication or transfer of Common Area, and amendment of this Declaration.

Section 12. Nature of Common Area. In recording this Declaration of Covenants, Conditions, and Restrictions, Declarant has designated certain areas of land as Common Area intended for the common use and enjoyment of Owners for recreation and other related activities. The Common Area is not dedicated to the public, but rather is for the common use and enjoyment of the Owners, as more fully provided in and limited by this Declaration.

IN WITNESS WHEREOF, the undersigned Declarant has hereunto set its hand and seal as of the day and year first above written.

FIDELITY NATIONAL TITLE AGENCY, INC.,  
an Arizona corporation, as Trustee under Trust  
Number 10,727 and not otherwise

BY:   
TITLE, Sr. Trust Officer

STATE OF ARIZONA       )  
                                      )  
COUNTY OF PIMA       )       ss.

This instrument was acknowledged before me this 29th day of July,  
1997, by Kevin French, as Sr. Trust Officer of FIDELITY  
NATIONAL TITLE AGENCY, INC., an Arizona corporation, as Trustee under Trust Agreement  
Number 10,727 and not otherwise.

OFFICIAL SEAL  
MARTHA L. HILL  
Notary Public - Arizona  
PIMA COUNTY  
My Commission Expires 8-27-97

Martha L. Hill  
Notary Public

CNB Homes L.L.C., an Arizona Limited  
Liability Company, as Beneficiary of Trust No. 10,727

By: Steven Canatsey  
Title: Managing Member

STATE OF ARIZONA       )  
                                      )  
COUNTY OF PIMA       )       ss.

This instrument was acknowledged before me this 29th day of July,  
1997, by Steven Canatsey, as Managing Member of CNB Homes L.L.C.,  
an Arizona Limited Liability Company, as Beneficiary of Trust Number 10,727.

OFFICIAL SEAL  
MARTHA L. HILL  
Notary Public - Arizona  
PIMA COUNTY  
My Commission Expires 8-27-97

Martha L. Hill  
Notary Public

EXHIBIT "A"

LOTS 1 THROUGH 18 AND COMMON AREA "A" AND "B" OF SIERRA DE  
ORO, A SUBDIVISION OF PIMA COUNTY, ARIZONA AS RECORDED IN  
BOOK 50 OF MAPS AND PLATS AT PAGE 05.

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