

ARIZONA TITLE INSURANCE & TRUST CO.
111 W. MONROE
PHOENIX, ARIZONA 85003

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DECLARATION OF HORIZONTAL PROPERTY REGIME AND
ESTABLISHING A PLAN FOR CONDOMINIUM OWNERSHIP

- FOR -

HALLCRAFT VILLAS WEST EIGHT

THIS DECLARATION OF HORIZONTAL PROPERTY REGIME AND
ESTABLISHING A PLAN FOR CONDOMINIUM OWNERSHIP, made as of
the 29th day of October, 1973, by ARIZONA TITLE
INSURANCE AND TRUST COMPANY, as Trustee of Trust No. 3772,
hereinafter referred to as "Grantor".

WITNESSETH:

WHEREAS, Grantor owns certain real property herein described;

and

WHEREAS, said Grantor proposes to improve said property by con-
structing thereon multifamily structures known as HALLCRAFT VILLAS
WEST EIGHT, as follows:

Fifty-seven (57) multifamily structures, each containing
five (5) apartment units;

said structures to be constructed in accordance with plans and specifications
prepared by Robert E. Calhoun, and on record in the office of the
Building Inspector in the City of Glendale, State of Arizona; and

WHEREAS, the owners of the apartment units will constitute an
association of owners known as Villas West Eight Association,
hereinafter referred to as the "Association", which will have the respon-
sibility of administering the condominium project, managing the recreation
area, and establishing and collecting monthly assessments; and

WHEREAS, said Grantor hereby establishes by this Declaration a plan
for the individual ownership of the real property estates consisting of the area
or space contained in each of the apartment units in said multifamily structures,

I do hereby certify that the within named instrument was recorded at request of ARIZONA TITLE
insured by U. D. [Signature] in accordance with the provisions of the Arizona
Witness my hand and official seal the 4th day of [Month] 1973.
PAUL N. WILSON, Maricopa County Recorder. By [Signature] Deputy

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and the co-ownership by the individual and separate owners thereof, as tenants in common, of all of the remaining real property which is herein-after defined and referred to herein as the "common areas and facilities".

NOW, THEREFORE, said Grantor, the fee owner of the following described real property, to-wit:

HALLCRAFT VILLAS WEST EIGHT, according to the plat of record in Book 161 of Maps, page 10, records of Maricopa County, Arizona;

hereby makes the following declaration as to divisions, covenants, restrictions, limitations, conditions and uses to which the above described real property and improvements thereon may be put, hereby specifying that said declaration shall constitute covenants to run with the land and shall be binding on said Grantor, its successor and assigns, and all subsequent owners of all or any part of said real property and improvements, together with their grantees, successors, heirs, executors, administrators, devisees or assigns:

A. Subject to the provisions of Paragraph R. hereof, said Grantor, in order to establish a plan of condominium ownership for the above-described property and improvements, hereby covenants and agrees that it hereby divides said real property into the following separate freehold estates:

1. The Two Hundred Eighty-five separately designated and legally described freehold estates consisting of the spaces or areas, being the area or space contained in the perimeter walls of each of the Two Hundred Eighty-five apartment units in said multifamily structures constructed on said property, said spaces being defined, and referred to herein, as "apartment spaces".

2. A freehold estate consisting of the remaining portion of the real property as described and referred to herein as the common areas and facilities, which definition includes the multifamily structures and the property upon which they are located, and specifically includes, but is not limited to, the land, roof, main walls, slabs, parking spaces, recreational areas and facilities, trees, drives, pipes, wires, conduits, air conditioners and ducts, or other public utility lines.

Said condominium project will be developed in two phases, as follows:

LEGAL DESCRIPTION

PHASE 1

HALLCRAFT VILLAS WEST EIGHT

Tract "K" and part of Tract "J" of the subdivision entitled "Hallcraft Villas West Eight" is shown on the map recorded in Book 161 on Page 10 in the office of the Maricopa County Recorder, which is situated in the North half of the Northwest quarter of Section 16, Township 2 North, Range 2 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

Commencing at the Southeast corner of said "Hallcraft Villas West Eight", thence, North 89°58'50" West along the South boundary of said "Hallcraft Villas West Eight", 40.00 feet to a point on the West right-of-way line of 47th Avenue as shown on said map and the true point of beginning;

Thence, North 89°58'50" West along said South boundary, 627.98 feet;

Thence, North 00°01'10" East, 187.50 feet;

Thence, North 53°56'22" West, 105.84 feet;

Thence, North 36°03'38" East, 396.03 feet to a point on the South right-of-way line of Bethany Home Road as shown on said map;

Thence, South 89°58'50" East along said right-of-way line of Bethany Home Road, 469.35 feet to a point of curvature;

Thence, tangent to the preceding course, along the arc of a curve Southerly, having a radius of 12.00 feet, and having a central angle of 90°04'55", a distance of 18.87 feet, to a point of tangency;

Thence, South 00°06'05" West along said right-of-way line of 47th Avenue, 557.98 feet to a point on said South boundary of "Hallcraft Villas West Eight", and the true point of beginning.

Containing 8.056 Acres, more or less.



LEGAL DESCRIPTION

PHASE 2

HALLCRAFT VILLAS WEST EIGHT

Tract "I" and part of Tract "J" of the subdivision entitled "Hallcraft Villas West Eight" as shown on the map recorded in Book 161 on Page 10 in the office of the Maricopa County Recorder, which is situated in the North half of the Northwest quarter of Section 16, Township 2 North, Range 2 East, Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

Commencing at the Southwest corner of said "Hallcraft Villas West Eight", thence, South 89°58'50" East along the South boundary of said "Hallcraft Villas West Eight", 30.00 feet to a point on the East right-of-way line of 49th Avenue as shown on said map, and the true point of beginning;

Thence, North 00°06'05" East along said right-of-way line of 49th Avenue, 558.72 feet to a point of curvature;

Thence, tangent to the preceding course, along the arc of a curve Easterly, having a radius of 12 feet, and having a central angle of 89°55'05", a distance of 18.83 feet, to a point of tangency;

Thence, South 89°58'50" East along the South right-of-way line of Bethany Home Road as shown on said map, 772.71 feet;

Thence, South 36°03'38" West, 396.03 feet;

Thence, South 53°56'22" East, 105.84 feet;

Thence, South 00°01'10" West, 187.50 feet to a point on said South boundary;

Thence, North 89°58'50" West along said South boundary, 638.08 feet to a point on said right-of-way line of 49th Avenue, and the true point of beginning.

Containing 8.510 Acres, more or less.



B. For the purpose of this declaration, the ownership of each apartment space shall include the respective undivided interest in the common areas and facilities specified and established in Paragraph E hereof, and each apartment space together with the undivided interest as defined is hereinafter referred to as a "family unit".

C. A portion of the common areas and facilities is hereby set aside and allocated for the restricted use of the respective apartment spaces, as is hereinafter designated, and as shown on the condominium plat and survey attached hereto, and said areas shall be known as "restricted common areas and facilities".

D. The Two Hundred Eighty-five apartment spaces herein established and which shall be individually conveyed may be described as follows:

Apartment spaces 925 to 1209, inclusive, HALICRAFT VILLAGES WEST EIGHT Condominium, according to the plat of record in Book 161 of Maps, page 10 of the records of the County Recorder of Maricopa County, Arizona.

E. The undivided interest in the common areas and facilities hereby established, and which shall be conveyed with each respective apartment space, shall be that fraction in which the numerator is one (1) and the denominator is the total condominium project. The undivided interests in the common areas and facilities and the fee titles to the respective apartment spaces conveyed therewith, shall not be separated or separately conveyed, and each said undivided interest shall be deemed to be conveyed or encumbered with its respective apartment space, even though the description in the instrument of conveyance or encumbrance may refer only to the fee title to the apartment space.

F. The proportionate shares of the separate owners of the respective family units in the profits and common expenses of the common areas and facilities shall be the same as the fractional undivided interest established for each apartment space in Paragraph E. above, provided however, that during the Phase I development of the condominium project, the proportionate share of each owner of a family unit in the profits and common expenses of the common areas and facilities shall be 1/140th, and that during the Phase II development, said proportionate share shall be 1/285th.

G. The restricted common areas and facilities allocated for the restricted uses of the respective family units are as follows:

A. Parking Spaces: Those spaces within the common areas and facilities designated by the letter "P" on the attached condominium plat and survey and further designated by the family unit entitled to the use thereof.

B. Stairways and Storage: Those portions of the common areas and facilities designated by the letter "S" on the attached Condominium Plat and survey and further designated by the family unit entitled to the use thereof.

H. That attached hereto and made a part hereof as Exhibit "A" is the recorded condominium plat and survey of HALLCRAFT VILLAS WEST EIGHT Condominium, of record in Book 161 of Maps, at page 10, records of Maricopa County, Arizona, consisting of 3 sheets as prepared by Coe & Van Loo Consulting Engineers, Inc., dated the 19th Day of March, 1973.

The cubic content space multifamily structure, each apartment space and the restricted common areas and facilities, with reference to their location on the land, is fully set forth and described in the recorded condominium plat referred to above. All references to vertical dimensions made in this Declaration or on the recorded condominium plat shall be based upon elevation 1156.59 which is the elevation of a benchmark located at Bethany Home Road & 43rd Avenue, Glendale, Arizona.

I. There is hereby created a blanket easement upon, across, over and under the common areas and facilities, and restricted common areas and facilities, for ingress, egress, installation, replacing, repairing and maintaining all existing utilities including, but not limited to, water, sewers, gas, telephones and electricity. No additional utilities, including telephone lines, may be installed on said premises, except as approved by the Association.

J. Said Grantor, its successors and assigns, by this declaration, and all future owners of the family units, by their acceptance of their deeds, covenant and agree as follows:

1. That the common areas and facilities shall remain undivided; and no owner shall bring any action for partition, it being agreed that this restriction is necessary in order to preserve the rights of the owners with respect to the operation and management of the condominium.

2. That the apartment spaces shall be occupied and used by the respective owners only as a private dwelling for the owner, his family tenants and social guests and for no other purpose.
3. The owner of the respective apartment spaces shall not be deemed to own the undecorated and/or unfinished surfaces of the perimeter walls, floors and ceilings surrounding his respective apartment space, nor shall said owner be deemed to own pipes, wires, conduits or other public utility lines running through said respective apartment spaces which are utilized for or serve more than one apartment space, except as tenants in common with the other family unit owners as heretofore provided in Paragraph E. Said owner, however, shall be deemed to own the walls and partitions which are contained in said owner's respective apartment space, and also shall be deemed to own the inner decorated and/or finished surfaces of the perimeter walls, floors and ceilings, including plaster, paint, wallpaper, etc.
4. The owners of the respective apartment spaces agree that if any portion of the common areas and facilities encroaches upon the apartment spaces, a valid easement for the encroachment and for the maintenance of same, so long as it stands, shall and does exist. In the event any multi-family structure is partially or totally destroyed, and then rebuilt, the owners of apartment spaces agree that minor encroachments of parts of the common areas and facilities due to construction shall be permitted and that valid easements for said encroachment and the maintenance thereof shall exist.
5. That the owner of a family unit shall automatically, upon becoming the owner of a family unit or units, be a member of the Association, and shall remain a member of said Association until such time as his ownership ceases for any reason, at which time his membership in said Association shall automatically cease.
6. That the owners of family units covenant and agree that the administration of the condominium shall be in accordance with the provisions of this Declaration and the Bylaws of the Association which are made a part hereof and attached as Exhibit "B".
7. That the Grantor and the owners of the family units covenant and agree, whenever a mortgage loan on any family unit owned by the Federal Home Loan Mortgage Corp (herein called "FHLMC") is in effect, or during any time FHLMC is the owner of a family unit in the condominium or is obligated to place or insure a mortgage covering any family unit in the condominium, to fully comply with all rules and regulations that may from time to time be adopted by FHLMC relating to mortgages made or insured by it or relating to the administration of the condominium.
8. That failure of the owners of family units to comply with the provisions of this Declaration, the Bylaws, the decisions and resolutions of the Association, or the rules and regulations of FHLMC, as lawfully amended from time to time, shall be grounds for an action to recover sums due, for damages, or for injunctive relief.

9. That this Declaration shall not be revoked or any of the provisions herein amended unless all of the owners and the mortgagees of all of the mortgages covering the family units unanimously agree to such revocation or amendment by duly recorded instruments.

10. That no owner of a family unit may exempt himself from liability for his contribution towards the common expenses by waiver of the use or enjoyment of any of the common areas and facilities or by the abandonment of his family unit.

K. All sums assessed by the Association but unpaid for the share of the common expenses chargeable to any family unit shall constitute a lien on such family unit prior to all other liens except only (1) tax liens on the family unit in favor of any assessing unit and special district; and (2) all sums unpaid on the first mortgage of record. Such lien may be foreclosed by suit by the manager or Board of Directors, acting on behalf of the owners of the family units, in like manner as a mortgage on real property. In any such foreclosure, the family unit owner shall be required to pay a reasonable rental for the family unit, if so provided in the Bylaws, and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The manager or Board of Directors, acting on behalf of the owners of the family units, shall have power, unless prohibited herein, to bid on the unit at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. Suit to recover a money judgment for unpaid common expenses shall be maintainable without foreclosing or waiving the lien securing the same.

L. Where the mortgagee of a first mortgage of record or other purchaser of a family unit obtains title to the unit as a result of foreclosure of the first mortgage, such acquirer of title, his successors and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to such family unit which became due prior to the acquisition of title to such family unit by acquirer. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the family units including such acquirer, his successor and assigns. As used in this Declaration, the term "mortgage" shall include "deed of trust", and "mortgagee" shall include the "beneficiary under a deed of trust".

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

N. In the event any multifamily structure subject to this Declaration is totally or substantially damaged or destroyed, the repair, reconstruction or disposition thereof shall be as provided by an agreement approved by 75% of the owners of the apartment units in such damaged or destroyed multifamily structure.

O. In a voluntary conveyance of a family unit, the grantee of the unit shall be jointly and severally liable with the grantor for all unpaid assessments by the Association against the latter for his share of the common expenses up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. However, any such grantee shall be entitled to a statement from the manager or Board of Directors of the Association, as the case may be, setting forth the amount of the unpaid assessments against the grantor due the Association and such grantee shall not be liable for, nor shall the family unit conveyed be subject to a lien for any unpaid assessments made by the Association against the grantor in excess of the amount therein set forth.

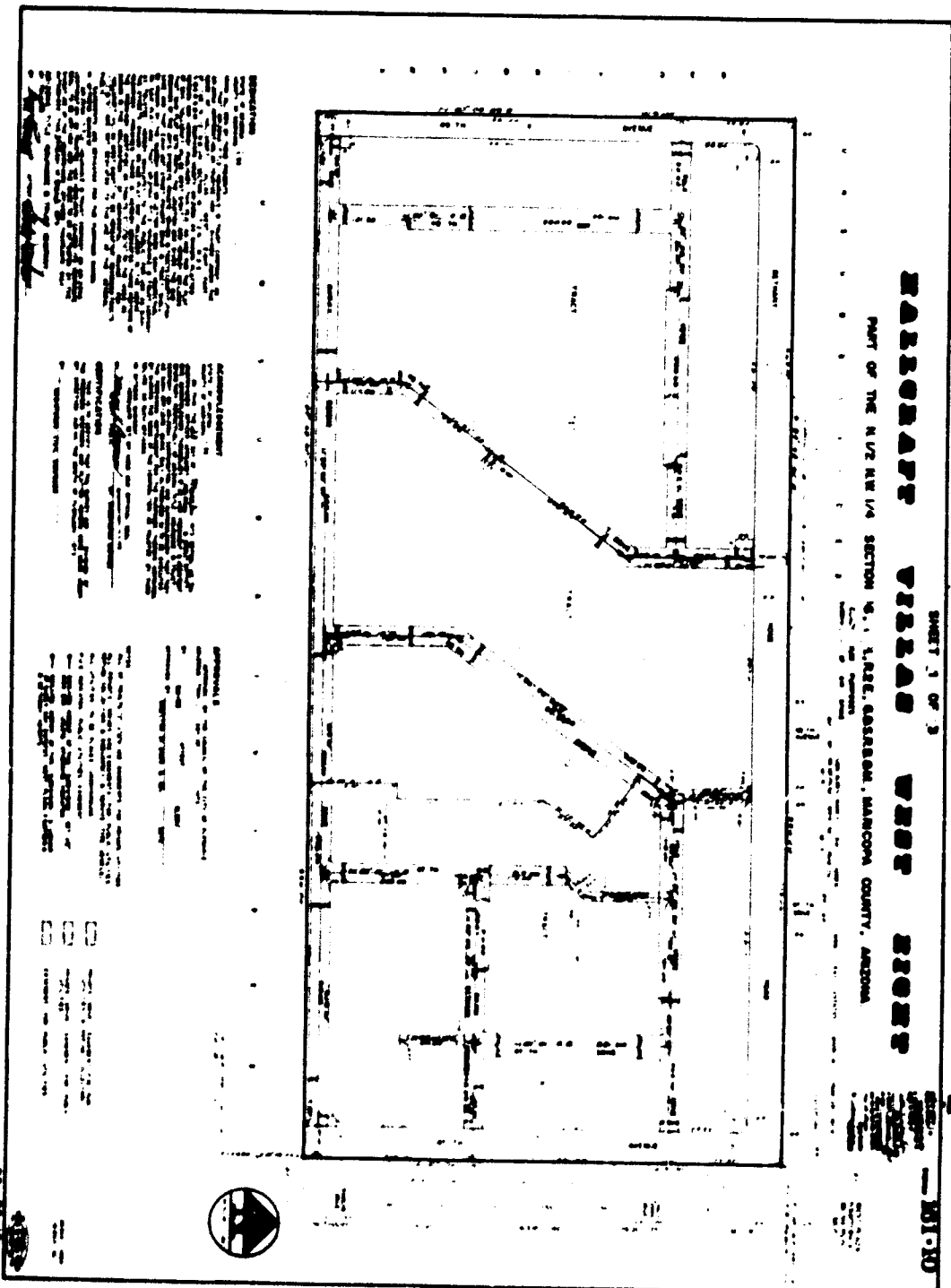
P. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established in this Declaration or in the Bylaws, shall be deemed to be binding on all owners of family units, their successors and assigns.

Q. That the Board of Directors of the Association or the Management Agent, or Manager shall obtain and continue in effect blanket property insurance in form and amounts pursuant to the requirements of FHLMC, and satisfactory to mortgagees holding first mortgages covering family units but without prejudice to the right of the owner of a family unit to obtain individual family unit insurance. That insurance premiums for any blanket insurance coverage shall be a common expense to be paid by monthly assessments levied by the Association; and that such payments shall be held in a separate escrow account of the Association and used solely for the payment of the blanket property insurance premiums as such premiums become due.

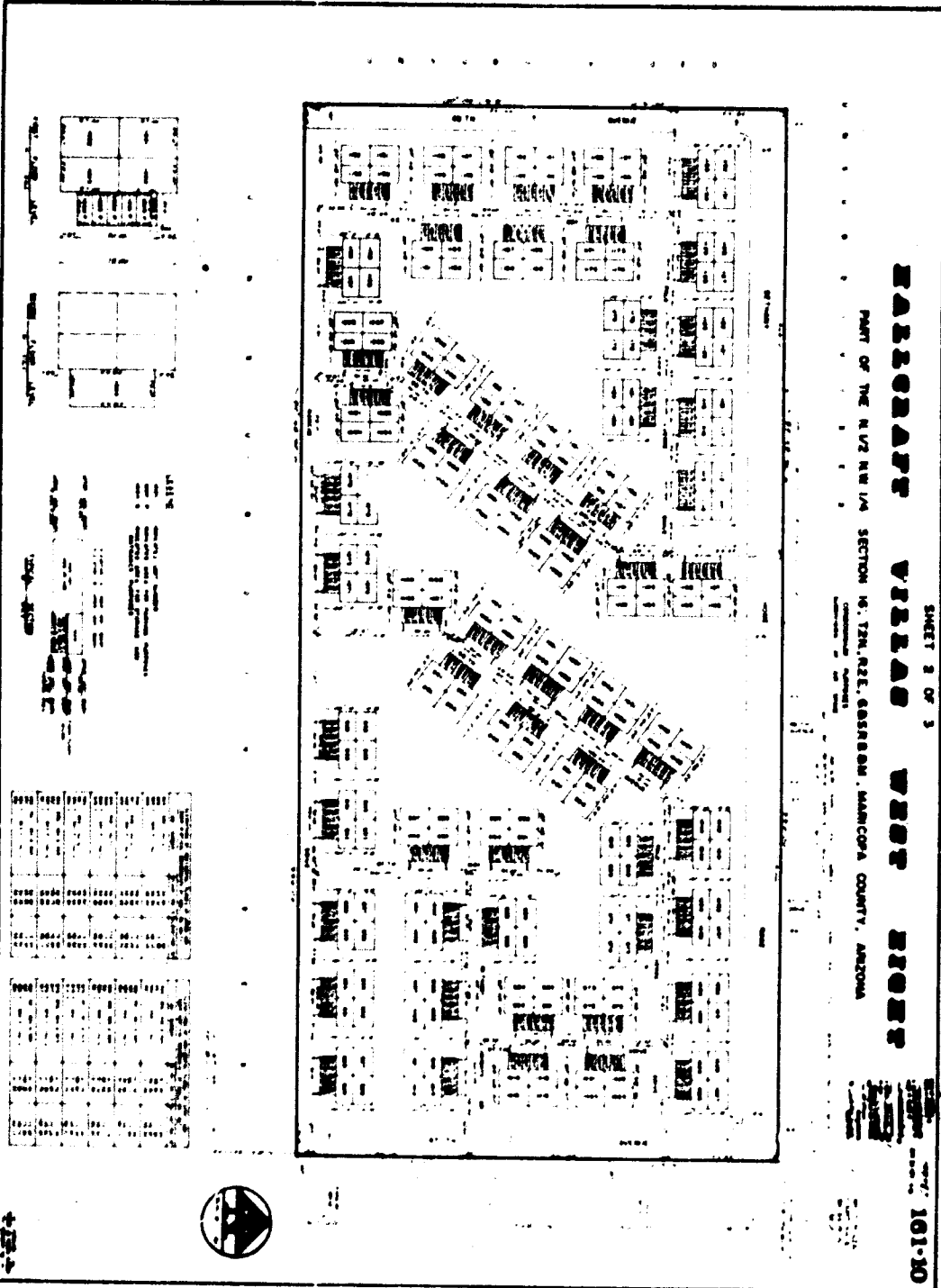
R. Anything herein to the contrary notwithstanding, Grantor reserves the right to abandon the balance of the condominium project at completion of any phase of development. If, upon completion of any phase of development, Grantor elects to abandon the balance of the condominium project, this election shall be evidenced by a recorded amendment to this instrument executed by Grantor, setting out that phase or those phases of the condominium project which have been abandoned, and redefining (in accordance with the applicable FHLMC Rules and Regulations) the real property which shall remain subject to this Declaration of Horizontal Property Regime, and the number of apartment spaces, the undivided interest of each apartment space owner in the common areas and facilities, the restricted common areas and facilities, and the proportionate share of each family unit in the common profits and expenses therein. Upon recordation of this amendment, the provisions of this Declaration of Horizontal Property Regime and Plan for Condominium Ownership and all rights and interests herein granted (including all interests which may be reflected on the recorded Condominium Plat and Survey) shall terminate as to the property specifically described in said amendment as having been abandoned and removed from the condominium project.

S. That so long as said Grantor, its successors and assigns, owns one or more of the family units established and described herein, said Grantor, its successors and assigns shall be subject to the provisions of

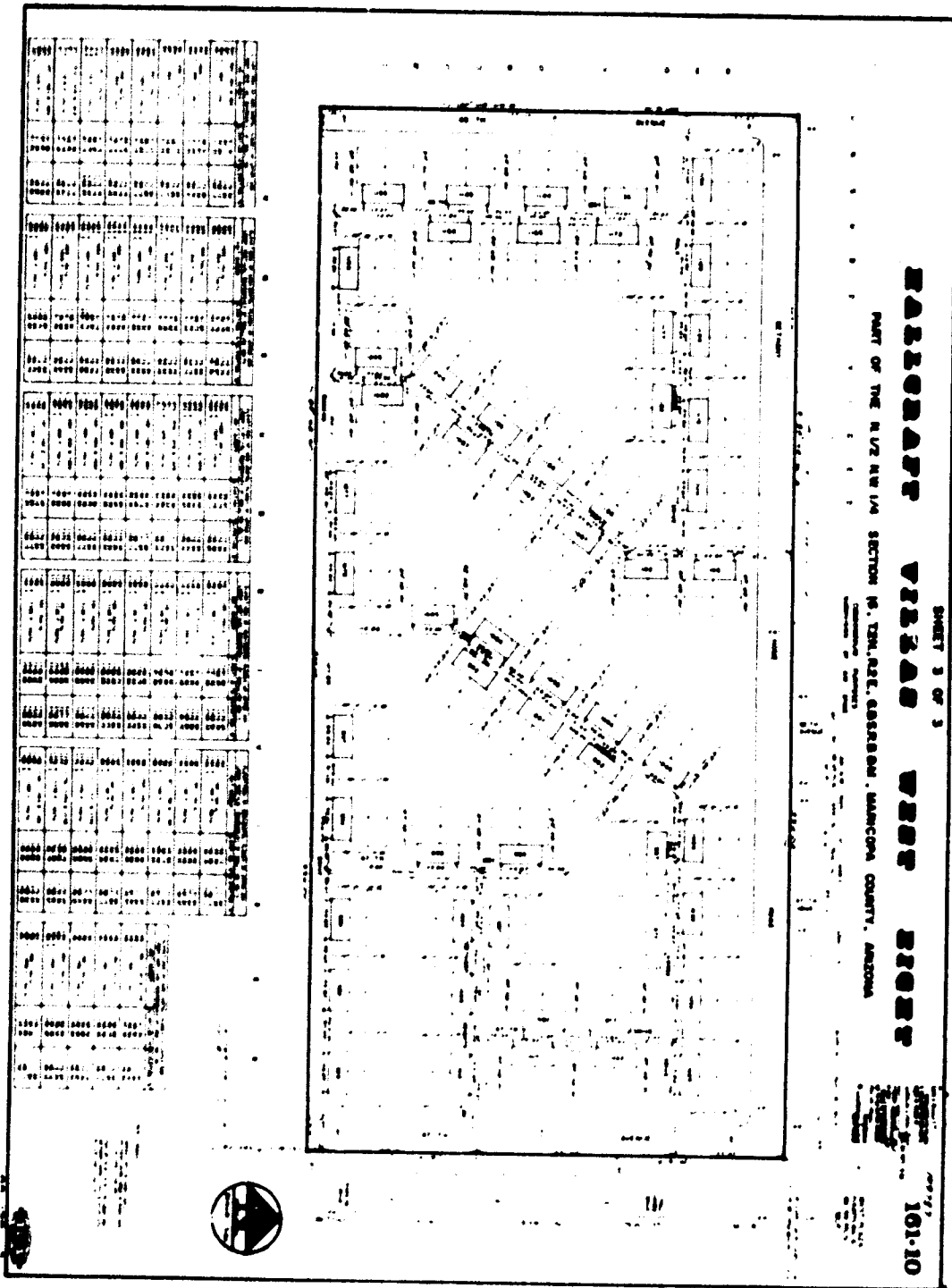
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HARBOR VILLAGE WEST BLDG

PART OF THE N 1/2 NW 1/4 SECTION 16, T19N, R22E, S6388000, MARICOPA COUNTY, ARIZONA

SHEET 3 OF 3

1910



THE FOLLOWING AMENDED AND RESTATED ARTICLES AND BY-LAWS ARE TO REPLACE ARTICLES AND BY-LAWS RECORDED IN DOCKET 10404, PAGE 120 THROUGH 131, AND HEREAFTER SAID ARTICLES AND BY-LAWS RECORDED IN DOCKET 10404, PAGE 120 THROUGH 131 SHALL BE VOID AND HAVE NO FURTHER FORCE OR EFFECT.

AMENDED AND RESTATED ARTICLES AND BYLAWS
OF
VILLAS WEST EIGHT ASSOCIATION

156953

M/Dy 1997

ARTICLE I
ASSOCIATION

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Section 1: Purpose

These Articles and Bylaws for Villas West Eight Association, an Arizona non-profit unincorporated association, (herein called "Association"), are adopted pursuant to the Declaration of Horizontal Property Regime recorded in Docket 10404, commencing at page 106, in the office of the County Recorder of Maricopa County ("Declaration"), and will be attached as an amended Exhibit "B" thereto. These Amended and Restated Articles and Bylaws have been adopted in order to more fully and completely comply with rules and regulations of the Federal Home Loan Mortgage Corporation (herein called "FHLMC"). The Association was created for the purpose of administering the affairs of the condominium known as Villas West Eight ("Development"), as established by the Declaration, at 43rd Avenue and Bethany Home Road, City of Glendale, State of Arizona.

Section 2: Bylaws Applicability

The provisions of these Bylaws are applicable to the Development. (The term "Development" as used herein shall include the land.)

Section 3: Personal Application

All present or future owners, tenants, future tenants, or their employees, or any other person who might use the facilities of the Development in any manner, are subject to the regulations as set forth in these Bylaws.

ARTICLE II
VOTING, MAJORITY
OF OWNERS, QUORUM

Section 1: Voting

STATE OF ARIZONA
County of Maricopa
I hereby certify that the foregoing is a true and correct copy of the original as filed in my office.
M/Dy 1997
in Docket 136107
on page 96-126
Witness my hand and official seal the day and year aforesaid.
County Recorder
Deputy Recorder
1600

Voting shall be on a percentage basis and the percentage of the vote to which the owner is entitled is the percentage assigned to the family Unit or Units in the Declaration of Horizontal Property Regime; provided, however, that in accordance with Section 10 of Article XIV of the Constitution of the State of Arizona, each member, in the election of the Board of Directors, shall be entitled to accumulate his votes. If a Unit is owned by more than one person or by a corporation, partnership, association or some other entity capable of owning property, the vote attributable to that Unit shall be cast by the person named in a Certificate signed by all of the owners of that Unit, or by the appropriate officers of the corporation or such other entity, and filed with the Secretary of the Association. Such Certificates shall be valid until revoked by a subsequent Certificate, and if such, a Certificate is not on file with the Secretary of the Association, then the vote attributable to that Unit shall not be considered in determining the requirement for a quorum nor shall it be considered for any other purpose.

Section 2: Proxies

Voting may be in person or by proxy, but proxy shall be valid only for the particular meeting designated therein and must be filed with the Secretary of the Association at or before the appointed time of the meeting.

Section 3: Majority of Owners

As used in these Bylaws the term "majority of owners" shall mean those owners holding fifty-one percent (51%) of the votes in accordance with the percentages assigned in the Declaration of Horizontal Property Regime.

Section 4: Quorum

Except as otherwise provided in these Bylaws, a quorum of members for any meeting shall consist of the person or proxies entitled to cast one-fourth (1/4) of the votes of the entire

membership and/or the joinder of a member in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such person for the purpose of determining a quorum. If any meeting of the members cannot be organized because a quorum has not attended, the members present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

Section 5: Approval or Disapproval

An approval or disapproval by a Unit owner upon any matter whether or not the subject of an Association meeting shall be by the same person who would cast the vote of such owner in an Association meeting.

ARTICLE III

ADMINISTRATION

Section 1: Place of Meetings

Meetings of the Association shall be held at the principle office of the project or such other suitable place convenient to the owners as may be designated by the Board of Directors.

Section 2: Annual Meetings

The annual meeting of the members shall be held on the third Monday in April of each year at 7:30 p.m., Phoenix time. If that day is a legal holiday, the meeting shall be held at the same hour on the next succeeding day. The annual meeting shall be for the purpose of electing directors and of transacting business authorized to be transacted by the members.

Section 3: Special Meetings

Special meetings of the members may be called by the President or by a majority of the Board of Directors or by a petition signed by a majority of the Owners and having been presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting

except as stated in the notice unless by consent of 4/5th's of the owners present, either in person or by proxy.

Section 4: Notices

Notice of all meetings of the members stating the time, place and objects for which the meeting is called shall be given by the President, Vice-President, Secretary or other authorized agent or officer, unless said notice is waived in writing. Such notice must be in writing and addressed to each member at his address as it appears on the books of the Association (or if no such notice appears, at his last known place of address), and shall be mailed at least five but not more than ten days prior to such meeting. The mailing of a notice in the manner provided by this section shall be considered notice served. Notice of meetings may be waived before or after the meeting.

Section 5: Order of Business

The order of business at annual meetings of the members, and as far as practical at all other meetings of the members, shall be as follows:

- (a) Calling of the roll and certifying of the proxies;
- (b) Proof of notice of meetings or waiver of notice;
- (c) Reading and disposal of any unapproved minutes;
- (d) Report of officers;
- (e) Reports of committees;
- (f) Election of inspectors of election;
- (g) Election of directors;
- (h) Unfinished business;
- (i) New business;
- (j) Adjournment.

Section 6: Association Responsibilities

The owners of the Units will constitute the Association of owners and will act as a "residential real estate management association" within the meaning of Section 528 of the Internal

Revenue Code of 1954, and any amendments thereto; and will provide for the maintenance of the common elements and facilities and act as the council of co-owners (as that term is used in Section 33-551, et seq., Arizona Revised Statutes) for the development, for the benefit of all the owners of Units therein, as contemplated and provided for in that certain Declaration submitting property to Horizontal Property Regime together with covenants, conditions and restrictions for the development recorded in Docket 10404, page 106, records of Maricopa County, Arizona (Declaration); and plat therein referred to recorded in Book 161 of Maps, page 10, records of Maricopa County, Arizona; and to perform all the duties and obligations and exercise all the powers and privileges of the Association as set forth in the Declaration. Without limiting the generality of the foregoing, to the extent authorized by its Board of Directors and in accordance with the provisions of the Declaration, the Association shall be empowered:

(a) To make and collect assessments against members to defray the cost of the development, and to use the proceeds of assessments in the exercise of its powers and duties;

(b) To maintain, operate, repair, rehabilitate, restore, make replacements to, and provide for the operation and management of the development property and all buildings, structures, and improvements thereon;

(c) To pay all taxes and assessments, if any, which may properly be levied against properties of the Association, and to repair, rehabilitate and restore all buildings, structures and improvements on said properties;

(d) To insure the condominium property and all buildings and structures thereon in accordance with Article VII of these Bylaws and such additional risks as the Board of Directors may determine;

(e) To make and amend rules and regulations respecting the use of the condominium property;

(f) To impose liens upon individual units to secure the payment of or obligations due from the owners thereof, and to collect, sue, foreclose or otherwise enforce, compromise, release, satisfy and discharge such demands and liens in accordance with the Declaration;

(g) To do all things necessary to carry out and to enforce the terms and provisions of the Declaration, and to pay all maintenance, operating and other costs and to do all things and acts which may be in the best interest of the members of the Association or for the peace, comfort, safety or general welfare of the members of the Association, all in accordance with the Declaration and these Articles and Bylaws;

(h) To contract for the management of the condominium and to delegate to the management entity such powers and duties as determined by the Board of Directors, but subject to the provisions of the Declaration, and these Articles and Bylaws;

(i) In general to do and perform such acts and things and to transact such business in connection with the foregoing objects and purposes as may be necessary and required.

ARTICLE IV

BOARD OF DIRECTORS

Section 1: Number and Qualification

The affairs of the Association shall be governed by the Board of Directors composed of five (5) persons. Each member of the Board of Directors shall be either an owner of a Unit or the spouse of an owner, or if an owner is a corporation, partnership or trust, such director may be an officer, director, partner, beneficiary, or trustee of such owner; provided, however, that

neither the directors nominated or designated by declarant, pursuant to the Declaration nor the directors constituting the first board shall be required to meet the above requirement. Subject to the provisions above stated, if a director shall cease to meet the above qualifications during his term, he shall thereupon cease to be a director and his place on the board shall be deemed vacant.

Section 2: Election and Term of Office

At the first annual meeting of the Association the term of office of two Directors shall be fixed for three (3) years. The term of office of two Directors shall be fixed at two (2) years, and the term of office of one Director shall be fixed at one (1) year. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of three (3) years. The Directors shall hold office until their successors have been elected and hold their first meeting.

Section 3: Vacancies

Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Association shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected at the next annual meeting of the Association.

Section 4: Removal of Directors.

At any regular or special meeting duly called, any one or more of the Directors may be removed with or without cause by a majority of the owners and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the owners shall be given an opportunity to be heard at the meeting.

Section 5: Organization Meeting.

The first meeting of a newly elected Board of Directors

shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

Section 6: Regular Meeting

Regular meetings of the Board of Directors may be held at such time and place as shall be determined; from time to time, by a majority of the Directors, but at least two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

Section 7: Special Meetings

Special meetings of the Board of Directors may be called by the President on three days notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least three Directors.

Section 8: Waiver of Notice

Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 9: Board of Director's Quorum

At all meetings of the Board of Directors, a majority

of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 10: Powers and Duties

Except as expressly set forth in the Declaration, these Articles and Bylaws, or by statute, all of the powers and duties of the Association shall be exercised by the Board of Directors, including those existing under common law, statute, the Articles and Bylaws of the Association, and the Declaration. Such powers and duties shall be exercised in accordance with the provisions of the Declaration and shall include but not be limited to:

1. The election and removal of officers of the Association as hereinafter provided;
2. The administration of the affairs of the Association and of the property to the extent permitted by applicable law and the Declaration and these Articles and Bylaws;
3. The engagement of the services of a manager or a managing agent who shall operate and manage the property for all of the owners upon such terms and for such compensation and with such authority as the board may approve; provided, however, that any such agreements shall not exceed three (3) years and shall provide for cancellation and termination, by either party without cause and without payment of any fee on sixty (60) days written notice.
4. To formulate policies for the administration, management and operation of the property; to provide for the operation, maintenance, repairs, replacement of the common elements, payment therefor, and to approve payment vouchers or to delegate such

approval to the officers or the manager or managing agent; to provide for the designation, hiring and removal of employees and other personnel, including accountants and attorneys, and to engage or contract for the service of others and to make purchases for the maintenance, repair, replacement, administration and operation of the property; and to delegate any such powers to the manager or managing agent (and any such employees or other personnel who may be the employees of a managing agent);

5. To appoint committees of the board and to delegate to such committees the board's authority to carry out certain duties of the board;

6. To estimate the amount of the annual budget and to provide the manner of assessing and collecting from the owners their respective shares of such estimated expenses;

7. To comply with the instructions of a majority of owners not inconsistent with the Declaration as expressed in a resolution duly adopted at any annual or special meeting of the members;

8. To make and amend regulations respecting the use of the property, all in accordance with the Declaration;

9. To enforce by legal means the provisions of the condominium documents, including but not limited to the Declaration, the Articles and Bylaws of the Association and all regulations for use of the property;

10. To exercise all the rights, powers and duties granted to the board by the Declaration;

11. To obtain and continue in effect sufficient kinds and amounts of insurance consistent with the Declaration and Article VII of these Bylaws;

12. To provide exterior maintenance for each multi-family structure as follows: paint, repair, replace and care for roofs, gutters, downspouts and exterior building surfaces, except glass

surfaces, subject to the provisions of Article VI, Section 4 hereof;

13. Provide maintenance for the private sewers and/or septic systems located upon the common areas as follows: repair, replace and clean all sewer lines and septic tanks from stub-out to intersection with the public sewer facility;

14. Provide maintenance for systems used for private water services located on the common area as follows: repair and replace all waterlines from the perimeter wall of the service dwelling units to enter section with the public water facility;

15. Provide maintenance, repairs and replacement of all private drives and walkways on the development.

Section 11: Fidelity Bonds

Fidelity bonds shall be required against dishonest acts on the part of all directors, managers, trustees, employees or volunteers responsible for handling funds belonging to or administered by the Association. The fidelity bond or insurance must name the Association of owners as the named insured and shall be written in amounts sufficient to provide protection which is in no event less than one and one-half times the insured's estimated annual operating expenses and reserves. In connection with such coverage, an appropriate endorsement to the policy to cover any persons who serve without compensation shall be added if the policy would not otherwise cover volunteers.

ARTICLE V

OFFICERS

Section 1: Selection

At each annual meeting the board shall elect the following officers of the Association:

1. A President who shall be a director and who shall preside over the meetings of the board and the meetings of the Association, and who shall also be the chief executive officer

of the Association;

2. A Vice-President who shall be a director and who shall, in the absence or disability of the President, perform the duties of the President. If neither the President or the Vice-President is able to act, the Board of Directors shall appoint some other member of the Board to so do on an interim basis;

3. A Secretary who shall keep minutes of all meetings of the board and of the Association and who shall in general perform all the duties incident to the office of the Secretary;

4. A Treasurer who shall be responsible for financial records and books of account and the manner in which said records and books are kept and reported;

5. Such additional officers as the board shall see fit to elect.

ARTICLE VI

OBLIGATIONS OF THE OWNERS

Section 1: Annual Budget

For each fiscal year, or portion thereof, after the first meeting of the members, the Board of Directors shall prepare, or cause to be prepared, an estimated annual budget for the Association. The budget shall take into account all common expenses as described in the Declaration and these Articles and Bylaws; and, to the extent that assessments from the prior year(s) shall have been more or less than the expenditures and provisions for reserves of such prior year(s), the surplus or deficit shall be taken into account. The annual budget and assessments shall make provision for an adequate reserve fund for maintenance, repairs and replacement of those common elements that must be replaced on a periodic basis, and shall be payable in regular installments rather than by special assessments. The annual budget shall also make adequate provision for all insurance premiums as required to be maintained

by virtue of Article VII.

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Section 2: Supplemental Budget

If during the course of any fiscal year or portion thereof, it shall appear that the assessments determined in accordance with the estimated annual budget are insufficient to cover the actual common expenses, or are in excess of the amount necessary to cover the actual common expenses, then the board may prepare a supplemental budget and increase or decrease the assessment as may be necessary.

Section 3: Assessments

In accordance with the provisions of the Declaration and as herein set forth, the amount to be assessed against each Unit shall be equal to its percentage interest in the common elements as a percent of the estimated annual budget provided for in Section 1 above. Assessments shall be paid in monthly installments, and each owner shall be notified of the monthly installment amount of the assessment. The monthly amount shall be due and payable, in advance, on the first day of each month. In the event the Board does not establish an annual budget, or for some reason fails to establish new monthly assessments for any year, or portion thereof, each owner shall continue to pay the monthly assessment previously established until otherwise notified by the Board. In the event any monthly installment is not paid by the tenth (10th) of the month, it shall be deemed delinquent, and may bear interest and be subject to such late charges as the Board may adopt by regulation.

Section 4: Maintenance and Repair

(a) Every owner must perform promptly all maintenance and repair work within his own unit, which if omitted would affect the project in its entirety or in a part belonging to other owners, being expressly responsible for the damages and liabilities that his failure to do so may engender.

(b) All the repairs of internal installations of the Unit such as water, light, gas, power, sewage, telephone, air conditioners, sanitary installations, doors, windows, lamps, and all other accessories belonging to the Unit area shall be at the owner's expense.

(c) An owner shall reimburse the Association for any expenditures incurred in repairing or replacing any common area and facility damaged through his fault.

Section 5: Use of Family Units - Internal Changes

(a) All units shall be utilized for residential purposes only.

(b) An owner shall not make structural modifications or alterations in his Unit or installations located therein without previously notifying the Association in writing, through the Management Agent, if any, or through the President of the Board of Directors, if no Management Agent is employed. The Association shall have the obligation to answer within fourteen (14) days and failure to do so within the stipulated time shall mean that there is no objection to the proposed modification of alteration.

Section 6: Use of Common Areas and Facilities and Restricted Common Areas and Facilities

(a) Use Regulations. The common areas and facilities and restricted common areas and facilities shall be used for only such purposes as may be permitted by the Association. An owner shall abide by such rules and regulations as the Association may from time to time adopt relating to the time, manner, and nature of the use of the common areas and facilities and the restricted common areas and facilities.

(b) Dedications or Transfers. The Association shall have the right to dedicate or transfer all or any part of the common areas to any public agency, authority or utility for any proper purpose consistent with the intended use of the common elements.

Section 7: Right of Entry

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(a) Any owner shall grant the right of entry to the management agent or to any other person authorized by the Board of Directors or the Association in case of any emergency originating in or threatening his Unit, whether the owner is present at the time or not.

(b) An owner shall permit other owners, or their representatives, when so required, to enter his unit for the purpose of performing installations, alterations or repairs to the mechanical or electrical services, provided that requests for entry are made in advance and that such entry is at a time convenient to the owner. In case of an emergency, such right of entry shall be immediate.

Section 8: Rules of Conduct

(a) No resident of the project shall post any advertisements, or posters of any kind, in or on the project except as authorized by the Association.

(b) Residents shall exercise extreme care about making noises or the use of musical instruments, radios, television and amplifiers that may disturb other residents. Keeping domestic animals will abide by the regulations adopted from time to time by the Association.

(c) It is prohibited to hang garments, rugs, etc., from the windows or from any of the facades of the project.

(d) It is prohibited to dust rugs, etc., from the windows, or to clean rugs, etc., by beating on the exterior part of the project.

(e) It is prohibited to throw garbage or trash outside the disposal installations provided for such purposes in the service areas.

(f) No owner, resident or lessee shall install wiring for electrical or telephone installation, television antennae,

machines or air conditioning units, etc., on the exterior of the project or that protrude through the walls or the roof of the project except as authorized by the Association.

ARTICLE VII

INSURANCE

Insurance shall be carried by the Association on the condominium property and shall be governed by the following provisions:

Section 1: Authority to Purchase

The Board shall purchase and maintain certain insurance upon the Condominium Property, including but not limited to the insurance described in Section 2, below, which insurance is to be purchased by the Association for the benefit of the Association, the Unit Owners, and the First Mortgagees, as their interests may appear. Provisions shall be made for the issuance of certificates of endorsement to the First Mortgagee of any First Mortgage. Such policies and endorsements thereon, or copies thereof, shall be deposited with the Association. The Board shall deliver a copy of the policies, or by and through their agent advise the Unit Owners of the coverage of said policies to determine which particular items are not insured by the Association. Without limiting the generality of the foregoing, it shall be each Owner's responsibility to provide for himself owner's liability insurance, theft or other insurance covering personal property damage and loss, insurance for each Owner's personal liability, and such other insurance which is not carried by the Association as the Unit Owner desires.

Section 2. Coverage

The Association shall maintain and pay for policies of insurance as follows:

- (a) A multi-peril type policy covering the entire Condominium Project providing, as a minimum, fire and extended

coverage, and all other coverage in kinds and amounts customarily acquired or required for projects similar in construction, location and use, including but not limited to vandalism and malicious mischief, in an amount not less than one hundred percent (100%) of the insurable value (based upon replacement cost).

(b) A comprehensive policy of public liability insurance covering all of the Common Elements and public ways in the Condominium Project in a minimum amount of at least One Million Dollars (\$1,000,000.00) per occurrence, for personal injury and/or property damage. Such insurance policy shall contain a "severability of interest" endorsement which shall preclude the insurer from denying the claim of a Unit Owner because of the negligent acts of the Association and its agents or other Unit Owners. The scope of such coverage shall include all other coverage in the kinds and amounts customarily acquired or required for projects similar in construction, location and use.

(c) If there is a steam boiler in operation in connection with the Condominium Project, there must be in force boiler explosion insurance evidenced by the standard form of boiler and machinery insurance policy and providing, as minimum coverage, Fifty Thousand Dollars (\$50,000.00) per accident per location.

(d) If the Condominium Project is located in an area identified by the Secretary of Housing and Urban Development as an area having special flood hazards, a "blanket" policy of flood insurance on the Condominium Project must be maintained in the amount of the outstanding principal balances of the First Mortgage loans on the Units comprising the Condominium Project or the maximum limit of coverage available under the National Flood Insurance Act of 1968, as amended, whichever is less.

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

(f) Such other insurance as the Board shall determine

from time to time to be desirable.

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Section 3: Provisions Required

The insurance policies purchased by the Association shall, to the extent possible, contain the following provisions:

- (a) The coverage afforded by such policies shall not be brought into contribution or proration with any insurance which may be purchased by Unit Owners or First Mortgagees.
- (b) The conduct of any one or more Unit Owners shall not constitute grounds for avoiding liability on any such policies.
- (c) There shall be no subrogation with respect to the Association, its employee, Unit Owners and member of their household and their families and employees, or the policy(ies) should name said persons as additional insureds.
- (d) A "Severability of interest" endorsement shall be obtained which shall preclude the insurer from denying the claim of an Owner because of negligent acts of the Association or other Owners.
- (e) A statement of the name of the insured shall be included in all policies, in form and substance similar to the following:

"VILLAS WEST EIGHT ASSOCIATION, for the use and benefit of the individual owners"
[designated by name, if required].
- (f) A standard mortgagee clause which must be endorsed to provide that any proceeds shall be paid to the VILLAS WEST EIGHT ASSOCIATION, for the use and benefit of First Mortgagees as their interest may appear, or which must be otherwise endorsed to fully protect the interest of First Mortgagees, their successors and assigns.
- (g) For policies of hazard insurance, a standard mortgagee clause shall provide that the insurance carrier shall notify the First Mortgagee named at least ten (10) days in advance of the effective date of any reduction in or cancellation of the policy.

(h) Any "no other insurance" clause shall exclude insurance purchased by Unit Owners or First Mortgagees.

Section 4: First Mortgagee Protection

(a) The Association shall provide each First Mortgagee with a letter wherein the Association agrees to give written notice to each First Mortgagee, or Servicer of a mortgage, or any entity or person designated by such First Mortgagee or Servicer, whenever:

(1) Damage to a Unit covered by a First Mortgage exceeds \$1,000.00; and/or

(2) Damage to the Common Elements and related facilities exceeds \$10,000.00.

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

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

(d) Policies shall not be utilized where:

(1) Under the terms of the carrier's charter, bylaws or policy, contributions or assessments may be made against the Unit Owner or First Mortgagee or any entity or person purchasing or guaranteeing any First Mortgage; or

(2) By the terms of the carrier's charter, bylaws or policy, loss payments are contingent upon action by the carrier's board of directors, policyholders, or members; or

(3) The policy includes any limiting clauses (other than insurance condition) which could prevent any

Unit Owner or the First Mortgagee, its successors or assigns from collecting insurance proceeds.

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

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

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

Section 5: Non-Liability of Association/Board

Notwithstanding the duty of the Association to obtain insurance coverage as stated herein, neither the Association nor any Board member shall be liable to any Owner or any other party

if any risks or hazards are not covered by insurance or if the amount of insurance is not adequate, and it shall be the responsibility of each Unit Owner to ascertain the coverage and protection afforded by the Association's insurance and to procure and pay for such additional insurance coverage and protection the said Unit Owner may desire.

Section 6: Premiums

Premiums upon insurance policies purchased by the Association shall be paid by the Association as a Common Expense, except that the amount of increase over any annual or other premium occasioned by the use, misuse, occupancy or abandonment of an Apartment Unit or its appurtenances, or of the Common Elements by an Owner, shall be assessed against that particular Owner.

Section 7: Insurance Claims

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

Section 8: Benefit

Except as otherwise provided herein, all insurance policies purchased by the Association shall be for the benefit of the Association, the Unit Owners and First Mortgagees, as their interests may appear.

Section 9: Insurance Trustee; Proceeds

(a) Except for loss or damage which is less than one percent (1%) of the value of the Condominium Project, all insurance proceeds payable on account of damage or loss to the Condo-

Condominium Project shall be paid to any bank in Arizona which is selected as a trustee by the Board, which bank is herein referred to as the "Insurance Trustee". The Insurance Trustee shall not be liable for payment of premiums, for the renewal or the sufficiency of policies, or for the failure to collect any insurance proceeds. Insurance proceeds payable on account of loss or damage which equals less than one percent (1%) of the value of the Condominium Project shall be payable to and be used by the Association to repair such loss or damage.

(b) The duty of the Insurance Trustee shall be to receive the insurance proceeds that are paid, and to hold them in trust for the benefit of the Unit Owners and the First Mortgagees as follows: An undivided share of such proceeds on account of damage to Common Elements shall be allocated to the Unit Owners according to their shares in the Common Elements set forth in part 4 above. Proceeds, if any, on account of damage to Apartment Units shall be held for the Owners of damaged Apartment Units in proportion to the cost of repairing the damage suffered by each Apartment Unit Owner, which cost shall be determined by the Association. In the event a mortgagee endorsement has been issued as to a Unit, the share of the Unit Owner shall be held in trust for the First Mortgagee and the Unit Owner as their interests may appear.

Section 10: Manner of Disbursement

The proceeds from assessments and insurance received by the Insurance Trustee shall be disbursed in the following manner:

(a) That portion of the insurance proceeds, if any, representing damage, the reconstruction and repair of which is the responsibility of the Apartment Unit Owner, shall be paid by the Insurance Trustee to the Apartment Unit Owner or, if there is a mortgagee endorsement, then to the Apartment Owner and the First Mortgagee jointly, who may use such proceeds as they may determine; provided, however, to the extent that any damage to an

Apartment Unit affects in any way the Common Elements or any other Owner's Apartment Unit, the proceeds must be used for reconstruction and repair of such damage.

(b) The portion of insurance proceeds representing damage, the reconstruction and repair of which is the responsibility of the Association, shall be disbursed in payment of the costs of such repair and reconstruction in the manner required by the Board and upon approval of an architect qualified to practice in Arizona and employed by the Association to supervise the work.

(c) The Insurance Trustee shall not be required to determine whether a disbursement is to be made, the identity of the payee, or the amount to be paid, but may rely upon a certificate of the Board acting for and on behalf of the Association stating such information.

Section 11: Work

All repair and construction work shall be done by licensed contractors, of good reputation. Payment bonds, performance bonds and statutory lien bonds may, but need not, be required in the discretion of the Board, but all work shall be done under written contracts.

Section 12: Termination

If it is determined in the manner above provided that the Building or Buildings containing Condominium Units shall not be repaired or reconstructed because of damage or destruction, then and in such event, this Condominium shall be terminated and all of the Owners and all of the mortgagees and lienholders of record of all of the Units hereby constitute and appoint the Board, and each of the members of the Board, as their attorney-in-fact for the purpose of executing, acknowledging and recording a declaration withdrawing the Property from this Horizontal Property Regime, which power is irrevocable and coupled with an interest.

ARTICLE VIII

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CONDEMNATION

If a portion of the Common Elements should be taken by exercise of the power of eminent domain, or should be transferred and conveyed to a condemning authority in anticipation of such exercise, the entire award made as compensation for such taking, including but without limitation, any amount awarded as severance, damages, or the entire amount received and paid in anticipation of such taking, after deducting therefrom, in each case, reasonable and necessary costs and expenses, including but without limitation, attorney's fees, appraiser's fees and court costs shall be paid to the Board, as trustee for all owners and first mortgagees. Nothing herein contained shall be deemed to impair or effect the priority of any first mortgagee in or to any proceeds, as set forth in Article X, below.

ARTICLE IX

AMENDMENTS TO PLAN OF APARTMENT OWNERSHIP

Section 1: Bylaws

These Bylaws may be amended by the Association in a duly constituted meeting for such purpose and no amendment shall take effect unless approved by owners representing at least seventy-five percent (75%) of the total value of all Units in the Development as shown in the Declaration of Horizontal Property Regime, except Article X of these Bylaws may not be rescinded or amended without the written approval of all mortgagees of Units in the Development.

ARTICLE X

MORTGAGEES

Section 1: Notice to Association

An owner who mortgages his Unit shall notify the Association of the name and address of his mortgagee; and the Association shall maintain such information in a book entitled "Mortgagees of Units".

Section 2: Notification of Default

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The Association shall in writing notify a mortgagee of a Unit of any default of the mortgagor of such Unit in the performance of such mortgage obligations under the Declaration of Horizontal Property Regime and these Bylaws (hereafter "Condominium Documents") which is not cured within thirty (30) days.

Section 3: Notification of Change in Condominium Documents

The Association shall in writing notify all mortgagees, thirty (30) days prior to the effective date thereof, of: (i) any change in the Condominium Documents, and (ii) any change of Management Agent of the Condominium project.

Section 4: Waiver Restrictions

The holder of the mortgage which comes into possession of the Unit pursuant to the remedies provided in the mortgage, or foreclosure of the mortgage or deed in lieu of foreclosure, shall be exempt from any "right of first refusal" or other restriction on the sale or rental of the mortgaged unit, including but not limited to, restrictions on the age of unit occupants and restrictions on the posting of signs pertaining to the sale or rental of the unit.

Section 5: Waiver of Unpaid Assessments

Any holder of the mortgage which comes into possession of the Unit pursuant to the remedies provided in the mortgage, foreclosure of the mortgage, or deed in lieu of foreclosure, shall take the property free of any claims for unpaid assessments or charges against the mortgaged Unit which accrue prior to the time such holder comes into possession of the Unit.

Section 6: Prohibited Acts

Unless all holders of First Mortgage liens on individual Units have given their prior written approval, the Association shall not:

- (a) Fail to employ a Management Agent for the

condominium project.

(b) Change the pro rata interest or obligations (as presently provided in the Declaration of Horizontal Property Regime) of any Unit for purposes of levying assessments and charges and determining shares of the Common Elements and proceeds of the project.

(c) Partition or subdivide any Unit or the Common Elements of the project.

(d) By act or omission seek to abandon the Condominium status of the project except as provided by statute in case of substantial loss to the Units and Common Elements of the Condominium Project.

(Sections 1 through 6 of Article X are identical to the provisions of Article VIII of the original Bylaws and have not been changed, rescinded or amended. The following Sections have been added to Article X by way of supplementation in order to more fully comply with the rules and regulations of FHLMC.)

Section 7: Prohibited Acts

Unless all holders of First Mortgage liens on individual Units have given their prior written approval, the Association shall not be entitled to:

1. by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements. (The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements by the Development shall not be deemed a transfer within the meaning of this clause);

2. use hazard insurance proceeds for losses to any condominium property (whether to Units or Common Elements) for other than repair, replacement or reconstruction of such condominium properties, except as provided by statute in case of substantial loss to the Units and/or Common Elements of the Condominium Project.

Section 8: No provision of the Condominium Constituent Documents shall give a condominium unit owner, or any other party, priority of any rights of the first mortgagee of the condominium unit pursuant to its mortgage in a case of a distribution to such unit owner of insurance proceeds or condemnation awards for losses to or taking of condominium units and/or common elements.

Section 9: All taxes, assessments and charges which may become liens prior to a first mortgage under local law shall relate only to the individual unit and not to the condominium project as a whole.

Section 10: All amenities pertaining to the condominium project and located on the property (such as parking, recreation and service areas) are a part of the condominium project and shall be covered by and subject to a mortgage on a unit to the same extent as are the common elements.

Section 11: First Mortgagee shall have the right upon reasonable request to examine the books and records of the Association or the condominium project at reasonable times.

Section 12: The First Mortgagee shall not in any case or manner be personally liable for the payment of any assessment or charge, nor the observance or performance of any covenant, restriction, regulation, rule, Association Articles and Bylaws, or management agreement, except for those matters which are enforceable by injunctive or other equitable actions, not requiring the payment of money, except as provided in this Article.

Section 13: During the pendency of any proceedings to foreclose the First Mortgage (including any period of redemption) or from the time a trustee under a First Deed of Trust has given notice of sale pursuant to power of sale conferred under a Deed of Trust and pursuant to law, the First Mortgagee or a Receiver appointed in any such action may, but need not exercise any or all of the rights and privileges of the owner in default of a Unit including,

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

Section 14: No provision of the Declarations or these Articles and Bylaws related to costs, use, set-back, minimum size, building materials, architectural, aesthetic or similar matters shall provide for reversion or foreclosure of title to a unit in the event of violation thereof. No breach or any violation of any provision of the Declarations or these Articles and Bylaws shall effect, impair, defeat or render invalid the interest or lien of any First Mortgagee.

Section 15: This Article shall be interpreted in conformity with all rules, regulations and requirements of institutional mortgage holder, including expressly, but not limited to the Federal Home Loan Mortgage Corporation, applicable to conventional mortgages on condominiums, in effect as of this date or as hereinafter amended, and any provision hereof which is inconsistent therewith shall be deemed modified to conform thereto.

ARTICLE XI

PARTY WALLS

Section 1: Rights and Duties

The rights and duties of the owners of any apartment within this condominium project with respect to party walls shall be governed by the following:

(a) Each wall, including patio walls, which is constructed as part of the original construction of the multifamily structure, any part of which is placed on the dividing line between separate apartment units, shall constitute a party wall. With respect to any such wall, each of the adjoining owners shall assume the burdens and be entitled to the benefits of these respective covenants, and, to the extent not inconsistent herewith, the general rules of law regarding party walls shall be applied thereto.

(b) In the event any such party wall is damaged or destroyed through the act of one adjoining owner, or any of his guests, tenants, licensees, agents, or members of his family (whether or not such act is negligent or otherwise culpable) so as to deprive the other adjoining owner of the full use and enjoyment of such wall, then the first of such owners shall forthwith proceed to rebuild and repair the same to as good condition as formerly without cost to the adjoining owner.

(c) In the event any such party wall is damaged or destroyed by some cause other than the act of one of the adjoining owners, his agents, tenants, licensees, guests or family (including ordinary wear and tear and deterioration from lapse of time), then in such event, both such adjoining owners shall proceed forthwith to rebuild or repair the same to as good condition as formerly at their joint and equal expense.

(d) Notwithstanding any other provision of this Article, an owner who by his negligent or willful act causes any party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

(e) The right of any owner to contribution from any other owner under this Article shall be appurtenant to the land and shall pass to such owner's successors in title.

(f) In the event of a dispute between owners with respect to the repair or rebuilding of a party wall or with respect to the sharing of the cost thereof, then upon written request of one of such owners addressed to the Association, the matter shall be submitted to arbitration under such rules as may from time to time be adopted by the Association. If no such rules have been adopted, then the matter shall be submitted to three arbitrators, one chosen by each of the owners and the third by the two so chosen or, if the two arbitrators cannot agree as to the selection of the third arbitrator within five (5) days, then by any Judge of

the Superior Court of Maricopa County, Arizona. A determination of the matter signed by any two of the three arbitrators shall be binding upon the owners, who shall share the cost of arbitration equally. In the event one party fails to choose an arbitrator within ten (10) days after personal receipt of a request in writing for arbitration from the other party, then said other party shall have the right and power to choose both arbitrators.

(g) These covenants shall be binding upon the heirs and assigns of any owners, but no person shall be liable for any act or omission respecting any party wall except such as took place while an owner.

ARTICLE XII
MISCELLANEOUS

Section 1: Compliance

These Bylaws are set forth to comply with the requirements of the statutes relating to condominium projects in Arizona. In case any of these Bylaws conflict with the provisions of said statute, it is hereby agreed and accepted that the provisions of the statute will apply.

Section 2: Inconsistencies

In the event of any conflict or inconsistency with the Declaration or with the rules, regulations and requirements of the Federal Home Loan Mortgage Corporation, the terms and provisions of the Declaration and the rules, regulations and requirements of the Federal Home Loan Mortgage Corporation shall prevail and supersede such conflicting or inconsistent provisions of these Bylaws.

APPROVED AND ADOPTED this 14 day of June, 1979.

VILLAS WEST EIGHT ASSOCIATION

By [Signature]
President

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ARIZONA TITLE INSURANCE AND TRUST COMPANY, an Arizona corporation, as Trustee under Trust No. 3772.

By *Judith Clayton*
Trust Officer

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this 23 day of April, 1979, before me, the undersigned Notary Public, personally appeared *Harold Clayton* who acknowledged to me to be the President of VILLAS WEST EIGHT ASSOCIATION, and that he, as such officer, being authorized so to do, executed the within instrument for the purposes therein contained by signing the name of said corporation, as President, by himself, as such officer

WITNESS my hand and official seal.

Thomas M. Craig
Notary Public

My Commission Expires:
My Commission Expires 8-1-1981

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this 30th day of April, 1979, before me, the undersigned Notary Public, personally appeared *Judith Clayton*, who acknowledged himself to be a Trust Officer of ARIZONA TITLE INSURANCE AND TRUST COMPANY, an Arizona corporation, and that he, as such officer, being authorized so to do, executed the within instrument for the purposes therein contained by signing the name of said corporation, as Trustee, by himself, as such officer.

WITNESS my hand and official seal.

Rubena C. Mendoza
Notary Public

My Commission Expires:
March 1981