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DECLARATION OF CONDOMINIUM AND FRACTIONAL OWNERSHIP PLAN

OF

**THE VILLAS AT SEVEN CANYONS,
a condominium**

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DECLARATION OF CONDOMINIUM AND FRACTIONAL OWNERSHIP PLAN
OF
THE VILLAS AT SEVEN CANYONS,
a condominium

ARTICLE 1
PREAMBLE, NAME AND LEGAL DESCRIPTION

Sedona Development Partners, LLC, an Arizona limited liability company ("Developer"), being the owner of fee simple title to those certain lands located in Yavapai County, Arizona, that are described as the Initial Condominium Parcel in this Declaration of Condominium and Fractional Ownership Plan of The Villas at Seven Canyons, a condominium (the "Original Condominium Declaration," as amended from time to time, the "Condominium Declaration"), hereby submits fee simple title to the Initial Condominium Parcel, together with the improvements on such property (except for those items excluded from the Condominium under this Condominium Declaration), to the condominium form of ownership in accordance with the provisions of Condominium Act.

1.1 Name. The name by which this condominium is to be identified is THE VILLAS AT SEVEN CANYONS, a Condominium (the "Condominium").

1.2 Legal Description. The property submitted to the condominium form of ownership under this Original Condominium Declaration consists of that certain real property located in Yavapai County, Arizona, described on Exhibit "A" to this Condominium Declaration and depicted in the Condominium Plat, together with those easements more specifically described in ARTICLE 4 below including, but not limited to, those described in the Condominium Plat (collectively, the "Initial Condominium Parcel"). No other property is being submitted to the condominium form of ownership at this time.

1.3 Fractional Ownership Plan.

(a) Notice of Plan. A FRACTIONAL OWNERSHIP PLAN WILL BE CREATED WITH RESPECT TO SPECIFIED UNITS IN THE CONDOMINIUM.

(b) Limited Application of Plan. The degree, quantity, nature and extent of the Fractional Ownership Plan that is created by this Condominium Declaration is defined and described in detail in this Condominium Declaration. No assurance is given that every Unit in the Condominium will be subjected to the Fractional Ownership Plan and no Unit shall be subject to the Fractional Ownership Plan unless and until specifically subjected to the Fractional Ownership Plan in accordance with the terms of this Condominium Declaration.

1.4 Legal Description of Units and Fractional Interests.

(a) Units. Any contract of sale, deed, lease, mortgage, will or other instrument affecting title to a Unit shall describe it by its identifying number shown on the Condominium Plat ("Conveyancing Number"), and the description will be followed by a reference to this

Condominium Declaration and the Condominium Plat. To illustrate, any instrument affecting title to a Unit will be in substantially the following form, with such omissions, insertions, recitals of fact or other provisions as may be required by the circumstances or appropriate to conform to the requirements of any governmental authority, or any law relating to such matters:

Unit No. ___ of The Villas at Seven Canyons, a condominium, according to the Condominium Plat dated _____, 2005, recorded at Book _____, Page _____ of Maps and Plats of the official records of Yavapai County, Arizona, as amended and supplemented from time to time, and as defined and described in the Declaration of Condominium and Fractional Ownership Plan of The Villas at Seven Canyons, a condominium (the "Condominium Declaration") dated _____, 2005, recorded in the official records of Yavapai County, Arizona, at Book _____, Page _____, (as amended and supplemented from time to time).

TOGETHER WITH an undivided share of the Common Elements allocated to said Unit, as more specifically set forth in Section 6.1 of the Condominium Declaration and Exhibit "B" to the Condominium Declaration.

Notwithstanding the Conveyancing Number, the unit numbering of the Units shown on the doors and represented to purchasers in various sales and marketing materials ("Sales Number") may be different. Each Conveyancing Number has a corresponding Sales Number as reflected in the "Conveyancing Number to Sales Number Conversion Table" attached to this Condominium Declaration as Exhibit "C."

(b) Fractional Interests. Any contract of sale, deed, lease, mortgage, will or other instrument affecting title to Fractional Interest shall describe it by (i) the identifying number of its related Unit; and (ii) the undivided fractional interest in such Unit. Such a description shall be followed by a reference to this Condominium Declaration and the Condominium Plat. To illustrate, any instrument affecting title to a Fractional Interest will be in substantially the following form, with such omissions, insertions, recitals of fact or other provisions as may be required by the circumstances or appropriate to conform to the requirements of any governmental authority, or any law relating to such matters:

An undivided 1/10th interest in Unit No. ___ (also known as Sales No. _____) of The Villas at Seven Canyons, a condominium, according to the Condominium Plat, dated _____, 2005, recorded at Book _____, Page _____ of Maps and Plats of the official records of Yavapai County, Arizona, as amended and supplemented from time to time, and as defined and described in the Declaration of Condominium and Fractional Ownership Plan of The Villas at Seven Canyons, a condominium, dated _____, 2005, recorded in the official records of Yavapai County, Arizona, at Book _____, Page _____, (as amended and supplemented from time to time).

TOGETHER WITH an undivided 1/10th share of the Common Elements allocated to said Unit, as more specifically set forth in Section 6.1 of the Condominium Declaration and Exhibit "B" to the Condominium Declaration.

ARTICLE 2 DEFINITIONS

The terms used in this Condominium Declaration and in its exhibits are defined in accordance with the provisions of the Condominium Act, the Fractional Ownership Plan, and as follows, unless the context otherwise requires:

2.1 Ad Valorem Taxes. Those property taxes assessed against the Units and Fractional Interests, and their respective undivided interests in the Common Elements, by Yavapai County, Arizona. The Association will serve as the agent of the Owners of Fractional Interests for the purpose of collecting Ad Valorem Taxes and remitting such taxes to governmental authorities.

2.2 Articles of Incorporation or Articles. The Articles of Incorporation of the Association, as they may be amended from time to time.

2.3 Association. The Villas at Seven Canyons Owners Association, Inc., an Arizona nonprofit corporation, and its successors. The Association will act as the unit owners' association for the Condominium, as provided in the Condominium Act.

2.4 Association Property. All real or personal property from time to time owned, leased, or held for use by the Association. The Common Elements of the Condominium are not owned by the Association.

2.5 Board. The board of directors of the Association, as it is constituted from time to time.

2.6 Bylaws. The Bylaws of the Association, as they may be amended from time to time.

2.7 Club Facilities. Any recreational or social facilities (including, but not limited to, any golf courses, golf practice facilities, tennis facilities, and related facilities) constructed within the boundaries of the Project as a private club and not a part of the Common Elements owned by the Association, and all improvements and appurtenances thereto including, but not limited to, any maintenance and other buildings associated therewith. Without limiting the foregoing, the Club Facilities shall include the Golf Course Property. Club Facilities will not be owned by the Association and will not constitute a part of the Condominium Property nor shall they be Common Elements or Limited Common Elements. It is not contemplated that any Club Facilities will be annexed to the Condominium Property and thereby subjected to this Condominium Declaration. The Developer may specify areas that constitute Club Facilities by recorded instrument, but neither the Developer nor any other person shall have any obligation to do so. Nothing in this Condominium Declaration shall be deemed or construed to constitute a representation by the Developer that any Club Facilities will be constructed or, if constructed, that any Club Facilities will be constructed at any particular time, in any particular manner, or will have any particular characteristics, or will be available for use by Owners.

2.8 Club Owner. Sedona Development Partners, LLC, an Arizona limited liability company, and its successors and assigns who from time to time own all or substantially all of any Club Facilities.

2.9 Common Elements. All of those items defined in the Condominium Act as Common Elements and those items declared in this Condominium Declaration to be Common Elements.

2.10 Common Expenses. Condominium Common Expenses and Fractional Ownership Plan Common Expenses.

2.11 Common Furnishings. All furniture, furnishings, appliances, equipment and other personal property, located within the Condominium as a part of the Fractional Ownership Program from time to time, and not the property of individual Owners or third parties.

2.12 Common Surplus. Any excess of Association receipts over the amount of Common Expenses.

2.13 Condominium. The Villas at Seven Canyons.

2.14 Condominium Act. The provisions of Title 33, Chapter 9, of the Arizona Revised Statutes, as it is constituted on the date this Original Condominium Declaration is recorded, and (to the extent required) as amended from time to time, unless otherwise expressly stated.

2.15 Condominium Common Expenses. Include, but are not limited to the following:

(a) Expenses of administration and management of the Condominium Property and Association Property, and of the Association, including, but not limited to, compensation paid by the Association to a Management Company, accountant, attorney, or other employee or independent contractor;

(b) Expenses of maintenance, operation, repair and replacement of the Common Elements, as determined by the Board, as well as all other costs and expenses properly incurred by the Association, including, but not limited to the cost of maintenance, repair and replacement of any service lines and other portions of the delivery system for Utility Services within the Common Elements to the extent those costs are imposed on the Association pursuant to Section 8.1(a)(2);

(c) Expenses declared Condominium Common Expenses by the provisions of this Condominium Declaration, the other Condominium Documents, or the Condominium Act;

(d) Any valid charge against the Condominium Property;

(e) All costs and expenses incurred by the Association in connection with regulatory compliance;

(f) All reserves for replacement and maintenance of the Condominium Property;

(g) Any Road Association assessments;

(h) Commercial general liability insurance, property insurance on Association Property, Common Elements and Limited Common Elements, directors and officers liability insurance, and such other insurance as may be required herein or as the Board may deem appropriate;

(i) All costs and expenses associated with any telephone system, master antenna television system, duly franchised cable television service, or satellite system obtained pursuant to a bulk contract by the Association or on behalf of the Association, or other similar charges from designated service providers incurred by the Association pursuant to Section 10.12 below;

(j) Any expenses related to the easements set forth in Section 4.1 and Section 4.2 of this Condominium Declaration; and

(k) Any other expenses incurred in the normal operation and maintenance of the Units, Common Elements, Limited Common Elements and Association Property that cannot be attributed to a particular Owner.

2.16 Condominium Declaration. The Original Condominium Declaration, as it may be amended from time to time.

2.17 Condominium Documents. This Condominium Declaration, the Articles, the Bylaws, and the Condominium Rules and Regulations, as they may be amended from time to time.

2.18 Condominium Plat. That certain condominium plat recorded in the official records of Yavapai County, Arizona, on _____, in Book _____ of Maps and Plats, at Page _____, as it may be amended and supplemented from time to time, and any separate condominium plat recorded for any portion of the Project annexed into the Condominium as provided herein.

2.19 Condominium Property. The lands, leaseholds, easements and personal property that are subjected to the condominium form of ownership from time to time as part of the Condominium, whether or not contiguous, and all improvements located on such property and all easements and rights appurtenant to such property and intended for use in connection with this Condominium.

2.20 Condominium Rules and Regulations. The rules and regulations concerning the use of Condominium Property promulgated by the Board, as amended from time to time.

2.21 Developer. Sedona Development Partners LLC, an Arizona limited liability company, its successors and assigns, or any person to whom the Developer's rights hereunder are hereafter assigned in whole or in part by recorded instrument, or any Mortgagee of the Developer that acquires title to or succeeds to all or substantially all of the interest of the Developer in the Condominium by reason of the foreclosure (or conveyance in lieu of foreclosure) or trustee's sale under the Mortgage of said Mortgagee. The term "Developer," as used herein, shall include not

only the named Developer but also any of the foregoing successors, assigns, assignees of right(s) and Mortgagees. An assignment by recorded instrument of all of the Developer's rights shall vest in the assignee all of the Developer's rights hereunder (including, but not limited to, all of the Developer's easements, rights of consent or approval and voting rights) on the same terms that they were held by the Developer hereunder. An assignment by recorded instrument of part of the Developer's rights shall vest in the assignee the specific Developer's right(s) named in the instrument of assignment on the same terms that they were held by the Developer hereunder. Notwithstanding anything to the contrary herein, an assignment of all or any portion of the Developer's rights shall not deprive the assignor of any protection, indemnity or freedom from liability that would otherwise exist under this Condominium Declaration if the assignor had retained all of the Developer's rights hereunder.

2.22 Developer Control Period. The period in which the Developer is entitled to appoint a majority of the Board pursuant to Section 10.4 of this Condominium Declaration.

2.23 Fiscal Year. The Association's fiscal year which shall be the calendar year, unless otherwise specified in the Articles or Bylaws.

2.24 Fractional Interest. An undivided 1/10th interest in a specific Unit, entitling the Owner of the Fractional Interest to the assured annual use of 28 days and nights in a Unit of the same Unit Type and the potential of additional use on a space available basis, in accordance with the Condominium Declaration and the other Condominium Documents.

2.25 Fractional Ownership Plan. A concept whereby a Unit, and the share of the Common Elements assigned to that Unit, are conveyed as Fractional Interests.

2.26 Fractional Ownership Plan Common Expenses. Common expenses arising from the Fractional Ownership Plan including, but not limited to, the following:

- (a) Repair and maintenance of the interior of a Unit committed to the Fractional Ownership Plan for normal wear and tear;
- (b) Repair and replacement of Common Furnishings in Units committed to the Fractional Ownership Plan, and deferred maintenance and replacement reserves for the same;
- (c) Insurance coverage relating to the interior of any Unit and the Common Furnishings in any Unit committed to the Fractional Ownership Plan;
- (d) Utility Services for the Units committed to the Fractional Ownership Plan, including, but not limited to the cost of maintenance, repair and replacement of any service lines and other portions of the delivery system for Utility Services on or within a Unit to the extent those costs are imposed on the Association instead of individual Unit Owners pursuant to Section 8.1(a)(3);
- (e) All costs and fees relating to the operation of the reservation system for the Fractional Ownership Plan;

(f) Any other expenses incurred in the normal operation and maintenance of the Units committed to the Fractional Ownership Plan which cannot be attributed to a particular Owner;

(g) Any other expenses declared Common Expenses of the Fractional Ownership Plan by this Condominium Declaration;

(h) A pro-rata share of all costs associated with maintaining any check-in facilities, storage facilities, and other facilities related to operation of the Fractional Ownership Plan;

(i) Any Ad Valorem Taxes assessed against each Unit committed to the Fractional Ownership Plan that are not paid by an Owner of a Fractional Interest; and

(j) Condominium Common Expenses attributable to Units committed to the Fractional Ownership Plan.

2.27 Golf Course Property. All that certain real property described on Exhibit "D" hereto.

2.28 Initial Condominium Parcel. The real property described in Section 1.2 hereof.

2.29 Limited Common Elements. Those Common Elements that are reserved for the use of one Unit (or more than one but fewer than all Units) to the exclusion of other Units, including, but not limited to, any Common Furnishings within or attributable to any Unit committed to the Fractional Ownership Plan. Also, those physical areas designated as Limited Common Elements are shown and located on the Condominium Plat.

2.30 Management Company. Seven Canyons Club Management Services, LLC, an Arizona limited liability company, its successors and assigns, or any other entity engaged to manage the Condominium, pursuant to a Management Contract.

2.31 Management Contract. An agreement between the Association and any Management Company that provides for the ongoing management of the Condominium.

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

2.33 Mortgagee. The Developer, if the Developer holds any purchase-money Mortgage on any Unit or Fractional Interest (and any successor-in-interest to the Developer as to a purchase-money Mortgage), the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), or any trust, savings and loan association, credit union, mortgage company, bank, insurance company, or commercial loan company licensed to do business in the State of Arizona, to the extent that any of the same hold or guaranty or insure a first Mortgage encumbering any Unit or any Fractional Interest.

2.34 Original Condominium Declaration. This instrument.

2.35 Owner. The record owner of fee simple title to a Unit or Fractional Interest, whether one or more persons and whether or not the Unit or Fractional Interest is subject to a Mortgage. The term "Owner" includes contract purchasers but excludes anyone holding an interest in a Unit or Fractional Interest merely as security for the performance of an obligation. If any Unit or Fractional Interest is subject to a deed of trust pursuant to Arizona law (as amended from time to time), legal title shall be deemed to be in the trustor under the deed of trust.

2.36 Permitted User. Defined in Section 10.10.

2.37 Project. The planned community to be known as "Sedona at Seven Canyons," which is expected to include residential lots and units, a golf course, and other amenities.

2.38 Related Party. Each constituent member of the Developer; and each member, partner, shareholder and owner of the constituent member and their constituent entities; affiliates of the Developer; the affiliates of constituent members; and the officers, directors, members, shareholders, trustees and other principals of all of the foregoing entities, and their respective successors and assigns.

2.39 Road Association. The Seven Canyons Road Association, an Arizona nonprofit corporation, its successors and assigns, or any person to whom its rights are assigned in accordance with the Road Declaration.

2.40 Road Declaration. The Declaration of Covenants, Conditions, Restrictions and Easements for The Seven Canyons Road Association, recorded in the official records of Yavapai County, Arizona, at Book 4019, page 209, as it may be amended and supplemented from time to time.

2.41 Subsidy Agreement. Any agreement whereby the Developer agrees to pay (a) the difference between assessments collected from Owners and the actual expenses of operating the Fractional Ownership Plan in lieu of paying an assessment for each Fractional Interest owned by the Developer, (b) a certain amount of each Owner's Common Expense allocation for the purpose of reducing the assessments payable by Owners, or (c) both.

2.42 Successor Owner. Defined in Section 16.2.

2.43 Unit. A condominium unit as that term is defined in ARTICLE 5 of this Condominium Declaration and refers to that part of the Condominium Property which is subject to individual ownership, together with the appurtenant interest in the Common Elements and Limited Common Elements. Units in this Condominium become committed to the Fractional Ownership Plan when they are described in this Condominium Declaration, or another instrument recorded by the Developer, as being part of the Fractional Ownership Plan but any such Unit may be removed from the Fractional Ownership Plan until the first deed conveying a Fractional Interest in the Unit is recorded by the Developer. No Unit may be committed to the Fractional Ownership Plan by any person or entity other than the Developer. A Unit may be withdrawn from the Fractional Ownership Plan any time that all Fractional Interests in that Unit are owned by the same legal entity, if the Developer consents to the withdrawal in writing. Notwithstanding the

foregoing, the Developer may assign its right to commit Units to the Fractional Ownership Plan to any person to whom it conveys substantially all Units or Fractional Interests which the Developer owns in the Condominium Property.

2.44 Unit Type. Initially means a Unit that is three-bedroom. The Developer may, from time to time during the Developer Control Period, establish additional Unit Types by recording a supplement or amendment to this Condominium Declaration identifying the characteristics of any new Unit Type.

2.45 Utility Services. Includes, but is not limited to, electric power, water, garbage and sewage disposal, television and telephone service, and all other public and private service and convenience facilities servicing the Condominium Property.

ARTICLE 3 EXHIBITS

The Exhibits referred to in this Condominium Declaration include the following:

3.1 Exhibit "A". A legal description of the property being committed to the condominium form of ownership pursuant to this Condominium Declaration.

3.2 Exhibit "B". Percentage Interest in Common Elements.

3.3 Exhibit "C". Conveyancing Number to Sales Number Conversion Table.

3.4 Exhibit "D". The Golf Course Property.

Each Exhibit attached hereto is incorporated herein by this reference.

ARTICLE 4 EASEMENTS

The following easements are hereby expressly reserved or have been granted:

4.1 General Easements. Non-exclusive easements over, across and under the Condominium Property are expressly provided for and reserved in favor of the Developer and the Owners, and their respective lessees, guests and invitees, as follows:

(a) Utilities. There is hereby created a blanket easement upon, across, over and under the Condominium Property for ingress and egress, installing, constructing, replacing, repairing, maintaining and operating all Utility Services including, but not limited to, water, sewer, telephone, electricity, television cable, alarm systems, and communication lines and systems, and in addition thereto for the use of emergency vehicles of all types. By virtue of the easement, it shall be expressly permissible for the Utility Service provider to erect (including, but not limited to, underground installation) and maintain the necessary facilities, wires, circuits, conduits, cables and related appurtenances, facilities and equipment on the Condominium Property. Notwithstanding anything to the contrary contained in this Section, no easements shall be created nor shall any sewers, electrical lines, water lines or other facilities for Utility Services

be installed or relocated except as initially created and approved by the Developer or thereafter created or approved by the Association. This provision shall in no way affect any other recorded easements on the Condominium Property.

(b) Encroachments. In the event that any Unit encroaches upon any of the Common Elements or upon any other Unit, or in the event any Common Element encroaches upon any Unit, then an easement shall exist to permit such encroachment so long as it exists.

(c) Traffic. A non-exclusive easement exists for pedestrian traffic over, through and across sidewalks, paths, walks, halls, lobbies, and other portions of the Common Elements as may be from time to time intended and designated for such purposes and uses, and for vehicular and pedestrian traffic over, through and across such portions of the Common Elements as may from time to time be paved and intended for such purposes and uses, and for vehicular parking on such portions of the Common Elements as may from time to time be paved, intended and designated for such purposes and uses. Such easements are for the use and benefit of the Owners and those guests, licensees, and invitees claiming by, through or under Owners; provided, however, that nothing in this Condominium Declaration shall be construed to give or create in any person the right to park any vehicle on any portion of the Condominium Property except to the extent that space may be specifically designated and assigned for parking purposes by the Developer or the Board. In addition, further easements shall exist for ingress and egress over such streets, walks and other rights of way serving the Units as shall be necessary to provide for reasonable access to public right-of-way.

(d) Irrigation Easement. Every Unit and the Common Elements are also hereby subjected to a nonexclusive easement for overspray and runoff of water from any irrigation systems serving the Common Elements or any Club Facilities. Under no circumstances will the Association or any officers, directors, employees, or agents of the Association be responsible for any property damage or personal injury resulting from any overspray or from the operation of the irrigation systems serving the Common Elements or any Club Facilities.

4.2 Association Easements.

(a) To the Association. There is hereby created a nonexclusive easement in favor of the Association for ingress and egress over all the Condominium Property (except the interiors of occupied Units) for the purpose of enabling the Association and its contractors, employees, representatives, and agents to implement the provisions of this Condominium Declaration. The rights of access established in this Section shall be exercised so as to reasonably minimize interference with the quiet enjoyment of a Unit or Fractional Interest by its Owner and any occupant.

(b) To Third Parties. Except as limited by this ARTICLE and by the Condominium Act, the Board may grant, modify, or move easements from time to time over the Common Elements, or any real property owned by the Association, without obtaining the approval of the Owners. Prior to the relocation, termination, or modification of any easement or right granted to or reserved by the Developer, the Board must receive the written approval of the Developer. Further, the Board may not make any grant to, or reservation in favor of, the Developer prior to receiving the Developer's written approval. The Board also may enter into

easements or licenses benefiting all or a portion of the Condominium Property or any real property owned by the Association, with all costs incurred in connection with such easements or licenses to be Common Expenses. For so long as the Developer owns a Unit or Fractional Interest, such powers may only be exercised with the prior written approval of the Developer.

4.3 Developer Easements. The Developer reserves the following exclusive easements and rights to grant easements:

(a) Marketing, Sales and Rental. For a period of 20 years after the first recording of this Condominium Declaration, the Developer reserves exclusive easement rights over and across the Condominium Property for the purpose of marketing, sales, resales and marketing-related rental of Units and Fractional Interests at this Condominium, and other related hospitality, realty, or consumer products developed or marketed by the Developer or its affiliates from time to time. Such rights may include, but are not limited to, the right to establish models; conduct property tours; conduct sales presentations; conduct closings; and to erect, post, maintain, and relocate signs, notices, advertisements, and other promotional information on the Condominium Property. To the extent that the Developer intends to utilize any of the Common Elements for the purpose of maintaining, on such Common Elements, any sales office, management office, signs advertising the Condominium, or model, the Developer shall be responsible for maintaining and repairing any affected Common Elements. The exercise of such rights shall not unreasonably interfere with the Association's use of the Condominium as necessary to perform its duties and obligations pursuant to this Condominium Declaration or the rights of Owners to use and occupy Units and the Common Elements.

(b) Governmental Requirements. The Developer reserves the right to grant such easements or enter into such development, conservation or comparable agreements, from time to time, as may be required by any governmental authority. Such easements or agreements specifically include any environmental easements or agreements required by state or federal environmental agencies, and such easements or agreements are binding on the Association and all Owners for so long as the Developer holds any interest in any Unit subject to this Condominium Declaration.

(c) Developer Easements. The Developer reserves to itself, its successors, assigns, lessees, guests, licensees and invitees, for so long as it holds any interest in any Unit or Fractional Interest, the same easement rights granted to Owners under this Condominium Declaration and specific easement rights over and across the Condominium Property as it may deem necessary for its use from time to time including, but not limited to, an easement through the Common Elements as reasonably necessary for the purpose of discharging the Developer's obligations to carry out the purposes of the Condominium or Fractional Ownership Plan, to exercise the rights reserved to the Developer under the Condominium Act or arising under this Condominium Declaration or to provide concessions (including, but not limited to, ATM machines and newspaper machines) or other profitable ventures for the benefit of the Developer. In addition, the Developer reserves for itself a non-exclusive easement over and across all Common Element access areas, recreational areas and commonly used facilities of the Condominium Property for the purpose of providing owners of interests in the Club Facilities and their guests, invitees and licensees, with the use of such Common Element access areas, recreational areas and commonly used facilities.

(d) Construction Easements. The Developer reserves easement rights over, under and across the Condominium Property as is necessary, from time to time, for the purpose of constructing improvements contained in the Condominium Property or in the portions of the Club Facilities that have not yet been, and may never be, included in the Condominium Property.

(e) Recreational Areas and Commonly Used Facilities. The Developer hereby reserves the right to grant such easements, from time to time, to any other third party for the purpose of providing such parties with the same use rights over and across the Condominium Property and the recreational areas and commonly used facilities as those reserved for Owners; provided that any such third party enters into an agreement allocating, on a pro-rata basis, the costs of repair, maintenance and operation of the recreational and commonly used facilities.

(f) Other Easements. Other easements may have been granted over the Condominium Property as set forth in the Condominium Plat or as otherwise previously recorded in the official records of Yavapai County, Arizona.

4.4 Road Association Easements. The Road Association is hereby granted an easement over and across all roadways and parking areas on the Condominium Property for the purpose of repairing and maintaining such roadways and parking areas in accordance with the Road Association Declaration.

4.5 Club Facilities Easements. Easements for the purposes set forth in this Section may be established hereafter by the Condominium Plat (or an amendment or supplement thereto) over any portion of the Condominium shown in the Condominium Plat, or by any amendment to this Condominium Declaration pursuant to ARTICLE 22 over property being added to the Condominium, for the benefit of the Club Facilities.

(a) Any easement provided for in this Section shall be nonexclusive and appurtenant to the Club Facilities for the benefit of Club Owner, any other person owning or holding an interest in the Club Facilities, and any employees, agents, contractors and invitees of Club Owner and any such other person.

(b) A "Golf Course Easement" (or similar name) shall allow the installation, operation, maintenance, repair and replacement of underground utility lines and related appurtenances (such as above-ground junction boxes), turf and other landscaping, and physical features of the golf course such as bunkers, out-of-bounds markers, cart paths, and signage and lights that are related to the safe and efficient movement of players among various parts of the golf course.

(c) The Club Owner shall be responsible for maintaining all improvements that are at any time constructed or placed within any easement provided for in this Section by the Club Owner (or its agents) and shall keep all such improvements in reasonably neat, clean and attractive condition. The Club Owner shall perform (or cause to be performed) such repairs and/or replacements to the improvements as may be required to satisfy this standard.

(d) Any Unit or Common Elements adjacent to the Club Facilities shall be subject to a nonexclusive easement for encroachments created by construction of the Club Facilities, whether as originally designed or as constructed, or as created by discrepancies between

the Condominium Plat and the actual construction, but only to the extent reasonably necessary in connection with the use of the Club Facilities. If any improvements to the Club Facilities actually encroach on any Unit or Common Elements adjacent to the Club Facilities, as the Units and Common Elements are shown on the Condominium Plat, there shall be an easement for the encroachments (and for maintenance and repair of them) as long as the encroachments exist. If any encroaching improvements to a Unit or to the Common Elements are repaired, altered or reconstructed, similar encroachments shall be permitted and an encroachment easement for the repaired, altered or reconstructed improvements shall exist.

(e) In addition to any future easements benefiting the Club Facilities provided for in this Section, a Golf Course Easement is hereby established over the outer-most ten feet of the Initial Condominium Parcel, along its entire northern boundary.

ARTICLE 5 UNITS

5.1 Description of Units. Each Unit shall consist of a cube of airspace with the boundaries shown on the Plat. Building structures shall be constructed within the boundaries of Units. The structural elements of each such building, the exterior surfaces, and the portions of the airspace within the boundaries of the Unit but outside of the building walls will be considered Limited Common Elements. By way of illustration, those portions of a building and the exterior spaces outside of the building walls, which would be considered Common Elements if Units were the interior spaces within a building, will be considered Limited Common Elements appurtenant to the Unit under this Condominium Declaration even though they lie within the boundaries of the Unit. Those portions of a building that would typically be considered part of a Unit within a building, and not part of the Common Elements (such as lath, furring, wallboard, plasterboard, plaster, paneling, tile, wallpaper, paint, carpet, finished flooring, and other finished surfaces), shall be deemed to be part of the Unit and not Limited Common Elements under this Condominium Declaration. The Developer reserves the right to relocate the boundaries between adjoining Units owned by the Developer and to reallocate each such Unit's Common Element interest votes in the Association and Common Expense liabilities, subject to and in accordance with Section 33-1222 of the Condominium Act.

5.2 Limited Common Elements. Those Common Elements reserved for the use of a certain Unit (or more than one but fewer than all Units), to the exclusion of other Units, are designated as Limited Common Elements. Limited Common Elements include, but are not limited to, those described in Section 5.1 above. In addition, if any chute, flue, duct, wire, conduit, bearing wall, bearing column or other fixture lies partially within and partially outside the designated boundaries of a Unit, any portion serving only that Unit is a Limited Common Element allocated solely to that Unit, and any portion serving more than one Unit or any portion of the Common Elements is part of the Common Elements. Storage lockers or closets assigned to a Unit but located outside of the Unit's boundaries, and any parking spaces assigned to a Unit, are Limited Common Elements of the Unit to which they are assigned. For all Units committed to the Fractional Ownership Plan, Common Furnishings contained within the Unit shall be Limited Common Elements.

5.3 Warranty Limitation. THE DEVELOPER DOES NOT MAKE ANY WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AND THE DEVELOPER HEREBY DISCLAIMS ANY SUCH WARRANTIES INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO THE CONSTRUCTION OF THE UNITS AND THE COMMON ELEMENTS AND WITH RESPECT TO THE PERSONAL PROPERTY LOCATED WITHIN THE UNITS OR OTHERWISE ON THE CONDOMINIUM PROPERTY, AND THE OWNERS AND THE ASSOCIATION (AND NOT THE DEVELOPER) ASSUME ALL RISK AND LIABILITY RESULTING FROM THE USE OF THIS PROPERTY AND THE ENTIRE COST OF ALL SERVICING AND REPAIR.

ARTICLE 6 APPURTENANCES

6.1 Appurtenant Interests.

(a) Allocated Shares. Each Unit shall have as an appurtenance an undivided percentage interest share of the Common Elements and Common Surplus as more specifically described in Exhibit "B" attached to this Condominium Declaration.

(b) Allocated Expenses. The Owner of each Unit shall be liable for that share of the Condominium Common Expenses which equals the percentage interest in the Common Elements and Common Surplus appurtenant to the Owner's Unit. For Units committed to the Fractional Ownership Plan, Owners shall be also liable for their pro-rata share of the Fractional Ownership Plan Common Expenses. Each Unit's share of the Condominium Common Expenses and Common Surplus and each Unit's undivided interest in the Common Elements of the Condominium shall be calculated as more specifically set forth in Exhibit "B."

(c) Fractional Allocations. The Owner of each Fractional Interest shall own an undivided 1/10th of the Common Elements and of the Common Surplus allocated to the Owner's Unit and shall also be responsible for 1/10th of the Fractional Ownership Plan Common Expenses allocated to Owner's Unit.

6.2 Partition of Common Elements. The share of the undivided percentage interest in the Common Elements appurtenant to each Unit and each Fractional Interest shall remain undivided, and no Owner shall bring, or have any right to bring, any action for partition or division of the Owner's interest.

6.3 Partition of Units. No Unit or any appurtenance to a Unit shall be partitioned.

6.4 Assigned Parking. Upon the initial sale of a Unit, or Fractional Interest in a Unit, the Developer may assign a parking space to the Unit by reference to the designation number or other identification of the parking space on the Condominium Plat. Thereafter, such an assigned parking space shall be a Limited Common Element appurtenant to the Unit. The right to use any such assigned parking space shall also include reasonable ingress and egress rights over those portions of the adjacent Common Elements designed for vehicular use, between the nearest private road and the assigned parking space.

**ARTICLE 7
FRACTIONAL OWNERSHIP PLAN**

7.1 Fractional Ownership Plan. The Developer intends that Units in every phase will be declared part of the Fractional Ownership Plan; however, the Developer reserves the right to include Units in the Condominium that will not be part of the Fractional Ownership Plan.

7.2 Use Rights. Subject to all the terms and conditions contained elsewhere in this Condominium Declaration and in the other Condominium Documents, the ownership of a Fractional Interest shall entitle its Owner to the following:

(a) Fractional Interest.

(i) Guaranteed Reservation Nights. For each Fractional Interest owned, the right during each calendar year to use and occupy an assigned Unit of such Owner's Unit Type, and the Common Furnishings therein and Limited Common Elements associated therewith, together with the non-exclusive right to use and enjoy the Common Elements for a total of 28 nights any time during the calendar year, provided that the Owner reserves such occupancy in accordance with the requirements and procedures for the making of reservations set forth in the then-current Condominium Rules and Regulations.

(ii) Space Available Nights. The right to use and occupy an assigned Unit, and the Common Furnishings therein and Limited Common Elements associated therewith, together with the nonexclusive right to use and enjoy the Common Elements for periods that are in addition to the Owner's Guaranteed Reservation Nights, provided that the Owner reserves such use and occupancy in accordance with the reservation procedures set forth in the then-current Condominium Rules and Regulations.

(b) Reservation Window. The Condominium Rules and Regulations shall specify the reservation windows for reserving Guaranteed Reservation Nights and Space Available Nights.

7.3 Exchange Program. The Association shall have the right to affiliate the Condominium with an entity that provides exchange or reciprocal occupancy opportunities; provided that (i) an individual Owner's membership in and use of any such exchange or reciprocal occupancy program shall be strictly voluntary at the discretion of such Owner, and (ii) during the period that the Developer has any Fractional Interests for sale, such an affiliation will require the Developer's prior written consent, which may be given or withheld in the Developer's sole discretion.

**ARTICLE 8
MAINTENANCE, ALTERATION AND IMPROVEMENT**

Responsibility for the maintenance of the Condominium Property, and restrictions on its alteration and improvement, are as follows

8.1 Units.

(a) By the Association. Except as set forth in Section 8.1(b) below, the Association will maintain, repair and replace at the Association's expense:

(1) The interior of the building within each Unit committed to the Fractional Ownership Plan and all Common Elements and Limited Common Elements except as otherwise provided in the Condominium Documents.

(2) All conduits, ducts, plumbing, wiring, and other facilities for the furnishing of Utility Services, including, but not limited to, all service lines, pumps, collection apparatus, and other necessary portions of the delivery system for any Utility Services from the point of connection with the utility provider's lines at or near the boundary of any parcel of Condominium Property to the point of connection on or at the boundary of a Unit.

(3) If any service lines or other portions of the delivery system for Utility Services are located on or within a Unit committed to the Fractional Ownership Plan, those lines and other portions of the delivery system will also be the responsibility of the Association. Any such service lines and other portions of a delivery system located on or within a Unit that is not committed to the Fractional Ownership Plan shall be the responsibility of the Owner of the Unit if they do not provide Utility Services to more than a single Unit.

(4) All incidental damage caused to a Unit committed to the Fractional Ownership Plan by reason of maintenance, repair and replacement accomplished pursuant to the provisions of Section 8.1(a) (1) and (2) above.

(b) By the Owner. The responsibility of the Owner for maintenance, repair and replacement is as follows:

(1) Not to paint, decorate, improve, alter, or change the appearance of any portion of the Common Elements or any portion of a Unit committed to the Fractional Ownership Plan.

(2) To report promptly to the Association any defect or need for repairs for which the Association is or may be responsible.

(3) Any service lines and other portions of the delivery system for any Utility Services located on or within a Unit, to the extent that they provide service only to the Owner's Unit.

(4) To bear, in their entirety, any expenses of repairs or replacements to the Condominium Property, including but not limited to, a Unit committed to the Fractional Ownership Plan or its components, furnishings, carpeting, appliances, or other property, real, personal or mixed, occasioned by the specific use or abuse by any Owner or any licensee, guest or invitee of the Owner that exceeds ordinary wear and tear. The Association will have a lien on any such Owner's Unit or Fractional Interest for such expenses of repairs or replacements as more fully described in, and enforced pursuant to, Section 9.1(e) below.

(5) To maintain, repair and replace his or her Unit (other than Limited Common Elements appurtenant to the Unit) if the Unit is not committed to the Fractional Ownership Plan.

8.2 Management Contract. As set forth in Section 10.5 below, the Association may enter into such management contracts, from time to time, as it deems necessary to engage the services of a management company to carry out all or part of the maintenance and operational duties and obligations of the Association in accordance with this Condominium Declaration. The initial Management Company is Seven Canyons Club Management Services, LLC, an Arizona limited liability company. In the event that the Management Contract is terminated, the maintenance duties and other obligations of the Condominium will once again be the responsibility of the Association.

8.3 Association's Access to Units. The Association has the irrevocable right of access to each Unit whenever necessary for: (i) inspecting, maintaining, replacing, or operating the Condominium Property; and (ii) making emergency repairs necessary to prevent damage to the Common Elements or to any Unit.

8.4 Common Elements and Limited Common Elements. The Association has the responsibility to maintain, repair, renovate and replace all Common Elements and Limited Common Elements. Notwithstanding the maintenance and repair responsibilities of the Association set forth in this ARTICLE, prior to the commencement of any construction, reconstruction, alteration, renovation, restoration, substantial repair or replacement of any Common Element or Limited Common Element, or any portion of any Common Element, or Limited Common Element, the Association must obtain the written approval of the Developer for so long as the Developer owns a Unit or Fractional Interest, which the Developer may grant or withhold in its sole discretion. The Board has the right, in its sole discretion and without the approval of the Owners, to make material alterations or substantial additions to the Common Elements and Limited Common Elements, subject to the prior written approval of the Developer, in its sole discretion, for so long as Developer owns a Unit or Fractional Interest; provided, however, if there are Units in the Condominium that are not committed to the Fractional Ownership Plan, the Board may not conduct such action unless the action is approved by a majority of the Owners of such Units. The Board has the right, in its sole discretion and without the approval of the Owners, to maintain, repair, alter, rearrange, improve, remove, or replace any or all personal property or furnishings that are part of the Condominium Property, and are not the property of individual Owners, from time to time, subject to the prior written approval of the Developer, in its sole discretion, for so long as the Developer owns a Unit or Fractional Interest. In addition, the Board shall have the power, in its sole discretion and without the approval of Owners, but subject to the prior written approval of the Developer in its sole discretion, for so long as the Developer owns a Unit or Fractional Interest, to lease the Common Elements; to enter into agreements to acquire leaseholds, memberships, and other possessory or use interests in lands or facilities including, but not limited to, country clubs, golf courses, and other recreational facilities; and to acquire, convey, lease, or mortgage Association Property. The Board shall have the power to charge a reasonable use fee against Owners for the use of Common Elements or Association Property, subject to the approval of the Developer in its sole discretion, for so long as the Developer owns a Unit or Fractional Interest. All costs associated with the foregoing will be Common Expenses.

ARTICLE 9
ASSESSMENTS AND COMMON EXPENSES

9.1 Assessments. Owners of Units that are not committed to the Fractional Ownership Plan are responsible for Condominium Common Expenses. Owners of Fractional Interests are responsible for Fractional Ownership Plan Common Expenses. In lieu of the Developer paying assessments, the Developer may enter into a subsidy agreement with the Association to secure its obligation to pay such assessments pursuant to Section 9.5. The establishment and collection of assessments against each Owner for Common Expenses, for the costs or expenses for which an individual Owner may be solely responsible pursuant to the terms of the Condominium Documents, and for reserves as may from time to time be established by the Association, are, pursuant to the Bylaws of the Association, subject to the following provisions:

(a) Assessment. Except as otherwise provided in this ARTICLE 9, on a Fiscal Year basis, an assessment for Condominium Common Expenses shall be levied against each Owner of a Unit that has not been committed to the Fractional Ownership Plan in accordance with the percentage share set forth in ARTICLE 6. Except as otherwise provided in this ARTICLE 9, on a Fiscal Year basis, an assessment for Fractional Ownership Plan Common Expenses shall be levied against each Owner of a Fractional Interest in accordance with the percentage share set forth in ARTICLE 6. If any operational or maintenance expenses attributable to any Owner or Owners are at least 15% greater than the operational or maintenance expenses attributable to other Owners, the assessment may be levied by the Association according to a formula or schedule under which assessments against each Owner are equitably apportioned in accordance with the operational or maintenance expenses attributable to each Owner.

The Board is specifically empowered, on behalf of the Association, to adopt and amend budgets and make and collect assessments. The Board may impose, without the vote or written approval of the Owners, a regular annual assessment that is as much as 20% greater than the regular annual assessment charged for the immediate preceding year. A regular annual assessment that is more than 20% higher than the regular annual assessment charged for the immediate preceding year may only be levied with the approval of a majority of the eligible votes held by Owners other than the Developer. Any increase in the annual assessment resulting from an increase in Ad Valorem Taxes shall be excluded in determining whether the annual assessment is more than 20% higher than the regular annual assessment charged for the immediate preceding year.

(b) Special Assessments. If the assessments are or will become inadequate to meet all expenses incurred by the Association hereunder for any reason, including nonpayment by any Owner of assessments on a current basis, the Association may determine the approximate amount of the inadequacy, prepare and distribute a supplemental budget, and levy against each Owner according to the formulae set forth in Section 9.1(a), a special assessment in an amount sufficient to provide for the inadequacy. Except in the event of an emergency situation, the special assessment for any purpose other than to restore, repair, or rebuild because of damage or destruction to a Unit, shall not, in the aggregate, exceed 5% of budgeted gross expenses of the Association for the applicable Fiscal Year, unless there is a vote or written assent of a majority of eligible votes held by Owners other than the Developer voting at a duly called meeting of the Association. A special assessment for the repair, restoration, or rebuilding of a Unit shall not

exceed 10% of the budgeted gross expenses of the Association for the applicable Fiscal Year, unless there is a vote or written assent of a majority of eligible votes held by Owners other than the Developer voting at a duly called meeting of the Association. The Association may also levy a special assessment against an individual Owner or Owners for the purpose of reimbursing the Association for costs incurred in bringing the Owner or Owners into compliance with the provisions of the Condominium Documents.

(c) Payments of Assessments. No Owner may withhold payment of any regular or special assessment or any portion of any regular or special assessment because of any dispute which may exist between that Owner and another Owner, the Association, the Board, the Management Company or the Developer or among any of them, but rather each Owner must pay all assessments when due pending resolution of any dispute.

(d) Interest: Application of Payments. Assessments and installments on assessments paid on or before 15 days after the date when due will not bear interest, but all sums not paid on or before 15 days after the date when due will bear interest at the lower of (i) the maximum rate allowed by law or (ii) the rate of 15% per annum from the date when due until paid. In addition to such interest, the Association may charge an administrative late charge on delinquent accounts up to the highest amount permitted under Arizona law. The Association is further authorized to utilize the services of a collection agency for collection of delinquent accounts and to charge and impose a lien against the delinquent Owner for such costs in accordance with the Condominium Act. The Association is further authorized to charge and impose a lien against the delinquent Owner for any costs with regard to denying use of the accommodations and facilities of the Fractional Ownership Plan. All payments on accounts shall be first applied to any interest that has accrued, then to any administrative late fee, then to any costs and reasonable attorneys' fees incurred in collection, and then to the assessment payment most delinquent. The Board has the discretion to increase or decrease the amount of the administrative late fee and interest rate within the limits allowed herein and imposed by law; provided, however, that any such increase or decrease will be made effective by amending the Condominium Rules and Regulations and notifying the Owners by regular mail addressed to each Owner at the Owner's last known address. Notwithstanding any provision of this paragraph to the contrary, the Association has the right to waive any late fees or interest that accrue as a result of delinquent payment.

(e) Lien for Assessments. To the extent permitted by law, the Association has a lien against each Unit or Fractional Interest, as applicable, for any unpaid assessments, or expenses incurred pursuant to Section 8.1(a)(4) above ("Repair Expenses"), or monetary penalties imposed against an Owner and for interest, late charges, fees, or penalties accruing on such unpaid assessments, Repair Expenses or penalties. Any such lien also secures reasonable attorneys' fees and costs and other expenses incurred by the Association incident to the collection of such assessment, Repair Expenses or penalties or enforcement of the lien, whether or not legal proceedings are initiated and including those incurred in all bankruptcy and probate proceedings, and all sums advanced and paid by the Association for taxes and payments on account of superior mortgages, deeds of trust, liens, or encumbrances which may be advanced by the Association in order to preserve and protect its lien. The lien is prior to all other liens, interests, and encumbrances on a Unit except: (i) liens and encumbrances recorded before recordation of this Condominium Declaration; (ii) a recorded first mortgage, or first deed of trust, or first contract for

sale on a Unit or Fractional Interest; or (iii) liens for real estate taxes or governmental assessments or charges. The lien for the full amount of the assessment is effective from and after the time the assessment is due or the first installment is due if payable in installments. The lien will continue in effect until all sums secured by the lien have been fully paid or until such time as is otherwise permitted by law. Proceedings to enforce the lien must be instituted within three years after the full amount of the assessment becomes due (or after the lien may first be enforced, if later). All such liens may be foreclosed by suit brought in the name of the Association in the same manner as a foreclosure of a mortgage on real property. The Association may also sue to recover a money judgment for unpaid assessments, Repair Expenses or penalties without waiving any claim of lien.

If a Mortgagee (or its successors or assigns) obtains title to a Unit or Fractional Interest as a result of the foreclosure of its first mortgage, or if such a Mortgagee obtains title to a Unit or Fractional Interest as the result of a conveyance in lieu of foreclosure of its first mortgage, the Mortgagee shall be exempt from liability for the Common Expenses or assessments chargeable to the Unit or Fractional Interest, or the Owner of such Unit or Fractional Interest, which became due prior to the acquisition of title by the Mortgagee. Any such unpaid amounts shall remain the personal obligation of the Owner holding title at the time they became payable but may also be deemed a Common Expense to be paid in the same manner as other Common Expenses by all of the Owners.

Nothing contained in this Condominium Declaration is to be construed as a modification of any rights or remedies of the Association pursuant to the Condominium Act, except to the extent that the Condominium Documents allow additional remedies to those expressly set forth in the statute and to the extent that such additional remedies are permitted by law.

(f) Personal Liability for Unpaid Assessments. Each Owner of a Unit or Fractional Interest, as applicable, is personally liable for all assessments made against the Unit or Fractional Interest pursuant to this Condominium Declaration and the Condominium Act, and the Association may bring an action for a money judgment against a delinquent Owner to collect all sums due the Association, including interest, late charges, costs and reasonable attorneys' fees. In the event a Unit or Fractional Interest is owned by more than one person or entity such owners shall be jointly and severally liable for all assessments made against the Unit or Fractional Interest. Amounts owed by the Owners of any Fractional Interest shall not, however, constitute the obligation of the Owners of other Fractional Interests in the same Unit.

9.2 Common Surplus. Each Owner shall own a share of the Common Surplus attributable to each Unit or Fractional Interest owned in accordance with Section 6.1 above.

9.3 Refunds of Common Surplus. If the Association refunds all or a portion of any Common Surplus to the Owners for any Fiscal Year in which the Developer paid any assessment, the refund shall be prorated as of the date of closing of any sale of a Unit or Fractional Interest by the Developer during the year, and the prorated amount allocable to the period of time of the Developer's ownership shall be refunded directly to the Developer by the Association.

9.4 Certificate. Within 15 days after receipt of a written request, the Association shall furnish to an Owner, or Owner's designee, a statement showing the amount of unpaid assessments against the Owner with respect to the Owner's Unit or Fractional Interest. The holder

of a Mortgage or other lien has the same right for any Unit or Fractional Interest upon which it has a lien. The statement is binding on the Association, Board, and every Owner if it is requested by an escrow agency licensed pursuant to Title 6, Chapter 7, Arizona Revised Statutes. Failure to provide the statement to such an escrow agent shall extinguish any lien for unpaid assessment then due.

9.5 Subsidy Agreement. In lieu of the Developer paying its share of assessments, the Developer may enter into a subsidy agreement with the Association to secure its obligation to pay assessments. Such a subsidy agreement may provide for the Developer to pay (i) the pro-rata amount for reserves specified in the then-current Association budget attributable to each Fractional Interest owned by the Developer as of the first day of the then-current fiscal year; and (ii) the difference between the actual costs incurred in operating the Condominium during the applicable period and all amounts paid by Owners other than the Developer with respect to such operating costs. During the term of the Subsidy Agreement, the Developer agrees that except as may be required to repair or replace damage or destruction pursuant to Section 13.4, the Developer will not cause the Association to impose a special assessment with respect to any of the Fractional Interests. If the Developer timely performs its obligations under the Subsidy Agreement, the Developer's payments to the Association shall satisfy fully its obligation to pay assessments attributable to each Unit and Fractional Interest owned by the Developer. The Developer reserves the right, but not the obligation, to extend and increase the Subsidy Agreement for one or more periods of one year each after the expiration of the initial term of the Subsidy Agreement.

9.6 Fines. For each violation of the Condominium Documents, the Board may levy against the offending Owner a sum of up to \$100 per violation or such higher amount as may then be allowed by applicable law. This remedy is in addition to and not in lieu of the remedies provided in the Condominium Documents or applicable law. An Owner against whom a fine is to be levied will be afforded an opportunity for hearing by the Board.

9.7 Statement Concerning Developer's Obligations. During the Developer Control Period, within 30 days after the end of each quarter of the Association's Fiscal Year, the Developer shall furnish to each member of the Board, at the Board member's residence address, a statement containing the following information:

(a) A status report covering each improvement included in the Condominium that was scheduled for completion during the quarter according to the planned construction statement for the project and each still-uncompleted improvement that was scheduled for completion during an earlier quarter.

(b) The number of Fractional Interests owned by the Developer as of the first and last day of the quarter.

(c) The total assessments that the Developer became obligated to pay during the quarter as an owner of Fractional Interests.

(d) The total assessments paid by the Developer to the Association during the quarter.

(e) The amount of any delinquency of the Developer in the payment of assessments that has not been cured as of the date of the report.

(f) An itemized report of funds, goods, and services furnished, or caused to be furnished, to the Association under any subsidy program including monetary contributions to the reserves of the Association for replacement or major repairs of Common Elements and an itemized monetary valuation of goods and services furnished.

If the statement required to be delivered by the Developer pursuant to this Section 9.7 is not received by the Board within 45 days after the end of a quarter, or if the statement as received evidences a material failure by the Developer to complete any improvements agreed to in writing by the Developer, fulfill an obligation to the Association to pay assessments as an Owner of Fractional Interests, or to pay the costs of operating the Fractional Ownership Plan and maintaining the Condominium under any Subsidy Agreement, the Board shall hold a special meeting, which may be by conference call, to discuss and vote on the question of initiating action against the Developer to enforce the Developer's unfulfilled obligations. The director of the Association elected solely by the votes of non-Developer Owners ("Owner Director") is empowered to initiate an action in the name of the Association and at the Association's expense to enforce the Developer's unfulfilled obligation set forth in any Subsidy Agreement if the Board fails to meet to consider and vote on the question of enforcing the Developer's obligations within 75 days after the end of the quarter or if the Board refuses to initiate such action after having met for that purpose. If the Owner Director determines that it is in the best interest of the Members of the Association to act under the special authority granted hereunder, the director shall do so in the name of the Association within 90 days after the end of the quarter and the Board shall thereafter take such steps as are necessary and appropriate in furtherance of the purpose of the action. Any disagreement or controversy between the Developer and the Association with respect to the question of fulfillment of the Developer's obligations to complete any promised improvements, fulfill an obligation to the Association to pay assessments as an Owner of Fractional Interests, or to pay the costs of operating the Fractional Ownership Plan and maintaining the Condominium under any Subsidy Agreement, shall, at the request of either party, be submitted to dispute resolution pursuant to Section 19.3.

ARTICLE 10 THE ASSOCIATION

The Association shall operate the Condominium and shall fulfill its functions pursuant to the following provisions:

10.1 Membership in Association. Each Owner is a member of the Association pursuant to the provisions of the Articles of Incorporation and Bylaws of the Association. Each Fractional Interest shall have one vote in the Association. The Owner of a Unit not committed to the Fractional Ownership Plan is entitled to 10 votes. Where a Fractional Interest is owned by more than one person, all such persons may file a voting certificate with the Association, in accordance with the Articles and Bylaws of the Association, and such rules and requirements as the Board may reasonably impose, setting forth which person is designated to cast the one vote for that Fractional Interest.

10.2 Limitation On Liability of Association. Notwithstanding the duty of the Association to maintain and repair portions of the Condominium Property, the Association is not liable to Owners for injury or damage, other than for the cost of maintenance and repair, caused by any latent condition of the property to be maintained and repaired by the Association, or caused by the elements or other Owners or their guests or invitees or any other persons.

10.3 Restraint on Assignment of Shares and Assets. Each Owner's share in the funds and assets of the Association cannot be assigned, hypothecated or transferred in any manner except as an appurtenance to the Owner's Unit or Fractional Interest.

10.4 Transfer of Control of Association. The Board shall initially consist of the persons appointed by the Developer. At the time of the first annual meeting of the Members, a Board replacing the initial Board shall be elected in accordance with the Bylaws. From and after the first election of the Board by the Members of the Association, not less than one of the Directors shall be elected solely by the votes of Members of the Association other than the Developer, pursuant to the special election procedures set forth in the Bylaws of the Association.

During the Developer Control Period, the Class B Member (as that term is defined in the Bylaws) will be entitled to remove or elect any Board member in a Board seat elected by the Class B Member. The Developer Control Period shall terminate upon the first of the following to occur (i) 90 days after the Developer has sold 80% of the Fractional Interests in all phases which may be created by the Developer; (ii) 4 years after the Developer ceases to offer Fractional Interests or Units in the Condominium in the ordinary course of business, or (iii) such earlier time as may be specified by written notice from the Developer to the Board.

10.5 Management Contract. The Association is authorized to contract for management of the Condominium and to delegate to the contractor all powers and duties of the Association except such as are specifically required by the Condominium Documents to have approval of the Board or members of the Association. Notwithstanding any provisions contained in this Condominium Declaration to the contrary, it is the intent of this Condominium Declaration that the Board will not be able to independently terminate the Management Contract without a vote of the Owners as provided in the Condominium Act.

10.6 Association Powers Upon Merger; Operation of Other Condominiums. In the event this Condominium is merged, pursuant to the Condominium Act, with a separate and independent condominium to form a single condominium, the Association is expressly empowered to manage and operate the resulting single condominium as provided for in the Condominium Act. The Association is also specifically empowered to manage, operate and maintain any other separate and independent condominiums that the Board shall elect to manage, operate and maintain from time to time in accordance with the Condominium Act, this Condominium Declaration and the declaration of condominium of the other separate and independent condominium.

10.7 Title to Property. The Association has the power to acquire title to and hold, convey or mortgage non-Condominium Property and Condominium Property, including Common Elements; or subject such property to a mortgage, deed of trust, or security instrument; provided, however, that the Association first obtains approval of 80% of the total voting interests and

written approval of the Developer so long as the Developer owns a Unit or Fractional Interest. The Board has the authority to lease non-Condominium Property for the Association as lessee, and Condominium Property, including Common Elements, for the Association as lessor, without first obtaining approval of the Owners; provided, however, that the Board shall only exercise such power when it is in the best interests of the Owners as a whole and upon receipt of the prior written approval of the Developer. Neither the Association nor the Board has the power to convey, mortgage or lease any Unit not owned by the Association. In addition, neither the Association nor the Board shall convey, mortgage or lease any Limited Common Elements without the approval of the Owners of each Unit to which the Limited Common Element is appurtenant except as set forth in this Condominium Declaration.

10.8 Administration, Powers, and Services. Administration of the Condominium and Fractional Ownership Plan, operation, maintenance, repair and restoration of the Units and their respective Common Furnishings, and any alterations and additions thereto, shall be vested in the Association. The Association has the power to make material alterations and improvements to Units, Common Elements, and Limited Common Elements without the consent of the Owners. The Association acting alone (through the Board, its officers, or other duly authorized representatives) may, subject to the provisions of the Articles, the Bylaws, this Condominium Declaration and the Condominium Rules and Regulations, exercise any and all rights and powers herein, all the rights and powers of a nonprofit corporation under applicable laws.

10.9 Special Powers and Duties of Association. The Association is expressly authorized to do any or all of the following:

(a) Statements and Audit. To cause financial statements to be regularly prepared for the Association and copies thereof to be distributed to all Members as follows:

(1) The budget for the Condominium and Fractional Ownership Plan operation and the Fractional Interests, as a group, for each Fiscal Year, shall be distributed to Owners not less than 45 days nor more than 60 days prior to the beginning of each Fiscal Year, except the first Fiscal Year, when the budget shall be distributed as soon as reasonably possible. This statement shall contain: (a) the estimated revenue and expenses on an accrual basis; (b) an identification of the amount of the total cash reserves currently available for replacement or major repair of common facilities and for contingencies; and (c) concerning those major components of the common areas and facilities for which the Association is responsible, the following information: (i) an itemized estimate of the remaining life, (ii) the methods of funding used to defray the future repair, replacement, or additions, and (iii) a general statement addressing the procedures used for calculating and establishing reserves to defray the expenses listed in (b).

(2) An annual report shall be distributed, within 120 days after the end of each Fiscal Year, consisting of the following: (a) a balance sheet as of the end of the Fiscal Year; (b) an operating (income) statement for the Fiscal Year; (c) a statement of net changes in the financial position for the Fiscal Year; (d) for any Fiscal Year in which the gross income to the Association exceeds \$75,000, a copy of the review of the annual report prepared in accordance with generally accepted accounting principles; and (e) a list of the names, mailing addresses, and telephone numbers of the members of the Board. If this report is not prepared by

an independent accountant, it shall be prepared by the Management Company or by an officer of the Association and shall be accompanied by a certificate of the preparer that the statement was prepared without independent audit or review from the books and records of the Association.

(3) A statement of the Association's policies and practices in enforcing the lien rights or other legal remedies for the default in the payment of assessments against Owners, as described in ARTICLE 10 of this Condominium Declaration, shall be distributed within 60 days prior to the beginning of each Fiscal Year.

(4) A summary of the Association's property, general liability, and earthquake and flood insurance policies shall be distributed within 60 days prior to the beginning of each Fiscal Year that includes the name of the insurer, the type of insurance, the policy limits of the insurance, and the amount of deductibles, if any. In lieu of such summary, the Association may mail copies of the insurance policy declaration to all Owners if it contains an adequate summary.

The Association shall, as soon as reasonably practicable, notify the Owners by first class mail if any of the Association's insurance policies have lapsed, been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, as to any of those policies. If the Association receives any notice of non-renewal of a policy, the Association shall immediately notify the Owners if replacement coverage will not be in effect by the date the existing coverage will lapse.

(b) Minutes and Agenda. The Association shall provide each Owner with the following:

(1) a copy of the minutes of Board meetings within 60 days following the date of the meeting; and

(2) an agenda of the orders of business to be considered at the annual meeting of members not later than 30 days prior to the date of the meeting.

(c) Inspection and Copying of Association's Books and Records and Properties. The Association or Management Company shall make available for inspection and copying, to any Owner or the Owner's duly appointed representative, all records of the Fractional Ownership Plan maintained by the Association, including, without limitation, the membership register, books of accounts and minutes of all meetings. Records shall be made available for inspection at the office where the records are maintained during normal business hours.

An Owner seeking access to Association records shall provide to the Association a written request that states the purpose for the inspection and copying of the Association's books and records. The purpose must be reasonably related to Owner's membership in the Association. Any such Owner shall also provide a fee prescribed by the Board to defray the costs of reproduction. Upon receipt of the written request and fee by the Association, the requested records shall be copied and transmitted to the Owner within 21 days after receipt of the Owner's request.

10.10 General Enforcement of Restrictions. In the event that any Owner or any of the Owner's guests or invitees ("Permitted Users") fails to comply with any of the provisions of this Condominium Documents, the Association shall have full power and authority to enforce compliance with Condominium Documents in any manner provided for herein, by law or in equity including, but not limited to, the right to enforce the Condominium Documents by bringing an action for damages, an action to enjoin the violation or specifically enforce the provisions of the Condominium Documents, to enforce the liens provided for herein and any statutory lien provided by law, including the foreclosure of the lien and the appointment of a receiver for an Owner and the right to take possession of the Unit or Fractional Interest of any Owner in any lawful manner. If the Association employs an attorney to enforce the provisions of the Condominium Documents against any Owner, the Association shall be entitled to recover from the Owner all expenses reasonably incurred including, but not limited to, reasonable attorneys' fees and costs, in addition to any other amounts due as provided for herein. All enforcement powers of the Association shall be cumulative. Each Owner accepting the conveyance of a Unit or Fractional Interest shall be deemed to have covenanted and agreed that the Association shall have all of the rights, powers and remedies set forth in this ARTICLE and elsewhere in this Condominium Declaration.

10.11 Suspension of Privileges and Monetary Penalties. If any Owner or any Owner's Permitted User breaches any of the Condominium Documents including, but not limited to, the failure of any Owner to pay any assessment on or before the due date therefor, the Association may levy a monetary penalty against and/or suspend the right of the Owner and/or Permitted User(s) to reserve and/or occupy the Owner's Unit or Fractional Interest and the right of the Owner to participate in any vote or other determination provided for herein. Unless the violation consists of the failure to pay assessments when due (for which violation the right of an Owner to occupy a Unit or Fractional Interest may be immediately suspended until the delinquent assessments is paid), no such penalty shall be imposed and no such suspension shall be made except after a meeting of the Board at which a quorum of the Board is present, duly called and held for this purpose in the same manner as provided in the Bylaws for the noticing, calling and holding of a meeting of the Board. Written notice of the meeting and the purpose thereof, including the reasons for the penalty or suspension sought, shall be given to the Owner against whom such penalty is to be imposed or whose privileges are to be suspended at least 15 days prior to the holding of the meeting. The Owner shall be entitled to appear at the meeting and present the Owner's case as to why the penalty should not be imposed or the privileges should not be suspended. The Board may determine whether the Owner will be permitted to present a written or oral defense to the charges.

The decision whether a penalty should be imposed or privileges should be suspended shall be made by a majority of the members of the Board present at the meeting. Written notice of any disciplinary action taken and the reasons therefor shall be given to the disciplined Owner and the disciplinary action shall become effective on the date the notice is given or on such later date as may be specified in the notice.

10.12 Designated Service Providers. The Board shall have the authority to designate exclusive providers of services to Owners within the Condominium when the Board deems it necessary or desirable to do so for reasons of obtaining better rates or terms of service or for other reasons deemed reasonable by the Board. Such services may, if the Board so elects, include (but

are not limited to) garbage collection, cable TV, and security services. If the Board makes such a designation, the Association may enter into an agreement with the designated service provider. The cost of services purchased by the Board from a designated service provider shall be considered a Common Expense of the Association and shall be included in the assessments payable by each Owner. Notwithstanding any designation and negotiation with a service provider, each Owner may contract separately with the designated service provider to receive services in excess of those provided to the Property pursuant to the service provider's agreement with the Association, and the cost of the additional services shall be paid separately by the Owner and shall not be an assessment under this Condominium Declaration. Any service provider designated by the Board pursuant to this Section shall have an easement over the Common Elements to the extent necessary or convenient for the efficient delivery of the designated service.

10.13 Cost Sharing Agreements. In the event that any public road within the Project providing access to the Condominium Property is abandoned by governmental authorities, or otherwise made private, before or after the date on which this Condominium Declaration is first recorded, the Board shall have the authority and obligation to enter into such easement agreements, cost sharing agreements or other agreements as may be necessary or appropriate to provide access, utilities and other proper uses of the private road and road-related facilities (including, but not limited to, access controls) for the benefit of the Condominium Property, and to pay a fair share of the costs associated with the road and road-related facilities (including, but not limited to, maintenance, repair and replacement of the road surface, landscaping and other improvements within the road right-of-way benefiting the Condominium Property, and expenses associated with the construction and operation of access controls). Any such costs will be part of the Common Expenses of the Association.

ARTICLE 11 CLUB FACILITIES

11.1 General. Any Club Facilities that may be created will not be Common Elements or Limited Common Elements and will not be subject to this Condominium Declaration. No provision of this Condominium Declaration gives, or shall be deemed to give, any Owner or other person the right to use the Club Facilities. Rights to use Club Facilities will be granted only to those persons, and on those terms and conditions, as may be determined from time to time by the Club Owner, or by separately recorded instrument. By way of example, but not limitation, the Club Owner shall have the right to approve users and determine eligibility for use, to reserve use rights, to transfer any Club Facilities or operation thereof to anyone and on any terms, to limit availability of use privileges, and to require the payment of a purchase price, a membership contribution, an initiation fee, a membership deposit, dues, and/or use charges. Each Owner and other person acquiring any interest in the Condominium Property hereby acknowledges that no right to the use or enjoyment of Club Facilities arises from ownership or occupancy of a Unit or Fractional Interest but arises, if at all, only from a membership agreement or other similar agreement with the Club Owner, or by a separately recorded easement or other recorded instrument. The Club Owner shall have the right, from time to time in its sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of any Club Facilities including, but not limited to, eligibility for and duration of use rights, categories of use, extent of use privileges, and number of users. The Club Owner shall also have the right, in its sole and absolute discretion and without notice, to reserve use rights and to terminate use rights

altogether, subject to the provisions of any outstanding membership documents and any applicable recorded easements or other instruments.

11.2 Ownership of Club Facilities. Each Owner and other person acquiring any interest in the Condominium Property hereby acknowledges that no representations or warranties have been or are made by the Developer or any other person with regard to the existence or use of, or the nature or size of improvement to, or the continuing ownership or operation of any Club Facilities. No representation or warranty regarding the foregoing matters shall be effective unless in writing and signed by the person to be held responsible. It is not contemplated that any Club Facilities will be annexed to the Condominium Property and thereby subjected to this Condominium Declaration.

11.3 Assumption of Risk. Each Owner and other person acquiring any interest in the Condominium Property expressly assumes the risk of noise, personal injury and property damage and any other condition caused by the existence of any Club Facilities or caused by the maintenance and operation of any Club Facilities including, but not limited to: (a) noise from maintenance equipment, (b) noise caused by golfers and social events at Club Facilities, (c) use of pesticides, herbicides, fertilizers and effluent, (d) view restrictions caused by maturation of trees and shrubbery, (e) reduction in privacy caused by golf traffic on any golf course or the removal or pruning of shrubbery or trees on any golf course, (f) design of any golf course, and (g) the possibility of golf balls entering the property adjacent or in proximity to any Club Facilities and causing damage to property and injury to persons. Each Owner and other person acquiring any interest in the Condominium Property acknowledges that maintenance of golf courses typically takes place around sunset or sunrise, and agrees that neither the Association, the Club Owner, the Developer, any Related Party, the designer of any golf course, nor any other person owning or managing any Club Facilities or supplying equipment, materials or services to any Club Facilities (nor any of their respective members, partners, shareholders, principals, officers, directors, employees or agents) shall be liable to any Owner or any other person claiming any loss or damage including, but not limited to, indirect, special or consequential loss or damage arising from personal injury, destruction of property, trespass, loss of enjoyment or any other alleged wrong or entitlement to remedy based upon, due to, arising from or otherwise related to the proximity of an Owner's Unit to any Club Facilities including, but not limited to, any claim arising in whole or in part from the negligence of the Association, the Club Owner, the Developer, any Related Party, the designer of any golf course or any other person owning or managing any Club Facilities or supplying equipment, materials or services to any Club Facilities (or any of their respective members, partners, shareholders, principals, officers, directors, employees or agents). Each Owner is deemed to agree and covenant not to make any claim or institute any action whatsoever against the Association, the Club Owner, the Developer, any Related Parties, the designer of any golf course, any other person owning or managing any Club Facilities or supplying equipment, materials or services to any Club Facilities (or any of their respective members, partners, shareholders, principals, officers, directors or employees) arising from or otherwise related to the proximity of an Owner's Unit to any Club Facilities, including, but not limited to, any claim arising or resulting from any errant golf balls, any damage that may be caused thereby or the negligent design of any golf course or the location of any Unit in relation to any golf course.

ARTICLE 12 INSURANCE

The insurance other than title insurance, if any, that will be carried for the Condominium Property and Association will be governed by the following provisions:

12.1 Authority to Purchase; Named Insured. All insurance policies for the Condominium Property will be purchased by the Association from a fiscally responsible company authorized to do business in the State of Arizona and will have a minimum term of one year, with renewals not less than 20 days prior to expiration. The named insured will be the Association individually and as agent for the Owners, without naming them, and as agent for their Mortgagees, and additional insureds shall consist of the Management Company and, for so long as the Developer owns an any Fractional Interest or Unit, the Developer. Notwithstanding the types of insurance required to be obtained pursuant to this ARTICLE, in obtaining insurance the Board may consider such factors as availability of types of insurance and the market for insurance premiums in deciding which type of insurance and the amounts of coverage to obtain; provided, however, that in no event will the Association purchase less insurance (in terms of coverage or type) than is required by the Condominium Act.

Provisions must be made for the issuance of Mortgagee endorsements and memoranda of insurance to the Mortgagees of Owners on request. Such policies must provide that payments by the insurer for losses must be made to the Association or the Insurance Trustee designated below, and all policies, and endorsements on the policies, must be deposited with the Association or the Insurance Trustee. The Board will endeavor to obtain, if reasonably available and where applicable, insurance policies that provide that the insurer waives its rights to subrogation as to any claim against Owners, the Association, or their respective agents or guests.

12.2 Personal Property of Owners. If desired, Owners may obtain insurance coverage on their personal property at their own expense and for their own personal liability and living expenses. Such insurance is not the responsibility of the Association.

12.3 Coverages.

(a) Casualty. All buildings and improvements on the Condominium Property must be insured in an amount equal to 100% of the current direct physical replacement cost, exclusive of land, foundation and excavation costs, and all other items normally excluded from coverage, as determined by the Board from time to time. All personal property owned by the Association must be insured for its current replacement cost, as determined from time to time by the Board. Coverage must include and afford protection against:

(1) Loss or damage by fire and other hazards normally covered by a standard extended coverage endorsement;

(2) Such other risks, including flood and windstorm, as from time to time are customarily covered with respect to buildings similar in construction, location and use as the buildings on the Condominium Property, including all perils normally covered by the standard "all risk" endorsement, where such an endorsement is available, including, but not limited to, vandalism, malicious mischief, sprinkler leakage, sprinkler damage, water and flood

damage, earthquake loss or damage (if available at commercially reasonable rate), and such other coverage, as and to the extent available, that may from time to time be required by law or be deemed by the Board to be necessary, proper, and in the best interests of the Association as a whole;

(3) The cost of demolition and debris removal; and

(4) If the Condominium has central heating or cooling or the Common Elements contain a steam boiler, a broad form policy of repair and replacement steam boiler and machinery insurance (or endorsement) in the lesser of (i) the amount of the insurable value of the building housing the boiler, or (ii) \$2,000,000 (or such other amount as the Board deems advisable).

All such hazard policies issued to protect Condominium buildings will provide that the word "building," wherever used in the policy, will include, but will not necessarily be limited to, furniture, fixtures, equipment, installations, or additions comprising that part of the building up to the unfinished interior surfaces of perimeter walls, floors, and ceilings of the buildings initially installed and the Limited Common Elements associated with each such Unit, or replacements thereof of like kind or quality, in accordance with the original plans and specifications, or as existed at the time the Unit was initially conveyed if the original plans and specifications are not available. However, before a Unit becomes subject to the Fractional Ownership Plan, and, thereafter, whenever any such Unit once again is not subject to the Fractional Ownership Plan, the word "building" will not include furniture, equipment, floor coverings, wall coverings, or ceiling coverings. Once a Unit becomes subject to the Fractional Ownership Plan, those portions of the building will become insured such that furniture, equipment, floor coverings, wall coverings, and ceiling coverings in a Fractional Interest Unit are covered by any such insurance policy. With respect to the coverage provided for by this paragraph, to the extent such insurance is available, the Owners and the Developer will be considered additional insureds under the policy.

If the insurance described in this Section is not reasonably available, the Association shall cause notice of that fact to be hand delivered or sent prepaid by U.S. Mail to all Owners.

(b) Public Liability. To the extent reasonably available, the Association will obtain and maintain in full force and effect commercial general liability insurance (including bodily injury, libel, slander, false arrest and invasion of privacy coverage) and property damage insurance with such limits as the Board may from time to time determine, insuring the Association against any liability to the public or the Owners (and their guests, invitees, tenants, agents and employees) arising out of or incident to the ownership, existence, operation, management, maintenance or use of the Common Elements and any other areas under the control of the Association. The Owners, the Developer, and the Management Company will be included as additional insureds, but only for claims and liabilities arising in connection with the ownership, existence, use or management of the Common Elements. Except as required in this Condominium Declaration, nothing in this Condominium Declaration is to be construed to require the Board to obtain coverage as a condition precedent to the Association conducting business. The insurance will cover claims of one or more insured parties against other insured parties and the amount of the insurance will not be less than \$1,000,000 with respect to bodily injury or death to one or more

persons or property damage for any single occurrence. Such a comprehensive policy of public liability insurance will include the following:

(i) Coverage for contractual liability, liability for non-owned and hired automobiles, and, if applicable, bailee's liability, garage keeper's liability, host liquor liability, employer's liability, and such other risks as will customarily be covered with respect to projects similar to the Condominium in construction, location, and use.

(ii) A cross-liability endorsement under which the rights of a named insured under the policy will not be prejudiced with respect to an action against another insured.

(iii) A "severability of interest" endorsement which will preclude the insurer from denying liability coverage to an Owner because of the negligent acts of the Association or another Owner.

(iv) A provision or endorsement that no act or omission by an Owner, unless acting within the scope of the Owner's authority on behalf of the Association, will void the policy or operate as a condition to recovery under the policy by any other person.

If the insurance described in this Section is not reasonably available, the Association shall cause notice of that fact to be hand delivered or sent prepaid by U.S. Mail to all Owners.

(c) Worker's Compensation. Worker's compensation insurance coverage is to be obtained to the extent necessary to meet the requirements of law.

(d) Fidelity Insurance. Fidelity insurance coverage will be carried in the name of the Association and the Management Company for all officers, directors and employees of the Association and all other persons handling or responsible for funds of the Association. The total amount of the fidelity insurance coverage required shall be not less than the maximum amount of funds of the Association over which the principal(s) under the policy may reasonably be expected to have control or access at any time or such other lesser amount as may be required under applicable law in the future.

(e) Directors' and Officers' Liability. If reasonably available, in the discretion of the Board, the Association will obtain a policy of directors' and officers' liability insurance in the amount as the Board determines, but in no event less than \$1,000,000 per claim or aggregate occurrence.

(f) Business Interruption. If obtainable, the Board may obtain business interruption or loss of use insurance, on all Fractional Interests. The named insured will be the Association individually and as agent for the Owners, without naming them, and as agent for the Mortgagees as their interests may appear.

(g) Builder's Risk. Prior to the commencement of and during an construction work, the Board shall provide and keep in force until completion and acceptance of the work, "all risks" builder's risk insurance, including vandalism and malicious mischief.

(h) Other. Such other insurance may be carried as the Board determines from time to time to be desirable.

12.4 Premiums and Deductibles. Premiums on insurance policies purchased by the Association, and any deductibles required under such policies, are to be paid by the Association as a Common Expense. The Board may cause, as part of the budget process, a reserve account to be established to provide for a reserve to pay the amount of deductibles, if any, on insurance policies purchased by the Association. In computing the deductible reserve account the Board may use any "expected life" amount it deems reasonable.

12.5 Review of Policies and Policy Provisions. Prior to obtaining any policy of property damage insurance or any renewal of such policies, and at such other intervals as the Board deems advisable, but in any event, at least once every three years, the Board will obtain an appraisal from a general contractor or such other source as the Board may determine, of the then-current replacement cost of the property (exclusive of the land, excavations, foundations and other items normally excluded from such coverage) subject to insurance carried by the Association, without deduction for depreciation, for the purpose of determining the amount of property damage insurance to be secured pursuant to this ARTICLE. All insurers shall waive their right to subrogation under the policy against any Owner or member of the Owner's household. No act or omission by any Owner, unless acting within the scope of authority on behalf of the Association, will void any insurance policy described in (a) or (b), above, or be a condition to recovery under the policy.

12.6 Insurance Trustee; Share of Proceeds. All insurance policies purchased by the Association are to be for the benefit of the Association, the Owners, and any Mortgagees as their interests may appear, and must provide that all proceeds covering property losses are to be paid to the Association, or to a named insurance trustee (the "Insurance Trustee") if the Board so elects. All references to an Insurance Trustee in this Condominium Declaration apply to the Association if the Board elects not to appoint an Insurance Trustee. Any Insurance Trustee (if other than the Association) will be an escrow company with trust powers authorized to do business in Arizona or another entity acceptable to the Board. The Insurance Trustee is not be liable for payment of premiums or for the failure to collect any insurance proceeds. The duty of the Insurance Trustee is to receive such proceeds as are paid and hold the proceeds in trust for the purposes stated in this Condominium Declaration for the benefit of the Association, the Owners, and any Mortgagees in the following shares; provided, however, that such shares need not be set forth on the records of the Insurance Trustee:

(a) Proceeds on Account of Damage to Common Elements and Limited Common Elements. Proceeds from damage to Common Elements and Limited Common Elements, when such Common Elements and/or Limited Common Elements are not to be restored, are to be held in undivided shares for each Owner, each share being the same as the undivided share in the Common Elements and Limited Common Elements appurtenant to each Unit or Fractional Interest.

(b) Units. Proceeds from damage to Units when the building or Unit is not to be restored, will be held in undivided shares for each Owner of the affected Units or Fractional

Interests, each share being the same as the undivided share in the Common Elements appurtenant to each Owner's interest.

(c) Mortgagees. If a Mortgagee endorsement has been issued, any share for the Owner will be held in trust for the Mortgagee and the Owner as their interests may appear; provided, however, that no Mortgagee has the right to determine or participate in the determination as to whether or not any damaged property is reconstructed or repaired, and no Mortgagee has any right to apply or have applied to the reduction of a mortgage debt any insurance proceeds except distributions of such insurance proceeds made to the Owner and Mortgagee pursuant to the provisions of this Condominium Declaration. Notwithstanding the foregoing, the Mortgagee has the right to apply or have applied to the reduction of its mortgage debt any or all sums of insurance proceeds applicable to its mortgaged interest if the damaged property is not reconstructed or repaired as permitted under this Condominium Declaration.

12.7 Distribution of Proceeds. Proceeds of insurance policies received by the Insurance Trustee will be distributed to or for the benefit of the beneficial owners of such proceeds in the following manner:

(a) Expense of the Trust. All expenses of the Insurance Trustee are to be paid first or provisions made for payment.

(b) Reconstruction or Repair. If the damage for which the proceeds are paid is to be repaired or reconstructed, the proceeds will be paid to defray the cost of repair or reconstruction as provided in this Condominium Declaration. Any proceeds remaining after defraying such costs will be distributed to the Owners and any Mortgagees, in accordance with their respective interests, the remittance being made payable to the Mortgagee to the extent of the amount outstanding (principal, interest, and other costs and expenses secured thereby) under its mortgage (as certified in writing by each Mortgagee to the Association). This is a covenant for the benefit of any Mortgagee and may be enforced by the Mortgagee.

(c) Failure to Reconstruct or Repair. If it is determined in the manner provided in this Condominium Declaration that the damage for which proceeds are paid will not be reconstructed or repaired, the remaining proceeds are to be distributed to the Owners of any Units which are under construction or repair and Mortgagees, being payable jointly to them. This is a covenant for the benefit of, and may be enforced by, any Mortgagee. In this regard, the Owners of any Units which are not reconstructed or repaired after casualty (or an eminent domain action as set forth in Section 13.6 below), and for which insurance proceeds are distributed as provided in this Condominium Declaration, will be permanently removed from inventory so that Owners will not be competing for available accommodations on a greater than one-to-one Owner to accommodation ratio.

(d) Certificate. In making distribution to Owners and any Mortgagees, the Insurance Trustee may rely upon a certificate of the Association, made by its president and secretary, as to the names of the Owners and their respective shares of the distribution.

12.8 Association as Agent and Attorney-in-Fact. Each Owner hereby irrevocably appoints the Association as the Owner's true and lawful attorney-in-fact in the Owner's name,

place and stead for the purposes of dealing with the Condominium upon its damage or destruction or a complete or partial taking as provided in ARTICLE 13 below. In addition, the Association, or any Insurance Trustee or substitute Insurance Trustee designated by the Board, is hereby appointed as attorney-in-fact under this Condominium Declaration for the purpose of purchasing and maintaining insurance under this ARTICLE 12 and to represent the Owners in any condemnation proceeding under ARTICLE 13 below including: the collection and appropriate disposition of the proceeds of insurance or any condemnation award; the negotiation of losses and the execution of releases of liability; the execution of all documents; and the performance of all other acts necessary to accomplish such purposes.

ARTICLE 13 RECONSTRUCTION OR REPAIR AFTER CASUALTY OR EMINENT DOMAIN

13.1 Obligation to Reconstruct or Repair. Subject to applicable law and unless otherwise dictated otherwise by a court of competent jurisdiction, if any part of the Condominium Property is damaged by casualty, it must be reconstructed or replaced. If the insurance proceeds are insufficient to cover the cost of reconstruction, replacement or repair, the Association has the obligation to impose and collect a special assessment as provided for in Section 13.4 below.

13.2 Plans and Specifications. Any reconstruction or repairs must be substantially in accordance with the plans and specifications for the damaged property as originally constituted, or in lieu thereof, plans and specifications approved by the Board. Any such reconstruction or repairs must also include repair or replacement of furnishings that are included in those Units committed to the Fractional Ownership Plan.

13.3 Estimates of Cost. As soon as practical after an event causing damage to or destruction of any part of the Condominium, the Board will obtain an estimate or estimates that it deems reliable and complete, which details the anticipated costs of repair, replacement and reconstruction of those parts of the Condominium for which the Association has the responsibility of reconstruction, replacement and repair. Immediately after receipt of such estimates, a determination will be made pursuant to Section 13.1 to rebuild, replace or repair damaged property for which the Association has the responsibility of reconstruction, replacement and repair.

13.4 Assessments. The proceeds received from an insurance policy carried by the Association will be used for any repair, replacement and reconstruction provided for in this ARTICLE 13. The Board will also utilize those amounts held in reserve in the deductible reserve required by Section 12.4 for such purposes. In addition, the Board is authorized, in its reasonable discretion, also to utilize those amounts held in reserve for capital improvement for such purposes; provided, however, that funds held in reserve may only be utilized for the replacement, repair or reconstruction of the particular items for which the particular reserve account has been designated. The Board is authorized, but not obligated, to create a reserve account for the total amount of deductibles of insurance policies maintained by the Association; provided, however, that the funds placed into such a reserve account may only be used in those instances where a claim is made on an insurance policy where there is a deductible and funds are needed to cover the resulting shortfall.

If the proceeds of insurance (plus the additional funds described in this ARTICLE) are not sufficient to defray the estimated costs of reconstruction, replacement or repair by the Association, or if at any time during reconstruction, replacement or repair or on completion of reconstruction, replacement or repair, the funds from insurance for the payment of the costs of reconstruction, replacement or repair are insufficient, special assessments are to be made against all Owners in sufficient amounts to provide funds for the payment of such costs. Such special assessments will be in proportion to the Owners' respective obligations for Common Expenses.

13.5 Construction Funds. The funds for payment of costs of reconstruction and repair after casualty, which consist of insurance proceeds held by the Association or the Insurance Trustee, funds held in reserves as described in Section 12.4, and funds collected by the Association through assessments against Owners, will be disbursed in payment of such costs in the following manner:

(a) Association. If the total of assessments made by the Association in order to provide funds for the payment of costs of reconstruction and repair that are the responsibility of the Association is more than \$50,000, then the assessments will be deposited by the Association with the Insurance Trustee (if other than the Association). In all other cases the Association will hold the assessments and disburse them in payment of the costs of reconstruction and repair.

(b) Insurance Trustee. The insurance proceeds collected on account of casualty, and the sums deposited with the Insurance Trustee by the Association from assessments against Owners on account of the casualty, will constitute a construction fund which will be disbursed in payment of the costs of reconstruction and repair in the following manner and order:

(1) Association - Minor Damage. If the amount of the estimated costs of reconstruction and repair that is the responsibility of the Association is less than \$50,000, then the construction fund will be disbursed in payment of such costs on the order of the Board. However, if a Mortgagee that is a beneficiary of an insurance policy included in the construction fund so requests, the fund will be disbursed in the manner provided for the reconstruction, replacement or repair of major damage.

(2) Association - Major Damage. If the amount of the estimated costs of reconstruction, replacement or repair that are the responsibility of the Association is more than \$50,000, then the construction fund is to be applied by the Insurance Trustee to the payment of such costs, and paid to or for the account of the Association from time to time as the work progresses. The Insurance Trustee must make payments on the written request of the Association for withdrawal of insurance proceeds accompanied by a certificate, dated not more than 15 days prior to the request, signed by an officer of the Association and by an architect in charge of the work, who is to be selected by the Board and approved by the Developer, setting forth that the sum then requested either has been paid by the Association or is justly due to contractors, subcontractors, materialmen, architects, or other persons who have rendered services or furnished materials in connection with the work, giving a brief description of the services and materials and any amounts paid prior to the request, and stating that the sum requested does not exceed the value of the services and material described in the certificate; that except for the amount stated in such certificate to be due, there is no outstanding indebtedness known to the person signing such certificate, after due inquiry, that might become the basis of a vendor's,

mechanic's, materialmen's or similar lien for such work against the Common Elements or any Unit or Fractional Interest; and that the cost as estimated by the person signing such certificate of the work remaining to be done subsequent to the date of such certificate does not exceed the amount of insurance proceeds or other funds remaining in the hands of the Insurance Trustee after the payment of the sum so requested.

(3) Surplus. The first monies disbursed in payment of costs of reconstruction, replacement or repair will be from insurance proceeds. If there is a balance in a construction fund after payment of all costs of the reconstruction, replacement or repair for which the fund is established, such balance is to be distributed to the Owners in proportion to the contributions made by each Owner made as special assessments or if no special assessments were made, then in proportionate shares on the basis of allocation of the Condominium Common Expenses under Section 6.1 above, first to the Mortgagees (to the extent of the amount of the outstanding principal, interest, and other costs and expenses secured under its mortgage as certified by the Mortgagee to the Association) and then to the Owners as their interests appear.

(4) Certificate. Notwithstanding the provisions of this Condominium Declaration, the Insurance Trustee is not required to determine any of the following: (i) whether assessments paid by the Owners are deposited by the Association with the Insurance Trustee; (ii) whether the disbursements from the construction fund are to be on the order of the Association or approval of an architect or otherwise; (iii) whether a disbursement is to be made from the construction fund; (iv) the identity of the payee; or (v) the amount to be paid. Instead, the Insurance Trustee may rely on a Certificate of the Association made by its president and secretary, or by the Management Company, as to any or all of such matters and stating that the sums to be paid are due and properly payable and stating the name of the payee and the amount to be paid; provided, that when a Mortgagee is required in this instrument to be named payee, the Insurance Trustee must also name the Mortgagee as a payee of any distribution of insurance proceeds to an Owner; and further provided, that when the Association, or a Mortgagee that is the beneficiary of an insurance policy whose proceeds are included in the construction fund, so requires, the approval of the Management Company and an architect named by the Association must be first obtained by the Association prior to disbursements in payment of costs of redesign, reconstruction, replacement or repair.

13.6 Eminent Domain. The Association is hereby empowered to defend and/or settle any action or threatened action with respect to the taking in condemnation of any portion of the Common Elements or any Unit or portion of any Unit. If there is a taking in condemnation or by eminent domain of all or any portion of the Condominium, each Owner will be entitled to notice thereof and to participate in the proceedings incident thereto, unless otherwise prohibited by law. In addition, all Mortgagees will be given timely notice of any such proceedings.

(a) Allocation and Distribution of Awards. Unless otherwise required by law at the time of such a taking, any award made as a result of condemnation or eminent domain will be disbursed to a condemnation trustee ("Condemnation Trustee") designated by the Board if the Board so elects. All references to an Condemnation Trustee in this Condominium Declaration apply to the Association if the Board elects not to appoint a Condemnation Trustee. Any Condemnation Trustee (if other than the Association) will be an escrow company with trust powers authorized to do business in Arizona or another entity acceptable to the Board.

Condemnation proceeds will be held in trust and subsequently distributed in accordance with the provisions of this Section 13.6 for the benefit of all Owners, including the Developer, and all Mortgagees, as their respective interest may appear, as well as the Association.

If the condemnation or eminent domain award pertains to the Condominium and non-Condominium property that is adjacent to the Condominium that is owned by the Developer or an affiliate of the Developer, any dispute as to the proper allocation of condemnation proceeds between the Developer and the Association will be determined by distributing such proceeds based upon an appraisal of the fair market value of each party's respective interest in the Condominium by two reputable and established Arizona certified public accountants specializing in real estate valuation, one of which will have been chosen by the Board, the other of which will have been chosen by the Developer. The two selected appraisers will elect a third appraiser with similar qualifications if they are unable to agree upon a proper allocation of such condemnation proceeds, and the determination of such third certified public accountant will be conclusive upon the parties.

(b) Taking of Entire Condominium. If the taking in condemnation or by eminent domain is of the entire Condominium, the Condominium is terminated and the proceeds of any award will be disbursed by the Association in the manner provided by Section 21.4 below.

(c) Partial Taking. If the taking is a partial taking in condemnation or by eminent domain, the Board will arrange for any necessary repairs and restoration of the remaining portion of the Condominium in accordance with Section 13.2, utilizing the funds held by the Condemnation Trustee, at the earliest possible date. If such repairs and restoration in accordance with Section 13.2 are not permissible under the laws then in force, the Board will nonetheless repair and restore the Condominium as nearly as is reasonably possible to its condition immediately prior to the taking. The Board is expressly authorized to pay any excess cost of restoration as a Condominium Common Expense, and to levy a special assessment, if necessary, if the condemnation proceeds and available Association funds are insufficient. If any sums held by the Association from the Condemnation Trustee exceed the cost of repairing and restoring the Condominium, the excess proceeds will be disbursed by the Association in the same manner as insurance proceeds under Section 12.7 above, at the time of the Association's receipt of such funds. If a temporary taking in condemnation of use (but not title) of a Unit occurs, the entire award or settlement for such temporary taking will be paid to the Association for the benefit of the Owners of the Unit.

If part of a Unit is acquired by eminent domain, the award must compensate the Owner and Mortgagee, as their interests may appear, for the reduction in value of the Unit and its interest in the Common Elements, regardless of whether any Common Elements are acquired. On acquisition, unless the decree otherwise provides, all of the following apply:

(1) The Unit's allocated percentage interests are reduced in proportion to the reduction in the size of the Unit unless all Units are allocated equal interests and the taking does not materially diminish the usefulness of the affected Unit.

(2) Any portion of the allocated interests divested from the partially acquired Unit is automatically reallocated to that Unit and the remaining Units in proportion to

the respective allocated interests of those Units before the taking, with the partially acquired Unit participating in the reallocation on the basis of its reduced allocated interests.

(d) Determination not to Restore. If there is a partial taking in which any portion of the Condominium is eliminated or not restored, the proceeds allocable to that portion, less the proportionate share of the portion in the cost of debris removal, will be paid by the Condemnation Trustee to the Association and allocated by the Board to each affected Owner based upon a fraction, the numerator of which will be each affected Owner's undivided interest in the Common Elements as shown on Exhibit "B" to this Condominium Declaration, and the denominator of which will be the aggregate undivided interest in the Common Elements of all affected Owners.

(e) Mortgagees, Lessees, and Developer. This Section 13.6 does not restrict the rights of lessees, Mortgagees, the Developer or any other person holding an interest in a Unit or its Limited Common Elements from receiving separate compensation or a portion of the compensation payable, or both, pursuant to this Section 13.6.

13.7 Interruption of Use. During any reconstruction, replacement or repair period, Owners may temporarily attempt to make reservations for available Weeks under the Fractional Ownership Plan on a greater than "one-to-one purchaser to accommodation ratio." In no event is the interruption of use to be deemed to relieve affected Owners from any obligation to pay assessments due under this Condominium Declaration or from any obligation to make payments due to a Mortgagee.

If the Association has acquired business interruption insurance as contemplated under this Condominium Declaration, such insurance proceeds are to be used to secure replacement accommodations or related facilities for Owner use during any reconstruction, replacement or acquisition period. If the Association has not acquired business interruption insurance, the Board, in its sole discretion, has the right to secure, at the Association's expense, alternate accommodations or related facilities for Owner use during any reconstruction, replacement or acquisition period. If the Board determines to use Association funds to acquire alternate accommodations or related facilities, special assessments may be made against all Owners in sufficient amounts to provide funds for the payment of such costs. Such special assessments are to be in proportion to the Owners' respective obligations for Common Expenses.

ARTICLE 14 USE RESTRICTIONS

The use of the Condominium Property is to be in accordance with the terms of this Condominium Declaration including, but not limited to, the following provisions as long as the Condominium exists:

14.1 Personal Use Restriction. Except for Units owned by the Developer, which may be utilized as provided in Section 14.9 below and elsewhere in this Condominium Declaration, Units may be used only for residential purposes and Units committed to the Fractional Ownership Plan may be occupied only as vacation accommodations. No Owner of a Fractional Interest may occupy a Unit or use any facilities of the Condominium at any time other than during the time

that a Unit is properly reserved in accordance with the Condominium Documents. Except as provided in ARTICLE 17, use of the accommodations, commonly used facilities and recreational facilities of the Condominium is limited strictly to the period of occupancy and solely to the personal use of the Owners, their guests and invitees and for recreational uses by entities owning Units or Fractional Interests. Occupancy of the Units and use of the Common Elements by more than the number of occupants posted in the Unit or set forth in the Condominium Rules and Regulations is strictly prohibited. Use of Units or the recreational facilities for commercial purposes or any purposes other than the personal use described in this Condominium Declaration is expressly prohibited. "Commercial purpose" shall include, but not be limited to, a pattern of rental activity or other occupancy by an Owner that the Association, in its reasonable discretion, could conclude constitutes a commercial enterprise or practice. No Unit may be divided or subdivided into smaller Units. No Unit or Fractional Interest may be added to a fractional ownership plan or exchange program, except as provided in this Condominium Declaration, without the written approval of the Developer. The provisions of this Section 14.1 do not apply to the Developer.

14.2 Common Elements and Limited Common Elements. The Common Elements and Limited Common Elements may be used only for the purposes for which they are intended in the furnishing of services and facilities for the enjoyment of the use of the Owners and guests.

14.3 Nuisances. No nuisance shall be allowed on the Condominium Property or within a Unit, nor any use or practice that is the source of unreasonable annoyance to Owners or which unreasonably interferes with the peaceful possession and proper use of the property by Owners and their guests. All parts of the Condominium are to be kept in a clean and sanitary condition, and rubbish, refuse or garbage shall not be permitted to accumulate. No fire hazard shall be allowed to exist. All Common Elements shall be kept free for their intended use, and shall in no event be used as storage areas, either on a temporary or permanent basis (other than designated storage areas that are part of the Limited Common Elements appurtenant to a Unit). No clothing, towels, bedding, or other similar items may be dried or aired in any outdoor area or hung over railings, balconies, or the like. No Owner shall make or cause to be made any noises, or use musical instruments, radios, televisions, amplifiers, or other such equipment in a manner that may tend to unreasonably disturb other Owners or their guests. No Owner may use any Unit, or make or permit any use of the Common Elements, in a manner that will increase the cost of insurance on the Condominium Property.

14.4 Lawful Use. No immoral, improper, offensive or unlawful use shall be made of the Condominium Property including, but not limited to, any Unit, and all valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction must be observed. The responsibility of meeting the requirements of governmental bodies for maintenance, modification or repair of the Condominium Property or a Unit will be the same as the responsibility for the maintenance and repair of the property concerned.

14.5 Signs. No "For Sale" signs or other displays or advertising shall be maintained on any part of the Common Elements, Limited Common Elements, or Units, except that the right is specifically reserved to the Developer to place and maintain "For Sale" signs on the Condominium Property for as long as it may have Units or Fractional Interests to sell, and except as permitted by the Board or by law from time to time.

14.6 Parking. Commercial trucks, oversized vehicles, trailers, recreational motorcycles, and bicycles shall not be parked on the Condominium Property except in those areas, if any, designated by the Board for this purpose.

14.7 Solicitation. No solicitation of any kind, whether commercial, religious, educational, or otherwise, shall be conducted anywhere on the Condominium Property unless specifically authorized in advance and in writing by the Board, except for solicitation by the Developer or its designees in marketing the sale of Units or Fractional Interests or related products.

14.8 Condominium Rules and Regulations. Reasonable rules and regulations concerning the use of Condominium Property may be promulgated and amended from time to time by the Board in the manner provided by its Articles of Incorporation and Bylaws.

14.9 Developer's Use. The Developer may make such use of the Common Elements and the Units as may facilitate the sale of Units or Fractional Interests in this Condominium.

14.10 No Pets. Except to the extent expressly authorized in the Condominium Rules and Regulations, or by the Board, from time to time, all pets are prohibited. The provisions of this ARTICLE shall not apply to service animals, as defined by the Americans with Disabilities Act.

14.11 Evacuation Orders. In the event an emergency evacuation order is made by the appropriate state, county or other governmental authorities, whether voluntary or mandatory, or in the event electrical, sewer, water or any other necessary utility service serving the Condominium Property ceases or is sufficiently degraded to constitute a hazard, the Association may implement an emergency plan in order to protect all Owners, the Condominium Property and the Association Property. The emergency plan will be communicated to Owners staying at the Condominium when implemented and may require that Owners and guests vacate the Condominium Property and find safer alternate accommodations at Owners' sole expense. All Owners and guests must adhere to the Association's emergency plan when implemented. The Association shall not under any circumstances be liable for any costs associated with or resulting from implementation of the emergency plan, or for any costs associated with any loss of utility service leading to implementation of the emergency plan.

14.12 Antennas. No antennas or satellite transmission receivers of any type designed to serve a Unit shall be allowed on the Common Elements or Limited Common Elements, except as may be provided by the Association to serve as a master antenna for the benefit and use of the Condominium. No electrical or other equipment may be operated on the Condominium Property that interferes with television signal reception. Subject to design guidelines, no electrical or other equipment may be operated on the Condominium Property which interferes with television signal reception.

14.13 Decoration of Units. No Owner, guest, or invitee shall alter the furnishings, appliances, personal property or decor of any Unit committed to the Fractional Ownership Plan. The Developer shall only be responsible for annexing a Unit to the Fractional Ownership Plan with the furnishings, appliances, personal property or decor as represented to the purchasers of Fractional Interests. Thereafter, the Association shall determine the interior color scheme, decor

and furnishings of each Unit committed to the Fractional Ownership Plan as well as the proper time for redecorating and renovating such Unit and its contents. On recording of the first deed of a Fractional Interest in a Unit, the Board shall have the obligation and the authority to determine the interior color scheme, décor, and furnishings of the Unit as well as the proper time for redecorating and renovating the Unit and the Developer shall have no further obligations in this regard. This authority shall include, but not be limited to, the right to alter, remove or replace any furnishings, appliances, personal property or décor in a Unit without the approval of any Owner; provided, however, that no such change shall be made without the approval of the Developer so long as it owns a Fractional Interest. Except for Owners of Units that are not committed to the Fractional Ownership Plan, no Owner, guest, invitee, or lessee shall paint or otherwise decorate or change the appearance of any portion of the Condominium Property nor shall any Owner, guest, invitee, or lessee make any additions, alterations, or renovations to the Condominium Property.

14.14 Right of Occupancy - Holdover Owners. If Owners, guests or invitees fail to vacate a Unit committed to the Fractional Ownership Plan at the expiration of any reserved use period, as may be required by the Condominium Rules and Regulations, they shall be deemed a "holdover owner." It shall be the responsibility of the Association to take such steps as may be necessary to remove any holdover owner from the Unit, and to assist the holder of any subsequent reservation who may be affected by the holdover owner's failure to vacate to find alternate accommodations during the holdover period.

(a) In addition to such other remedies as may be advisable to it, the Association has the right, but not the obligation, to secure, at its expense, alternate accommodations for any holder of a subsequent reserved use period who may not occupy the Unit due to the failure to vacate of any holdover owner. Any such accommodations must be as similar to the reserved Unit as possible. The holdover owner will be charged holdover use of the Unit at the highest published rate posted for the cost of such alternate accommodations for the holder of the subsequent reserved use period, any other costs incurred due to the holdover owner's failure to vacate, and an administrative fee of \$150 per day, or any portion thereof, during this period of holding over. If it is necessary that the Association contract for a period greater than the actual period of holding over in order to secure alternate accommodations as set forth above, the entire period is the responsibility of the holdover owner, although the \$150 per day administrative fee shall cease upon actual vacating by the holdover owner. The amounts contained in this paragraph shall be adjusted for inflation by increasing (but not decreasing) said amount annually by the percentage increase in the Consumer Price Index - All Urban Consumers - All Items - U.S. City Average.

(b) The Association will submit a bill to the holdover owner in accordance with this ARTICLE. Before the Association may levy a fine against a party for violation of any of the provisions of the Condominium Documents, the Association must afford the party reasonable notice of the levy and a right to a hearing as required under Arizona law.

(c) The foregoing provisions do not abridge the Association's right to take such other action against a holdover owner as is permitted by law including, but not limited to, eviction proceedings. Further, the foregoing provisions do not limit the Association's right to take any action permitted by Arizona law against trespassers who are not Owners.

14.15 No Domiciliary Intent. No person may enter, stay or dwell on or about a Unit committed to the Fractional Ownership Plan with the intent or desire to be or become legally domiciled in the State of Arizona or any political subdivision of the State of Arizona merely as a result of such entrance onto or occupation of the Unit, and all such persons waive and release any such intent or desire. No person may enter, stay or dwell on or about a Unit committed to the Fractional Ownership Plan with the intent that the Unit be or become that person's principal dwelling, and such a person must maintain a principal dwelling at all times at a location other than within the confines of the portion of the Condominium Property committed to the Fractional Ownership Program.

14.16 Use of Units. Notwithstanding the specific Unit in which an Owner has a Fractional Interest, it is the express intent of this Condominium Declaration, approved by each Owner through acceptance of a conveyance hereunder, that all Units committed to the Fractional Ownership Plan shall be available for use by all Owners of Fractional Interests in this Condominium at all times on a first come, first served reservation basis subject to the priority rights and other provisions set forth in the Condominium Rules and Regulations.

14.17 Compensation for Association and/or Management. If a Unit is unavailable for the period of use to which the Owner is entitled because of an error by the Association or the Management Company, the Association shall provide the Owner, at its expense, alternate accommodations that shall be as near in value as possible to the Unit reserved.

ARTICLE 15 ALIENABILITY OF UNITS OR OWNERSHIP INTERESTS

15.1 Alienability Restrictions. The right of an Owner to sell, transfer, assign or hypothecate the Owner's Unit or Fractional Interest shall not be subject to the approval of the Association. Accordingly, a proper transfer or conveyance of such Unit or Fractional Interest shall not require the written approval of the Association; however, each transferee shall be responsible for providing the Association with a copy of the recorded deed of conveyance within 15 days after the date of transfer as required by Arizona law. Further, any sale between an Owner and a *bona fide* third party shall be deemed to contain a provision requiring that any sums due to the Association as assessments must be paid in full as a condition of closing of the sale.

15.2 Developer's Right of First Refusal to Purchase. For a period of 90 years following the date on which this Condominium Declaration is first recorded, if an Owner desires to sell the Owner's Unit or Fractional Interest the Developer shall have the right of first refusal to purchase the Unit or Fractional Interest on the same terms and conditions as are offered to or by a *bona fide* third party, including financing. Accordingly, each Owner desiring to sell the Owner's Unit or Fractional Interest must notify the Developer in writing no less than 30 days in advance of the proposed closing date of the Owner's intent to sell and must include a copy of the proposed transaction reduced to writing in all respects. Upon receipt of such a written notice, the Developer shall determine prior to the proposed closing date whether the Developer decides to exercise its right of first refusal set forth in this Condominium Declaration. If the Developer elects to exercise its right of first refusal, the Developer shall notify the Owner in writing of the election, and the purchase by the Developer shall be closed on or before the proposed closing date. If the Developer fails to notify the Owner of its election to exercise such right of first refusal prior to

the proposed closing date, or fails to close after having given notice of its intention to exercise its first refusal right, the Owner may proceed to close on the Owner's transaction with the bona fide third party. If the Owner does not close the sale to the bona fide third party, after the Developer elects not to exercise its first refusal right or fails to close after exercising its first refusal right, the Developer shall again have first refusal rights if the Owner later wishes to sell the Owner's Unit or Fractional Interest to the same or another third party. In addition, any permitted sale between an Owner and a bona fide third party shall be deemed to contain a provision requiring that any sums due to the Association as assessments must be paid in full as a condition of closing of the sale. The Developer may release its first refusal rights for all or any Units or Fractional Interests, from time to time, as it may elect in its sole and absolute discretion, by recording an instrument in the official records of the Yavapai County, Arizona specifying the Units and/or Fractional Interests to which the release applies.

15.3 Leasing and Rental Restrictions. Owners shall have no right to lease or rent the Owner's Unit or Fractional Interest.

ARTICLE 16 RIGHTS OF MORTGAGEES

16.1 General Provisions. Notwithstanding and prevailing over any other provisions of the Condominium Documents, the following provisions shall apply to and benefit each holder of a Mortgage upon a Unit or Fractional Interest.

16.2 Liability for Assessments. A Mortgagee who comes into possession or becomes record Owner of a mortgaged Unit or Fractional Interest by virtue of foreclosure of the Mortgage, or through any equivalent proceedings such as, but not limited to, the taking of a deed or assignment in lieu of foreclosure or acquiring title at a trustee's sale under a first deed of trust, and any third-party purchaser at a foreclosure sale or trustee's sale (a "Successor Owner"), will not be liable for the unpaid assessments or other charges (including, but not limited to, special use fees, fines, collection costs, attorneys' fees, litigation-related expenses including expert or other witness fees, and interest) attributable to the Unit or Fractional Interest that accrued prior to the time the Successor Owner came into possession of the Unit or Fractional Interest, or became record Owner of the Unit or Fractional Interest, whichever occurred first. In addition, a Successor Owner shall acquire title free and clear of any lien authorized by or arising out of the provisions of this Condominium Declaration that secures the payment of any charges or assessments accrued prior to the time the Successor Owner either came into possession of the Unit or Fractional Interest or became record Owner of the Unit or Fractional Interest. Any unpaid assessments or other charges (including, but not limited to, special use fees, fines, collection costs, attorneys' fees, litigation-related expenses including expert or other witness fees, and interest) against the foreclosed Unit or Fractional Interest shall be deemed to be a Common Expense charged proratably against all of the Owners. Nevertheless, in the event the Owner against whom the original assessments or other charges were made is the purchaser or redemptionor, the lien shall continue in effect and may be enforced by the Board, for the assessments and other charges that were due prior to the final conclusion of the foreclosure or equivalent proceedings. Further, any unpaid assessments and other charges shall continue to exist as the personal obligation of the defaulting Owner, and the Board may use reasonable efforts to collect unpaid assessments and

other charges from the Owner even after the Owner is no longer the Owner of the Unit or Fractional Interest.

16.3 No Personal Liability. A Mortgagee shall not in any case or manner be personally liable for the payment of any assessment or other charge (including, but not limited to, special use fees, fines, collection costs, attorneys' fees, litigation-related expenses including expert or other witness fees, and interest), nor the observance or performance of any covenant, restriction, or rule and regulation of in the Condominium Documents, or any Management Contract, except for those matters that are enforceable by injunctive or other equitable actions, not requiring the payment of money, except as specifically provided in this ARTICLE 16.

16.4 Enforcement After Foreclosure Sale. An action to abate the breach of any of the Condominium Documents may be brought against any purchaser who has acquired title through foreclosure of a Mortgage and the subsequent foreclosure or trustee's sale (or through any equivalent proceedings), and the successors in interest to the purchaser, even though the breach existed prior to the time the purchaser acquired an interest in the Unit or Fractional Interest.

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

16.6 Subject to Condominium Declaration. At such time as a Mortgagee comes into possession of or becomes record Owner of a Unit or Fractional Interest, the Mortgagee shall be subject to all of the terms and conditions of this Condominium Declaration and other Condominium Documents applicable to Owners including, but not limited to, the obligation to pay all assessments and charges accruing thereafter in the same manner as any other Owner.

ARTICLE 17 RIGHTS OF DEVELOPER

Notwithstanding anything in this Condominium Declaration to the contrary, and in addition to any other rights which may be reserved to the Developer in this Condominium Declaration, the Developer shall have the following rights:

17.1 Phasing. The Developer shall have the right to add real estate to the Condominium, subject Units to the Fractional Ownership Plan, create easements, Units, Common Elements, or Limited Common Elements, and construct additional recreational facilities in accordance with this ARTICLE, ARTICLE 4, or ARTICLE 22.

17.2 Right to Change Interior Design and Arrangement. Notwithstanding anything in this Condominium Declaration to the contrary, and in addition to any other rights which may be reserved to the Developer in this Condominium Declaration, the Developer reserves the right to change the interior design and arrangement of any Unit so long as the Developer owns the entire Unit so changed and altered, and provided such change is reflected by an amendment to this Condominium Declaration (if necessary). Such an amendment shall be signed and acknowledged

only by the Developer and need not be approved by the Association or other Owners, whether or not elsewhere required for an amendment, except that no change shall be made by the Developer which would conflict with the provisions of the Condominium Act.

17.3 Sharing of Recreational Facilities and Other Common Elements. In addition to the cross-use and cost-sharing contemplated under this Condominium Declaration and the Road Association documents, the Developer also reserves the right to unilaterally amend this Condominium Declaration to provide for the sharing of the recreational facilities and other Common Elements of this Condominium with the owners of units in other resorts or condominiums, or with other surrounding developments, which may include apartment buildings or other commercial ventures or forms of residential ownership, located adjacent to or in near proximity to this Condominium, including the granting of any ingress and egress easements necessary to effectuate the use rights; provided, however, that in event that this Condominium Declaration is so amended, (i) such other resort or condominium owners shall be required to share with the Owners of this Condominium any recreational facilities and common areas existing as a part of their resort or condominium; (ii) the Common Elements and facilities shall not be overburdened by such sharing; and (iii) the owners at each other resort or condominium shall bear their reasonable pro-rata share of the costs of maintaining all such shared facilities and Common Elements in accordance with generally accepted accounting procedures. The Developer may not exercise its reserved rights under this paragraph without first obtaining both the approval of a majority of the Board of Directors and the approval of a majority of the directors elected by Owners other than the Developer.

17.4 Lifestyle Marketing. To the extent allowed by law, the Developer intends and expressly reserves the right to operate or permit the operation of a lifestyle marketing program in unsold Units and Fractional Interests for increments of time that are less than seven days for so long as it holds any Fractional Interests or Units for sale, as long as such stays are offered in connection with the sale and marketing of the Condominium.

17.5 Withdrawal of Real Estate. The Developer shall have the right, without the consent of any other party, to withdraw any phase described on Condominium Plat prior to the sale of a Unit or Fractional Interest within the phase pursuant to an amendment to this Condominium Declaration. The amendment must identify the phase involved, specify altered boundaries of the Units and their dimensions, and include the Units' identifying numbers. The amendment shall include a reasonable reallocation of the allocated interests between the Units. The Developer shall execute and record the amendment in the official records of Yavapai County, Arizona.

17.6 Amendments. During the Developer Control Period, the Developer may unilaterally amend this Condominium Declaration pursuant to the reserved rights set forth in this ARTICLE and in Section 20.2.

17.7 Right to Maintain Sales Offices, Management Offices, Sign Advertising, and Maintain Model. The Developer shall have the right to maintain sales offices, management offices, sign advertising and models on the Condominium Property, as further set forth in Section 4.3.

17.8 Transfer of Developer Rights. The Developer may transfer any of the rights created or reserved under this Condominium Declaration or the Condominium Act by recording an instrument evidencing the transfer in the official records of Yavapai County, Arizona. The transferee must also execute and record such an instrument. The liabilities and obligations of the Developer, and the transferee after the transfer, shall be those set forth in §33-1244, Arizona Revised Statutes, as it exists on the date of recording of this Condominium Declaration.

ARTICLE 18 COMPLIANCE AND DEFAULT

18.1 Compliance and Default. Each Owner, and each guest or other invitee of an Owner, is governed by and must comply with the terms of the Condominium Documents and the Condominium Rules and Regulations adopted pursuant to those documents, and as they may be amended from time to time. Failure of an Owner or the guest or invitee of an Owner to comply with the provisions of the Condominium Documents entitles the Association or other Owners to pursue any and all legal and equitable remedies for the enforcement of such provisions, including, but not limited to, an action for damages, an action for injunctive relief or an action for declaratory judgment. All provisions of this Condominium Declaration shall be enforceable equitable servitudes and shall run with the land and shall be effective until the Condominium is terminated.

18.2 Costs and Fees. In any proceeding arising because of an alleged failure of an Owner or the Association to comply with the terms of the Condominium Documents, or the Condominium Rules and Regulations adopted pursuant to them, as they may be amended from time to time, the prevailing party shall be entitled to recover all expenses reasonably incurred including, but not limited to, the costs of the proceeding, such reasonable attorneys' and other professionals' fees as may be awarded by the Court, including all appeals and all proceedings in bankruptcy.

18.3 No Waiver of Rights. The failure of the Developer, the Association or any Owner to enforce any covenant, restriction or other provision of the Condominium Act or the Condominium Documents shall not constitute a waiver of the right to do so thereafter.

18.4 Injunctive Relief. The Association may seek an injunction from a court of equity to compel compliance or prohibit violation of the Condominium Documents regardless of whether an adequate remedy at law exists.

18.5 Governing Law; Waiver of Jury Trial; Venue of Actions. This Condominium Declaration shall be governed by, and shall be construed in accordance with, the laws of the State of Arizona. The Association, Owners, the Developer, the Management Company, and any other party claiming rights or obligations by, through, or under this Condominium Declaration, each hereby waive any right they may have under any applicable law to a trial by jury with respect to any suit or legal action which may be commenced by or against the others concerning the interpretation, construction, validity, enforcement or performance of this Condominium Declaration or any other agreement or instrument executed in connection with this Condominium Declaration and agree to use the dispute resolution procedures provided in ARTICLE 19 below. In the event any action is commenced by any party in accordance with the requirements of

ARTICLE 19, the other parties agree, consent and submit to the personal jurisdiction of the Arizona courts in and for Yavapai County, Arizona, with respect to the legal action, and each party also consents and submits to and agrees that venue in any such legal action is proper in such a forum, and each party waives any and all personal rights under applicable law or in equity to object to the jurisdiction and venue in any such forum. Such jurisdiction and venue are exclusive of any other jurisdiction and venue.

ARTICLE 19 DISPUTE RESOLUTION

19.1 Approval of Litigation.

(a) Required Procedures. The Association shall not initiate or voluntarily participate in any litigation, arbitration, claim to regulatory authorities, or any other binding legal proceeding with respect to any matter affecting or arising from the Condominium Property ("Property Litigation") except upon compliance with the requirements of this ARTICLE 19.

(1) Before the Association incurs expenses or potential liabilities in connection with Property Litigation including, but not limited to, attorneys' fees, court filing fees and exposure for costs and fees of an adverse party, the Association must hold a meeting of the Owners and obtain the approval of Owners holding more than 75% of the total votes entitled to be cast by all Owners, excluding the vote of any Owner who would be a defendant in the proceedings.

(2) If the Property Litigation arises from an alleged "Defect" (as defined in Section 19.2(a), the Association shall provide all Owners with at least the following information about the proposed Property Litigation not later than the time the vote of Owners is taken:

- (i) a reasonably detailed description of the alleged Defect;
- (ii) a good faith description of any attempts to correct the alleged Defect by the person alleged to be responsible for it, and the opportunities provided to that person to correct the alleged Defect;
- (iii) a certification from an architect or engineer licensed in the State of Arizona that the alleged Defect exists, along with a description of the scope of work necessary to cure the alleged Defect and a resume of the architect or engineer;
- (iv) a good faith estimate of the cost to cure the alleged Defect;
- (v) the name and professional background of any attorney retained (or proposed to be retained) by the Association to pursue the claim against arising from the alleged Defect, and a description of the relationship between the attorney and member(s) of the Board or the Management Company (if any);
- (vi) a description of the fee arrangement between the attorney and the Association;

(vii) a good faith estimate of the attorneys' fees and expert fees and costs necessary to pursue the claim;

(viii) a good faith estimate of the time necessary to conclude the action (including possible appeals);

(ix) a good faith estimate of the fees and costs the Association may be required to pay to the other party in the event that the Association's claim is unsuccessful; and

(x) an affirmative statement from a majority of the members of the Board that the action is in the best interests of the Association and the Owners.

(3) The costs of any Property Litigation shall be paid by the Association only with monies that are collected for that purpose by an assessment collected solely for that purpose. The Association shall not borrow money, use reserve funds, or use monies collected for other Association obligations.

(4) Each Owner shall notify prospective purchasers of any Property Litigation initiated by the Board.

(5) In the event that Property Litigation arising from an alleged Defect is successfully pursued, any recovery shall be applied (after payment of applicable attorneys' fees and other litigation-related costs) to curing the alleged Defect or repaying the Association for costs previously incurred in curing the alleged Defect. Any excess funds remaining after curing the alleged Defect shall be retained in the Association's reserve funds.

(b) Exempt Actions. The procedural requirements set forth in Section 19.1(a) shall not apply to any proceedings initiated by the Association to (i) collect unpaid assessments; or (ii) enforce a contract entered into by the Association with vendors providing services or materials to the Association. Property Litigation shall not be construed to mean litigation, arbitration, or other proceedings in which the Association is participating by reason of having been named a defendant.

(c) Non-Litigation Advice. Nothing in this Section 19.1 shall preclude the Board from incurring expenses for legal advice in the normal course of operating the Association to (a) enforce this Condominium Declaration and related Condominium Documents; (b) comply with the statutes or regulations related to the operation of the Association; (c) amend this Condominium Declaration and related Condominium Documents, in accordance with their terms; (d) grant easements as provided in this Condominium Declaration; or (e) perform the obligations of the Association as provided in this Condominium Declaration.

19.2 Right to Cure Alleged Defect. If the Association, the Board or any Owner or other person ("Claimant") claims, contends, or alleges that a "Defect" exists in any improvements within the Condominium Property including, but not limited to, the Units constructed on the Condominium Property, the person that constructed the improvement shall have the right to inspect, repair and/or replace the alleged Defect as set forth herein.

(a) Defect Defined. As used in this Condominium Declaration, Defect shall mean failure to construct or install improvements in accordance with approved plans and specifications, in accordance with applicable governmental requirements, in accordance with contractual obligations, in accordance with applicable covenants or aesthetic requirements, in accordance with standards of good practice in the applicable industry, using acceptable materials or procedures, in breach of applicable governmental, legal or contractual obligations, or otherwise contrary to the expectations of the Claimant.

(b) Notice of Alleged Defect. Within 15 days after discovering any condition that will be alleged to be a Defect, a Claimant shall give written notice of the alleged Defect ("Notice of Alleged Defect") to the person or persons believed by the Claimant to be responsible for the alleged Defect. The Notice of Alleged Defect shall include a reasonably detailed description of the alleged Defect and any action the Claimant believes to be necessary to cure the alleged Defect.

(c) Right to Enter, Inspect, Repair and/or Replace. Within a reasonable time after the receipt of a Notice of Alleged Defect, the person who received the Notice of Alleged Defect shall have the right, upon reasonable notice to the Claimant and during normal business hours, to enter the affected portion of the Condominium Property for the purposes of inspecting and/or conducting testing and, if the person so chooses in its sole discretion, repairing and/or replacing the alleged Defect. Any agreement made in writing for repair, replacement or other curative action shall be enforceable against both parties to the agreement without requiring either party to again go through the notice and other procedures provided for in this Section 19.2 or to go through the negotiation and mediation procedures set forth in Section 19.3(a) and Section 19.3(b).

(d) Scope of Work; Indemnity. In conducting such an inspection, testing, repair and/or replacement, the person receiving the Notice of Alleged Defect shall be entitled to take any actions it deems reasonable and necessary under the circumstances. Any person entering the property of a Claimant, or performing testing, repair and/or replacement pursuant to this Section 19.2, shall defend, indemnify and hold the Claimant harmless for, from and against all claims, demands, costs, losses, and liabilities of every kind and nature arising from exercise of the entry and curative rights provided for in this Section.

(e) No Additional Obligations; Irrevocability and Waiver of Right. Nothing set forth in this Section 19.2 shall be construed to impose any obligation on any person to inspect, test, repair, or replace any item or alleged Defect for which the person is not otherwise obligated under applicable law or other binding legal obligation. The right to enter, inspect, test, repair and/or replace an alleged Defect shall be irrevocable and may not be waived or otherwise terminated with regard to any person except by a written document executed by that person.

19.3 Alternative Dispute Resolution. Any dispute, controversy, disagreement or claim of any kind or nature arising in any way from the Condominium Property, including, but not limited to, the physical condition, use, appearance, or operation of the Condominium Property or any portion of it, or agreements or other legally binding instruments or obligations pertaining to the Condominium Property or any portion of it (each, a "Dispute") shall be processed progressively by negotiation, mediation and arbitration in accordance with this Section 19.3 unless specifically exempted, if the Dispute is between or among (i) the Developer or any builder

(or the officers, directors, employees, brokers, agents, consultants, contractors, or subcontractors of either of them) and any Owner or the Association; or (ii) the Association and any Owner. This Section will apply to any such Dispute regardless of whether it involves theories based upon contract, tort, statute or other legal theory. No person bound by this Section 19.3 may commence legal proceedings of any kind including, but not limited to judicial and regulatory complaints, in lieu of complying with the procedures and requirements set forth herein. The procedures shall not apply to Disputes relating to the payment of any type of assessment or to claims by any of the foregoing persons against third parties not listed above (unless the third party has agreed to comply with the procedures set forth in this Section 19.3).

(a) Negotiation. Any person wishing to pursue resolution of, or a remedy for, a Dispute (the "Claimant"), must give written notice of the Dispute to the person or persons believed to be responsible for the circumstances causing the Dispute, or believed to be responsible for remedying those circumstances (in either case, the "Respondent"). The notice must set forth in reasonable detail the circumstances alleged to give rise to the Dispute and the remedy or other action sought by the Claimant. The Claimant must thereafter follow the procedures set forth in this Section 19.3(a).

(1) Opportunity to Meet. Following delivery of such a notice, the Respondent shall be afforded a reasonable opportunity to meet with or otherwise communicate with the Claimant for a discussion of the circumstances giving rise to the Dispute and possible resolution of the Dispute and an examination of any physical conditions or written instruments giving rise to the Dispute.

(2) Deadline for Resolution. If the Dispute is not resolved to the satisfaction of the Claimant and the Respondent by negotiation within 30 days following delivery of the original notice by the Claimant and the Claimant wishes to pursue the Dispute further, the Claimant shall give notice to the Respondent that mediation pursuant to Section 19.3(b) is required.

(3) Defect Disputes. If the Dispute involves an alleged Defect and the procedures set forth in Section 19.2 have been followed, this Section 19.3(a) shall be deemed satisfied and Section 19.3(b) shall become applicable.

(4) Enforcement of Agreements. Any written agreement by the Respondent and the Claimant entered into for the purposes of resolving the Dispute shall be enforceable against either party in accordance with the provisions of Section 19.4.

(b) Mediation. The Claimant shall initiate mediation by submitting the Dispute to mediation by the American Arbitration Association (or any successor thereto or any other independent entity providing similar services mutually accepted by the parties) pursuant to the commercial mediation procedures then in effect, as modified by this Section 19.3(b) (unless the parties otherwise agree). No person shall serve as a mediator in any Dispute in which the person has a financial or personal interest in the result of the mediation, except by the written consent of all parties to the Dispute. Prior to accepting any appointment, the prospective mediator shall disclose any circumstances likely to create a presumption of bias or to prevent a prompt commencement of the mediation process.

(1) Position Memoranda; Pre-Mediation Conference. Within 10 days after the selection of the mediator, each party to the Dispute shall be entitled to submit a brief memorandum setting forth its position with regard to the issues to be resolved. The mediator shall have the right to schedule a pre-mediation conference, and all parties to the Dispute shall attend unless otherwise agreed. The mediation shall commence within 10 days following the deadline for submittal of memoranda to the mediator and shall conclude within 15 days from the commencement of the mediation unless the parties to the Dispute mutually agree to extend the mediation period. The mediation shall be held in Yavapai County, Arizona or such other place as may be mutually acceptable to the parties to the Dispute.

(2) Conduct of Mediation. The mediator may conduct the mediation in the manner the mediator believes to be appropriate for reaching a settlement of the Dispute. The mediator is authorized to conduct joint and separate meetings with the parties to the Dispute and to make oral and written recommendations for settlement. Whenever necessary, the mediator may also obtain expert advice concerning technical aspects of the Dispute, provided the parties to the Dispute agree to obtain (and assume the expenses of obtaining) the expert advice as provided below. The mediator does not have authority to impose a settlement on any party to the Dispute. Upon termination of the mediation, the mediator shall notify the parties to the Dispute in writing of the date on which the mediation terminated.

(3) Exclusion Agreement. Any admissions, offers of compromise or settlement negotiations or communications at the mediation shall be excluded in any subsequent dispute resolution forum.

(4) Parties Permitted at Sessions. Persons other than the parties to the Dispute may attend mediation sessions only with the permission of all parties to the Dispute and the consent of the mediator; provided, however, that consent shall not be required for attendance by representatives of any party's insurer to the extent that participation is required by applicable policies of insurance. There shall be no stenographic record of the mediation process.

(5) Expenses of Mediation. The expenses of witnesses for either side shall be paid by the party producing the witnesses. All other expenses of the mediation, including, but not limited to, the fees and costs charged by the mediator and the expenses of any witnesses or the cost of any expert advice produced at the direct request of the mediator, shall be borne equally by the parties to the Dispute unless the parties to the Dispute otherwise agree. Each party to the Dispute shall bear its own attorneys' fees and costs in connection with the mediation.

(6) Enforcement of Agreements. Any written agreement by the Respondent and the Claimant entered into through mediation for the purposes of resolving the Dispute shall be enforceable against either party in accordance with Section 19.4.

(c) Final and Binding Arbitration. If the parties cannot resolve their Dispute pursuant to the procedures described in Section 19.3(a) and Section 19.3(b), the Claimant shall have 30 days following termination of mediation proceedings (as determined by the mediator in writing) to submit the Dispute to final and binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, as modified or as otherwise provided

in this Section 19.3(c). If the Claimant does not submit the Dispute to arbitration within 30 days after termination of mediation proceedings, the Claimant shall be deemed to have waived any claims related to the Dispute, and all other parties to the Dispute shall be released and discharged from any and all liability to the Claimant on account of the Dispute; provided, nothing herein shall release or discharge any party from any liability to persons who are not a party to the proceedings. An arbitration pursuant to this Section 19.3(c) shall not be combined with any other arbitration without the consent of all parties to this arbitration.

(1) Necessary Parties. The parties to the Dispute shall cooperate in good faith to ensure that all necessary and appropriate parties are included in the arbitration proceeding. No person shall be required to participate in the arbitration proceeding if (i) all parties against whom the person would have necessary or permissive cross-claims or counterclaims (a "Necessary Party") are not or cannot be joined in the arbitration proceedings, or (ii) the enforcement of this Section 19.3(c) would materially impair insurance coverage for the person that would have otherwise provided the person protection with respect to the Dispute.

(2) Opt Out. If any party to an arbitration determines in good faith that it cannot join a Necessary Party in the arbitration or that its insurance coverage applicable to the Dispute would be materially impaired, the party may elect not to participate in the arbitration and allow any claims against it to be determined by other legal proceedings. If a party makes such an election, it must give written notice of its election to all other parties in the arbitration. Within 10 days following receipt of such a notice, any other party to the arbitration that would (or reasonably might) be adversely affected by the absence of the party that elected not to participate may likewise elect not to participate in the arbitration by giving written notice to all other remaining parties. If any party wishes to contest whether a party electing not to participate in the arbitration is entitled to make that election, it shall commence a legal action seeking a judicial determination of the validity of the election and arbitration proceedings will be stayed until that issue is finally determined judicially. Any such judicial proceeding to determine the validity of an election not to participate in arbitration shall deal only with that issue and shall not be used for a determination of the issues being decided in the arbitration.

(3) Place. The arbitration proceedings shall be held in Yavapai County, Arizona, unless otherwise agreed by the parties and the arbitrator.

(4) Arbitrator. A single arbitrator shall be selected. The arbitrator shall have served as a judge of the Arizona Superior Court, the Arizona Court of Appeals, or the Arizona Supreme Court, by appointment of the Governor. The arbitrator shall be neutral and impartial and shall not have any relationship to the parties or interest in the Condominium Property. The arbitrator shall not have served as mediator in the Dispute. The parties to the Dispute shall meet to select the arbitrator within 10 days after the Dispute is submitted to final and binding arbitration pursuant to Section 19.3(c). If an arbitrator resigns or becomes unwilling or unable to continue to serve as an arbitrator in the subject Dispute, a replacement shall be selected in accordance with this Section 19.3(c).

(5) Commencement and Timing of Proceeding. The arbitrator shall promptly commence the arbitration proceeding at the earliest convenient date in light of all of the facts and circumstances and shall conduct the proceeding without undue delay.

(6) Pre-hearing Conferences. The arbitrator may require one or more pre-hearing conferences.

(7) Discovery. The parties to the Dispute shall be entitled to limited discovery only, consisting of the exchange between the parties of the following matters: (i) witness lists; (ii) expert witness designations; (iii) expert witness reports; (iv) exhibits; (v) reports of testing or inspections of any property subject to the Dispute, including, but not limited to, destructive or invasive testing; and (vi) trial briefs. Any other discovery shall be permitted by the arbitrator upon a showing of good cause or based on the mutual agreement of the parties to the Dispute. The arbitrator shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

(8) Motions. The arbitrator shall have the power to hear and dispose of motions, including motions to dismiss, motions for judgment on the pleadings, and summary judgment motions, in the same manner as a trial court judge, except the arbitrator shall also have the power to adjudicate summary issues of fact or law including the availability of remedies, whether or not the issue adjudicated could dispose of an entire cause of action or defense.

(9) Final Award. THE DECISION AND AWARD WILL BE MADE BY THE ARBITRATOR WITHOUT A COURT TRIAL AND WITHOUT A JURY. Each party to the arbitration WAIVES THE RIGHT TO HAVE THE DISPUTE RESOLVED BY A JURY OR BY A COURT and agrees to accept the award of the arbitrator as final. The arbitrator shall decide all issues in the Dispute by strictly applying Arizona law, and this Section 19.3(c). Subject to the limitations imposed in this Section 19.3(c), the arbitrator shall have the authority to try all issues, whether of fact or law. The arbitrator shall render a final decision in writing no later than 60 days following the conclusion of the arbitration proceedings, or such longer period as the parties to the Dispute mutually agree in writing. The arbitrator's award may be enforced as provided for in the Uniform Arbitration Act, A.R.S. §12-1501, et seq., or such similar law governing enforcement of awards in a trial court as is applicable in the jurisdiction in which the arbitration is held if not Arizona.

(10) Limitation on Remedies/Prohibition on the Award of Punitive Damages. Notwithstanding contrary provisions of the commercial arbitration rules or any other provision of this Section 19.3(c), the arbitrator in any proceeding shall not have the power to award punitive or consequential damages; however, the arbitrator shall have the power to grant all other legal and equitable remedies and award compensatory damages.

(11) Expenses of Arbitration. Each party to the Dispute shall bear all of its own costs incurred prior to and during the arbitration proceedings, including the fees and costs of its attorneys or other representatives, discovery costs, and expenses of witnesses produced by the party. Each party to the Dispute shall share equally all charges of the arbitrator unless otherwise agreed to by the parties.

19.4 Enforcement of Resolution. If the parties to a Dispute resolve the Dispute through negotiation in accordance with Section 19.3(a), or by mediation in accordance with Section 19.3(b), and any party thereafter fails to abide by the terms of the agreed resolution, or if an arbitration award is made in accordance with Section and any party to the Dispute thereafter

fails to comply with award, then the other party to the Dispute may file suit or initiate administrative proceedings to enforce the agreed or awarded terms without the need to again comply with the procedures set forth in Section 19.3. In that event, the party taking action to enforce the terms of the mediation or the award shall be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties pro-rata), all expenses reasonably incurred to enforce the agreed or awarded terms including, but not limited to, attorneys' fees, witness fees, costs and all litigation-related expenses.

19.5 Confidentiality. All papers, documents, briefs, written communication, testimony and transcripts as well as any and all mediation resolutions and arbitration decisions shall be confidential and not disclosed to anyone other than the mediator, arbitrator, the parties to the Dispute, the attorneys of the parties to the Dispute and expert witness (where applicable to their testimony), except, with the prior written consent of all parties to the Dispute, confidential information may be disclosed to third parties. Prior to disclosure, all third parties must agree in writing to keep such information confidential.

19.6 Statutes of Limitations. Nothing in Section 19.3 shall be considered to toll, stay, reduce, or extend any applicable statute of limitations. All statutes of limitation applicable to claims that are subject to mediation and arbitration pursuant to the alternative dispute resolution provisions of Section 19.3 shall apply to the commencement of proceedings pursuant to Section 19.3 and nothing herein shall be construed to mean that any mediator or arbitrator shall have authority to consider Disputes that would otherwise be barred by applicable statutes of limitation.

19.7 Disputes between Owners. In the event of a Dispute between two or more Owners, not covered by the dispute resolution provisions of Section 19.3, the Owners are hereby strongly encouraged (but not required) to employ the dispute resolution procedures set forth above for resolution of the Dispute. The Board of the Association shall offer such mediation, conciliation and other services as may be desired by the affected Owners to assist with resolution of the Dispute but shall have no power or authority to make binding decisions regarding the matter in issue between the Owners. The preceding sentence shall in no way be construed as limiting power or authority the Board might otherwise have to enforce and construe the provisions of this Condominium Declaration for the Association's own purposes.

ARTICLE 20 AMENDMENTS

20.1 By Owners. Except as otherwise provided in this Condominium Declaration or the Condominium Act, this Condominium Declaration may be amended in the following manner:

(a) Notice. Notice of the subject matter of a proposed amendment shall be included in the notice of any meeting of the Association at which a proposed amendment is to be considered and such notice shall be delivered to the Developer and Mortgagees, and other interested parties, at the same time as required for notice to be delivered to Owners.

(b) Resolution. A resolution for the adoption of a proposed amendment shall be included in the notice of any meeting of the Association at which a proposed amendment is to be considered.

(c) Adoption. Except as to those matters set forth in Section 20.4, which shall be amended as set forth therein, after the first election of a majority of the directors of the Association by Owners other than the Developer, a resolution for the adoption of a proposed amendment may be proposed by the Board or by the Owners. Owners may propose such an amendment by instrument in writing directed to the president or secretary of the Board signed by not less than holders of 33% of all of the votes of the Association. Amendments may be proposed by the Board by action of a majority of the Board at any regularly constituted meeting thereof. Upon an amendment being proposed as herein provided, the president, or, in the event of the president's refusal or failure to act, the Board, shall call a meeting of the Owners to be held not sooner than 15 days nor later than 60 days thereafter for the purpose of considering the amendment. Members of the Board and Owners not present in person or by proxy at the meeting considering the amendment may express their approval in writing, provided approval is delivered to the secretary at or prior to the meeting. Except as provided in this Condominium Declaration, approvals must be by:

(i) Not less than 2/3 of the entire membership of the Board and not less than 67% of all of the voting power of the Association; or

(ii) An agreement signed and acknowledged by all Owners in the manner required for the execution of a deed.

(d) Consent of Developer or Mortgagee. During the Developer Control Period, no amendment shall become effective unless and until approved, in writing, by the Developer. Any amendment which would adversely affect Mortgagees must have the prior written consent of every Mortgagee which holds a mortgage on any portion of the Condominium Property.

(e) Execution and Recording. Within 30 days after the adoption of an amendment, each amendment shall be attached to or shall contain a certificate certifying that the amendment was duly adopted, and the certificate shall be executed by the president of the Association and attested by the secretary with the formalities of a deed, and the amendment shall be effective upon recordation of the amendment and certificate in the official records of Yavapai County, Arizona.

20.2 By the Developer. The Developer reserves the right at any time during the Developer Control Period to unilaterally amend this Condominium Declaration as it may deem appropriate, in its sole discretion, (i) to exercise a development right reserved pursuant to ARTICLE 17, (ii) to create and offer fractional interests in an alternative Fractional Ownership Plan, (iii) to comply with applicable law or correct any error or inconsistency in this Condominium Declaration, if the amendment does not adversely affect the rights of any Unit Owner, or (iv) to comply with the rules, guidelines or orders, in effect from time to time, of any (a) governmental or quasi-governmental entity or (b) federal corporation guaranteeing or insuring mortgage loans or governing transactions involving mortgage instruments. Any amendments to this Condominium Declaration which may be unilaterally made by the Developer shall become

effective upon the recording in the official records of Yavapai County, Arizona, of an instrument executed solely by the Developer, setting forth the text of such amendment in full, together with reference to the appropriate recording data of this Condominium Declaration and an amendment to the plat if necessary. No amendment of this Condominium Declaration not hereby expressly permitted to be unilaterally made by the Developer shall be permitted if the amendment would prejudice or impair to any material extent the rights of any Owner or any Mortgagee of record or if the amendment would increase the proportion of Common Expenses or decrease the ownership of the Common Elements borne by the Owners.

20.3 Amendments to Units. Subject to the Developer's rights as set forth in Section 20.2, no amendment changing the configuration or size of any Unit in the Fractional Ownership Plan in any material fashion, materially altering or modifying the appurtenances to the Unit, removing or altering walls or other partitions or creating aperture in such partitions, or changing the proportion or percentage by which the Owner shares the Common Expenses and owns the Common Surplus, shall be permitted unless the amendment is required by any governmental entity; or is approved by the Developer during the Developer Control Period and 67% of the total voting interests of the Owners.

20.4 Amendments to Common Elements. Subject to the Developer's rights as set forth in Section 20.2, and subject to the Developer's approval during the Developer Control Period, the Board shall have the right to approve, at the Association's expense, as a capital cost, the addition of property to the Condominium or the substantial or material alteration, modification, or rearrangement of the Common Elements or Association real property without the approval of the Owners; provided, however, if there are Units in the Condominium that are not committed to the Fractional Ownership Plan, the Board may not conduct such action unless the action is approved by a majority of eligible votes held by the Owners of such Units. No Owner may improve, alter, or change the appearance of the Common Elements.

20.5 Challenges to Amendments. An action to challenge an amendment under this ARTICLE must be brought within a year after the amendment is recorded in Yavapai County, Arizona.

20.6 Limitations on Amendment. Unless approved in writing by the Developer, no amendment may terminate or decrease any development right, special declarant right, or any other right reserved to the Developer pursuant to this Condominium Declaration or the Condominium Act, or terminate or decrease the Developer Control Period.

20.7 Exhibits. Notwithstanding anything to the contrary contained herein, any documents attached as exhibits to this Condominium Declaration shall be amended in accordance with the provisions of such documents (if separate amendment procedures are provided therein).

ARTICLE 21 TERMINATION

The Condominium may be terminated in the following manners, in addition to the manner provided by the Condominium Act:

21.1 Agreement. The Condominium may be terminated at any time by the approval in writing of (i) 80% of the eligible votes held by Owners, (ii) all Mortgagees of record, and (iii) the Developer during the Developer Control Period. Notice of a meeting at which the proposed termination is to be considered shall be given not less than 30 days prior to the date of the meeting. An agreement to terminate shall be evidenced by the execution or ratification of a termination agreement, in the same manner as a deed. The termination agreement shall specify a date after which it will be void unless recorded in the official records of Yavapai County, Arizona.

21.2 Termination Through Condemnation or After Casualty. The Condominium may only be terminated by virtue of a condemnation action if all, or substantially all, Condominium Property is taken in condemnation. If less of the Condominium Property is taken in condemnation, the Condominium shall continue as to those portions of the Condominium Property not so taken.

21.3 Certificate. Termination of the Condominium in either of the foregoing manners shall be evidenced by a certificate of the Association, executed by its president and secretary, certifying to the facts causing the termination. The certificate will be effective upon recording in the official records of Yavapai County, Arizona.

21.4 Shares of Owners after Termination. After termination of the Condominium, if the Condominium Property is not sold pursuant to Section 21.5 below, each Owner shall own an undivided prorata share of the Condominium Property and all assets of the Association as a tenant in common with all other Owners in accordance with Exhibit "B." While the tenancy in common exists, each Owner and the Owner's successors in interest have an exclusive right of occupancy to the portion of the property that formerly constituted the Owner's Unit. Following termination of the Condominium, the proceeds of any sale of real estate, together with the other assets of the Association, will be held by the Association as trustee for Owners and holders of liens on the Units as their interests may appear. Following termination, creditors of the Association holding liens on the Units that were recorded before termination may enforce those liens in the same manner as any lienholder.

21.5 Sale of the Property. The termination agreement described in Section 21.1 may provide that all or any portion of the Common Elements and Units of the Condominium must be sold following termination. In that event, the termination agreement must set forth the minimum terms of the sale. The Association, on behalf of the Owners, may contract for the sale of real estate in the Condominium, but the contract is not binding on the Owners until approved pursuant to Section 21.1. If any real estate is to be sold by the Association, title to the real estate upon termination is vested in the Association as trustee for the holders of all interests in the Units. Thereafter, the Association has all powers necessary and appropriate to complete the sale. Until the sale has been concluded and the proceeds of the sale distributed, the Association will continue in existence with all powers it had before termination. Proceeds of the sale shall be distributed to Owners and lienholders as their interests may appear, in proportion to the respective interests of Owners in accordance with Exhibit "B." Unless otherwise specified in the termination agreement, as long as the Association holds title to the real estate, each Owner and the Owner's successors-in-interest have an exclusive right to occupancy of the portion of the real estate that formerly constituted the Owner's Unit. During the period of that occupancy, each Owner and the

Owner's successors-in-interest remain liable for all assessments and other obligations imposed on Owners by this Condominium Declaration or the Condominium Act.

ARTICLE 22 PHASED DEVELOPMENT

22.1 Description of Phasing. It is the intention of the Developer to develop the Condominium in phases in accordance with the Condominium Act. However, the Developer reserves the right (i) not to submit any or all of the property described in any Condominium Plat (other than the Initial Condominium Parcel) to the Fractional Ownership Plan, and (ii) not to submit all or any of the property in the Project to the Condominium even though it may have at some time been depicted or described as intended for the Condominium. The Common Expense, Common Surplus and Common Element ownership reallocation caused by any added phase will be addressed by the annexation amendment adding the phase. The Developer reserves the right, but does not undertake the obligation, to submit phases to the Condominium in any sequence. Unless and until any phase is annexed into the Condominium, this Condominium Declaration shall have no effect on the property in the proposed phase.

22.2 Reservation of Right to Change Phasing Plan. The boundaries, Unit types (including boundaries descriptions), Unit sizes and numbers of Units for the Initial Condominium Parcel are described in the Condominium Plat or this Condominium Declaration (as amended from time to time). The Developer reserves the right to change all such information for any future phase, in its sole discretion, prior to adding the future phase to the Condominium.

22.3 Land. Any phase legal description utilized by the Developer is for convenience of identifying phases only, and once a phase has been declared to be part of the Condominium, the separate phase legal description shall be subsumed in the overall legal description of the Condominium Property as then constituted and shall not have separate identity.

22.4 Recreational Areas and Facilities. The Developer does not intend to establish any recreational areas or facilities in the Condominium, however, the Developer expressly reserves the right to add recreational areas or facilities in any future phases without the consent of Owners. Any additional recreational areas or facilities shall be constructed at the Developer's sole expense, and upon annexation of the phase containing the additional recreational area or facility to be part of the Condominium, the recreational areas and facilities in the phase shall become Common Elements of the Condominium.

22.5 Impact of Phasing; Change in Ownership of Common Elements and Common Surplus and Share of Common Expenses. The impact, if any, that annexation of subsequent phases would have upon the Condominium would be to increase the number of Units, the number of Owners in the Condominium, the general area and the number of persons using any recreational and other facilities of the Condominium. In the event Common Elements are added to the Condominium as part of a subsequent phase, such additions may result in an increase in Common Expenses. The change in ownership of Common Elements and Common Surplus and the change in the share of Common Expenses attributable to each Unit by the addition of subsequent phases shall be determined in accordance with the formula set forth in Exhibit "B" to this Condominium Declaration.

22.6 Completion of Phases. The Developer will submit each successive phase, if at all, to the Condominium in its sole discretion. The annexation of all phases to be part of the Condominium will be completed within the time limit determined by the Developer, in its sole discretion, although the Developer reserves the right, in its sole discretion, not to submit any or all of the subsequent phases to the Condominium. The Developer also specifically reserves the right to amend this Condominium Declaration, without the approval of the Owners, for the purpose of changing any of the items required to be included in this Condominium Declaration by Arizona law, for a particular phase.

22.7 Association Membership and Voting. Each Fractional Interest in each Unit in each phase shall have one vote in the Association. The Owner of a Unit not committed to the Fractional Ownership Plan shall be entitled to 10 votes. Where a Fractional Interest is owned by more than one owner, the cotenants of the Fractional Interest shall file a voting certificate with the Association, in accordance with the Articles and Bylaws of the Association, setting forth which cotenant is designated to cast the vote for that Fractional Interest. In the absence of such a voting certificate, the votes attributable to the Fractional Interest will not be counted.

22.8 Notice. The Developer may notify Owners of the decision not to add any subsequent development property phase. Notice shall be sent by regular mail addressed to each Owner at the Owner's last known address.

22.9 Amendment. Phases may be added to this Condominium by the execution of an amendment to this Condominium Declaration by the Developer, its successors or assigns only. The amendment shall not require the execution or consent of any Owners other than the Developer.

ARTICLE 23 MISCELLANEOUS

23.1 Real Covenants Running with the Land. All covenants, easements, conditions, restrictions and other provisions under this Condominium Declaration are enforceable real covenants which run with the land and bind the Initial Condominium Parcel and any additional phases annexed to it and are effective until the Condominium is terminated.

23.2 Binding Effect. Except to the extent inconsistent with any applicable provision of law, the provisions of the Condominium Documents are binding upon all parties having or acquiring any Unit or Fractional Interest and will be for the benefit of each Owner, the Owner's heirs, legal representatives, successors, and assigns. Each Owner will be fully discharged and relieved of liability on the covenants contained in the Condominium Documents upon ceasing to own such Unit or Fractional Interest and upon paying all sums and performing all obligations then owed under such documents.

23.3 Severability. The invalidity in whole or in part of any covenant or restriction, or any ARTICLE, section, subsection, sentence, clause, phrase or word, or other provision of the Condominium Documents shall not affect the validity of the remaining portions.

23.4 Conflicts. If a conflict exists between the provisions of the Condominium Declaration and the other Condominium Documents, the Condominium Declaration shall prevail.

If a conflict exists between the Articles and the Bylaws or Condominium Rules and Regulations, the Articles prevail. If a conflict exists between the Bylaws and the Condominium Rules and Regulations, the Bylaws prevail.

23.5 Captions. The captions used in the Condominium Documents are inserted solely as a matter of convenience and must not be relied upon or used in construing the effect or meaning of any of the provisions of this Condominium Declaration.

23.6 Plural and Include. Where the context so indicates, a word in the singular form will include the plural. The term "**include**" and similar terms (*e.g.*, includes, including, included, comprises, comprising, such as, *e.g.*, and for example), when used as part of a phrase including one or more specific items, are used by way of example and not of limitation.

IN WITNESS WHEREOF, the Developer has executed this Condominium Declaration this 2ND day of FEBRUARY, 2005.

Sedona Development Partners, LLC

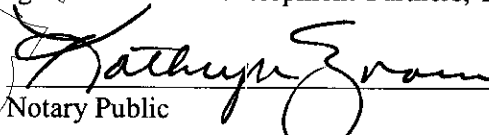
By: Seven Canyons Investors, LLC, Lead Manager

By: Cavan Management Services, LLC, Manager

By: _____
 Name: _____
 Title: _____

STATE OF ARIZONA)
) ss.
 County of Maricopa)

The foregoing instrument was acknowledged before me this 2ND day of FEBRUARY, 2005, by DAVID CAVAN, the MANAGING MEMBER of Cavan Management Services, LLC, Manager of Seven Canyons Investors, LLC, Lead Manager of Sedona Development Partners, LLC, an Arizona limited liability company, on behalf thereof.


 Notary Public

My Seal and Commission Expiration Date:

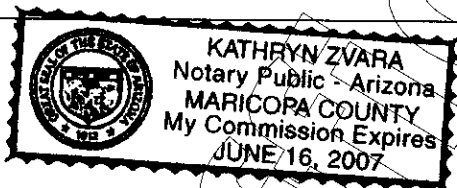


Exhibit "A"

LEGAL DESCRIPTION OF INITIAL CONDOMINIUM PARCEL:

Parcel 'D' of the Final Plat of "Sedona At Seven Canyons – Unit I" as recorded at Book 47 of Maps and Plats, Pages 10-15, inclusive, in the Official Records of Yavapai County, Arizona.

GCOLE/1535901.8/85397.003

"Unofficial Copy"

Exhibit "B"

Percentage Interest in Common Elements

Each residential Unit within the Condominium shall have an undivided percentage interest in the Common Elements and Common Surplus and a share of the Condominium Common Expenses of the Condominium on an equal fractional basis. The fraction will be one divided by the number of Units then included in the Condominium. This fractional interest is based on the total number of residential Units declared as part of the Condominium at any given time, and as additional phases are added to the Condominium, if any, the respective percentage interests in the Common Elements and Common Surplus and share of the Common Expenses of the Units already declared into the Condominium will be decreased accordingly. Each Fractional Interest will have an undivided percentage interest that is 1/10 of the interest allocated to a Unit.

The total combined percentage interests of all Units declared to the Condominium shall always equal 100%.

Exhibit "C"

Conveyancing Number to Sales Number Conversion Table.

See Attached Document.

GCOLE/1535901.8/85397.003

"Unofficial Copy"

Exhibit "D"

THE GOLF COURSE PROPERTY

Tract 'L' of the Final Plat of "Sedona At Seven Canyons – Unit I" as recorded at Book 47 of Maps and Plats, Pages 10-15, inclusive, in the Official Records of Yavapai County, Arizona.

GCOLE/1535901.8/85397.003

"Unofficial Copy"

CONVEYANCING NUMBER TO SALES NUMBER CONVERSION TABLE

<u>SALES NUMBER</u>	<u>VILLA INTEREST</u>	<u>NAME OF VILLA OWNER</u>
1	D1-F1	
2	D1-F2	
3	D1-F3	
4	D1-F4	
5	D1-F5	
6	D1-F6	
7	D1-F7	
8	D1-F8	
9	D1-F9	
10	D1-F10	
11	D2-F1	
12	D2-F2	
13	D2-F3	
14	D2-F4	
15	D2-F5	
16	D2-F6	
17	D2-F7	
18	D2-F8	
19	D2-F9	
20	D2-F10	
21	D3-F1	
22	D3-F2	
23	D3-F3	
24	D3-F4	
25	D3-F5	
26	D3-F6	
27	D3-F7	
28	D3-F8	
29	D3-F9	
30	D3-F10	
31	D4-F1	
32	D4-F2	
33	D4-F3	
34	D4-F4	
35	D4-F5	
36	D4-F6	
37	D4-F7	
38	D4-F8	
39	D4-F9	
40	D4-F10	
41	D5-F1	
42	D5-F2	
43	D5-F3	
44	D5-F4	

CONVEYANCING NUMBER TO SALES NUMBER CONVERSION TABLE

45	D5-F5	
46	D5-F6	
47	D5-F7	
48	D5-F8	
49	D5-F9	
50	D5-F10	

“Unofficial Copy”