DECLARATION OF HORIZONTAL PROPERTY REGIME AND COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

HIGHLAND VILLAGE CONDOMINIUMS

THIS DECLARATION, made on the date hereinafter set forth by Highland Village Properties, a limited partnership, hereinafter referred to as "Declarant",

WITNESSETH:

WHEREAS, Declarant is the beneficial owner of certain property in the City of Phoenix, County of Maricopa, State of Arizona, now held by Stewart Title and Trust of Phoenix, Inc., a Delaware corporation, as Trustee, which is more particularly described as:

HIGHLAND VILLAGE, according to this Declaration as recorded in the Office of the County Recorder of Maricopa County, Arizona, being part of the North half of the East half of Lot 18, LINCOLN PLACE, as recorded in Book 3 of Maps, Page 65, official records of Maricopa County, Arizona.

Attached hereto as EXHIBIT "A" and by this reference made a part hereof is a copy of Horizontal Property Regime as recorded in Book of Maps, Page , of the office of the Maricopa County Recorder.

AND, WHEREAS, Declarant will convey the said properties subject to certain protective covenants, conditions, restrictions, reservations, liens and charges as hereinafter set forth; and

WHEREAS, Declarant hereby establishes by this Declaration a plan for the individual ownership of the real property estates consisting of the area or space contained in each of the units in each multifamily structure, and the co-ownership by the individual and separate owners thereof, as tenants in common and as hereafter set forth, of all of the real property which is hereinafter defined and referred to as the "Common Areas", and for the maintenance thereof;

NOW, THEREFORE, Declarant hereby declares that all of the properties described above shall be held, sold and conveyed subject to the following covenants, conditions, charges, liens, restrictions, easements and reservations (hereinafter collectively sometimes called "Restrictions"), all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the real property, and all of which are hereby declared to be for the benefit of all of the property described herein and the owners thereof, their heirs, successors, grantees and assigns. These restrictions shall run with the real property and shall be binding on all parties having or acquiring any right, title or interest in the described properties or any part thereof, and shall inure to the benefit of each owner thereof. Said restrictions establish and impose a general plan for the improvement and development of said property described herein and the adoption and establishment of covenants, conditions, charges, liens, easements and restrictions upon said land and upon any and all units constructed or to be constructed thereon, and upon the use, occupancy and enjoyment therein. Every conveyance of any of said units, or property or portion thereof shall be and is subject to these covenants, conditions, charges, liens, restrictions and easements as follows:

ARTICLE I

DEFINITIONS

Section 1. "Association" shall mean and refer to Highland Village Condominiums Association, its successors and assigns.

Section 2. "Properties" or "Premises" or "Project" shall mean and refer to that certain real property herein described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 3. "Common Area" and "Common Elements" shall be synonymous and are known as Tracts A through D and such other portions of HIGHLAND VILLAGE, a subdivision recorded in Book of Maps, Page , official records of Maricopa County, Arizona,

as shall be for the common use and enjoyment of the owners, and further defined as follows:

Each multifamily structure (except for the units), the earth upon which the structure is located (as set forth in the legal description in ARTICLE I, Section 8 herein), the air space above the interior surface of the ceiling of the structure, all bearing walls, columns, floors, roofs, ceilings, slabs, foundations, storage spaces, patios, tanks, and other central services and all recreational facilities, lawns, pavement, trees and all other landscaping on the project on which the multifamily structures are located, pipes, ducts, chutes, conduits, wires and other installations of the multifamily structures, wherever located, except the outlets thereof when located within the units.

Section 4. "Unit" shall mean and refer to a separately designed and legally described freehold estate consisting of the apartment units in each multifamily structure, each separately shown, numbered and designated on the condominium plan shown on Exhibit A, hereof, and shall be a separate freehold estate consisting of the space bounded by and contained within and including the interior surfaces of the perimeter walls, doors, ceilings, windows and floors of each unit, each of such spaces being defined and referred to herein as a "Unit". Each unit shall include all portions of the building so described and the air space so encompassed, but the following are not part of the unit: bearing walls, columns, floors, foundations, slabs, storage spaces, patios, pumps, and other central services, pipes, conduits, wires and other utility installations, wherever located, except the outlets thereof when located within the unit.

Section 5. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 6. "Owner" shall mean and refer to the record owner, whether one or more persons or entities of equitable title in fee simple (or legal title if equitable title has merged) of any unit which is part of the properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 7. "Declarant" shall mean and refer to HIGHLAND VILLAGE PROPERTIES, a limited partnership, its successors and assigns if such successors or assigns should acquire an undeveloped portion of the Submitted Property from the Declarant for the purpose of development.

Section 8. "Submitted Property" shall mean and refer to:

The North half of the East half of Lot 18, LINCOLN PLACE, according to the plat of record in the Office of the Maricopa County Recorder in Book 3 of Maps, Page 65.

ARTICLE II.

DECLARATION

Section 1. Declarant, the fee owner of the above-described submitted property hereby makes the following declaration as to division, easements, rights, liens, charges, covenants, restrictions, limitations, conditions and uses to which the project may be subjected hereby specifying that such declaration shall constitute covenants to run with the land and shall be binding on Declarant, its successors and assigns, and all subsequent owners of all or part of the project, together with their grantees, successors, heirs, executors, administrators, devisees or assigns.

Section 2. Declarant, in order to establish a plan of condominium ownership for the project in accordance with the Horizontal Property Regime Statutes of Arizona, §33-551 through §33-561. Arizona Revised Statutes, declares, covenants and agrees that it hereby divides the submitted property, pursuant to said sections of the statutes, into the following separate freehold estates:

(a) 48 separate units as defined in ARTICLE I,
Section 4, hereinabove, and as shown and described
on the Condominium Plan recorded in Book of

Maps, Page _____of the official Maricopa County Records.

(b) The Common Elements, which are defined in ARTICLE I, Section 3, hereinabove, and as are shown on the Condominium Plat recorded in Book of Maps, Page_____, of the Maricopa County official Records, minus the units, as shown thereon.

Section 3. Each unit together with the respective undivided interest in the common areas specified and established in ARTICLE II, Sections 5, 6 and 7, hereof, together with the right to use exclusively spaces as set forth in ARTICLE II, Section 4, hereof, is defined and hereinafter referred to as a "Condominium", and the ownership of each condominium shall include a unit, an undivided interest in the general common areas as set forth in ARTICLE II, Section 6, and the right to use such exclusive areas of the "restricted common areas" defined in ARTICLE II, Section 4, hereof, and as assigned by the Board of Directors.

Section 4. The parking spaces and storage areas designated on the condominium plan shown on Exhibit A, hereof, are included in the common areas and are hereby set aside and allocated for the restricted use of the respective units. Parking spaces and storage areas shall be designated and set aside for the restricted use of unit owners by the Board of Directors of the Highland Village Condominium Association. Said areas shall be known as "restricted common areas". Each unit will be assigned one covered parking space, as assigned by the Board of Directors. Each said parking space will be specifically labeled for that unit.

Section 5. The 48 individual units hereby established and which shall be individually conveyed (together with their respective undivided fractional interest in the general common areas) are described as follows:

Units 1 through 48, inclusive, HIGHLAND VILLAGE CONDOMINIUMS.

Section 6. The undivided interest in the general common areas hereby established and which shall be conveyed with each respective unit shall be 1/48 thereof, and shall be held as tenants in common.

The proportionate shares of the separate owners of each respective unit in the profits and common expenses of the Common Areas shall be the same as the undivided interests referred to herein.

Section 7. The above undivided interest established and to be conveyed with the units cannot be changed except as provided in ARTICLE XVI, Section 7, or as otherwise provided herein, and Declarant, its successors and assigns, and grantees, covenant and agree that undivided interests in the common areas and the fee titles to the respective units conveyed therewith shall not be separated or separately conveyed, and each such undivided interest shall be deemed to be conveyed or encumbered with its respective unit even though the description in the instrument of conveyance or encumbrance may refer only to the fee title to the unit.

Section 8. Additional land within <u>HIGHLAND VILLAGE</u>, as described in Book 3 of Maps, Page 65, Office of the Maricopa County Recorder may be annexed by the Declarant without the consent of members within two years of the date of this instrument.

Otherwise, annexation of additional property shall require the assent of two-thirds (2/3) of the Class A members and two-thirds (2/3) of the Class B Members, if any.

ARTICLE III

MEMBERSHIP

Section 1. Membership in the Association, except for membership of the Declarant and the first Board of Directors, shall be limited to owners of units constructed or planned to be constructed on the property described above and such additional property as may be annexed thereto. An owner of a unit shall automatically, upon becoming the owner of a unit, be a member of the Association, and shall remain a member of the Association until such time as his ownership ceases for any reason, at which time his membership in said Association shall automatically cease.

Ownership of a unit shall be the sole qualification and criteria for membership.

Section 2. A membership in the Association shall not be

transferred, pledged or alienated in any way, except upon the sale of such unit and then only to such purchaser, or by intestate succession, testamentary disposition, foreclosure of mortgage of record, or other legal process. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association. In the event the owner of any unit should fail or refuse to transfer the membership registered in his name to the purchaser of such unit, the Association shall have the right to record the transfer upon the books of the Association and issue a new membership for the purchaser and thereupon the old membership outstanding in the name of the seller shall be null and void as though the same had been surrendered.

Section 3. The owner of each unit shall be entitled to one membership in the Association, and there shall be no more than one membership for each unit. Membership shall be appurtenant to and may not be separated from ownership of any unit which is subject to assessment by the Association.

ARTICLE IV

VOTING RIGHTS

Section 1. The Association shall have two classes of voting membership:

Class A. Class A members shall be all of those owners as referred to in ARTICLE III. A Class A member shall be entitled to one vote for each unit owned by said member, as provided above.

Class B. The Class B member shall be the Declarant.

The Class B member shall be entitled to three (3) votes for each unit in which it holds the interest required for membership by ARTICLE III, Provided that the Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) When the total votes outstanding in the Class A membership within all phases of this condominium project equal the total votes outstanding in Class B membership, or

(b) five years from the date of this Declaration.

Section 2. In the event any unit owner shall be in arrears in the payment of any amounts due under any of the provisions of this Declaration for a period of thirty (30) days, or shall be in default in the performance of any of the terms of this Declaration for a period of thirty (30) days, said unit owner's right to vote as a member of the Highland Village Condominium Association shall be suspended and shall remain suspended until all payments are brought current and all defaults remedied.

ARTICLE V

PROPERTY RIGHTS

Section 1. Members' Rights of Enjoyment. Every member shall have a right of enjoyment in and to the common elements, and such rights shall be appurtenant to and shall pass with the title to each and every unit. It is expressly acknowledged and agreed by all parties concerned that this ARTICLE is for the mutual benefit of all owners of the Highland village Condominum Association, and is necessary for the protection of said owners. It is understood and agreed that the rights of use and enjoyment of the common elements may be exercised by any person legally in possession of a unit in a manner not in violation of the provisions hereof, but nothing herein shall be deemed to alter or amend the definition of "owner" under ARTICLE I, Section 6, hereof, or to affect the provisions of ARTICLE III hereof with respect to membership or to affect the provisions of ARTICLE IV hereof with respect to voting rights. Such rights and easements of enjoyment shall be subject to reasonable rules and regulations as from time to time are promulgated by the Board of Directors, and which may include but not be limited to:

(a) The right of the Association to reasonably

- limit the number of guests of members;

 (b) The right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Areas;
- (c) The right of the Association, in accordance with its Articles and By-Laws, to borrow money for the purpose of improving the Common Area and facilities and in aid thereof to mortgage said property, and the rights of such mortgagee in said properties shall be subordinate to the right of the owners hereunder.

Such rights of enjoyment of a member may be suspended, after notice and hearing, for a period not to exceed thirty (30) days, for violation of any rules and regulations established by the Board of Directors governing the use of the common area and facilities.

Section 2. <u>Delegation of Use</u>. Any member may delegate in accordance with the By-Laws, his right of enjoyment to the common areas and facilities to the members of his family, his tenants, or contract purchasers who reside on the property.

ARTICLE VI

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Maintenance. Maintenance, upkeep and repairs of common areas shall be the sole responsibility of the Association and its Board of Directors. Any cooperative action necessary or appropriate to the property maintenance and upkeep of the common elements and all exteriors and roofs of the units, including but not limited to, recreation and parking areas and walks, may be taken by the Board of Directors or by its duly-delegated representative as it may deem to be in the best interest of all parties in carrying out the purposes of this Declaration. The powers, rights and duties of the Association and the Board of Directors shall be contained in this Declaration, and as may be adopted in its Articles and By-Laws not inconsistent herewith.

Section 2. The Association, or its duly-delegated representative, shall maintain and otherwise manage all common areas, including, but not limited to the landscaping, and common parking areas located upon the above-described properties. The Board of Directors shall use a reasonably high standard of care in providing for the repair, management and maintenance of said property so that said property will reflect a high pride of ownership. All interior maintenance and interior repair of the individual units, shall be the sole obligation and expense of the individual unit owners.

Section 3. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each unit owned within the properties, hereby covenants, and each owner of any unit by acceptance of a deed therefore, whether or not it shall be so expressed in any such deed or other conveyance, 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 fixed, established and collected from time to time as hereinafter provided. The annual and special assessments, together with such interest thereon and costs of collection thereof, as hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with such interest, costs and reasonable attorney fees shall also be the personal obligation of the person who was the owner of such property at the time when the assessment fell due, but such personal obligation and liabiltiy of the "owner" shall not be deemed to limit or discharge the charge on the land and continuing lien upon the property against which such assessment is made. The Declarant shall pay and be liable for said assessment on the first day of the month in which conveyance is made of the first unit to an owner.

Section 4. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the purpose of

promoting the recreation, health, safety and welfare of the residents in the properties and in particular for the improvement and maintenance of the properties, services and facilities devoted to this purpose and related to the use and enjoyment of the common area, and of the units situated upon the properties.

Section 5. Establishment, Basis and Maximum of Assessments.

Declarant and the owner of each such unit, for themselves, their heirs, successors and assigns, further covenant that each unit shall be subject to an assessment in an amount to be determined by the Association, in the following manner:

(a) Such unit's share of the actual cost of the Association of all repairs, construction, replacement and maintenance of the general common areas, and other facilities and activities including but not limited to, mowing grass, caring for the grounds, sprinkler system, and other charges required by this Declaration of Covenants, Conditions and Restrictions; (b) Such unit's share of the actual cost of the Association of such recreational facilities as may from time to time be provided by the Association; (c) Such condominium unit's share of such sum as the Board of Directors of the Association shall determine to be fair and prudent for the establishment and maintenance of a reserve for repair, maintenance, and other charges hereinafter provided, fire and extended coverage insurance on the common areas, and a liability insurance policy in the face amount of not less than \$500,000.00, which policy, in addition to public liability shall cover repair and construction work to all of the assets and property to be maintained by the Association. The disposition of liability insurance proceeds shall be made upon majority vote of the Board of Directors but in all events shall be used to and for the purpose of the Association.

- (d) Such unit's share of such additional sum as the board of Directors of the Association shall determine to be necessary to meet the primary purposes of the Association.
- (e) Each unit's share shall be the same as its undivided interest in the common elements of the total amount determined under subparagraphs (a), (b), (c) and (d), above.

Section 6. The amount to be shared among the members of the Association pursuant to the subparagraphs (a), (b), (c), (d) and (e) above, shall be established annually by the Board of Directors. Said amount shall be established after the Board of Directors has met with the management corporation, as hereinafter provided, and has examined the annual report to be prepared by said management corporation, and the annual audit prepared by a certified public accountant.

Section 7. An annual report shall be prepared by the management corporation or by such other party as the Board of Directors shall order. The exact date for the annual report shall be determined by the Board of Directors. The Board of Directors shall meet with the management corporation or other party preparing said report within thirty (30) days following the preparation of same to discuss and set the rate for the current year.

Section 8. At the time of the first conveyance of each unit and from time to time thereafter, the Board of Directors or the designated representative shall notify the owner or owners of each unit as to the amount of estimated annual assessment and shall each month collect for each unit one-twelfth (1/12) of said unit's proportional share of said annual assessment.

Section 9. Until January 1 of the year immediately following the conveyance of the first unit to an owner, the maximum annual assessment shall be \$624, payable each month at a rate of \$52.00, and such assessments shall commence as to all units at that time. From and after the end of said first fiscal year, the maximum

annual assessment may be increased by an amount up to ten (10%) percent per annum, effective the first day following the end of each fiscal year, by a majority vote of the duly-elected Directors of the Association so acting at any regular or special meeting of the Directors. Any greater annual increase in the maximum assessment shall require a two-thirds (2/3) vote of each class of members.

Section 10. Special Assessments. In addition to any other assessments authorized by this Declaration, the Association's Board of Directors shall have the right and power to provide for the construction of additional recreational and other common facilities, or the alteration, demolition or removal of existing recreational and other common facilities, from time to time, as in their discretion appears to be in the best interests of the Association and the project. Any increase in the owners' annual assessment over the then maximum limitation, shall be applicable only to the year said special assessment is levied for the purpose of defraying, in whole or in part, the cost of such alterations, demolition, removal, construction, improvements or additions, provided that such special assessments shall be authorized by the affirmative vote of three-fourths (3/4) of the Board of Directors at a duly-called meeting at which a quorum is present, and ratified and approved by the affirmative vote of two-thirds (2/3) of each class of members present at a duly-called meeting at which a quorum is present.

Section 11. For the purposes of Sections 9 and 10 of Article VI, the presence at a duly-called meeting of members or of proxies entitled to cast sixty (60%) percent of all the votes of each class of membership shall constitute a quorum. Notice of this meeting shall be given by sending written notice to all members not less than thirty (30) nor more than fifty (50) days in advance of the meeting. If the required quorum is not forthcoming at any meeting, another meeting may be called by sending written notice to all members not less than thirty (30) days nor more than sixty (60)

days in advance of the meeting, setting forth the purpose of the meeting, and the required quorum at any such subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be more than sixty (60) days following the preceding meeting.

Section 12. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a rate for all units as to the assessments for the general common elements based on each unit's respective undivided interest in the common elements. All of these assessments may be collected on a monthly basis.

Section 13. Effect of Nonpayment of Assessments and Remedies of the Association. Each unit owner, for himself, his heirs, successors, grantees and assigns, covenants that with respect to charges so determined during the period that he is an owner, he will remit these charges directly to the management corporation, or such other party or parties as directed by the Association's Board of Directors.

(a) Any assessments which are not paid when due shall be delinquent. Each unit owner further agrees that these charges, if 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, such interest to be added to each monthly assessment which is delinquent as provided hereinabove. Each delinquent assessment and the monthly penalty thereon shall become a lien upon the delinquent owner's unit and shall continue to be such lien until fully paid. This lien shall be subordinate to the lien of any first mortgage. Sale or transfer of any, unit which is subject to mortgage, pursuant to a decree of foreclosure under · such mortgage or any proceeding in lieu of foreclosure under such mortgage, shall extinguish the lien of such assessments as to payments thereof

which became due prior to such sale or transfer. (b) Each such owner expressly vests in the HIGHLAND VILLAGE CONDOMINIUMS ASSOCIATION, or its agents, the right and power to bring all actions against such owner personally for the collection of such charges as a debt and enforce the aforesaid lien by all methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association in a like manner as a mortgage of real property, and such owner hereby expressly grants to the Association a power of sale in connection with said lien. The lien provided for in this Section shall be in favor of the Association and shall be for the benefit of all other unit owners. The Association acting on behalf of the unit owners, shall have the power to bid in an interest foreclosed at foreclosure sale and to acquire and hold, lease, mortgage and convey the same. In the event any person, corporation or association authorized to enforce the provisions of this Declaration employs an attorney or attorneys to enforce said lien or the collection of any amounts due pursuant to this Declaration, or to enforce compliance with or specific performance of the terms and conditions of this Declaration, the owner, owners and parties against whom the action is brought shall pay all attorney fees and costs thereby incurred by said enforcing party in the event said enforcing party prevails in any such action.

Section 14. No owner of a unit may exempt himself from liability for his contribution toward the common expenses by waiver of the use or enjoyment of any of the common elements or by the abandonment of his unit.

Section 15. The Association shall upon demand at any time furnish a certificate in writing signed by an officer of the Association setting forth whether the assessments on a specified unit have been paid. A reasonable charge may be made by the Board for the issuance of these certificates. Such certificates shall be conclusive evidence of payment of any assessment therein stated to have been paid.

ARTICLE VII

PARTY WALLS

Section 1. The rights and duties of the owners of units within this project with respect to party walls and/or walls directed between adjoining units shall be governed by the following:

- (a) Each wall, including patio walls, which is constructed as a part of the original construction of the multifamily structure, and part of which is a bearing wall, and which is placed on the dividing line between the units, shall constitute a party wall. With respect to any such wall, each of the adjoining owners shall assume the burdens and be entitled to the benefits of these restrictive covenants, and, to the extent not inconsistent herewith, the general rules of law regarding party walls shall be applied thereto.
- (b) In the event any such party wall is damaged or destroyed by some cause other than the act of one of the adjoining owners, his agents, tenants, licensees, guests or family (including ordinary wear and tear and deterioration from lapse of time), then in such event, the Association shall bear the responsibility to rebuild or repair the same to as good a condition as formerly.

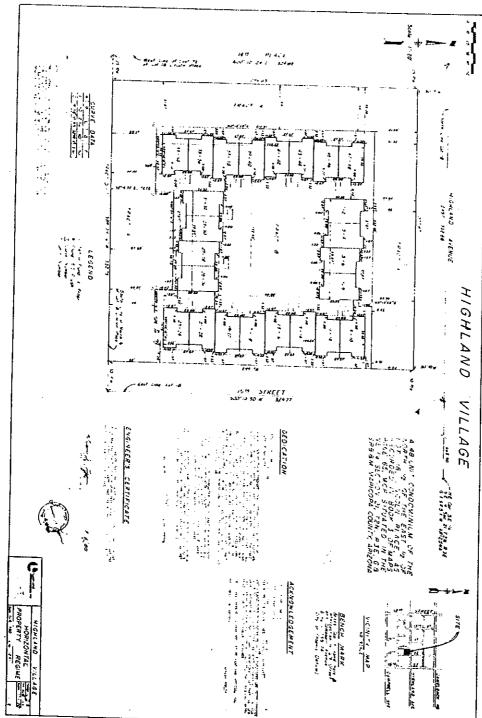


EXHIBIT "A"

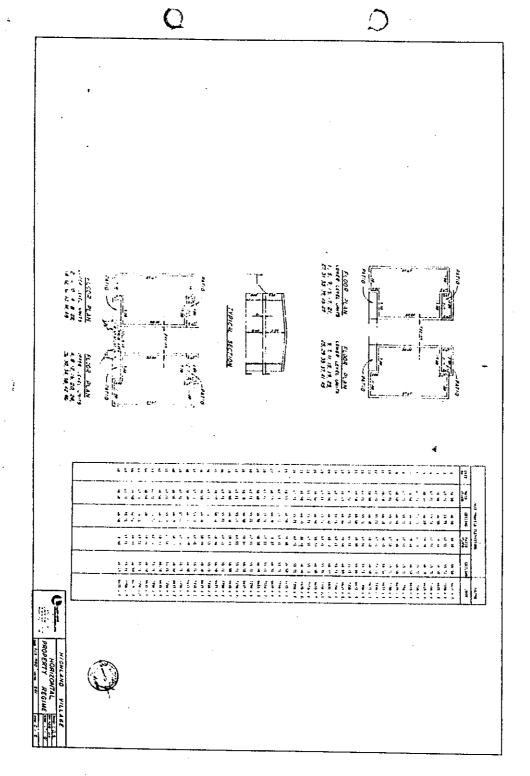


EXHIBIT "A"

- (c) Notwithstanding any other provision of this ARTICLE, an owner who by his negligent or willful act causes any party wall to be exposed to the elements shall bear the whole costs of furnishing the necessary protection against such elements.
- (d) The right of any owner to contribution from any other owner under this ARTICLE shall be appurtenant to the land and shall pass to such owner's successers in title.
- (e) In the event of a dispute between owners with respect to the repair or rebuilding of a party wall or with respect to the sharing of the cost thereof, then upon written request of one of such owners addressed to the Association, the matter shall be submitted to arbitrators under such rules as may from time to time be adopted by the association. If no such rules have been adopted, then the matter shall be submitted to three arbitrators, one chosen by each such owner and those arbitrators shall choose a third arbitrator, or if the two arbitrators cannot agree as to the selection of the third arbitrator within five (5) days, then by any Judge of the Superior Court of Maricopa County, Arizona. A determination of the matter signed by any two of the three arbitrators shall be binding upon the owners, who shall share the cost of arbitration equally. In the event one party fails to choose an arbitrator within ten (10) days after receipt of a request in writing for arbitration from the other party, then said other party shall have the right and power to choose both arbitrators.

ARTICLE VIII

ARCHITECTURAL CONTROL

Section 1. No improvement, whether a building, fence, wall or

other structure shall be commenced, erected or maintained, until the plans and specifications for the same showing all construction details, including the nature, shape, height, materials, floor plans, location and approximate cost thereof shall have been submitted to and approved in writing by HIGHLAND VILLAGE CONDOMINIUMS ASSOCIATION, its successors or assigns. Said Association shall have the right to deny approval of any plans or specifications which are not, in its opinion, suitable or desirable for aesthetic or any other reason, and shall have the right to take into consideration the harmony and the suitability of the same with surrounding area and the effect of such structure or building as seen from adjacent or neighboring properties. All subsequent replacements, alteration, repairing or improvements of any building, fence, wall or other structure, also shall be subject to the prior approval of HIGHLAND VILLAGE CONDOMINIUMS ASSOCIATION, its successors or assigns. If the Association fails to approve or disapprove such plans and specifications within thirty (30) days after submission thereof, approval will not be required and this ARTICLE will be deemed to have been fully complied with; provided, however, that in no event shall any unit owner have the right to make changes or additions to his or her residence which would exceed in any amount the original cubic footage of the said residence.

ARTICLE IX

EXTERIOR MAINTENANCE

Section 1. The Association, or its duly-delegated representatives, shall maintain and otherwise manage all property up to and including the exterior building, including, but not limited to, the landscaping, parking areas, and recreational facilities, roofs, common elements and exteriors of the buildings and the exterior of the doors located upon the above-described properties (except windows of the units and window fixtures) and such additional maintenance of the buildings as the Board of

Directors may from time to time determine to be in the best interest of the Association and the co-owners. The Board of Directors shall use a reasonably high standard of care in providing for the repair, management and maintenance of said property, so that said project will reflect a high pride of ownership. All maintenance and repair of the individual units and patios shall be the sole obligation and expense of the individual unit owners except to the extent the exterior maintenance and repair is provided by the Association.

Section 2. In the event that the need for maintenance or repair is caused through the willful or negligent act of the owner, his family, guests, tenants, invitees, the liability for the cost of such maintenance or repairs and the remedies available to the Association against said owner, his family, guests, invitees, tenants, licensees, or agents shall be governed by the applicable local law.

ARTICLE X

INTERIOR AND OTHER MAINTENANCE

Section 1. Each owner shall be responsible for the upkeep and maintenance of the interior of his unit, and for the upkeep and maintenance of all other areas, features or parts of his unit and property not otherwise maintained by the Association. All fixtures and equipment installed within a unit, commencing at a point where the utility lines, pipes, wires, conduits or systems enter the interior walls of a unit, shall be maintained and kept in repair by the owner. An owner shall do no act nor any work that will impair the structural soundness or integrity of the multifamily building or impair any easement or hereditament, nor do any act nor allow any condition to exist which will adversely affect the common areas, the other units or their owners.

ARTICLE XI

DAMAGE OR DESTRUCTION OF PROPERTY

Section 1. In the event any general common element,

including, but not limited to, carports or storage facilities are damaged or destroyed by an owner or any of his guests, invitees, tenants, licensees, agents or members of his family, the liability for the cost of repairing or replacing same and the remedies available to the Association against said owner or his guests, tenants, licensees, invitees, agents or members of his family, shall be governed by applicable local law.

Section 2. In the event any building enclosing a unit is damaged or destroyed by an owner or any of his guests, invitees, tenants, licensees, agents or members of his family, such owner shall, within thirty (30) days from the date of the occurrence of the damage or destruction, repair and rebuild the exterior of said building and any damage to adjacent buildings or property in a good workmanlike manner in conformance with the original plans and specifications used in the construction of said building. In the event such owner refuses or fails to so repair and rebuild any and all such damage to the exterior of the building and adjacent property within said thirty (30) day period, liability for the costs of same and the remedies available to the Association against said owner or his guests, tenants, licensees, invitees, agents or members of his family, shall be governed by applicable local law.

Section 3. Each such owner, by his acceptance of a deed to a unit, hereby expressly vests in the Association or its agents the right and power to bring all actions against such owner for the collection of such charges.

Section 4. Nothing contained in this ARTICLE XI shall be construed in any way so as to relieve any insurance company from the payment of any and all amounts which would be payable under any policy or policies had not this ARTICLE been inserted.

Section 5. In the event of a dispute between an owner and the Board of Directors with respect to the cause of damage or the extent of repairs necessitated or with respect to the cost thereof, then upon written request of the owner addressed to the Association, the matter shall be submitted to arbitration under

such rules as may from time to time be adopted by the Association or its Board of Directors. If no such rules have been adopted then the matter shall be submitted to three arbitrators, one chosen by the Board of Directors, one chosen by the owner, and these two arbitrators, shall then choose a third arbitrator. If the two arbitrators cannot agree as to the selection of the third arbitrator, then the third arbitrator shall be selected by any Judge of the Superior Court of Maricopa County, Arizona. A determination by any two of the three arbitrators shall be binding upon the owner and the Association, who shall share the cost of arbitrator equally. In the event one party fails to choose an arbitrator from the other party, then said party shall have the right and power to choose both arbitrators.

ARTICLE XII

INSURANCE

Section 1. The Board of Directors, or its duly-authorized agent, shall have the authority to and shall obtain insurance for all the common areas and buildings against loss or damage by fire or other hazards in an amount sufficient to cover the full replacement cost of any repair or reconstruction work in the event of damage or destruction from any hazard, and shall also obtain a broad form public liability policy covering all common elements and buildings, and all damage or injury caused by the negligence of the Association or any of its agents. Said insurance may include coverage against vandalism. Premiums for all such insurance shall be common expenses. All such insurance coverage obtained by the Board of Directors shall be written in the name of the Board of Directors as trustee for each of the unit owners. It shall be the individual responsibility of each owner at his own expense to provide, as he sees fit, fire, liability insurance, theft and any other insurance covering such owner's unit. In the event of damage or destruction by fire or other peril to any property covered by the insurance written in the name of the Board of Directors, the

Board of Directors shall, upon receipt of the insurance proceeds, contract to rebuild or repair such damaged or destroyed portions of the property to as good a condition as formerly. All such insurance proceeds shall be deposited in a bank or other financial institution, the accounts of which bank or institution are insured by a federal governmental agency, with the provisions agreed to by said bank or institution that such funds may be withdrawn only by signature of at least one-third (1/3) of the members of the Board of Directors, or by an agent duly-authorized by the Board of Directors. The Board of Directors shall contract with any licensed contractor, who shall be required to provide a full performance and payment bond for the repair, reconstruction or rebuilding of such destroyed building or buildings. In the event the insurance proceeds are insufficient to pay all the costs of repairing and/or rebuilding to the same condition as formerly, the Board of pirectors shall levy a special assessment against all unit owners of the damaged building to make up any deficiency, except that the special assessment shall be levied against all unit owners, as established by ARTICLE VI, Section 5, Paragraph (e), above, to make up any deficiency for repair or rebuilding of the common elements and buildings not a physical part of a unit. In the event such insurance proceeds exceed the cost of repair and reconstruction such excess shall be paid over to the respective mortgagees and owners as their interest may then appear. Such payments shall be made to all such owners and their mortgagees in proportion to their percentage interests, but nothing herein shall be construed as giving the unit owner a priority over any rights of his mortgagee in the event of any use or distribution of insurance proceeds.

Section 2. At the outset of the delivery of the buildings, including the units, the Declarant, or his duly-authorized agent, shall have the authority to and shall obtain insurance for all the buildings, including the units, against loss or damage by fire or other hazards in an amount sufficient to cover the full replacement cost of any repair or construction work in the event of damage by

fire or other hazards, and shall include the broad form of public liability policy covering all <u>common</u> elements. This policy shall be turned over to the Board of Directors of the property owners association as soon as they are organized and ready to assume responsibility.

ARTICLE XIII

USE RESTRICTIONS

Section 1. Each unit in the premises shall be known as, and limited in use to a single family condominium unit. All buildings or structures subsequently erected upon said premises shall be of new construction and no buildings or structures shall be moved from other locations onto said premises. No structure of a temporary character, trailer, basement, tent, shack, garage, barn or other outbuilding shall be used on any portion of the premises at any time as a residence either temporarily or permanently.

Section 2. Notwithstanding any provisions herein contained to the contrary, it shall be expressly permissible for the Declarant or its designated representatives to maintain during the period of construction or sale of said project, upon such portion of the premises as Declarant may authorize, such facilities as in the sole opinion of Declarant may be reasonably required, covenient or incidental to the construction and sale of the unit, including, but without limitation, a business office, storage area, construction yards, signs, model units and sales office.

Section 3. No noxious or offensive activity may be carried on or permitted on the premises, nor shall anything be done thereon which may be or become an annoyance or nuisance to the neighborhood; nor shall any part of the premises be used for business, professional, commercial, religious or institutional purposes. Provided, however, the foregoing restrictions shall not apply to the business activities of the Declarant, its agents and assigns during the sale period, and/or the Association in furtherance of its powers and purposes as herein set forth.

Section 4. No animals, fish or birds of any kind shall be raised, bred or kept on the premises; except that commonly accepted household pets may be kept, provided that such pets are not kept, bred or maintained for any commercial purposes.

Section 5. All clothesline equipment, service yards, woodpiles or storage piles shall be kept screened by adequate planting or fencing so as to conceal them from view of neighboring units and streets. To the extent feasible, all rubbish, trash or garbage shall be kept in such containers and screened from view of neighboring units and streets until the date of pickup by a trash collection service. No rubbish, trash, or garbage shall be burned on the premises. Incinerators of every kind shall be prohibited.

Section 6. No planting or gardening shall be done, and no fences, hedges or walls shall be erected or maintained upon said premises except such as installed in accordance with the existing construction of the building located thereon or as approved by the Association. No aluminum foil shall be placed either on the interior or exterior of the windows of any unit on said premises, nor shall a bamboo curtain be placed on the exterior of the windows of any unit in the premises. No screen doors shall be installed on any of the units without express prior approval of the Association as provided in ARTICLE VIII.

Section 7. No sign (other than one sign, not to exceed 16° x 24° in size, for purposes of advertising a unit for sale or rent which may be displayed from the interior of a unit) of any nature whatsoever shall be permitted on the premises; provided, however, that during the sale of buildings, the Declarant may erect such signs as it deems appropriate; and provided further, that this restriction shall not apply to the activities of the Association in furtherance of its powers and purposes as herein set forth.

Section 8. No vehicles may be stored in any common area that are not in running condition. No trailers, boats, or other towed or non-motor vehicles shall be stored or parked in the common areas. Pets are not allowed in common areas unless they are on

leash at all times, and the owner of such pets shall remove and dispose of any waste deposits created by such pets in a common area. No cooking shall be allowed in that portion of the common area wherein the swimming pool is located.

Section 9. The respective units shall not be rented by the owners thereof for transient or hotel purposes, which shall be defined as (a) rental for a period less than thirty (30) days, or (b) any rental if the occupants of the unit are provided customary hotel services, such as room service for food and beverage, maid service, furnishing linen and line, and bellboy service. Other than the foregoing limitations, the owners of the respective units shall have the absolute right to lease the same, provided that the lease is made subject to the covenants, conditions, restrictions, limitations and uses contained in this Declaration and further subject to the By-Laws and Articles of the Association.

ARTICLE XIV

EASEMENTS

Section 1. There is hereby created a blanket easement upon, across, over and under the above-described premises, excepting the units, for ingress and egress, installation, replacing, repairing and maintaining all utility and service lines and systems, including, but not limited to, water, sewers, gas, telephone, electricity, television cable or communication lines and systems, By virtue of this easement, it shall be expressly permissible for the providing utility or service company to install and maintain facilities and equipment on said property and to affix and maintain wires, circuits and conduits on, in and under the roofs and exterior walls of said buildings. Notwithstanding anything to the contrary contained in this paragraph, no sewers, electrical lines, water lines, or other utilities or service lines may be installed or relocated on said premises except as are now existing or hereafter approved by the Declarant or the Association's Board of Directors. This easement shall in no way affect any other recorded easement on said premises.

Section 2. Each unit and the common elements shall be subject to an easement for encroachments created by construction, settling and overhangs, as designed or constructed by the original builder. A valid easement for said encroachments and for the maintenance of same, so long as it stands, shall and does exist. In the event the multifamily structure is partially or totally destroyed, and then rebuilt, the owners of the buildings agree that minor encroachments or parts of the adjacent units or common elements due to construction shall be permitted and that a valid easement for said encroachment and the maintenance thereof shall exist.

ARTICLE XV

RIGHTS AND DUTIES OF

FIRST MORTGAGEE

Section 1. Notwithstanding and prevailing over any other provisions of this Declaration, of the Association's By-Laws, or any rules, regulations or management agreements, the following provisions shall apply to and benefit each holder of a first mortgage upon a unit (called the first mortgagee):

(a) The first mortgagee shall not in any case

or manner be personally liable for the payment of any assessment or charge, nor for the observance or performance of any covenants, restrictions, regulation, rule, Association By-Laws, or Management Agreements, except for those matters which are enforceable by injunctive or other equitable actions, nor requiring the payment of money, except as hereinafter provided.

(b) During the pendency of any proceeding to foreclose the first mortgage, including any period of redemption, the first mortgagee (or any receiver appointed in such action) may, but need not, exercise any or all of the rights and privileges of the owner of the mortgaged unit, including,

but not limited to, the obligation to pay for all assessments and charges accruing thereafter, in the same manner as any owner.

(c) The first mortgagee, or any other party acquiring title to a mortgaged unit through foreclosure suit or through any equivalent proceedings such as, but not limited to, the taking of a deed of lieu of foreclosure, shall acquire title to the mortgaged unit free and clear of any lien authorized by or arising out of any of the provisions of this Declaration which secures the payment of any assessment for charges accrued prior to the final conclusion of any such foreclosure suit or equivalent proceeding, including the expiration date of any period of redemption, except as follows: Any such unpaid assessment against the unit foreclosed against may be treated as an expense common to all the units, which expense may be collected by prorata assessments against the remaining unforeclosed upon units, and which prorata assessment may be enforced as a lien against each unit in the manner provided for other assessments authorized in this Declaration. Any such unpaid assessment shall nevertheless continue to exist as the personal ogligation of the defaulting owner of the respective unit to the Association, and the Board of Directors shall use reasonable efforts to collect the same from the owner even after he is no longer a member of the Association. There shall be a lien upon the interests of the first mortgagee or other party which acquires title to a mortgaged unit by foreclosure suit or by equivalent procedures for all assessments authorized by this Declaration which accrue and are assessed after

1;

the date the acquirer has acquired title to the unit free and clear of any right of redemption.

(d) The first mortgagee, upon request made to the Association, shall be entitled to written notification from the Association of any default in the performance by an owner of his obligations under the Declaration or By-Laws, if the default is not wholly remedied within sixty (60) days after the date upon which it occurs.

ARTICLE XVI

GENERAL PROVISIONS

Section 1. Binding Effect and Enforcement. The covenants conditions, charges, liens, reservations, easements and restrictions contained herein shall run with the land and shall be binding upon all persons purchasing, owning, leasing, subleasing or occupying or otherwise having any interest in any unit on said property, their heirs, executors, administrators, personal representatives, successors, grantees and assigns. After the date on which this instrument has been recorded, these restrictions may be enforced by any one or more of the following: (A) the Association or its Board of Directors, which shall have the right and duty to enforce the same and expend Association monies in pursuance thereof; (B) the Declarant (as long as it has an interest in any part of the premises); (C) the owner of any unit. Any person who acquires title to a unit, except through delivery of a sheriff's or trustee's deed as the result of a foreclosure, shall take title to such unit subject to any recorded lien hereof for all charges pursuant to ARTICLE VI and XI that have lien hereof for all said charges that have accrued prior to such acquisition of title. The breach of any of said restrictions may be enjoined, abated, or reviewed by appropriate proceedings, notwithstanding the lien or existence of any such mortgage. The personal obligation to pay the annual and special assessments as provided in ARTICLE VI, Section 3

of this instrument shall not pass to a successor in title or unless, prior to such transfer of title as evidenced by the records of the County Recorder or other appropriate governmental agency, a lien for such assessments shall have been filed in writing with County Recorder or other appropriate governmental agency. All instruments of conveyance of any interest of all or any part of said units may contain the restrictions herein by reference to this instrument. However, the terms and conditions of this instrument shall be binding upon all persons affected by its terms, regardless of whether any reference is made to this instrument in the deed or other instrument of conveyance. Enforcement shall be by proceedings at law or in equity against any person or persons violating or attempting to violate any covenants either to restrain violation or to recover damages. Provided, however, that a violation of these Restrictions, or one or more of them, shall not affect the lien of any mortgage now of record or which may hereafter be placed of record upon said unit, or any part thereof. In the event the Declarant, or the Association, employs an attorney or attorneys to enforce said lien or the collection of any amounts due pursuant to this Declaration, or to enforce compliance with or specific performance of the terms and conditions of this Declaration, the owner, owners and parties against whom the action is brought shall pay all attorney fees and costs thereby incurred by any such enforcing party prevailing in any such action. Nothing herein shall be deemed to indicate that damages at law constitute an adequate remedy for violation of a restriction herein.

Section 2. Waiver of Abandonment. The waiver of, or failure to enforce, any breach or violation of any restriction herein contained shall not be deemed to be a waiver or abandonment of such restrictions, or a waiver of the right to enforce any subsequent breach or violation of such restrictions. The foregoing shall apply regardless of whether any person affected hereby (or having the right to enforce these restrictions) had knowledge of the breach or

violation. No restriction contained herein shall be deemed to have been waived or abandoned unless this Declaration is amended to delete such restrictions pursuant to ARTICLE XVI, Section 7 herein.

Section 3. Equal Treatment of Owners. These restrictions shall be applied to all owners without discrimination.

Section 4. Severability. The invalidity of any one or more phrases, sentences, clauses, paragraphs, or sections hereof shall not affect the remaining portions of the instrument or any part thereof, all of which are inserted conditionally on their being held valid in law and in the event that one or more of the phrases, sentences, clauses, paragraphs, or sections contained therein should be invalid or should operate to render this agreement invalid, this agreement shall be construed as if such invalid phrase or phrases, sentence or sentences, clause or clauses, paragraph or paragraphs, or section or sections had not been inserted.

Section 5. Gender. The singular, wherever used herein shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporations or individuals, men or women, shall in all cases be assumed as though in each case fully expressed.

Section 6. Topical Headings. The marginal or topical heading of the paragraphs contained in this Declaration are for convenience only and do not define, limit or construe the contents of the paragraphs or of this Declaration.

Section 7. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Association, or the owner of any unit subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of twenty (20) years from the date this Declaration is recorded, after which time said covenants shall be automatically extended for successive periods of ten (10) years. The covenants and restrictions of this Declaration may be amended during the first

twenty (20) year period by an instrument signed by not less than ninety percent (90%) of the unit owners, and thereafter by an instrument signed by not less than seventy-five percent (75%) of the unit owners. Any amendment must be properly recorded, and in the event the amendment revokes these covenants, conditions and restrictions at any time after expiration of the original thirty (30) year period, such amendment shall be recorded at least ninety (90) days prior to the expiration of the initial effective period hereof or the expiration of any ten (10) year extension.

Section 8. Management Company. The performance of the various duties and obligations of the Association may be performed in whole or partly by a management company selected by the Association in accordance with the By-Laws of the said Association. Any such contract must povide for termination by either the Association or the management company without cause and without payment of a termination fee on written notice of ninety (90) days or less. No agreement with a mangement company shall provide for a term in excess of three (3) years in any event, although it may provide for renewal upon mutual agreement between the parties for additional terms not the exceed three (3) years each.

Section 9. Indemnification of Directors. Acts of the officers and directors done on behalf of and in the best interest of the Association, and in furtherance of Association purposes, shall not expose such officers and directors to any liability by reason of their efforts on behalf of the Association. The Association shall indemnify and hold harmless any and all such officers and directors from expenses incurred, including attorney fees and costs, in defending litigation and all amounts paid in payment or settlement of bonafide claims against the Association and such officers or directors. This indemnification, however, shall not apply to willful misconduct by a director or officer in the performance of his or her duties, or otherwise. This indemnification shall be in addition to other rights to which said directors or officers may be entitled under Arizona law, pursuant

to the ARTICLES or By-Laws of the Association, or by vote of the members. '

After the date hereof, each party who acquires any interest in all or any part of the property described herein, further agrees that upon such acquisition of any interest in all or part of the real property, said acquiring party shall look only to the other subsequent property owner or owners acquiring an interest in said property for any performance or relief deemed equitable or necessary for the enforcement of the covenants, conditions and restrictions contained herein.

•	are the day and three test in said
property for any performance or relief of	deemed equitable or
necessary for the enforcement of the con	venants, conditions and
restrictions contained herein.	
IN WITNESS WHEREOF, the undersigned	d, being the Declarant
herein, has hereunto set its hand and se	eal this day of
, 1981.	-
STEWART TITLE AND TRUST OF PHOENIX, INC., a Delaware corporation, as Trustee	HIGHLAND VILLAGE PROPERTIES, a limited partnership
ву	Ву
Trust Officer	General Partner
	·
	_
	By General Partner
•	
STATE OF ARIZONA) ss.	
County of Maricopa)	
On this day of undersigned Notary Public, personally ap	, 1981, before me, the
Officer of Stewart Title and Trisco of Proceedings of Procedure (Proceedings of Procedure (Procedure	noenix, Inc., a Delaware
executed the foregoing instrument for the contained by signing in the name of the himself as Trust Officer.	
IN WITNESS WHEREOF I hereunto set m	ny hand and official seal.
	Notary Public
My Commission Expires:	

STATE OF ARIZONA) ss.
County of Maricopa)

On this, the day of , 1981, before me, the undersigned Notary Public, personally appeared: Richard B. Jordan and George Knoll, Jr., who acknowledged themselves to be the General Partners of Highland Village Properties, a limited partnerhip, and they as such general partners, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the limited partnership by themselves as sugh general partners.

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

 Notary	Public

My Commission Expires:

STEWARY THLE & TRUST OF PROPERTY REGIME

TRUST OFFICER

DECLARATION OF HORIZONTAL PROPERTY REGIME AND COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

HIGHLAND VILLAGE AMENDED

THIS DECLARATION, made on the date hereinafter set forth by STEWART
TITLE & TRUST OF PHOENIX, INC., hereinafter referred to as "DECLARANT",

WITNESSETH:

WHEREAS, HIGHLAND VILLAGE, a limited partnership is the beneficial owner of certain property in the City of Phoenix, County of Maricopa, State of Arizona, now held by Stewart Title & Trust of Phoenix, Inc., a Delaware corporation, as Trustee, which is more particularly described as:

HIGHLAND VILLAGE AMENDED, according to this Declaration as recorded in the Office of the County Recorder of Maricopa County, Arizona, being part of the North half of the East half of Lot 18, LINCOLN PLACE, as recorded in Book 3 of Maps, page 65, official records of Maricopa County, Arizona.

The Plat of HIGHLAND VILLAGE AMENDED is recorded in Book 232 of Maps, Page 99, of the office of the Maricopa County Recorder, and by this reference made a part hereof.

AND, WHEREAS, Declarant will convey the said properties subject to certain protective covenants, conditions, restrictions, reservation, liens, and charges as hereinafter set forth; and

WHEREAS, Declarant hereby establishes by this Declaration a plan for the individual ownership of the real property estates consisting of the area or space contained in each of the units in each multifamily structure, and the co-ownership by the individual and separate owners thereof, as tenants in common and as hereafter set forth, of all of the real property which is hereinafter defined and referred to as the "Common Areas", and for the maintenance thereof;

NOW, THEREFORE, Declarant hereby declares that all of the