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OFFICIAL RECORDS OF
YAVAPAI COUNTY
PATSY C. JENNEY
REQUEST OF:

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DATE: 11/26/86 TIME: 15:15
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BOOK 1879 PAGE 844 PAGES: 053

DECLARATION ESTABLISHING MONTANA TERRACE CONDOMINIUM
AND DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS

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THIS DECLARATION, made as of the date hereinafter set forth by FIRST CITY PROPERTIES INC., a Delaware corporation, doing business as DESIGN MASTER HOMES, (hereinafter referred to as "Declarant").

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W I T N E S S E T H:

WHEREAS, Declarant is the sole owner of that certain real property situated in the City of Prescott, County of Yavapai, State of Arizona, which is more particularly described on Exhibit "A" attached hereto and incorporated herein by reference (hereinafter referred to as the "Parcel");

WHEREAS, Declarant desires to submit and subject the Parcel to a condominium plan of description and ownership pursuant to Title 33, Chapter 9 of the Arizona Revised Statutes; and

WHEREAS, Declarant further desires to establish for its own benefit and for the mutual benefit of all future owners or occupants of the Condominium (as hereinafter defined), or any part thereof, certain easements and rights in, over and upon said Condominium and certain mutually beneficial restrictions and obligations with respect to the proper use, conduct and maintenance thereof; and

WHEREAS, Declarant desires and intends that the unit owners, mortgagees, beneficiaries and trustees under trust deeds, occupants and all other persons hereafter acquiring any interest in the Condominium shall at all times enjoy the benefits of, and shall hold their interests subject to, the rights, easements, privileges and restrictions hereinafter set forth, all of which shall run with the land and be binding upon the Condominium and all parties having or acquiring any right, title or interest in or to the Condominium, or any part thereof, and shall inure to the benefit of each owner thereof, and all of which are declared to be in furtherance of a plan to promote and protect the cooperative use, conduct and maintenance of the Condominium and are established for the purpose of enhancing and perfecting the value, desirability and attractiveness thereof.

NOW, THEREFORE, Declarant, for the purposes hereinafter set forth, declares as follows:

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1. Definitions. As used herein, unless the context otherwise requires, the following terms shall have the following definitions.

1.1 "Act" means Title 33, Chapter 9 of the Arizona Revised Statutes.

1.2 "Association" means Montaña Terrace Condominium Association, an Arizona nonprofit corporation, its successors and assigns, formed or to be formed by the Declarant, and unless otherwise provided, shall mean and include its board of directors, officers and other authorized agents.

1.3 "Board" shall mean the board of directors of the Association.

1.4 "Condominium" means (a) the Parcel, (b) the Units comprising the Condominium hereby created, and (c) the Common Elements, including all buildings, improvements and other permanent fixtures of whatsoever kind situated on the Parcel and all rights, privileges and appurtenances thereto, intended for the mutual use, benefit and enjoyment of the Owners; and such term shall in general have the same meaning as set forth in Arizona Revised Statutes § 33-1202(10), as it relates to the Condominium hereby created.

1.5 "Common Elements" mean the "common elements", as that term is defined in Arizona Revised Statutes § 33-1202(7), including without limitation the land on which the buildings are constructed, the foundations, floors, roofs and bearing walls of the buildings, mechanical rooms, central air conditioning and heating systems (excluding any portion of such system which exclusively serves one particular unit), parking areas, driveways, landscaped areas, recreational areas and all other portions of the Condominium, except the Units. "Common Elements" shall include any Limited Common Elements as may be hereinafter described.

1.6 "Declarant" means First City Properties Inc., a Delaware corporation, doing business as Design Master Homes,

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its successors and assigns in the ownership of the Condominium for the purpose of the original development and sale thereof.

1.7 "Declaration" means this instrument by which the Parcel is submitted to a condominium form of description and ownership, as from time to time amended.

1.8 "Eligible Mortgage Holder" means the Holder of a First Mortgage on a Unit who has in writing informed the Association of such Holder's address and requested notification of and the right to participate in (if applicable) any action to be taken by the Association pursuant to paragraphs 25 or 32 hereof.

1.9 "Eligible Insurer or Guarantor" means an Insurer or Governmental Guarantor of a First Mortgage on a Unit who has in writing informed the Association of such Insurer or Guarantor's address and requested notification of and the right to participate in (if applicable) any action to be taken by the Association pursuant to paragraphs 25 or 32 hereof.

1.10 "Lease" means any agreement for the leasing or rental of a Unit and the interest in the Common Elements appurtenant to such Unit, or any portion thereof.

1.11 "Majority" or "Majority of Owners" means the Owners of Units to which more than fifty percent (50%) of the undivided ownership of the Common Elements is appurtenant. Any specified fraction or percentage of the Owners means the Owners of Units to which that fraction or percentage of undivided ownership of the Common Elements is appurtenant.

1.12 "Mortgage" means 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 without limitation a deed of trust, but does not mean any instrument creating or evidencing solely a security interest arising under the Uniform

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Commercial Code. "Mortgagee" means a person secured by a Mortgage, including a trustee and beneficiary under a deed of trust; and "Mortgagor" means the party executing a Mortgage. "First Mortgage" means a Mortgage which is the first and most senior of all Mortgages upon the same property.

1.13 "Occupant" means a person or persons, other than an Owner, in rightful possession of a Unit.

1.14 "Owner" means the record owner, whether one or more persons or entities, of the fee simple title, whether or not subject to any Mortgage, to any Unit which is a part of the Condominium (including any real estate subsequently added to the Condominium pursuant to paragraph 34 hereof), including a purchaser under an agreement for sale within the meaning of A.R.S. § 33-741, but does not mean those having such interest merely as security for the performance of an obligation. In the case of Units the legal title to which is vested of record in a trustee pursuant to Arizona Revised Statutes §33-801 et seq., the trustor shall be deemed to be the owner thereof.

1.15 "Parcel" means the parcel of real estate described on Exhibit "A" attached hereto, which is hereby submitted to a condominium form of description and ownership.

1.16 "Parking Space" means each of the separate parking spaces shown on the Plat attached hereto as Exhibit "B".

1.17 "Person" means a natural individual, corporation, partnership, trustee or other entity capable of holding title to real estate.

1.18 "Plat" means the plat of survey of the Condominium as hereinbefore and hereinafter more fully described and identified which is attached hereto as Exhibit "B", which Plat was recorded in Book 26 of Maps and Plats at page 1314 of the records of the County Recorder of Yavapai County, Arizona.

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1.19 "Record" or "Recording" refers to the record or the act of recording, in the office of the County Recorder of Yavapai County, Arizona.

1.20 "Unit" means each of the 40 portions of the Condominium which consist or are planned to consist of one or more rooms designed or intended for independent use as a dwelling unit, as shown on Exhibit "B" attached hereto, and as more fully described in paragraph 3.2 hereof. "Unit" as used herein shall have the same meaning as that defined in Arizona Revised Statutes § 33-1202(22). There shall be allocated and appurtenant to each Unit an undivided interest in the Common Elements as set forth in paragraph 3 hereof.

2. Establishment of the Condominium. Declarant hereby creates and establishes this Condominium pursuant to Title 33, Chapter 9 of the Arizona Revised Statutes, to be hereafter known as Montaña Terrace Condominium and does hereby declare that all of the Units shall be owned, leased, sold, conveyed and encumbered or otherwise held or disposed of subject to the terms, conditions and other provisions of this Declaration.

3. Description of the Units and the Common Elements. The entire Condominium shall consist of the Common Elements, and the Units.

3.1 Units. There are or are planned to be a total of 40 Units in the Condominium. Reference is hereby made to the Plat attached hereto as Exhibit "B" for a description of the boundaries of each Unit, its identifying number and its location or planned location within the Condominium. Each Unit shall include the space enclosed and bounded by the interior unfinished surfaces of the ceiling, floor, walls, doors and windows or any extensions thereof, including therein the patio, deck and storage room (except Buildings 4 and 5, in which patios, decks and storage rooms are Limited Common Elements), together with any plumbing fixtures or lines and electrical or refrigeration equipment or lines which exclusively serve such Unit; provided, however, that

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no portion of the roof, bearing walls or other structural components of the building in which each Unit is located and no pipes, wires, conduits, ducts, flues, shafts, or public utility, water or sewer lines situated within such Unit and forming part of any system serving one or more other Units or the Common Elements shall be deemed to be a part of a Unit.

3.2 Common Elements. The Common Elements are all of those portions of the Condominium not included within the description of the Units as provided in paragraph 3.1 hereof. A further description of the Common Elements is as set forth in paragraph 1.5 hereof and as further delineated on the Plat attached hereto as Exhibit "B".

3.3 Limited Common Elements. The Limited Common Elements are portions of the Common Elements allocated hereby for the exclusive use of certain Unit Owners. Any shutters, awnings, window boxes, stoops, decksteps and any portion of the patios not included within the Unit and all exterior doors and windows or other fixtures designed to serve a single Unit, but located outside the Unit's boundaries, are Limited Common Elements, and, subject the rights of the Association set forth in paragraph 12 hereof, are for the exclusive use and benefit of the Unit Owners benefitted thereby. Any such Limited Common Elements may be reallocated with respect to the Unit(s) benefitted by an amendment to this declaration executed pursuant to paragraph 19 or 25 hereof.

3.4 Interest in the Common Elements. The interest hereby allocated to each Unit in the Condominium, which interest shall constitute an undivided interest in the Common Elements appurtenant to each such Unit, shall be determined by a fraction, the numerator of which shall be one (1) and the denominator of which shall be the total number of Units within the Condominium and shall be for each Unit in Phase I of Montaña Terrace Condominium, one fortieth (1/40) of the whole.

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4. Association. The Association has been, or will be formed, to constitute the "Unit Owners' Association," as that term is defined in Arizona Revised Statutes § 33-1202(4). The Association shall serve as the governing body for all of the Owners for the protection, improvement, alteration, expansion, augmentation, disposal, divestment, redescription, maintenance, repair, replacement, administration and operation of the Condominium, the assessment of expenses, payment of losses, disposition of hazard insurance proceeds received by the Association, and other matters as provided in the Act, in this Declaration, in the Articles of Incorporation of the Association (hereinafter referred to as the "Articles") and in the Bylaws of the Association (hereinafter referred to as the "Bylaws"). The Association shall not be deemed to be conducting a business of any kind, and all funds received by the Association shall be held and applied by it for the Owners in accordance with the provisions of this Declaration, the Articles and the Bylaws. Each Owner shall be a Member of the Association as soon and so long as he shall be an Owner. Such membership shall automatically terminate when an Owner ceases for any reason to be an Owner, and the new Owner shall likewise automatically succeed to such membership in the Association. Membership in the Association shall not be transferred, pledged or alienated in any way, except upon the sale of the Unit to which it is appurtenant (and then only to the purchaser involved in such sale) or by intestate succession, testamentary disposition, foreclosure of a Mortgage of record or other legal process transferring fee simple title to such Unit (and then only to the Person to whom such fee simple title is transferred). Any attempt to make a prohibited transfer of a membership will be void and will not be recognized by or reflected upon the books and records of the Association. In the event the Owner of any Unit should fail or refuse to transfer the membership registered in his name

upon the sale of such Owner's Unit to the purchaser of such Owner's Unit, the Association shall have the right to enter a transfer upon the books of the Association and issue a new membership to the purchaser, and thereupon the old membership outstanding in the name of the seller shall be null and void as though the same had been surrendered.

4.1 Classes of Membership; Voting Rights of Classes.

The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners in Phase I of Montaña Terrace Condominium and within any supplemental Phase(s), if Montaña Terrace Condominium is expanded to include such Phase(s) in accordance with the development provisions of paragraph 34 hereof, with the exception of the Declarant, and shall be entitled to one vote for each Unit owned. When more than one person holds an interest in any Unit, all such persons shall be members. The voting for such Unit shall be exercised as such persons among themselves determine, or, in the absence of such determination, as determined by the Board, but in no event shall more than one vote be cast with respect to any Class A Unit. If any Owner or Owners cast a vote representing a certain Unit, it will, in the absence of prompt protest from the other Owners of such Unit during the meeting at which such vote is cast, thereafter be conclusively presumed for all purposes that such Owner or Owners were acting with the authority and consent of all other Owners of the same Unit.

Class B. The Class B member shall be the Declarant and shall be entitled to three (3) votes for each Unit owned in Phase I of Montaña Terrace Condominium and within any supplemental Phase(s) if Montaña Terrace Condominium is expanded to include such Phase(s). The total votes which the

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Declarant shall be entitled to cast may be cast in such proportion on any matter as Declarant may determine. Each Class B membership shall cease and be converted to Class A membership, without further act or deed, upon the happening of any of the following events:

(a) Upon the conveyance by Declarant of any particular Unit to an Owner, other than in connection with an assignment by Declarant of all or substantially all of its rights under this Declaration (including a pledge or assignment by Declarant to any lender as security), with respect to the particular Unit or Units so sold or otherwise disposed of; or

(b) With respect to all remaining Class B memberships, upon the first to occur of the following:

(i) Upon the expiration of ninety (90) days following the first date when the total votes entitled to be cast by the Class A membership equal or exceed the total votes entitled to be cast by the Class B membership, or

(ii) Five (5) years after the first conveyance of a Unit to an Owner other than Declarant, or

(iii) Four (4) years after Declarant or any successor to Declarant's Special Declarant Rights reserved in paragraph 19 hereof cease to offer Units

for sale in the ordinary
course of business.

If any lender to whom Declarant has assigned, or hereafter assigns, as security all or substantially all of its rights under this Declaration succeeds to the interest of Declarant by virtue of said assignment, the Class B memberships shall not be terminated thereby, and, subject to the provisions of A.R.S. § 33-1244(D), such lender shall hold such rights and Class B memberships on the same terms as such were held by Declarant pursuant hereto. Pursuant to the terms of this paragraph and paragraph 34 hereof, the relative voting strength of the Declarant and the other Owners may change, and control, even though vested in the other Owners, may nevertheless revert to the Declarant, by virtue of the provisions of such paragraphs upon addition of any supplemental Phase(s) to the Condominium in accordance with paragraph 34.

4.2 Qualifications of Directors. Each director shall be an Owner or the spouse of an Owner (or if an Owner is a corporation, partnership or trust, a director may be an officer, partner, trustee or beneficiary of such Owner). If a director shall cease to meet such qualifications during his term, he will thereupon cease to be a director, and his place on the Board shall be deemed vacant. The requirements of this subparagraph shall not apply to directors elected as a result of any of the votes cast by the Class B member or the exercise of any Special Declarant Right as set forth in paragraph 19 hereof.

4.3 Board's Determination Binding. Subject to the right of any Owner to institute an action at law or in equity pursuant to the provisions of paragraph 24 hereof, in the event of any dispute or disagreement between any Owners relating to the Condominium, or any question of interpretation or application of the provisions of this Declaration, the Articles or the Bylaws, the determination

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thereof by the Board shall be final and binding on each and all of such Owners.

4.4 Action by Owners. To the extent permitted by the Act, all actions required to be taken by the Owners, acting as a Unit Owners Association for the Condominium, shall be taken by the Association acting as such Unit Owners Association, by and through its directors and officers, such actions to include, without limitation, adoption or ratification of the Bylaws and rules and regulations for the Condominium created hereby.

4.5 Additional Provisions in Articles of Incorporation and Bylaws of the Association. The Articles and Bylaws may contain any provision not inconsistent with law or with this Declaration relating to the conduct of the affairs of the Association and the rights and powers of its directors, officers, employees, agents and members.

5. Use of Common Elements. There shall be appurtenant to each Unit in Phase I of Montaña Terrace Condominium and each Unit in any supplemental Phase(s) if Montaña Terrace Condominium is expanded to include such Phase(s), a non-exclusive and perpetual right and easement to use the Common Elements in common with all other persons entitled to use the Common Elements except as otherwise provided in paragraph 3.3 hereof, as may be required for the purposes of access, ingress and egress to and from, and the use, occupancy and enjoyment of the Units and the Common Elements for their intended purposes as provided herein. Such right and easement shall extend to each Occupant and the agents, servants, family members and invitees of the Owner or Occupant of each Unit in Phase I of Montaña Terrace Condominium and each Unit in any supplemental Phase(s) if Montaña Terrace Condominium is expanded to include such Phase(s). Such right and easement shall be subject to such limitations, restrictions, rules and regulations as may from time to time be promulgated by the Board including, but not limited to, the right of the Board to suspend the right of

any Unit Owner or Occupant and the agents, servants, tenants, family members and invitees of any Unit Owner or Occupant to use the recreational facilities which are a part of the Common Elements and/or the right of any Unit Owner to vote pursuant to the provisions of paragraph 4.1 hereof for any period during which the Common Expenses attributable to such Owner's Unit as provided in paragraph 7 hereof remain unpaid or for a period not to exceed sixty (60) days for any violation of regulations adopted and published by the Board, and shall be subject to and governed by the provisions of this Declaration, the Articles and Bylaws. The Board shall have authority to lease, convey easements or grant concessions consistent with the overall character and use of the Condominium with respect to parts of the Common Elements and to change the character, description and use thereof, subject to the provisions of the Act, this Declaration, the Articles and the Bylaws. Any funds received by the Association from leases, concessions or other sources shall be held and used for the benefit of the members of the Association pursuant to such rules, resolutions or regulations as the Board may adopt or prescribe. Notwithstanding anything contained herein to the contrary, Declarant shall be entitled to exclusive access to and occupancy of all or any portion of any Unit until such time as the construction thereof has been completed and the particular Unit has been conveyed to an Owner other than Declarant, and Declarant shall be entitled to nonexclusive access to and occupancy of all or any portion of the Common Elements until such time as all Units have been conveyed to Owners other than Declarant including all Units in any supplemental Phase(s) if Montaña Terrace Condominium is expanded to include such Phase(s). Notwithstanding anything contained herein to the contrary, there shall be no restriction upon any Owner's right of ingress and egress to or from such Owner's Unit, which right shall be perpetual and appurtenant to the ownership of such Owner's Unit.

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6. Parking Spaces. Parking Spaces shall be part of the Common Elements as shown on the Plat attached hereto as Exhibit "B" and the Board shall have full authority to establish, operate, and manage the Parking Spaces for and on behalf of all Owners, and the use thereof shall be subject to such rules and regulations as may be imposed by the Board. Certain of the Owner's Parking Spaces shall be Limited Common Elements allocated to each Unit and are more specifically designated on the Plat attached hereto as Exhibit "B".

7. Common Element Maintenance Expenses and Reserve. Pursuant to A.R.S. § 33-1243(c), the Board is hereby expressly authorized to adopt and amend budgets for the administration and operation of the Common Elements without ratification by the Owners, subject to the provisions of this paragraph, and shall, within thirty (30) days after adoption of any proposed budget for the Condominium, provide a summary of the budget to all the Unit Owners. As provided herein, each Owner shall pay his proportionate share of the expenses of the administration and operation of the Common Elements, except certain of the Limited Common Elements, of Phase I of Montaña Terrace Condominium and of any supplemental Phase(s) if Montaña Terrace Condominium is expanded to include such Phase(s) and any other expenses incurred in conformance with this Declaration, the Articles and the Bylaws including by way of illustration, but not of limitation, premiums for insurance, the cost of maintenance and repair of the Common Elements and any and all replacements and additions thereto, and reasonable reserves for contingencies, replacements or other proper purposes (hereinafter referred to as the "Common Expenses"). The Association shall maintain an adequate reserve for replacement of the Common Elements. The proportionate share of such Common Expenses payable by each Owner shall be equal to the proportionate interest in the Common Elements

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appurtenant to such Owner's Unit as provided in paragraph 3.4 hereof.

7.1 Payment of Common Expenses. Payment of the Common Expenses shall be payable monthly in such amounts and in such manner as may be provided in the Articles and Bylaws or as determined by the Board. Assessments for the Common Expenses shall commence upon the first day of the first month immediately following the conveyance of such Unit to a Unit Owner other than Declarant. Payment of each Owner's share of the Common Expenses, together with interest at the rate of twelve percent (12%) per annum from the due date of such payment, costs, reasonable attorneys' fees, and after notice and an opportunity to be heard, a reasonable late charge not exceeding twenty five percent (25%) of the amount of such payment as determined by the Board, shall constitute the personal obligation of the person who was the Owner of such Unit at the time such payment became due. The personal obligation for delinquent payments shall not pass to an Owner's successor in title unless expressly assumed by him, provided, however, that the personal obligation shall survive any voluntary or involuntary transfer of a Unit with respect to the Owner of the Unit at the time such payment became due.

7.2 Lien for Unpaid Common Expenses. If any Owner shall fail or refuse to make any payment for Common Expenses within thirty (30) days of the due date, the amount thereof, together with interest thereon at the rate of twelve percent (12%) per annum from the due date of such payment, a late charge not exceeding twenty five percent (25%) of the amount of such payment as determined by the Board which may be imposed only after notice to such Unit Owner and after such Unit Owner's having an opportunity to be heard by the Board, costs and reasonable attorneys' fees, shall constitute a lien on such Owner's Unit and on any rents and proceeds therefrom; provided, however, that such lien shall be subordinate to the lien of a recorded First Mortgage on the

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applicable Unit, acquired in good faith and for value, except for the amount of the unpaid assessments and other charges which accrue from and after the date on which the First Mortgagee acquires title to or comes into possession of the applicable Unit, and any lien for unpaid assessments and other charges prior to such date shall upon such date automatically terminate and be extinguished and such First Mortgagee shall not be liable for such unpaid assessments and other charges, provided, however, that the extinguishment of such lien shall not in any way affect the personal obligation of the Owner of the Unit at the time the payment giving rise to such lien became due. Any person acquiring an interest in any Unit shall upon giving written notice to the Board be entitled to a statement from the Association setting forth the amount of unpaid assessments and other charges, if any, and such person shall not be liable for, nor shall any lien attach to such Unit in excess of, the amount set forth in such statement, except for assessments and other charges which accrue or become due after the date thereof. The lien provided for in this paragraph may be foreclosed by the Association in any manner provided or permitted for the foreclosure of real property mortgages or deeds of trust in the State of Arizona. Until commencement of the first fiscal year of the Association immediately following the first conveyance of a Unit to an Owner other than Declarant, the maximum monthly payment for such Common Expenses payable by each Owner shall be Seventy Dollars (\$70.00) per Unit. Upon the commencement of the first fiscal year immediately following the first conveyance of a Unit to an Owner other than Declarant and at the commencement of each and every fiscal year thereafter, the Board shall ascertain an index number for the U.S. Cities All Items Average (1967 = 100) set forth in the Consumer Price Index for All Urban Consumers of the Bureau of Labor Statistics, United States Department of Labor, for the most recent month for which such Index has been

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published (represented by the letter "C" in the formula hereinafter set forth) and the maximum monthly payment for such Common Expenses assessed for such fiscal year (represented by the letter "R" in the formula hereinafter set forth) may be increased to an amount equal to the then current index number ("C") divided by the U.S. Cities - All Items Average (1967 = 100) set forth in said Consumer Price Index for All Urban Consumers for October, 1986 (represented by the letter "M" in the formula hereinafter set forth) and multiplied by the maximum monthly payment hereinbefore set forth for the period prior to the commencement of the first fiscal year (represented by the letter "X" in the formula hereinafter set forth):

$$(R = \frac{C}{M} X)$$

If the Consumer Price Index for All Urban Consumers shall no longer be published, then another index published by the Bureau of Labor Statistics or any other federal agency shall be substituted by the Board. Notwithstanding anything contained herein to the contrary, from and after the commencement of the first fiscal year immediately following the first conveyance of a Unit to an Owner other than Declarant, the maximum monthly assessment may be increased above that established by said Consumer Price Index formula provided that such increase shall have the assent of sixty seven percent (67%) of each Class of Members who are voting in person or by proxy at a meeting called for such purpose.

7.3 Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement comprising a part of the Common Elements, including fixtures and personal property related thereto, provided that any such assessment shall have the

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assent of sixty seven percent (67%) of the votes of each class of members who are voting in person or by proxy at a meeting duly called for such purpose. Written notice of any meeting called for the purpose of taking any action authorized under this section shall be sent prepaid by mail or hand-delivered to all members not less than ten (10) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirements, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

7.4 Initial Working Capital Fund. Declarant shall contribute an initial working capital fund to the Association equal to at least two (2) months assessments for Common Expenses with respect to each Unit within sixty (60) days after the close of escrow relative to the first sale of a Unit to an Owner other than Declarant. In connection with the close of escrow relative to the sale of each Unit to an Owner other than Declarant, such Owner shall pay to Declarant an amount equal to the two (2) months assessments that were used in determining the amount to be contributed by Declarant to the initial working capital fund, which amount shall be retained by Declarant as reimbursement of that portion of the initial working capital fund attributable to such Unit. All amounts received by the Association relative to the initial working capital fund shall be deposited by the Association in a segregated fund. Under no circumstances shall any amounts contributed to the Association for the initial working capital fund be deemed to be advance payments of assessments or otherwise creditable or reimbursable to any Owner but shall be used by

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the Association as the Association, in its prudent discretion, may determine.

8. Mortgages. Each Owner shall have the right, subject to the provisions hereof, to encumber such Owner's Unit with a Mortgage. No Owner shall have the right or authority to make or create or cause to be made or created any Mortgage, other lien or security interest, which encumbers or purports to encumber any portion of the Condominium other than such Owner's Unit, and the interest in the Common Elements appurtenant to such Unit.

9. Insurance Requirements Generally. Prior to the conveyance of the first Unit to an Owner other than Declarant, and at all times thereafter, the Association shall obtain and maintain in full force and effect certain casualty, liability and other insurance as hereinafter provided. All such insurance shall be obtained from responsible companies duly authorized to transact insurance business in the State of Arizona with no less than a Class X financial category rating in Best's Key Rating Guide (or any comparable rating in any comparable publication). All such insurance shall name the Association or its authorized representative or trustee as the insured, in its individual capacity for the benefit of the Owners and also either as attorney-in-fact or trustee for all Owners. The Board shall review all such insurance at least annually and shall increase the amounts thereof as it deems necessary or appropriate. All such insurance shall:

(1) Contain a special condominium endorsement providing for a waiver of subrogation by the insurer as to claims against the Association, its directors, officers, employees and agents and against each Owner and each Owner's employees, agents and invitees, and against each Mortgagee of all or any part of the Condominium or of any Unit, and any other person for whom the Association, any Owner or Mortgagee may be responsible and shall

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provide for recognition of any authorized representative or trustee of the Association, if applicable;

(2) Provide that any "no other insurance" clause in the insurance policy shall exclude any policies of insurance maintained by any Owner or Mortgagee of all or any part of the Condominium or any Unit and that the insurance policy shall not be brought into contribution with insurance maintained by the Owner or Mortgagee of all or any part of the Condominium or any Unit;

(3) Contain a standard without contribution mortgage clause endorsement in favor of the Mortgagee, its successors and assigns, of any Unit or all or any part of the Condominium;

(4) Contain an "agreed amount" and "inflation guard" endorsement, if available;

(5) Provide that the policy of insurance shall not be terminated, cancelled or reduced in coverage without at least thirty (30) days prior written notice to the Association and to each Owner and to each Mortgagee covered by any standard mortgage clause endorsement;

(6) Provide that the insurer shall not have the option to restore the premises if condominium ownership of the Units and Common Elements is to be terminated or the Units and Common Elements are to be sold as an entirety in accordance with paragraph 10 of this Declaration; and

(7) Contain a "severability of interest endorsement" which shall preclude the insurer from denying the claim of any Unit Owner or the Association due to the negligent acts of the Association or any Owner(s).

Under no circumstances shall any policies of insurance be obtained where (i) under the terms of the insurance

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carrier's charter, bylaws or policy, contributions or assessments may be made against the Association, any Unit Owner or any Mortgagee; or (ii) under the terms of the insurance carrier's charter, bylaws or policy, loss payments are contingent upon action by the insurance carrier's board of directors, policy holders or members; or (iii) the policy includes any limiting clauses (other than insurance conditions) which could prevent any Unit Owner or any Mortgagee from collecting insurance proceeds.

Such public liability and property damage insurance may provide for coverage of any cross liability claims of Owners against the Association or other Owners and of the Association against Owners without right of subrogation. Any insurance policy may contain such deductible provisions as the Association deems consistent with good business practice.

Certificates of insurance coverage or copies of insurance policies shall be issued to and at the expense of each Owner and each Mortgagee who makes or on whose behalf written request is made to the Association for any such certificate or copy.

The cost and expense of all insurance obtained by the Association, except insurance covering additions, alterations or improvements made to a Unit by an Owner or other insurance obtained at the request of and specifically benefiting any particular Owner, shall be a Common Expense.

9.1 Casualty Insurance. The Association shall obtain and maintain a master policy or policies of casualty insurance covering the Common Elements and each Unit, exclusive of the personal property contained therein, and all fixtures and building service equipment to the extent such is a part of the Common Elements insuring against loss or damage by fire and such other hazards as are covered under standard extended coverage policies, for not less than one hundred percent (100%) of the replacement cost of the Common Elements and each Unit (exclusive of the land,

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foundations, excavations and other items normally excluded from coverage), as determined on an annual basis by an appraisal made in accordance with the rules and regulations of the Board of Underwriters or like board or body recognized and accepted by the insurance company or companies issuing such insurance and a National Flood Insurance Association Standard Flood Insurance Policy, unless such insurance is not available or the Association determines that the Condominium is not located within a flood hazard area. Such master policy or policies of casualty insurance shall, to the extent available, contain a standard all risk endorsement and shall insure against all other perils which are customarily covered with respect to condominium projects which are similar in construction, location and use.

9.2 Public Liability and Property Damage Insurance.

The Association shall obtain and maintain comprehensive public liability and property damage insurance covering liability for bodily injury, including death, and liability for property damage occurring in, upon or about the Common Elements. Each Owner and the Association shall be insured with respect to such liability arising out of the ownership, maintenance, repair or operation of the Units and the Common Elements. The limits of liability for such coverage shall not be less than \$1,000,000.00 for each occurrence with respect to bodily injury, death or property damage. The Association shall also obtain and maintain steam boiler explosion insurance with limits of liability of not less than \$100,000.00 per occurrence in the event there is a steam boiler in operation within the Condominium.

9.3 Workmen's Compensation and Employer's Liability Insurance. The Association shall obtain and maintain workmen's compensation and employer's liability insurance as may be necessary to comply with applicable law.

9.4 Fidelity Bonds. The Association shall obtain and maintain bonds covering all persons or entities which handle

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funds of the Association, including without limitation any professional manager employed by the Association and any of such professional manager's employees, in amounts not less than the maximum funds that will at any time be in the possession of the Association or any professional manager employed by the Association but, in no event less than the total of (i) assessments for a three (3) month period with respect to all Units and (ii) all reserve funds maintained by the Association. With the exception of a fidelity bond obtained by a professional manager covering such professional manager's employees, all fidelity bonds shall name the Association as an obligee. In addition, all such bonds shall provide that the same shall not be terminated, cancelled or substantially modified without at least thirty (30) days prior written notice to the Association and all First Mortgagees.

9.5 Insurance by Owners. Each Owner shall be free to obtain such additional or other insurance as he deems desirable, including insurance covering his furnishings and personal property, including by way of illustration, but not of limitation, any additions, alterations and improvements he may have made to his Unit, and covering personal liability of himself and his employees, agents and invitees and any other persons for whom such Owner may be responsible. Any insurance policy obtained by an Owner must not diminish or adversely affect or invalidate any insurance or insurance recovery under policies carried by the Association and must, to the extent possible, contain a waiver of the rights of subrogation by the insurer as to any claim against the Association, its officers, directors, agents and employees and against other Owners and their employees, agents and invitees and against any Mortgagee of all or any part of the Condominium or any Unit or other person for which the Association or any such Owner or Mortgagee may be responsible.

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9.6 Receipt and Application of Insurance Proceeds.

Except in a case where a Mortgagee or any other person shall have the legal right to receive insurance proceeds directly, all insurance proceeds and recoveries under policies maintained by the Association shall be paid to and received by an independent financial institution or title company selected by the Association authorized to act as escrow agent for the benefit of the Association, the Declarant, all Owners and all Mortgagees of any Unit or all or any part of the Condominium as their respective interests may appear. Subject to the rights of any Mortgagee, the Association shall have the right, acting alone, to adjust or settle any claim by it under any insurance maintained by it. Such funds shall be disbursed by said escrow agent in accordance with the following priorities, subject to such evidence of application as such escrow agent shall require, and shall be applied by the Association as follows: first, as expressly provided in paragraph 11 hereof; second, to the Owners or persons whom the Association determines are legally or equitably entitled thereto; and third, the balance, if any, to the Owners in proportion to their respective interest in the Common Elements. Notwithstanding any provision contained herein to the contrary, the rights of and lien priority of any First Mortgagee shall not be affected by any loss, damage or destruction and shall continue in any insurance proceeds payable with respect to the Unit subject to such Mortgage in accordance with the provisions of such Mortgage.

9.7 Insurance by the Declarant. So long as Declarant remains the owner of more than one (1) Unit or so long as may be required under the Veterans Administration Rule ("VAR") 4360(A)(5), Declarant shall maintain one or more policies of liability insurance which in all respects comply with the requirements of VAR 4360(A)(5).

9.8 Other Insurance by the Association. The Association shall also have the power and authority to

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obtain and maintain other and additional insurance coverage, including but not limited to casualty insurance covering personal property of the Association, fidelity bonds or insurance covering employees and agents of the Association and insurance indemnifying officers, directors, employees and agents of the Association. Notwithstanding any other provisions of this Declaration, the Association shall continuously maintain in effect such casualty, flood and liability insurance and fidelity bonds meeting the insurance and fidelity bond requirements for condominium projects established by Federal National Mortgage Association or Government National Mortgage Association, so long as either is a Mortgagee or Owner of a Unit, except to the extent that such coverage is not available or has been waived in writing by Federal National Mortgage Association or Government National Mortgage Association.

10. Destruction, Condemnation, Obsolescence, and Restoration or Sale of Condominium.

10.1 Definitions. As used herein, the following terms shall have the following definitions:

(1) "Substantial Destruction" shall exist whenever the Board determines that, as a result of any casualty, damage to or destruction of the Condominium or any part thereof, the excess of estimated costs of Restoration (as herein defined) over Available Funds (as herein defined) is fifty percent (50%) or more of the estimated Restored Value of the Condominium (as herein defined). "Partial Destruction" shall mean any other casualty, damage to or destruction of the Condominium or any part thereof.

(2) "Substantial Condemnation" shall exist whenever the Board determines that a complete taking of the Condominium has occurred or that a taking of part of the Condominium by condemnation or eminent domain or by grant or conveyance in lieu of condemnation or eminent domain has occurred, and that the excess of the estimated costs of Restoration over Available Funds is fifty percent (50%) or

more of the estimated Restored Value of the Condominium. "Partial Condemnation" shall mean any other such taking by eminent domain or by grant or conveyance in lieu of eminent domain.

(3) "Substantial Obsolescence" shall exist whenever the Owners of Units to which eighty percent (80%) of the undivided interest in the Common Elements is appurtenant determine by vote that the Condominium or any part thereof has reached an undesirable state of obsolescence or disrepair. "Partial Obsolescence" shall mean any state of obsolescence or disrepair which does not constitute Substantial Obsolescence.

(4) "Restoration", in the case of any casualty, damage or destruction, shall mean restoration of the Condominium to a condition the same or substantially the same as the condition in which the Condominium existed prior to the casualty, damage or destruction; in the case of condemnation, shall mean restoration of the remaining portion of the Condominium to an attractive, sound and desirable condition; and, in the case of obsolescence, shall mean restoration of the Condominium to an attractive, sound and desirable condition.

(5) "Restored Value of the Condominium" shall mean the value of the Condominium after restoration as determined by the Board.

(6) "Available Funds" shall mean any proceeds of insurance or condemnation awards or payments in lieu of condemnation received by the Association and any uncommitted reserves of the Association other than amounts derived through assessments or special assessments. Available Funds shall not include that portion of insurance proceeds or condemnation awards or payments in lieu of condemnation legally required to be paid to any party other than the Association, including a Mortgagee of all or any part of the Condominium or of any Unit, or that portion of any condemnation award or payment in lieu of condemnation paid to

the Owner of a Unit for the condemnation or taking of that Owner's individual air space.

10.2 Restoration of the Condominium. Restoration of the Condominium shall be undertaken by the Association without a vote of the Owners in the event of Partial Destruction, Partial Condemnation or Partial Obsolescence and shall be undertaken in the event of Substantial Destruction, Substantial Condemnation or Substantial Obsolescence unless the Owners of Units to which not less than eighty percent (80%) of the undivided interest in the Common Elements is appurtenant consent to terminate the Condominium established pursuant to this Declaration. Such restoration shall be performed substantially in accordance with this Declaration and the original plans and specifications for the buildings, the Common Elements and the Units.

10.3 Sale of the Condominium. In the event of Substantial Destruction, Substantial Condemnation or Substantial Obsolescence and the Owners of Units to which eighty percent (80%) of the undivided interest in the Common Elements is appurtenant consent to terminate the Condominium created pursuant to this Declaration, the Association shall cause a termination agreement and notice of intent to sell the Condominium to be prepared and recorded and the real estate shall be sold. Such termination agreement shall contain the ratification of the Owners to which not less than eighty percent (80%) of the undivided interest in the Common Elements is appurtenant, shall specify a date after which the agreement will be void unless it is recorded before that date, a statement that the real estate shall be sold and the minimum terms of the sale. In the event of such sale, condominium ownership under this Declaration shall terminate and the proceeds of sale and any insurance proceeds, condemnation awards or payments in lieu of condemnation shall be distributed by the Association pro rata to each Owner according to the ratio that the cubic content space of such Owner's Unit and its allocated Limited Common Elements

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bears to the total cubic content space of all Units and Limited Common Elements in the Condominium created pursuant to this Declaration. Such payment shall be made to Owners or, as to Units which are subject to a Mortgage of record at the time of such payment jointly to such Owner and such Mortgagee as their interests may appear.

10.4 Special Assessments for Restoration. Whenever Restoration is to be undertaken, the Association may levy and collect assessments from each Owner in proportion to such Owner's undivided interest in the Common Elements, payable over such period as the Association may determine, to cover the costs and expenses of Restoration to the extent not covered by the Available Funds. Such special assessments together with interest at the rate of twelve percent (12%) per annum from the date such special assessment became due, costs and reasonable attorneys' fees, shall be secured by a lien on the Unit of each such Owner in the same manner as the lien provided for in paragraph 7 hereof.

10.5 Receipt and Application of Condemnation Funds. Except in a case where a Mortgagee or any other person shall have the legal right to receive condemnation awards or payments in lieu of condemnation or eminent domain directly, all compensation, damages or other proceeds constituting awards for condemnation or eminent domain or payments in lieu of condemnation or eminent domain shall be paid, or if received by the Association shall be turned over promptly in the identical form received without commingling with any asset or property of the Association, to an independent financial institution or title company selected by the Association authorized to act as escrow agent for the benefit of the Association, the Declarant, all Owners and all Mortgagees of any Unit or all or any part of the Condominium as their respective interests may appear. The Association shall have the right, acting alone, to adjust or settle any condemnation award or payment in lieu of condemnation or eminent domain payable to it. Such funds

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shall be disbursed by said escrow agent in accordance with the following priorities, subject to such evidence of application as such escrow agent shall require. The amount thereof equitably allocable as compensation for the taking of or injury to the individual air space of a particular Unit or to improvements of an Owner therein shall be apportioned and paid to the Owner of such Unit or, as to Units which are subject to a Mortgage of record at the time of such payment, jointly to such Owner and such Mortgagee as their interests may appear. The balance of such funds shall be applied to costs and expenses of Restoration, if undertaken, and, to the extent not so applied, shall be allocated as follows: first, any portion of such funds allocable to the taking of or injury to the Common Elements shall be apportioned among all Owners of the Common Elements according to the ratio that the cubic content space of each Owner's Unit and its allocated Limited Common Elements bears to the total cubic content space of all Units and Limited Common Elements in the Condominium created pursuant to this Declaration; secondly, any portion of such funds received or awarded for severance damages shall be apportioned among Owners of Units whose individual air space was not taken or injured according to the foregoing ratio; thirdly, any portion of such funds received or awarded for consequential damages or for other purposes shall be apportioned as the Association determines to be equitable under the circumstances. The lien priority of any First Mortgagee shall not be disturbed by any condemnation proceeding and shall continue in the proceeds of any condemnation award attributable to the mortgaged Unit in accordance with the provisions of this paragraph.

10.6 Reorganization in the Event of Condemnation.
Subject to the provisions of A.R.S. § 33-1206, in the event all or substantially all of the individual air space within a Unit is taken by condemnation or eminent domain, such Unit shall, upon payment of compensation as hereinabove provided,

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cease to be a part of the Condominium, the Owner thereof shall cease to be a member of the Association, and the undivided interest in Common Elements appurtenant to that Unit shall become reallocated to each remaining Unit which undivided interest in and to the Common Elements shall be equal to a fraction with a numerator of one and a denominator equal to the total number of Units then a part of the Condominium. In such event, the Association shall promptly prepare, execute and record an amendment to the Declaration reflecting the reallocations. Any remnant of a Unit remaining after part of a Unit is taken by condemnation or eminent domain shall become a Common Element.

11. Rights of Owners in any Distributions. In the event that any Owner or Mortgagee is entitled to receive any distribution of money, property or other things from the Association for any reason, including without limitation the sale or other disposition of all or any part of the Common Elements or the cessation or termination for any reason of the Condominium created hereby, such distribution shall be according to the ratio that the cubic content space of such Owner's or Mortgagee's Unit and its allocated Limited Common Elements bears to the total cubic content space of all Units and Limited Common Elements in the Condominium created pursuant to this Declaration, except as specifically provided to the contrary in paragraphs 9 or 10 hereof.

12. Maintenance, Repairs and Replacements; Right of Access. Each Owner shall furnish and be responsible for, at his own expense, all of the maintenance, repairs and replacements within his own Unit, any Limited Common Element allocated to his Unit, except as hereinafter provided or as determined by the Board, and any portion of the air conditioning, electrical, plumbing and heating systems and lines which exclusively serve his Unit; and each Owner shall keep the patio areas of his Unit in a neat, clean and attractive condition. If, due to the willful or negligent act of an Owner or a member of his family or guest or other

occupant or visitor of such Owner, or other person for whom such Owner may be responsible, damage shall be caused to the Common Elements or to a Unit or Units owned by others or maintenance, repairs or replacements shall be required which would otherwise be a Common Expense, then such Owner, if liable for such damage under local law, upon receipt of a statement from the Board shall pay for such damage and for such maintenance, repairs or replacements as may be determined by the Board. The amount payable for such maintenance, repairs or replacements, together with interest at the rate of twelve percent (12%) per annum from the date such amount is due, costs and attorneys' fees, shall be secured by a lien against the Unit of such Owner as provided in paragraph 7 hereof. An authorized representative of the Board, or of the manager or managing agent of the Condominium, and all contractors and repairmen employed or engaged by the Board or such manager or managing agent, shall be entitled to access at any time to each of the Units as may be required in connection with maintenance, repairs or replacements of or to the Common Elements or any equipment, facilities or fixtures affecting or serving other Units or the Common Elements.

The Association shall maintain, repair and replace all of the Common Elements and portions of the Limited Common Elements, including the exterior painted surface of each patio or balcony which forms an integral part of the exterior decor of the building and all Parking Spaces or garages. The expense of maintenance, repair and replacement of such Limited Common Elements may, at the discretion of the Board, be separately assessed against the Units to which such Limited Common Elements are allocated.

13. Alterations, Additions or Improvements. Notwithstanding anything contained in paragraph 18 hereof to the contrary, no alterations of any Common Elements or any additions or improvements thereto or any alterations, additions or improvements to the patios or parking spaces

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associated with any Unit shall be made by any Owner, except Declarant, without the prior written approval of the Board. Any Owner may make non-structural alterations, additions or improvements within the interior of his Unit without the prior written approval of the Board, but such Owner shall be responsible for any damage to any other Units or the Common Elements which may result from such alteration, addition or improvement. In addition to the required approval of the Board, there shall be no structural alterations or additions to any building without the prior approval of a majority of the Owners given at a regular or special meeting of the members of the Association and the prior approval of a majority of First Mortgagees. Unless otherwise determined at any such meeting, the cost of such alterations or additions shall be paid by means of a special assessment levied and collected from each Owner in proportion to such Owner's undivided interests in the Common Elements. Such special assessment together with interest at the rate of twelve percent (12%) per annum from the date such special assessment became due, costs, reasonable attorneys' fees, and, after notice and an opportunity to be heard, a reasonable late charge not to exceed twenty five percent (25%) of the amount of such assessment as determined by the Board, shall be secured by a lien against each Unit as provided in paragraph 7 hereof.

14. Decorating. Each Owner, at his own expense, shall furnish and be responsible for all of the decorating within his own Unit (but any furnishing or decorating of any patio shall be subject to the provisions of paragraph 18 hereof) from time to time, including painting, wallpapering, paneling, floor coverings, draperies, window shades, curtains, lamps and other furniture and interior decorating. All window coverings visible from the exterior of the buildings shall be of a neutral color or otherwise compatible with the exterior decor of the building. Each Owner shall be entitled to the exclusive use of the interior

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unfinished surfaces of the walls, floors and ceilings within his Unit, and each Owner shall have the right to decorate such surfaces from time to time as he may see fit at his sole expense. Decorating and maintenance of the Common Elements and any redecorating of Units to the extent made necessary by any damage caused by maintenance, repair or restoration work by the Association on the Common Elements shall be furnished by the Association and paid for as part of the Common Expenses.

15. Encroachments. If any portion of the Common Elements shall actually encroach upon any Unit, or if any Unit shall actually encroach upon any portion of the Common Elements, or if any Unit or entryway providing ingress and egress thereto or therefrom shall actually encroach upon another Unit or entryway, as the Common Elements and the Units are shown on the Plat attached hereto as Exhibit "B" or any subsequent Plat of the Condominium prepared in accordance with the development provisions of paragraph 34 hereof whether such encroachment results from the initial construction or from subsequent repair, reconstruction, settlement or shifting, there shall be deemed to be mutual easements in favor of the Owners of the Common Elements and the respective Owners involved to the extent of such encroachment so long as the same shall exist provided, however, that no such easement shall result from any alteration, addition or improvement made by an Owner, except Declarant, without the prior written approval of the Board. The Association shall at all times have the right to maintain any Common Elements now existing or hereafter constructed, regardless of any encroachment now or hereafter existing of any such Common Elements upon any Unit.

16. Purchase of Unit by Association. Upon the consent or approval of a majority of Owners present and voting at a general or special meeting of the members of the Association or in such other manner as may be deemed by the Board to be necessary or expedient, the Board shall have the power and

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authority to bid for and purchase any Unit at a sale pursuant to a mortgage foreclosure, trustee's sale under a trust deed, or a foreclosure of any lien for assessments or other charges provided for in this Declaration, or at a sale pursuant to an order or direction of a court, or other involuntary sale, and the Board shall have the power and authority to finance such purchase of a Unit by Mortgage, special assessment or any other financing arrangement that the Board may deem necessary or expedient.

17. Use and Occupancy Restrictions. No part of the Condominium shall be used for other than residential purposes and the related common purposes for which the Condominium was designed, except that Declarant shall have the right to maintain sales and any other offices, model units, and signs on the Condominium, together with rights of ingress and egress therefrom, and to do such other acts and maintain such other facilities as are incidental to the development and sale of the Units now or hereafter existing in the Condominium created hereby or in any supplemental Phase(s) if Montaña Terrace Condominium is expanded to include such Phase(s). No Owner shall permit his Unit to be used for transient or hotel purposes or shall enter into any Lease for less than the entire Unit or for a term of less than thirty (30) days. Any Lease for any Unit shall be in writing, shall in all respects be subject to and in compliance with the provisions of this Declaration, the Articles and Bylaws and shall expressly provide that a violation of any such provisions shall be a default under such Lease, and a copy of any such Lease shall be delivered to the Association prior to the commencement of the term of such Lease. Each Unit shall be used as a single family residence or for such other purposes as are permitted by this Declaration and for no other purpose. The foregoing restrictions shall not, however, be construed in any manner as to prohibit an Owner from maintaining his personal and/or

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a reasonable professional library therein and keeping his personal business records therein.

The Common Elements shall be used only for access, ingress and egress to and from the respective Units by the Owners thereof, their agents, servants, tenants, family members, licensees and invitees and for such other purposes as are incidental to the residential use of the Units. The use, maintenance and operation of the Common Elements shall not be obstructed, damaged or unreasonably interfered with by any Owner.

No Owner shall keep or maintain any thing or shall suffer any condition to exist in his Unit or cause any other condition on the Common Elements which impairs any easement or right of any other Owner or otherwise impairs or interferes with the use and enjoyment by other Owners of their Units and the Common Elements. Subject to the foregoing, commonly accepted household pets may be kept in a Unit, but no such pets shall be bred or allowed loose or unsupervised on any part of the Condominium. Walking of pets shall be prohibited except at such times and subject to such rules, regulations and fines as the Board may from time to time establish.

If the Board determines that any motor vehicle is creating loud or annoying noises by virtue of its operation within the Condominium, or that the parking or storage of any vehicle or trailer on the Condominium is unsightly or detracts from the overall character of the Condominium, such determination shall be conclusive and final that the operation or storage of such vehicle is a nuisance, and said operation, upon notice by the Board to the owner or operator thereof, shall be prohibited within the Condominium.

No structure of a temporary character shall be permitted on the Condominium, and no tent, shack, barn or trailer shall be permitted on the Condominium either

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temporarily or permanently, unless it is located thereon by or with the prior written consent of the Board.

No sign of any nature whatsoever, including "For Sale" or "For Rent" signs, other than a dignified name and/or address sign not exceeding 9 x 30 inches, shall be displayed or placed on any Unit, in any window or on any part of the Common Elements without the prior written consent of the Board or an Architectural Committee appointed by the Board. The provisions of this paragraph relating to signs shall not apply to the Declarant until the last Unit owned by Declarant in Phase I of Montana Terrace Condominium has been sold or if any supplemental Phase(s) are subsequently added to the Condominium in accordance with paragraph 34 hereof, until the last Unit owned by Declarant in any such supplemental Phase(s) has been sold.

Except as initially installed by Declarant, no spotlights, flood lights or other high intensity lighting shall be placed or utilized upon any building, structure, patio or balcony which in any manner will allow light to be directed or reflected on the Common Elements or any part thereof without the prior written consent of the Board.

No window air conditioners or portable units of any kind shall be installed in any building.

Enclosures, shades, screens or other items affecting the exterior appearance of any patio shall not be permitted without the prior written consent of the Board of Directors and shall be subject at all times to the rules and regulations of the Board and to the provisions of paragraph 18 hereof. All window coverings visible from the exterior of the buildings shall be of a neutral color or otherwise compatible with the exterior decor of such building.

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No radio, television or other antennas of any kind or nature shall be placed or maintained upon any Unit or any other portion of the Condominium except that Declarant shall have the right to install a master antenna or antennas and to provide access to such antenna to the Units.

No clotheslines shall be installed on any patio and no Owner shall permit any personal property to be stored on any patio which is visible from the exterior of any building.

Without limiting the foregoing, each Owner shall maintain and keep his Unit at all times in a safe, sound and sanitary condition and shall repair and correct any condition or refrain from any activity which might interfere with the reasonable enjoyment by other Owners of their respective Units or of the Common Elements. No Owner shall place or permit any personal property, garbage, debris or refuse to be placed or to accumulate on any portion of the Common Elements adjacent to any Unit.

Pursuant to the right of entry provided for in paragraph 20 hereof, the Board or its authorized agents may enter any Unit in which a violation of these restrictions exists upon giving reasonable notice to the Owner of such Unit and may correct such violation at the expense of the Owner of such Unit. Such expense shall be secured by a lien against such Unit in the same manner and with the same interest rate as the lien provided for in paragraph 7 hereof.

The Association may modify the foregoing restrictions or otherwise restrict and regulate the use and occupancy of the Condominium by reasonable rules and regulations of general application adopted by the Board from time to time.

18. Architectural Control. No building, fence, wall, antenna, tower, awning, sign or other structure of any kind or character shall be constructed, erected, placed or maintained within the Condominium, nor shall any exterior addition, change or alteration be made thereto or therein, including without limitation to any exterior wall, or patio,

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whether or not part of any Unit, which is visible from the exterior of any building, and no additions to, changes in, or alterations of landscaping, grade or drainage shall be made, until plans and specifications showing the nature, kind, color, shape, height, materials, location and other physical attributes of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board or by an architectural committee appointed by the Board. In the event the Board, or such committee, if one has been appointed, fails to approve or disapprove such proposal within thirty (30) days after proper plans and specifications have been received by it, such approval will not be required, and this paragraph will be deemed to have been fully complied with. All such plans and specifications shall be delivered for submittal to the committee at the Association's principal place of business. The restrictions contained in this paragraph shall not apply to the Declarant in any way.

19. Exemption of Declarant from Restrictions and Reservation of Special Declarant Rights. Notwithstanding anything contained in this Declaration to the contrary, none of the restrictions contained in this Declaration shall be construed or deemed to limit or prohibit any act of Declarant, its employees, agents, and subcontractors, or parties designated by it in connection with any construction, completion, sale or leasing of any portion of the Condominium. In addition to the foregoing, Declarant expressly reserves the following Special Declarant Rights, as defined in A.R.S. § 33-1202(21) and the right to transfer such rights as provided in A.R.S. § 33-1244:

1. The right to construct any improvements as provided herein;

2. The right to exercise any Development Right as more fully set forth in paragraph 34 hereof;

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3. The right to maintain sales offices, management offices, signs advertising the Condominium and model Units within the Condominium until the last Unit in Montaña Terrace Condominium Phase I or in any supplemental Phase(s), if Montaña Terrace Condominium is expanded to include such Phase(s), is sold to an Owner other than Declarant;

4. The right to use any easements through the Common Elements for the purpose of making improvements within Montaña Terrace Condominium Phase I or within any real estate described on Exhibit "C" attached hereto and incorporated herein by reference;

5. The right to appoint or remove any officer of the Association or any Board member during any period of Declarant control as provided in paragraph 4 hereof.

20. Entry by Board or its Agent. The Board or its authorized agents may enter any Unit at any time when any two (2) members of the Board deem it necessary or advisable for the enforcement of any restriction hereinabove set forth, to effect emergency or other necessary repairs or otherwise for the protection and preservation of that Unit or other Units provided, however, that except in the event of an emergency, the Board shall give the Owner of such Unit reasonable notice prior to such entry. In addition, the Board or its authorized agents may enter any Unit at any time when any member of the Board or its authorized agent believes in his discretion that an emergency exists and that such entry is necessary in order to protect any person or property in such Unit or adjoining Units or for other good cause. If it becomes necessary to break into a Unit because no key or means of access was provided by the Occupant or Owner, the Association, its directors, officers and agents shall not be liable for any damage done to the Unit as a result of the exercise of this right of entry. The party exercising this right of entry shall see that reasonable measures are taken to secure the Unit until either the

Occupant or Owner shall be notified that the Unit has been entered.

21. Roof Leaks and Repairs. The Association shall repair promptly all leaks or other damage to the roofs of any of the buildings of which the Association has notice in writing, provided, however, that the cost of repairing leaks or damage due to the willful or negligent act of an Owner or a member of his family or guest or other occupant or visitor of such Owner or other person for whom such Owner may be responsible shall be the obligation of such Owner as provided in paragraph 12 hereof.

22. Public Dedication. Nothing contained in this Declaration shall be deemed to constitute a dedication for public use or to create any rights in the general public. Nothing contained in this Declaration shall be construed as creating an obligation on the part of the City of Prescott or any other governmental authority having jurisdiction over the Condominium to maintain, repair or replace any portion of the Condominium or the appurtenances thereto.

23. Copy of Declaration to New Owners. The Board shall give each new Owner of a Unit a copy of this Declaration and any and all amendments hereto within sixty (60) days notice of the conveyance of a Unit to such new Owner. However, the failure of the Board to provide such copy shall not relieve the new Owner from complying with this Declaration nor waive any of the rights, conditions or restrictions stated herein or create any liability on the part of the Association, the Board or their agents.

24. Remedies. In the event that any Owner shall fail to comply with the provisions of the Act, this Declaration, the Articles, the Bylaws, or the rules and regulations of the Association, the Association shall have each and all of the rights and remedies provided for in the Act, this Declaration, the Articles, the Bylaws or said rules and regulations, or which may be available at law or in equity and may prosecute any action or other proceeding against

such Owner for enforcement of such provisions or foreclosure of its lien and the appointment of a receiver for the Unit, or damages, or injunctive relief, or specific performance, or judgment for payment of money and collection thereof, or to sell the same as hereinafter provided, or any combination of such remedies or any other and further relief which may be available at law or in equity, all without notice and without regard to the value of such Unit or the solvency of such Owner. The proceeds of any rental or sale shall first be applied to discharge court costs, other litigation costs, including without limitation reasonable attorneys' fees, and all other expenses of the proceeding and sale. The remainder of such proceeds shall be applied first to the payment of any unpaid assessments or other charges and the satisfaction of any other damages, and any balance shall be held by the Association for the payment of any future assessments or other charges. Upon the confirmation of the sale, the purchaser of such Unit shall be entitled to a deed to the Unit and to immediate possession of the Unit and may apply to the court for a writ of possession for the purpose of acquiring such possession. The purchaser at any such sale shall take the Unit sold subject to all of the covenants, conditions and restrictions contained in this Declaration. All expenses of the Association in connection with any such action or proceeding, including court costs and reasonable attorneys' fees and other fees and expenses and all damages, liquidated or otherwise, shall be secured by a lien upon the Unit of such defaulting Owner as provided in paragraph 7 hereof and shall bear interest at the rate of twelve percent (12%) per annum from the date such were incurred.

In addition to the remedies granted to the Association pursuant to this paragraph 24, in the event that any Owner or the Association shall fail to comply with the provisions of the Act, this Declaration, the Articles, the Bylaws, or the rules and regulations of the Association, any Owner

shall have each and all of the rights and remedies provided for in the Act, this Declaration, the Articles, the Bylaws or said rules and regulations or which may be available at law or in equity and may prosecute any action or other proceeding against such Owner or the Association for the enforcement of such provisions, injunctive relief and/or specific performance.

Notwithstanding any provision of this Declaration to the contrary, any breach of any of the covenants, conditions, restrictions, reservations and servitudes provided for in this Declaration, or any right of reentry by reason thereof, shall not defeat or adversely affect the lien and/or rights of any Mortgagee except as herein expressly provided, each and all of such covenants, conditions, restrictions, reservations and servitudes shall be binding upon and effective against any lessee under any Lease or against any Owner of any Unit whose title thereto is acquired by foreclosure, trustee's sale, deed in lieu of foreclosure or otherwise.

25. Amendment. Except as otherwise provided in this Declaration, the provisions of this Declaration may be changed, modified or amended by an instrument in writing setting forth such change, modification or amendment, signed by Owners of Units to which not less than eighty percent (80%) of the undivided ownership of the Common Elements is appurtenant and acknowledged during the first twenty (20) years from the date of recordation of this Declaration and thereafter signed by Owners of Units to which not less than seventy-five percent (75%) of the undivided ownership of the Common Elements is appurtenant and acknowledged provided, however, that so long as any Class B membership remains outstanding, the Veterans Administration shall have consented to any such change, modification or amendment and provided further, that fifty-one percent (51%) of all Eligible Mortgage Holders shall have consented to any

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change, modification or amendment which establishes, provides for, governs or regulates any of the following:

- (1) Voting;
- (2) Assessments, assessment liens or subordination of such liens;
- (3) Reserves for maintenance, repair and replacement of the Common Elements;
- (4) Responsibility for maintenance and repair of the Common Elements and the Units;
- (5) Subject to the provisions of paragraphs 10 and 34 and the provisions of the Act, reallocation of interests in the Common Elements or rights to the use of the Common Elements;
- (6) Boundaries of any Unit;
- (7) Subject to the provisions of paragraphs 10 and 34 hereof, convertibility of Units into Common Elements or of Common Elements into Units;
- (8) Subject to the provisions of paragraph 34 and the provisions of the Act, expansion or contraction of Montaña Terrace Condominium or the addition, annexation or withdrawal of property to or from Montaña Terrace Condominium;
- (9) Insurance or fidelity bonds;
- (10) Leasing of Units;
- (11) Imposition of any restrictions on the right of a Unit Owner to sell, transfer, or otherwise convey such Owner's Unit;
- (12) Any decision by the Association to establish self management if professional management has been previously required by an Eligible Mortgage Holder;
- (13) Restoration or repair of the Condominium after damage, destruction or condemnation in a manner other than as provided in paragraph 10.2 hereof;
- (14) Subject to the provisions of this Declaration and the provisions of the Act, any action to terminate the

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Condominium created hereby after substantial destruction or condemnation occurs;

(15) Any provisions which are for the express benefit of Mortgage Holders, Eligible Mortgage Holders or Eligible Insurers or Guarantors of First Mortgages on any Unit.

Any Eligible Mortgage Holder who receives a written request to approve any change, modification or amendment which does not require the consent of fifty-one percent (51%) of all Eligible Mortgage Holders and who does not notify the requesting party in the manner provided in paragraph 26 hereof within thirty (30) days after receipt of such request shall be deemed to have approved such change, modification or amendment.

Notwithstanding anything contained herein to the contrary, if the Act, this Declaration, the Articles or the Bylaws require the consent or agreement of the Owners of Units to which a specified percentage of the undivided interest in the Common Elements is appurtenant and/or any other persons having any interest in the Condominium, including without limitation, the Association, for any such amendment or for any action specified in the Act or this Declaration, then any instrument so amending this Declaration or any provision hereof or providing for such action shall be signed by the Association and/or the Owners of not less than such specified percentage. Any such change, modification or amendment accomplished under any of the provisions of this paragraph 25 shall be effective upon recording of the instrument providing therefor signed and acknowledged as provided herein.

26. Notices. Notices provided for in the Act, this Declaration, the Articles or the Bylaws shall be in writing and shall be mailed postage prepaid if to the Association or the Board addressed to the address to which payments of assessments are then sent and if to an Owner addressed to his Unit. The Association or the Board may designate a different address or addresses to which notices shall be

sent from time to time by giving written notice of such change of address to all Owners. Any Owner may also designate a different address or addresses to which notices shall be sent by giving written notice of his change of address to the Association. Notices shall be deemed delivered five (5) days after being deposited properly addressed in the United States mail, postage prepaid, or immediately upon delivery in person.

Upon written request to the Board, which written request specifies an address to which notices may be sent, any Mortgagee shall be given a copy of all notices permitted or required by this Declaration to be given to the Owner or Owners of the Unit subject to the Mortgage held by such Mortgagee.

27. Severability. If any provision of this Declaration, the Articles, the Bylaws or the rules and regulations of the Association, or any section, clause, sentence, phrase or word, or the application thereof in any circumstance, is held invalid by a court of competent jurisdiction, the validity of the remainder of this Declaration, the Articles, the Bylaws or the rules and regulations of the Association, and of the application of any such provision, section, sentence, clause, phrase or word in any other circumstance shall not be affected thereby, and the remainder of this Declaration, the Articles, the Bylaws or the rules and regulations, shall remain in full force and effect as if such invalid part were never included therein, and such invalid part shall be promptly amended as herein provided or reformed by such court so as to implement the intent thereof to the maximum extent permitted by law.

28. Perpetuities and Restraints on Alienation. If any of the easements, privileges, covenants, interests or rights created by this Declaration would otherwise be unlawful, void or voidable for violation of the rule against perpetuities, then such shall continue in existence until twenty-one (21) years after the death of the survivor of the

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now living descendants of the President of the United States, Ronald W. Reagan, or the Governor of Arizona, Bruce E. Babbitt.

29. Rights and Obligations. Each grantee of Declarant, by the acceptance of a deed of conveyance, each purchaser under any agreement of sale within the meaning of A.R.S. §33-741, by execution of such agreement for sale and each Mortgagee by the acceptance of any instrument conveying any interest in the Condominium as security for the performance of an obligation, accepts the same subject to all restrictions, conditions, covenants, reservations, liens and charges, and the jurisdiction, rights and powers created or reserved by this Declaration. All rights, benefits and privileges of every character hereby granted, created, reserved or declared, and all impositions and obligations hereby imposed, shall be deemed and taken to be covenants running with the land and equitable servitudes and shall be binding upon and shall inure to the benefit of any grantee, purchaser or any person having at any time any interest or estate in the Condominium in like manner as though the provisions of this Declaration were recited and stipulated at length in each and every deed of conveyance, purchase contract or other instrument of transfer, and each such grantee shall be entitled to bring, and shall be subject to, an action for the recovery of damages, or for injunctive relief, or both, resulting from any breach of any such provisions.

30. Waiver. Any right or remedy provided for in this Declaration shall not be deemed to have been waived by any act or omission, including without limitation any acceptance of payment or partial performance or any forbearance, except by an instrument in writing specifying such right or remedy and executed by the person against whom enforcement of such waiver is sought.

31. Utility Easement. Notwithstanding any other provisions hereof, there is hereby created a blanket

non-exclusive easement upon, across, over and under the Condominium (other than the interior of the Units) and the Common Elements for ingress, egress, installation, replacement, repair and maintenance of all utility and service lines and systems, including by way of illustration, but not of limitation, water, sewer, gas, telephone, electricity, television cable and communication lines and systems. By virtue of this easement, it shall be expressly permissible for the providing utility or service company to install and maintain facilities and equipment on the Common Elements and to affix and maintain wires, circuits and conduits on, in and under the roofs and exterior walls of the buildings; provided, that no such utility and service line or system may be installed or relocated on the Common Elements except as initially planned and approved by Declarant or as thereafter approved by the Board. This easement shall in no way affect any other previously recorded easements which affect the Condominium.

32. Protection for Eligible Mortgage Holders. All Eligible Mortgage Holders and Eligible Insurers and Guarantors shall be entitled to written notification by the Association upon the commencement of any eminent domain or condemnation proceedings against all or any part of the Condominium or of substantial damage to or destruction of any part of the Condominium. Upon written request, all Eligible Mortgage Holders and Eligible Insurers and Guarantors shall have the right (i) to examine all books and records of the Association during normal business hours; and (ii) to receive an audited financial statement of the Association as soon as available and in any event within ninety (90) days following the end of any fiscal year of the Association; (iii) to receive written notice of all meetings of the Unit Owners and to designate a representative to attend all such meetings; (iv) to receive written notice of any default by any Mortgagor in the performance of any obligation by such Mortgagor under this Declaration or the

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Articles and Bylaws of the Association which default is not cured by such Mortgagor within sixty (60) days of the occurrence of such default; (v) to receive written notice of any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; and (vi) to receive written notice of any proposed action which would require the consent of Eligible Mortgage Holders holding Mortgages on Units to which a specified interest in the Common Elements is appurtenant as set forth in this Declaration. With respect to audited financial statements furnished pursuant to this paragraph, such statements shall be prepared at the cost of the Eligible Mortgage Holder, Insurer or Guarantor requesting the same until all supplemental Phases are added to Montaña Terrace Condominium, subsequent to which such statements shall be prepared at the cost of the Association.

33. Professional Management Agreement. Any Agreement for professional management of the Condominium or any contract providing for services to be performed by the Declarant for the Association shall provide for termination by the Association with or without cause and without payment of a termination fee or penalty on thirty (30) days written notice, and no such contract or agreement shall be of a duration in excess of one (1) year, renewable by agreement of the parties for successive one (1) year periods.

34. Reservation of Development Rights and Plan of Development. Declarant hereby expressly reserves the following Development Rights, as provided in A.R.S. § 33-1202(11) and § 33-1220 and the right to exercise such Rights without the consent of any Mortgagee or any Owner:

1. To add real estate to the Condominium created hereby;
2. To create easements, Units, Common Elements or Limited Common Elements within any portion of the Condominium created hereby;

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3. To subdivide Units, convert Units into Common Elements or convert Common Elements into Units;

4. To withdraw real estate from the Condominium created hereby;

5. To make, by merger agreement or other instrument, this Condominium a part of a larger condominium or planned community;

6. To amend this Declaration to comply with applicable law or to correct any error or inconsistency in this Declaration provided that such amendment does not adversely affect the rights of any Unit Owner;

7. To amend this Declaration to comply with the rules or guidelines, in effect from time to time, of any governmental or quasi-governmental entity or Federal corporation guaranteeing or insuring Mortgage loans or governing transactions involving Mortgage instruments, which amendment rights shall be exercised, if at all, prior to the expiration of the maximum period of Declarant control as provided in A.R.S. § 33-1243(D).

The real estate Declarant may add to this Condominium may include all or any portion of the real estate legally described on Exhibit "C" attached hereto and such addition(s) shall be accomplished by recordation of an amendment to this Declaration and a plat describing the Units in the supplemental Phase(s) similar to the Plat attached hereto as Exhibit "B". The real estate in such supplemental Phase(s) shall be free and clear of all liens, taxes and assessments at the time of such addition(s) and Declarant shall pay all liens, taxes and assessments which may affect such property prior to the time the same is added pursuant to VAR 4360(A)(4). All Phases of Montaña Terrace Condominium are planned to contain in total 168 Units. However, neither Declarant nor any other person has any obligation to add any of the real estate not included within the Condominium created hereby to such Condominium or to develop such real estate in accordance with such plan or

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otherwise. The right of Declarant to create such supplemental Phase(s) by addition of all or any portion of the real property described on Exhibit "C" to this Condominium or exercise any other Development Right hereinabove set forth shall expire on October 4, 1990. In the event the Condominium created hereby is expanded to include any supplemental Phase(s) each Owner in such supplemental Phase(s) shall become a member of the Association and shall be entitled to exercise the same voting rights as Owners in Phase I of Montana Terrace Condominium and as provided in paragraph 4.1 hereof. Upon the addition of any supplemental Phase(s) the relative voting strength of the Declarant and the Owners will change and control of the Association, even though vested in Owners other than Declarant at the time of the addition of such supplemental Phase(s) may revert to the Declarant by virtue of the provisions of paragraph 4.1 hereof. Upon the addition of any supplemental Phase(s) to the Condominium created hereby additional Common Elements will be created. However, the respective interest in and to the Common Elements appurtenant to each Unit in the existing Phases shall be reduced in direct proportion to the number of Units in each new Phase added to the Condominium. Subsequent to the addition of any new Phase, the interest in and to the Common Elements appurtenant to each Unit in the Condominium shall be equal to a fraction with a numerator of one and a denominator equal to the total number of Units then a part of the Condominium and upon the addition of all Phases, if all such Phases are added, the undivided interest in the Common Elements appurtenant to each Unit in all such Phase(s) shall be 1/168th of the whole. As a result there will be a smaller interest in a greater number of Common Elements appurtenant to each Unit in Phase I. Upon the addition of all or a portion of the real estate legally described on Exhibit "C" to the Condominium created hereby, such property shall in all respects be subject to and the

ownership and use thereof shall be governed in accordance with all of the covenants, conditions and restrictions set forth in this Condominium declaration. Notwithstanding anything contained herein to the contrary, Declarant shall have no right to expand the Condominium created hereby without the prior consent of the Veterans Administration. Prior to the addition of all or any portion of the real estate legally described on Exhibit "C" attached hereto all improvements contained within the boundaries of the real estate to be added shall be substantially completed and shall be consistent, in terms of quality of construction, with the improvements constructed in Phase I of Montaña Terrace Condominium.

IN WITNESS WHEREOF, First City Properties Inc., a Delaware corporation, doing business as Design Master Homes, a _____, has executed this Declaration as of this 24th day of October, 1986.

FIRST CITY PROPERTIES INC., a Delaware corporation, doing business as DESIGN MASTER HOMES

By [Signature]
Its PRESIDENT

STATE OF ARIZONA)
) ss.
County of Maricopa)

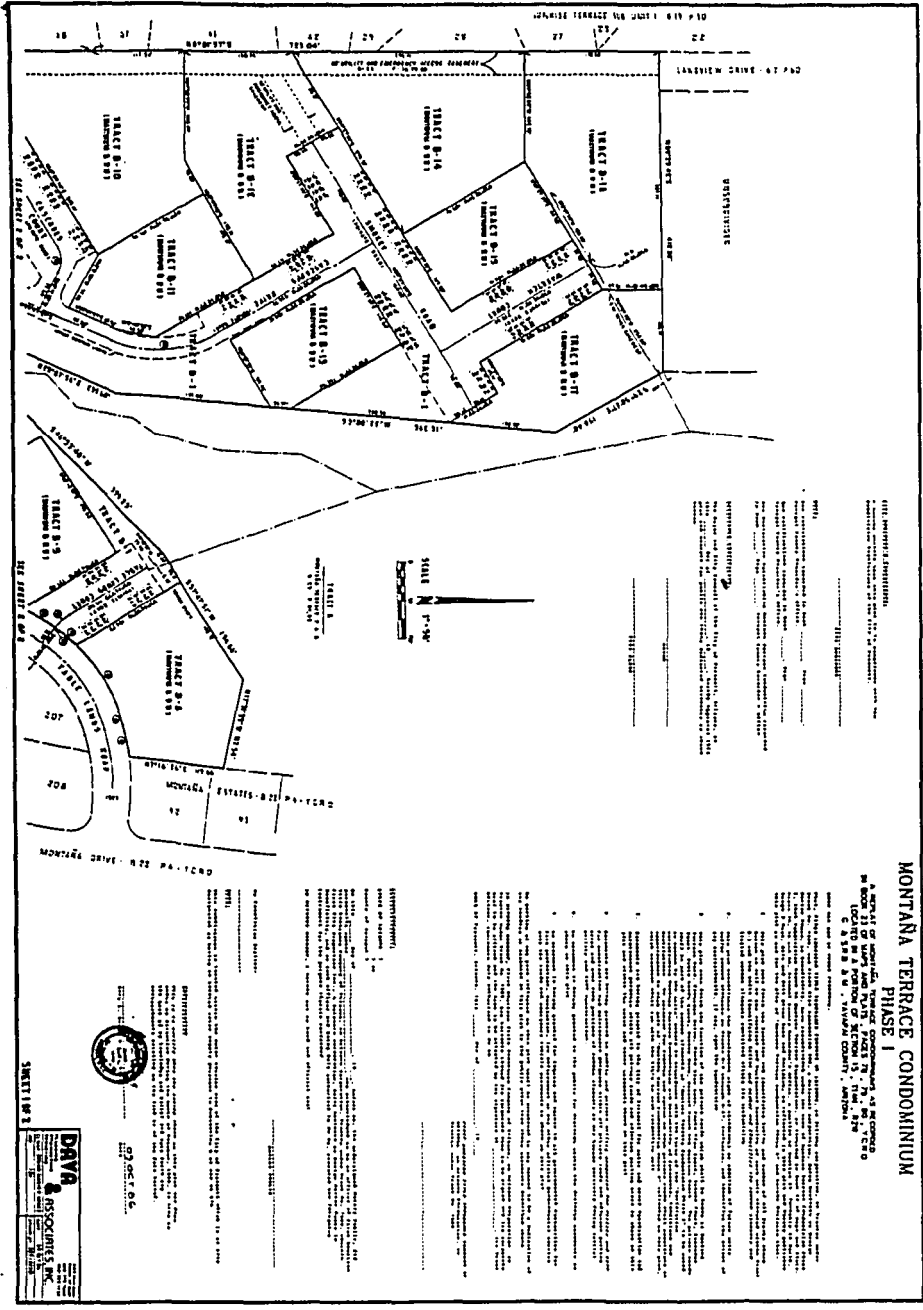
The foregoing instrument was acknowledged before me this 24th day of OCTOBER, 1986, by LARRY C. DEFE, the PRESIDENT of FIRST CITY PROPERTIES INC., a Delaware corporation doing business as DESIGN MASTER HOMES, for and on behalf of such corporation.

[Signature]
Notary Public

My Commission Expires:
My Commission Expires Dec 30, 1989

SEAL

NO. 1879 PAGE 804



**MONTANA TERRACE CONDOMINIUM
PHASE I**

A REPORT OF MONTANA TERRACE CONDOMINIUM AS DEVELOPED
 IN ACCORDANCE WITH THE PROVISIONS OF THE
 CONDOMINIUM ACT, CHAPTER 66, M.T.A.C. 17-10,
 LOCATED IN A PORTION OF SECTION 10, T14N, R10E,
 COUNTY OF YAMHOLD COUNTY, MONTANA.

DATE: 09/01/2017
 TIME: 10:00 AM
 PROJECT: MONTANA TERRACE CONDOMINIUM PHASE I
 DRAWN BY: J. SMITH
 CHECKED BY: J. SMITH
 APPROVED BY: J. SMITH

DEVELOPER:
 MONTANA TERRACE CONDOMINIUM PHASE I, LLC
 12345 MONTANA DRIVE, BOZEMAN, MT 59717

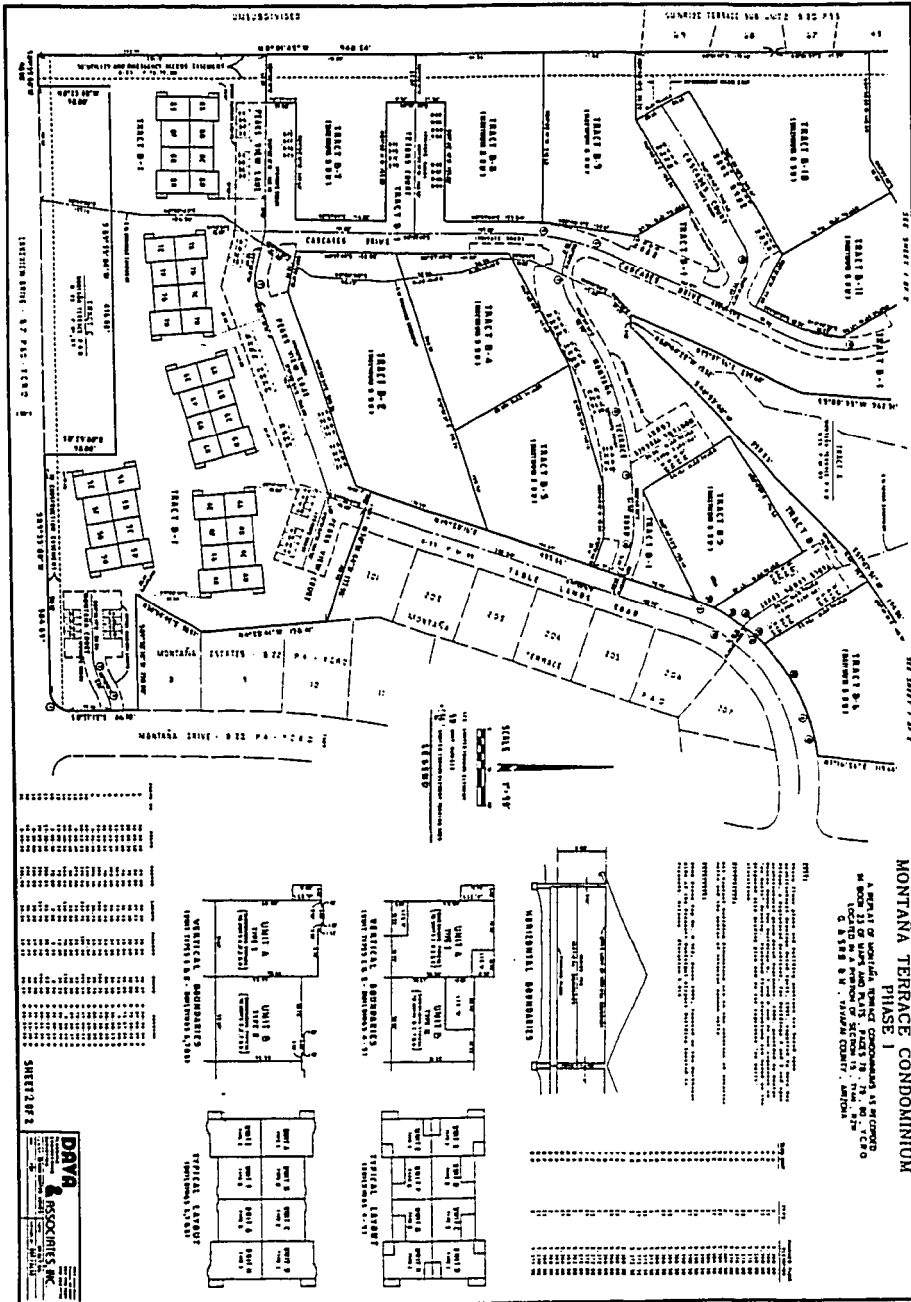
DESIGNER:
 DAVA ASSOCIATES, INC.
 12345 MONTANA DRIVE, BOZEMAN, MT 59717

DAVA ASSOCIATES, INC.
 12345 MONTANA DRIVE
 BOZEMAN, MT 59717
 (406) 555-1234

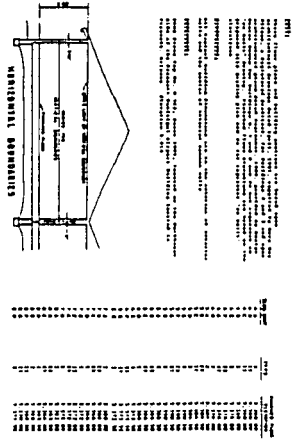
800-1879 PAGE 895

THIS PAGE WILL NOT REPRODUCE

EXHIBIT B



MONTANA TERRACE CONDOMINIUM
PHASE I
 A MAP of Montana Terrace Condominium, as defined in Section 21 of the Montana Condominium Act, Chapter 13, Part 2 of the Montana Code Annotated, 1972, as amended, and as shown on the attached plat, is hereby approved for recording in the Office of the State Auditor, Helena, Montana.



THIS PAGE WILL NOT REPRODUCE


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EXHIBIT B

2477-01501

When recorded, return to:

Phyllis H. Parise, Esq.
Storey & Ross, P.C.
Court One - Fourth Floor
4742 North 24th Street
Phoenix, Arizona 85016

	INSTRUMENT # 8714609
	OFFICIAL RECORDS OF
	YAVAPAI COUNTY
	PATSY C. JENNEY
	REQUEST OF:
DAVA AND ASSOCIATES	
DATE: 04/17/87	TIME: 13:00
FEE: 15.00	
BOOK 1924	PAGE 665 PAGES: 015

\$ 15.00	P 4	Co 5	St
Bk	Map	Pcl	

FIRST AMENDMENT TO DECLARATION
ESTABLISHING MONTAÑA TERRACE CONDOMINIUM
AND DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
YAVAPAI COUNTY, ARIZONA

THIS FIRST AMENDMENT is made and entered into this _____ day of _____, 1987 by First City Properties Inc., a Delaware corporation, doing business as Design Master Homes (the "Declarant"), and is as follows:

W I T N E S S E T H:

WHEREAS, Declarant executed that certain Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on November 26, 1986 in Book 1879, at pages 844 through 896 in the Official Records of the Yavapai County, Arizona Recorder (the "Declaration") which affects that certain real property described in Exhibit "A" to the Declaration which is attached to this First Amendment as part of Schedule 1 more fully described below (the "Property"); and

WHEREAS, Declarant desires to conditionally annex supplemental Phases of the property described in Exhibit "C" to the Declaration which is attached to this First Amendment as Schedule 1 as more fully described below; and

WHEREAS, Declarant has reserved the right in Paragraph 34 of the Declaration to submit supplemental Phases to the condominium from time to time by recording an amendment to the Declaration exercising such Development Right and by recording a Plat covering the portion of the Exhibit "C" property to be annexed; and

WHEREAS, pursuant to Paragraph 34 of the Declaration and the Arizona Condominium Act, A.R.S. §33-1201 et seq., (the "Act") Declarant may annex such supplemental Phases without the consent of any other Owner or Mortgagee.

NOW, THEREFORE, the undersigned Declarant hereby amends the Declaration and declares as follows:

BOOK 1924 PAGE 665

1. Capitalized terms used in this First Amendment without definition shall have the meanings given to such terms in the Declaration.

2. At the time Declarant recorded the Declaration, Exhibits "A" and "C" were inadvertently omitted from the Declaration. Declarant hereby attaches Exhibits "A" and "C" as Schedule 1 to this First Amendment. Said Exhibits "A" and "C", as Schedule 1 to this First Amendment. Said Exhibits "A" and "C", attached hereto as Schedule 1 shall hereby constitute said Exhibits "A" and "C" to the Declaration for all purposes.

3. Declarant hereby exercises the Development Right to annex that certain portion of the Exhibit "C" property described as Tracts B-2, B-3, B-4, B-7 and B-8 as more fully shown on the Plat for Montaña Terrace Condominium Phase II recorded on March 4, 1987 in Book 26 of Maps and Plats, at page 26, in the Official Records of the Yavapai County, Arizona Recorder (the "Supplemental Plat"). Each said Tract shall constitute an individual Phase and shall contain the Condominium Units reflected on the Supplemental Plat and as shown on Schedule 2 attached to this First Amendment and incorporated herein by this reference. The Phases may be annexed in any order as determined by Declarant. Notwithstanding the foregoing, this First Amendment shall not be effective to annex any supplemental Phase described in Schedule 2 or on the Supplemental Plat unless and until Declarant conveys a Unit in such Phase to an Owner other than Declarant, whereupon any Phase described in this First Amendment in which a Unit has been so conveyed shall be fully and automatically subject to this Declaration and part of the Condominium without any further amendment to the Declaration being required. The Phase numbers set forth on Schedule 2 are for illustration only and Declarant may add any of the supplemental Phases to the Condominium and subject the same to the Declaration in any order determined by Declarant, in its sole discretion.

4. Prior to the time Declarant conveys any Unit in a supplemental Phase described in Schedule 2 hereto, all the real property in such supplemental Phase shall be free and clear of all liens, taxes and assessments, and all improvements contained within the boundaries of such supplemental Phase shall be substantially completed and shall be consistent, in terms of quality of construction, with the improvements constructed in Phase I of Montaña Terrace Condominium. Subject to the foregoing, the Supplemental Plat and this First Amendment have been recorded prior to October 4, 1990 and, therefore, all conditions for adding real estate to the Condominium are hereby satisfied.

5. All of the supplemental Phases except for the Units therein contained shall be Common Elements. Units 3A, 3D, 3E, 3H, 9A, 9D, 9E, 9H, 10A, 10D, 10E, 10H, 11A, 11D, 11E, 11H, 12A, 12D, 12E and 12H are each allocated a patio Limited Common Element as shown on the Supplemental Plat. In addition, each Unit in the supplemental Phases shall have a Limited Common

Element parking area which is designated on the Supplemental Plat by the same number as the Unit. Each Unit is also allocated as Limited Common Elements those portions of the Common Elements described in A.R.S. §§ 33-1212(2) and (4) and Paragraph 3.3 of the Declaration.

6. Upon the date that this First Amendment shall become effective to fully and unconditionally annex any supplemental Phase described in Schedule 2 as provided more fully above, the undivided interest in the Common Elements and in the Common Expenses of the Association shall be allocated equally among all of the Units then subject to the Declaration so that each Unit's undivided interest in the Common Elements and in the Common Expenses of the Association shall be the fraction, the numerator of which is one, and the denominator of which is all the Units then subject to the Declaration. In addition, all Units' votes in the Association shall be allocated as provided in Paragraph 7 below.

7. Pursuant to Paragraph 19(5) of the Declaration and the Act, Declarant has reserved the Special Declarant Right to appoint or remove any officer of the Association or any Board member during any period of Declarant control as provided in Paragraph 4 of the Declaration. Paragraph 4.1 sets forth the period of Declarant control. However, said Paragraph incorrectly provides that the Declarant is entitled to three (3) votes for each Unit owned which is inconsistent with the provisions of A.R.S. § 33-1217. Declarant has reserved the Development Right in Paragraph 34(6), as provided under A.R.S. § 33-1202(14)(f), to amend the Declaration to comply with applicable law and to correct errors and inconsistencies in the Declaration provided that the amendment does not adversely affect the rights of any Unit Owner. Declarant hereby amends the Declaration to correct the above-referenced inconsistency and this clarification eliminating preferential voting rights in favor of Declarant does not adversely affect the Unit Owners. Consistent with said Paragraph 19(5) and the Act, the provisions regarding Declarant's Class B memberships set forth in Paragraph 4.1 are restated in their entirety as follows:

The title, first sentence, and first paragraph regarding Class A membership, of Paragraph 4.1 are incorporated herein by reference without change as if set forth at length.

Class B. The Class B member shall be the Declarant and shall be entitled to one (1) vote for each Unit owned in Phase I of Montaña Terrance Condominium and within any supplemental Phase(s) if Montaña Terrance Condominium is expanded to include such Phase(s). The total votes which the Declarant shall be entitled to cast may be cast in such proportion on any matter as Declarant may determine. Each Class B membership shall cease and be converted to Class A membership, without further act or deed, upon the happening of any of the following events:

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(a) Upon the conveyance by Declarant of any particular Unit to an Owner, other than in connection with an assignment by Declarant of all or substantially all of its rights under this Declaration (including a pledge or assignment by Declarant to any lender as security), with respect to the particular Unit or Units so sold or otherwise disposed of; or

(b) With respect to all remaining Class B memberships, upon the first to occur of the following:

(i) Upon the expiration of ninety (90) days following the first date after seventy-five percent (75%) of the Units have been sold to Owners other than Declarant, subject to the further provisions in this Paragraph 4.1 below and Paragraph 34 concerning annexation of supplemental Phase(s) or,

(ii) Five (5) years after the first conveyance of a Unit to an Owner other than Declarant, or

(iii) Four (4) years after Declarant or any successor to Declarant's Special Declarant Rights reserved in Paragraph 19 hereof cease to offer Units for sale in the ordinary course of business, or

(iv) Upon Declarant's notification to the Association that it relinquishes its Class B memberships, except that Declarant may retain the right (by recorded instrument reserving said right) to approve specified actions of the Association or the Board during the period prior to expiration of Declarant's class B memberships by operation of this Paragraph 4.1.

As provided in Paragraph 19(5), the Declarant, as the Class B member, or its successors, or any Person designated in writing by the Declarant as having such authority, may appoint and remove members of the Board and officers of the Association, in its sole discretion. The period during which Declarant holds Class B memberships shall be deemed to be the "period of Declarant control" as described in the Act.

The last paragraph of said Paragraph 4.1 commencing with "If any lender" and ending with "in accordance with Paragraph 34" is incorporated herein by reference without revision as if set forth at length.

8. The provisions of said amended and restated Paragraph 4.1 set forth in Paragraph 7 above of this First Amendment, shall prevail over any inconsistent provisions of the Articles and Bylaws as provided in A.R.S. § 33-1213(C)(1).

9. All of the Development Rights and Special Declarant Rights granted to or reserved by the Declarant under Paragraphs 19 and 34 and elsewhere in the Declaration in accordance with the Act shall apply to the supplemental Phases annexed pursuant to this First Amendment.

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IN WITNESS WHEREOF, the Declarant has executed this First Amendment on the day and year first written above.

FIRST CITY PROPERTIES INC.,
a Delaware corporation, doing
business as DESIGN MASTER HOMES

By *Michael W. Martindale*
Michael W. Martindale
Its President

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 10th day of April, 1987, by Michael W. Martindale, the President of First City Properties Inc., a Delaware corporation doing business as Design Master Homes, for and on behalf of said corporation.

OFFICIAL SEAL
DONNA LOWE
Notary Public — State of AZ
MARICOPA COUNTY
My Comm. Expires Apr. 2, 1990

Donna Lowe
Notary Public

My Commission Expires:
April 2, 1990

RATIFIED AND AFFIRMED:

FIRST AMERICAN TITLE INSURANCE
COMPANY OF ARIZONA, an Arizona
corporation, as Trustee under
Trust No. 7509, and not in its
corporate capacity

BDD-1924 PAGE 669

By *Donna Lowe*
Its *Trust Office*

2477-01501

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 14th day of April, 1987, by PAMELA MEYER, the TRUST OFFICER of FIRST AMERICAN TITLE INSURANCE COMPANY OF ARIZONA, an Arizona corporation, as Trustee under Trust No. 7509, and not in its corporate capacity, for and on behalf of said corporation.

Cynthia L. Gregor
Notary Public

My Commission Expires:



800-1924 PAGE 670

2477-01501

SCHEDULE 1
EXHIBITS "A" AND "C"
TO THE DECLARATION

800-1924 PAGE 671

EXHIBIT A

Condominium Units 4A-4H, inclusive, 5A-5H, inclusive, 6A-6H, inclusive, 7A-7H, inclusive, and 8A-8H, inclusive, according to the Plat of Montaña Terrace Condominium Phase I recorded in Book 26 of Maps and Plats, pages 13-14, of the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

BOOK 1924 PAGE 672

EXHIBIT C

Tracts B-2 through B-17, inclusive, according to the Plat of Montana Terrace Condominium Phase I recorded in Book 26 of Maps and Plats, pages 13-14 of the Official Records of the Yavapai County, Arizona Recorder.

BOOK 1924 PAGE 673

2477-01501

SCHEDULE 2
SUPPLEMENTAL PHASES ADDED
TO THE CONDOMINIUM

500-1924 PAGE 674

Phase 1

All that portion of Montana Terrace Condominiums Tract "B", as recorded in Book 23, Pages 78 and 79, Yavapai County Recorder's Office, further described as follows:

COMMENCING at the most Southwesterly Corner of said Tract "B"; thence, North 89° 35' 00" East, 40.00 feet along the Southerly line of said Tract "B"; thence, North 00° 25' 00" West, 90.00 feet; thence, North 89° 35' 00" East, 476.00 feet; thence, South 00° 25' 00" East, 90.00 feet; thence, North 89° 35' 00" East, 304.89 feet; thence, along a curve to the left with a radius of 25.00 feet and a length of 39.29 feet; thence, North 00° 27' 12" West, 86.70 feet; thence, South 89° 38' 18" West, 150.00 feet; thence, North 30° 04' 42" East, 98.57 feet; thence, North 04° 28' 41" West, 158.41 feet being the Southeasterly Corner of Lot 201 of Montana Terrace Planned Area Development as recorded in Book 23, Page 81, Yavapai County Recorder's Office; thence, North 70° 31' 44" West, 177.98 feet being the TRUE POINT OF BEGINNING.

Thence, South 19° 28' 16" West, 19.97 feet;
thence, South 71° 00' 24" West, 266.36 feet;
thence, North 77° 33' 11" West, 52.97 feet;
thence, North 00° 57' 49" East, 128.82 feet;
thence, North 72° 51' 37" East, 376.26 feet;
thence, South 19° 28' 16" West, 154.42 feet to the TRUE POINT OF BEGINNING.

(MONTANA TERRACE CONDOMINIUMS TRACT "B"-2) (09/10/86)

Includes Units 10A-H, inclusive.

BOOK 1924 PAGE 675

Phase 2

All that portion of Montana Terrace Condominiums Tract "B" as recorded in Book 23, Pages 78 and 79, Yavapai County Recorder's Office, further described as follows:

COMMENCING at the most Southwesterly Corner of said Tract "B"; thence, North 89° 35' 00" East, 40.00 feet along the Southerly line of said Tract "B"; thence, North 00° 25' 00" West, 90.00 feet; thence, North 89° 35' 00" East, 476.00 feet; thence, South 00° 25' 00" East, 90.00 feet; thence, North 89° 35' 00" East, 304.89 feet; thence, along a curve to the left with a radius of 25.00 feet and a length of 39.29 feet; thence, North 60° 21' 21" West, 173.38 feet; thence, North 30° 04' 42" East, 98.57 feet; thence, North 04° 28' 41" West, 158.41 feet being the Southeasterly Corner of Lot 201 of Montana Terrace Planned Area Development as recorded in Book 23, Page 81, Yavapai County Recorder's Office; thence, North 70° 31' 44" West 177.98 feet; thence, North 19° 28' 16" East, 154.42 feet being the TRUE POINT OF BEGINNING.

Thence, South 72° 51' 37" West, 135.94 feet;
thence, North 29° 14' 23" West, 169.35 feet;
thence, North 74° 51' 57" East, 160.15 feet;
thence, South 89° 44' 12" East, 70.04 feet;
thence, South 70° 31' 44" East, 38.41 feet;
thence, South 19° 28' 16" West, 144.67 feet to the TRUE POINT OF BEGINNING.

(MONTANA TERRACE CONDOMINIUMS TRACT "B"-3) (09/10/86)

Includes Units 3A-H, inclusive.

BOOK 1924 PAGE 676

Phase 3

All that portion of Montana Terrace Condominiums Tract "B" as recorded in Book 23, Pages 78 and 79, Yavapai County Recorder's Office, further described as follows:

COMMENCING at the most Southwesterly Corner of said Tract "B"; thence, North 89° 35' 00" East, 40.00 feet along the southerly line of said Tract "B"; thence, North 00° 25' 00" West, 90.00 feet; thence, North 89° 35' 00" East, 476.00 feet; thence, South 00° 25' 00" East, 90.00 feet; thence, North 89° 35' 00" East, 304.89 feet; thence, along a curve to the left with a radius of 25.00 feet and a length of 39.29 feet; thence, North 00° 27' 12" West, 86.70 feet; thence, South 89° 38' 18" West, 150.00 feet; thence, North 30° 04' 42" East, 98.57 feet; thence, North 04° 28' 41" West, 158.41 being the Southeasterly Corner of Lot 201 of Montana Terrace Planned Area Development as recorded in Book 23, Page 81, Yavapai County Recorder's Office; thence, North 70° 31' 44" West, 177.98 feet; thence, South 19° 28' 16" West, 19.97 feet; thence, South 71° 00' 24" West, 266.36 feet; thence, North 77° 33' 11" West, 52.97 feet; thence, North 00° 57' 49" East, 128.82 feet being the TRUE POINT OF BEGINNING.

Thence, North 00° 57' 49" East, 141.80 feet;
thence, North 62° 00' 43" East, 163.60 feet;
thence, South 29° 14' 23" East, 169.35 feet;
thence, South 72° 51' 37" West, 240.31 feet to the TRUE POINT OF BEGINNING.

(MONTANA TERRACE CONDOMINIUMS TRACT "B"-4) (09/10/86)

Includes Units 12A-H, inclusive.

BDD-1924 PAGE 677

Phase 4

All that portion of Montana Terrace Condominiums Tract "B" as recorded in Book 23, Pages 78 and 79, Yavapai County Recorder's Office, further described as follows:

1 COMMENCING at the most Southwesterly Corner of said Tract "B"; thence, North 00° 01' 42" West, 291.15 feet along the Westerly line of said Tract "B", being the TRUE POINT OF BEGINNING.

Thence, North 00° 01' 42" West, 191.03 feet;
thence, South 89° 02' 11" East, 62.84 feet;
thence, South 00° 57' 49" West, 37.50 feet;
thence, South 89° 02' 11" East, 153.00 feet;
thence, South 00° 57' 49" West, 116.00 feet;
thence, North 89° 02' 11" West, 149.64 feet;
thence, South 00° 57' 49" West, 37.50 feet;
thence, North 89° 02' 11" West, 62.89 feet to the TRUE POINT OF BEGINNING.

(MONTANA TERRACE CONDOMINIUMS TRACT "B"-7) (09/10/86)

Includes Units 9A-H, inclusive.

BOOK 1924 PAGE 678

Phase 5

All that portion of Montana Terrace Condominiums Tract "B" as recorded in Book 23, Pages 78 and 79, Yavapai County Recorder's Office, further described as follows:

COMMENCING at the most Southwesterly Corner of said Tract "B"; thence, North 00° 01' 42" West, 482.18 feet along the Westerly line of said Tract "B", being the TRUE POINT OF BEGINNING.

Thence, North 00° 01' 42" West, 161.36 feet;
thence, South 89° 02' 11" East, 218.63 feet;
thence, South 00° 57' 49" West, 123.84 feet;
thence, North 89° 02' 11" West, 153.00 feet;
thence, South 00° 57' 49" West, 37.50 feet;
thence, North 89° 02' 11" West, 62.84 feet to the TRUE POINT OF BEGINNING.

(MONTANA TERRACE CONDOMINIUMS TRACT "B"-8) (09/10/86)


Includes Units 11A-H, inclusive.

BOOK 1924 PAGE 679

2477-01501

When recorded, return to:

Phyllis H. Parise, Esq.
Storey & Ross, P.C.
Court One - Fourth Floor
4742 North 24th Street
Phoenix, Arizona 85016

	INSTRUMENT # 8714609	
	OFFICIAL RECORDS OF	
	YAVAPAI COUNTY	
	PATSY C. JENNEY	
	REQUEST OF:	
DAVA AND ASSOCIATES		
DATE: 04/17/87 TIME: 13:00		
FEE: 15.00		
BOOK 1924 PAGE 665 PAGES: 015		

\$	15	1	P	4	Co	5	St
Bk	Map		Pl				

FIRST AMENDMENT TO DECLARATION
ESTABLISHING MONTAÑA TERRACE CONDOMINIUM
AND DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
YAVAPAI COUNTY, ARIZONA

THIS FIRST AMENDMENT is made and entered into this ___ day of _____, 1987 by First City Properties Inc., a Delaware corporation, doing business as Design Master Homes (the "Declarant"), and is as follows:

W I T N E S S E T H:

WHEREAS, Declarant executed that certain Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on November 26, 1986 in Book 1879, at pages 844 through 896 in the Official Records of the Yavapai County, Arizona Recorder (the "Declaration") which affects that certain real property described in Exhibit "A" to the Declaration which is attached to this First Amendment as part of Schedule 1 more fully described below (the "Property"); and

WHEREAS, Declarant desires to conditionally annex supplemental Phases of the property described in Exhibit "C" to the Declaration which is attached to this First Amendment as Schedule 1 as more fully described below; and

WHEREAS, Declarant has reserved the right in Paragraph 34 of the Declaration to submit supplemental Phases to the condominium from time to time by recording an amendment to the Declaration exercising such Development Right and by recording a Plat covering the portion of the Exhibit "C" property to be annexed; and

WHEREAS, pursuant to Paragraph 34 of the Declaration and the Arizona Condominium Act, A.R.S. §33-1201 et seq., (the "Act") Declarant may annex such supplemental Phases without the consent of any other Owner or Mortgagee.

NOW, THEREFORE, the undersigned Declarant hereby amends the Declaration and declares as follows:

BOOK 1924 PAGE 665

1. Capitalized terms used in this First Amendment without definition shall have the meanings given to such terms in the Declaration.

2. At the time Declarant recorded the Declaration, Exhibits "A" and "C" were inadvertently omitted from the Declaration. Declarant hereby attaches Exhibits "A" and "C" as Schedule 1 to this First Amendment. Said Exhibits "A" and "C", as Schedule 1 to this First Amendment. Said Exhibits "A" and "C", attached hereto as Schedule 1 shall hereby constitute said Exhibits "A" and "C" to the Declaration for all purposes.

3. Declarant hereby exercises the Development Right to annex that certain portion of the Exhibit "C" property described as Tracts B-2, B-3, B-4, B-7 and B-8 as more fully shown on the Plat for Montaña Terrace Condominium Phase II recorded on March 4, 1987 in Book 26 of Maps and Plats, at page 26, in the Official Records of the Yavapai County, Arizona Recorder (the "Supplemental Plat"). Each said Tract shall constitute an individual Phase and shall contain the Condominium Units reflected on the Supplemental Plat and as shown on Schedule 2 attached to this First Amendment and incorporated herein by this reference. The Phases may be annexed in any order as determined by Declarant. Notwithstanding the foregoing, this First Amendment shall not be effective to annex any supplemental Phase described in Schedule 2 or on the Supplemental Plat unless and until Declarant conveys a Unit in such Phase to an Owner other than Declarant, whereupon any Phase described in this First Amendment in which a Unit has been so conveyed shall be fully and automatically subject to this Declaration and part of the Condominium without any further amendment to the Declaration being required. The Phase numbers set forth on Schedule 2 are for illustration only and Declarant may add any of the supplemental Phases to the Condominium and subject the same to the Declaration in any order determined by Declarant, in its sole discretion.

4. Prior to the time Declarant conveys any Unit in a supplemental Phase described in Schedule 2 hereto, all the real property in such supplemental Phase shall be free and clear of all liens, taxes and assessments, and all improvements contained within the boundaries of such supplemental Phase shall be substantially completed and shall be consistent, in terms of quality of construction, with the improvements constructed in Phase I of Montaña Terrace Condominium. Subject to the foregoing, the Supplemental Plat and this First Amendment have been recorded prior to October 4, 1990 and, therefore, all conditions for adding real estate to the Condominium are hereby satisfied.

5. All of the supplemental Phases except for the Units therein contained shall be Common Elements. Units 3A, 3D, 3E, 3H, 9A, 9D, 9E, 9H, 10A, 10D, 10E, 10H, 11A, 11D, 11E, 11H, 12A, 12D, 12E and 12H are each allocated a patio Limited Common Element as shown on the Supplemental Plat. In addition, each Unit in the supplemental Phases shall have a Limited Common

Element parking area which is designated on the Supplemental Plat by the same number as the Unit. Each Unit is also allocated as Limited Common Elements those portions of the Common Elements described in A.R.S. §§ 33-1212(2) and (4) and Paragraph 3.3 of the Declaration.

6. Upon the date that this First Amendment shall become effective to fully and unconditionally annex any supplemental Phase described in Schedule 2 as provided more fully above, the undivided interest in the Common Elements and in the Common Expenses of the Association shall be allocated equally among all of the Units then subject to the Declaration so that each Unit's undivided interest in the Common Elements and in the Common Expenses of the Association shall be the fraction, the numerator of which is one, and the denominator of which is all the Units then subject to the Declaration. In addition, all Units' votes in the Association shall be allocated as provided in Paragraph 7 below.

7. Pursuant to Paragraph 19(5) of the Declaration and the Act, Declarant has reserved the Special Declarant Right to appoint or remove any officer of the Association or any Board member during any period of Declarant control as provided in Paragraph 4 of the Declaration. Paragraph 4.1 sets forth the period of Declarant control. However, said Paragraph incorrectly provides that the Declarant is entitled to three (3) votes for each Unit owned which is inconsistent with the provisions of A.R.S. § 33-1217. Declarant has reserved the Development Right in Paragraph 34(6), as provided under A.R.S. § 33-1202(14)(f), to amend the Declaration to comply with applicable law and to correct errors and inconsistencies in the Declaration provided that the amendment does not adversely affect the rights of any Unit Owner. Declarant hereby amends the Declaration to correct the above-referenced inconsistency and this clarification eliminating preferential voting rights in favor of Declarant does not adversely affect the Unit Owners. Consistent with said Paragraph 19(5) and the Act, the provisions regarding Declarant's Class B memberships set forth in Paragraph 4.1 are restated in their entirety as follows:

The title, first sentence, and first paragraph regarding Class A membership, of Paragraph 4.1 are incorporated herein by reference without change as if set forth at length.

Class B. The Class B member shall be the Declarant and shall be entitled to one (1) vote for each Unit owned in Phase I of Montaña Terrance Condominium and within any supplemental Phase(s) if Montaña Terrance Condominium is expanded to include such Phase(s). The total votes which the Declarant shall be entitled to cast may be cast in such proportion on any matter as Declarant may determine. Each Class B membership shall cease and be converted to Class A membership, without further act or deed, upon the happening of any of the following events:

2477-01501

(a) Upon the conveyance by Declarant of any particular Unit to an Owner, other than in connection with an assignment by Declarant of all or substantially all of its rights under this Declaration (including a pledge or assignment by Declarant to any lender as security), with respect to the particular Unit or Units so sold or otherwise disposed of; or

(b) With respect to all remaining Class B memberships, upon the first to occur of the following:

(i) Upon the expiration of ninety (90) days following the first date after seventy-five percent (75%) of the Units have been sold to Owners other than Declarant, subject to the further provisions in this Paragraph 4.1 below and Paragraph 34 concerning annexation of supplemental Phase(s) or,

(ii) Five (5) years after the first conveyance of a Unit to an Owner other than Declarant, or

(iii) Four (4) years after Declarant or any successor to Declarant's Special Declarant Rights reserved in Paragraph 19 hereof cease to offer Units for sale in the ordinary course of business, or

(iv) Upon Declarant's notification to the Association that it relinquishes its Class B memberships, except that Declarant may retain the right (by recorded instrument reserving said right) to approve specified actions of the Association or the Board during the period prior to expiration of Declarant's class B memberships by operation of this Paragraph 4.1.

As provided in Paragraph 19(5), the Declarant, as the Class B member, or its successors, or any Person designated in writing by the Declarant as having such authority, may appoint and remove members of the Board and officers of the Association, in its sole discretion. The period during which Declarant holds Class B memberships shall be deemed to be the "period of Declarant control" as described in the Act.

The last paragraph of said Paragraph 4.1 commencing with "If any lender" and ending with "in accordance with Paragraph 34" is incorporated herein by reference without revision as if set forth at length.

8. The provisions of said amended and restated Paragraph 4.1 set forth in Paragraph 7 above of this First Amendment, shall prevail over any inconsistent provisions of the Articles and Bylaws as provided in A.R.S. § 33-1213(C)(1).

9. All of the Development Rights and Special Declarant Rights granted to or reserved by the Declarant under Paragraphs 19 and 34 and elsewhere in the Declaration in accordance with the Act shall apply to the supplemental Phases annexed pursuant to this First Amendment.

2477-01501

IN WITNESS WHEREOF, the Declarant has executed this First Amendment on the day and year first written above.

FIRST CITY PROPERTIES INC.,
a Delaware corporation, doing
business as DESIGN MASTER HOMES

By *Michael W. Martindale*
Michael W. Martindale
Its President

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 10th day of April, 1987, by Michael W. Martindale, the President of First City Properties Inc., a Delaware corporation doing business as Design Master Homes, for and on behalf of said corporation.

OFFICIAL SEAL
DONNA LOWE
Notary Public — State of AZ
MARICOPA COUNTY
My Comm. Expires Apr. 2, 1990

Donna Lowe
Notary Public

My Commission Expires:
April 2, 1990

RATIFIED AND AFFIRMED:

FIRST AMERICAN TITLE INSURANCE
COMPANY OF ARIZONA, an Arizona
corporation, as Trustee under
Trust No. 7509, and not in its
corporate capacity

BDD-1924 PAGE 669

By *Donna Lowe*
Its *Trust Office*

2477-01501

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 14th day of April, 1987, by PAMELA MEYER, the TRUST OFFICER of FIRST AMERICAN TITLE INSURANCE COMPANY OF ARIZONA, an Arizona corporation, as Trustee under Trust No. 7509, and not in its corporate capacity, for and on behalf of said corporation.

Cynthia L. Gregor
Notary Public

My Commission Expires:



800-1924 PAGE 670

2477-01501

SCHEDULE 1
EXHIBITS "A" AND "C"
TO THE DECLARATION

800-1924 PAGE 671

EXHIBIT A

Condominium Units 4A-4H, inclusive, 5A-5H, inclusive, 6A-6H, inclusive, 7A-7H, inclusive, and 8A-8H, inclusive, according to the Plat of Montaña Terrace Condominium Phase I recorded in Book 26 of Maps and Plats, pages 13-14, of the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

BOOK 1924 PAGE 672

EXHIBIT C

Tracts B-2 through B-17, inclusive, according to the Plat of Montana Terrace Condominium Phase I recorded in Book 26 of Maps and Plats, pages 13-14 of the Official Records of the Yavapai County, Arizona Recorder.

BOOK 1924 PAGE 673

2477-01501

SCHEDULE 2
SUPPLEMENTAL PHASES ADDED
TO THE CONDOMINIUM

500-1924 PAGE 674

Phase 1

All that portion of Montana Terrace Condominiums Tract "B", as recorded in Book 23, Pages 78 and 79, Yavapai County Recorder's Office, further described as follows:

COMMENCING at the most Southwesterly Corner of said Tract "B"; thence, North 89° 35' 00" East, 40.00 feet along the Southerly line of said Tract "B"; thence, North 00° 25' 00" West, 90.00 feet; thence, North 89° 35' 00" East, 476.00 feet; thence, South 00° 25' 00" East, 90.00 feet; thence, North 89° 35' 00" East, 304.89 feet; thence, along a curve to the left with a radius of 25.00 feet and a length of 39.29 feet; thence, North 00° 27' 12" West, 86.70 feet; thence, South 89° 38' 18" West, 150.00 feet; thence, North 30° 04' 42" East, 98.57 feet; thence, North 04° 28' 41" West, 158.41 feet being the Southeasterly Corner of Lot 201 of Montana Terrace Planned Area Development as recorded in Book 23, Page 81, Yavapai County Recorder's Office; thence, North 70° 31' 44" West, 177.98 feet being the TRUE POINT OF BEGINNING.

Thence, South 19° 28' 16" West, 19.97 feet;
thence, South 71° 00' 24" West, 266.36 feet;
thence, North 77° 33' 11" West, 52.97 feet;
thence, North 00° 57' 49" East, 128.82 feet;
thence, North 72° 51' 37" East, 376.26 feet;
thence, South 19° 28' 16" West, 154.42 feet to the TRUE POINT OF BEGINNING.

(MONTANA TERRACE CONDOMINIUMS TRACT "B"-2) (09/10/86)

Includes Units 10A-H, inclusive.

BOOK 1924 PAGE 675

Phase 2

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(MONTANA TERRACE CONDOMINIUMS TRACT "B"-3) (09/10/86)

Includes Units 3A-H, inclusive.

800-1924 PAGE 676

Phase 3

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Thence, North 00° 57' 49" East, 141.80 feet;
thence, North 62° 00' 43" East, 163.60 feet;
thence, South 29° 14' 23" East, 169.35 feet;
thence, South 72° 51' 37" West, 240.31 feet to the TRUE POINT OF BEGINNING.

(MONTANA TERRACE CONDOMINIUMS TRACT "B"-4) (09/10/86)

Includes Units 12A-H, inclusive.

BDD 1924 PAGE 677

Phase 4

All that portion of Montana Terrace Condominiums Tract "B" as recorded in Book 23, Pages 78 and 79, Yavapai County Recorder's Office, further described as follows:

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Thence, North 00° 01' 42" West, 191.03 feet;
thence, South 89° 02' 11" East, 62.84 feet;
thence, South 00° 57' 49" West, 37.50 feet;
thence, South 89° 02' 11" East, 153.00 feet;
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thence, North 89° 02' 11" West, 149.64 feet;
thence, South 00° 57' 49" West, 37.50 feet;
thence, North 89° 02' 11" West, 62.89 feet to the TRUE POINT OF BEGINNING.

(MONTANA TERRACE CONDOMINIUMS TRACT "B"-7) (09/10/86)

Includes Units 9A-H, inclusive.

BOOK 1924 PAGE 678

Phase 5

All that portion of Montana Terrace Condominiums Tract "B" as recorded in Book 23, Pages 78 and 79, Yavapai County Recorder's Office, further described as follows:

COMMENCING at the most Southwesterly Corner of said Tract "B"; thence, North 00° 01' 42" West, 482.18 feet along the Westerly line of said Tract "B", being the TRUE POINT OF BEGINNING.

Thence, North 00° 01' 42" West, 161.36 feet;
thence, South 89° 02' 11" East, 218.63 feet;
thence, South 00° 57' 49" West, 123.84 feet;
thence, North 89° 02' 11" West, 153.00 feet;
thence, South 00° 57' 49" West, 37.50 feet;
thence, North 89° 02' 11" West, 62.84 feet to the TRUE POINT OF BEGINNING.

(MONTANA TERRACE CONDOMINIUMS TRACT "B"-8) (09/10/86)


Includes Units 11A-H, inclusive.

BOOK 1924 PAGE 679

2477-01503

When recorded, return to:

Phyllis H. Parise, Esq.
Storey & Ross, P.C.
Court One - Fourth Floor
4742 North 24th Street
Phoenix, Arizona 85016


 INSTRUMENT # 8726628
 OFFICIAL RECORDS OF
 YAVAPAI COUNTY
 PATSY C. JENNEY
 REQUEST OF:
 CAPITAL TITLE CO
 DATE: 07/08/87 TIME: 11:45
 FEE: 6.00
 BOOK 1951 PAGE 448 PAGES: 006

S	Cl	P	4	Co	5	St
Uk		Mon				Pcl

SECOND AMENDMENT TO DECLARATION
 ESTABLISHING MONTAÑA TERRACE CONDOMINIUM
 AND DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
 YAVAPAI COUNTY, ARIZONA

THIS SECOND AMENDMENT is made and entered into this 12th day of June, 1987 by First City Properties Inc., a Delaware corporation, doing business as Design Master Homes (the "Declarant"), and is as follows:

W I T N E S S E T H:

WHEREAS, Declarant executed that certain Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on November 26, 1986 in Book 1879, at pages 844 through 896 in the Official Records of the Yavapai County, Arizona Recorder (the "Declaration") which affects that certain real property described in Exhibit "A" to the Declaration which is attached to this Second Amendment as Schedule 1 and incorporated herein by this reference ("Phase I"); and

WHEREAS, Declarant executed that certain First Amendment to Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on April 17, 1987 in Book 1924, at pages 665 through 679 in the Official Records of the Yavapai County, Arizona Recorder (the "First Amendment") conditionally annexing supplemental Phases to the Condominium described in the Plat of Montaña Terrace Condominium Phase II recorded in Book 26 of Maps and Plats, at page 26 in the Yavapai County, Arizona Recorder ("Phase II").

WHEREAS, Declarant desires to conditionally annex an additional supplemental Phase of the annexable property described in Exhibit "C" to the Declaration which Exhibit "C" is attached to this First Amendment as Schedule 2 and incorporated herein by this reference; and

WHEREAS, Declarant has reserved the right in Paragraph 34 of the Declaration to submit supplemental Phases to the Condominium from time to time by recording an amendment to the Declaration exercising such Development Right and by recording a Plat covering the portion of the Exhibit "C" property to be annexed; and

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WHEREAS, pursuant to Paragraph 34 of the Declaration and the Arizona Condominium Act, A.R.S. § 33-1201 et seq., (the "Act") Declarant may annex any such supplemental Phase without the consent of any other Owner or Mortgagee.

NOW, THEREFORE, the undersigned Declarant hereby amends the Declaration and declares as follows:

1. Capitalized terms used in this Second Amendment without definition shall have the meanings given to such terms in the Declaration.

2. Declarant hereby exercises the Development Right to annex that certain portion of the Exhibit "C" property described as Tract B-6, as more fully shown on the Plat for Montaña Terrace Condominium Phase III recorded on April 16, 1987 in Book 26 of Maps and Plats, at page 42, in the Official Records of the Yavapai County, Arizona Recorder (the "Supplemental Plat"). Said Tract shall constitute an individual Phase and shall contain the Condominium Units reflected on the Supplemental Plat and as shown on Schedule 3 attached to this Second Amendment and incorporated herein by this reference. Notwithstanding the foregoing, this First Amendment shall not be effective to annex such supplemental Phase described in Schedule 3 and on the Supplemental Plat unless and until Declarant conveys a Unit in such Phase to an Owner other than Declarant, whereupon such Phase shall be fully and automatically subject to this Declaration and part of the Condominium without any further amendment to the Declaration being required.

3. Prior to the time Declarant conveys any Unit in the supplemental Phase described in Schedule 3 hereto, all the real property in such supplemental Phase shall be free and clear of all liens, taxes and assessments, and all improvements contained within the boundaries of such supplemental Phase shall be substantially completed and shall be consistent, in terms of quality of construction, with the improvements constructed in Phases I and II of Montaña Terrace Condominium. Subject to the foregoing, the Supplemental Plat and this Second Amendment have been recorded prior to October 4, 1990 and, therefore, all conditions for adding real estate to the Condominium are hereby satisfied.

4. All of the supplemental Phase except for the Units therein contained shall be Common Elements. Units 1A, 1D, 1E, and 1H are each allocated a patio Limited Common Element as shown on the Supplemental Plat. In addition, each Unit in the supplemental Phase shall have a Limited Common Element parking area which is designated on the Supplemental Plat by the same number as the Unit. Each Unit is also allocated as Limited Common Elements those portions of the Common Elements described in A.R.S. §§ 33-1212(2) and (4) and Paragraph 3.3 of the Declaration.

2477-01503

5. Upon the date that this Second Amendment shall become effective to fully and unconditionally annex the supplemental Phase described in Schedule 3 as provided more fully above, the undivided interest in the Common Elements and in the Common Expenses of the Association shall be allocated equally among all of the Units then subject to the Declaration so that each Unit's undivided interest in the Common Elements and in the Common Expenses of the Association shall be the fraction, the numerator of which is one, and the denominator of which is all the Units then subject to the Declaration. Each Unit shall have one vote in the Association subject to any reserved rights of Declarant during the period of Declarant control as described in the Declaration and Paragraph 7 of the First Amendment.

6. All of the Development Rights and Special Declarant Rights granted to or reserved by the Declarant under Paragraphs 19 and 34 and elsewhere in the Declaration in accordance with the Act shall apply to the supplemental Phase annexed pursuant to this Second Amendment.

IN WITNESS WHEREOF, the Declarant has executed this Second Amendment on the day and year first written above.

FIRST CITY PROPERTIES INC., a Delaware corporation doing business as DESIGN MASTER HOMES

[Signature]
By Michael W. Martindale
Its Division President

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 15th day of June, 1987, by Michael W. Martindale, the Division President of First City Properties Inc., a Delaware corporation doing business as Design Master Homes, for and on behalf of said corporation.



My Commission Expires

Janet M. Bates
Notary Public

2477-01503

SCHEDULE 1

EXHIBIT "A"
TO THE DECLARATION

Condominium Units 4A-4H, inclusive, 5A-5H, inclusive, 6A-6H, inclusive, 7A-7H, inclusive, and 8A-8H, inclusive, according to the Plat of Montaña Terrace Condominium Phase I recorded in Book 26 of Maps and Plats, pages 13-14, of the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

BOOK 1951 PAGE 451

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SCHEDULE 2
EXHIBIT "C"
TO THE DECLARATION
(TOTAL ANNEXABLE PROPERTY)

Tracts B-2 through B-17, inclusive, according to the Plat of Montaña Terrace Condominium Phase I recorded in Book 26 of Maps and Plats, pages 13-14 of the Official Records of the Yavapai County, Arizona Recorder.

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SCHEDULE 3

SUPPLEMENTAL PHASE ADDED
TO THE CONDOMINIUM

(Tract B-6)


Condominium Units 1A-1H, inclusive, according to the Plat of Montana Terrace Condominium Phase III recorded in Book 26 of Maps and Plats, at page 42 in the Official Records of the Maricopa County, Arizona Recorder, together with an undivided interest in the common elements.

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2477-01503

When recorded, return to:

Phyllis H. Parise, Esq.
Storey & Ross, P.C.
Court One - Fourth Floor
4742 North 24th Street
Phoenix, Arizona 85016


 INSTRUMENT # 8726628
 OFFICIAL RECORDS OF
 YAVAPAI COUNTY
 PATSY C. JENNEY
 REQUEST OF:
 CAPITAL TITLE CO
 DATE: 07/08/87 TIME: 11:45
 FEE: 6.00
 BOOK 1951 PAGE 448 PAGES: 006

S	Cl	P	4	Co	5	St
Uk		Mon				Pcl

SECOND AMENDMENT TO DECLARATION
 ESTABLISHING MONTAÑA TERRACE CONDOMINIUM
 AND DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
 YAVAPAI COUNTY, ARIZONA

THIS SECOND AMENDMENT is made and entered into this 12th day of June, 1987 by First City Properties Inc., a Delaware corporation, doing business as Design Master Homes (the "Declarant"), and is as follows:

W I T N E S S E T H:

WHEREAS, Declarant executed that certain Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on November 26, 1986 in Book 1879, at pages 844 through 896 in the Official Records of the Yavapai County, Arizona Recorder (the "Declaration") which affects that certain real property described in Exhibit "A" to the Declaration which is attached to this Second Amendment as Schedule 1 and incorporated herein by this reference ("Phase I"); and

WHEREAS, Declarant executed that certain First Amendment to Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on April 17, 1987 in Book 1924, at pages 665 through 679 in the Official Records of the Yavapai County, Arizona Recorder (the "First Amendment") conditionally annexing supplemental Phases to the Condominium described in the Plat of Montaña Terrace Condominium Phase II recorded in Book 26 of Maps and Plats, at page 26 in the Yavapai County, Arizona Recorder ("Phase II").

WHEREAS, Declarant desires to conditionally annex an additional supplemental Phase of the annexable property described in Exhibit "C" to the Declaration which Exhibit "C" is attached to this First Amendment as Schedule 2 and incorporated herein by this reference; and

WHEREAS, Declarant has reserved the right in Paragraph 34 of the Declaration to submit supplemental Phases to the Condominium from time to time by recording an amendment to the Declaration exercising such Development Right and by recording a Plat covering the portion of the Exhibit "C" property to be annexed; and

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WHEREAS, pursuant to Paragraph 34 of the Declaration and the Arizona Condominium Act, A.R.S. § 33-1201 et seq., (the "Act") Declarant may annex any such supplemental Phase without the consent of any other Owner or Mortgagee.

NOW, THEREFORE, the undersigned Declarant hereby amends the Declaration and declares as follows:

1. Capitalized terms used in this Second Amendment without definition shall have the meanings given to such terms in the Declaration.

2. Declarant hereby exercises the Development Right to annex that certain portion of the Exhibit "C" property described as Tract B-6, as more fully shown on the Plat for Montaña Terrace Condominium Phase III recorded on April 16, 1987 in Book 26 of Maps and Plats, at page 42, in the Official Records of the Yavapai County, Arizona Recorder (the "Supplemental Plat"). Said Tract shall constitute an individual Phase and shall contain the Condominium Units reflected on the Supplemental Plat and as shown on Schedule 3 attached to this Second Amendment and incorporated herein by this reference. Notwithstanding the foregoing, this First Amendment shall not be effective to annex such supplemental Phase described in Schedule 3 and on the Supplemental Plat unless and until Declarant conveys a Unit in such Phase to an Owner other than Declarant, whereupon such Phase shall be fully and automatically subject to this Declaration and part of the Condominium without any further amendment to the Declaration being required.

3. Prior to the time Declarant conveys any Unit in the supplemental Phase described in Schedule 3 hereto, all the real property in such supplemental Phase shall be free and clear of all liens, taxes and assessments, and all improvements contained within the boundaries of such supplemental Phase shall be substantially completed and shall be consistent, in terms of quality of construction, with the improvements constructed in Phases I and II of Montaña Terrace Condominium. Subject to the foregoing, the Supplemental Plat and this Second Amendment have been recorded prior to October 4, 1990 and, therefore, all conditions for adding real estate to the Condominium are hereby satisfied.

4. All of the supplemental Phase except for the Units therein contained shall be Common Elements. Units 1A, 1D, 1E, and 1H are each allocated a patio Limited Common Element as shown on the Supplemental Plat. In addition, each Unit in the supplemental Phase shall have a Limited Common Element parking area which is designated on the Supplemental Plat by the same number as the Unit. Each Unit is also allocated as Limited Common Elements those portions of the Common Elements described in A.R.S. §§ 33-1212(2) and (4) and Paragraph 3.3 of the Declaration.

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5. Upon the date that this Second Amendment shall become effective to fully and unconditionally annex the supplemental Phase described in Schedule 3 as provided more fully above, the undivided interest in the Common Elements and in the Common Expenses of the Association shall be allocated equally among all of the Units then subject to the Declaration so that each Unit's undivided interest in the Common Elements and in the Common Expenses of the Association shall be the fraction, the numerator of which is one, and the denominator of which is all the Units then subject to the Declaration. Each Unit shall have one vote in the Association subject to any reserved rights of Declarant during the period of Declarant control as described in the Declaration and Paragraph 7 of the First Amendment.

6. All of the Development Rights and Special Declarant Rights granted to or reserved by the Declarant under Paragraphs 19 and 34 and elsewhere in the Declaration in accordance with the Act shall apply to the supplemental Phase annexed pursuant to this Second Amendment.

IN WITNESS WHEREOF, the Declarant has executed this Second Amendment on the day and year first written above.

FIRST CITY PROPERTIES INC., a Delaware corporation doing business as DESIGN MASTER HOMES

[Signature]
By Michael W. Martindale
Its Division President

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 15th day of June, 1987, by Michael W. Martindale, the Division President of First City Properties Inc., a Delaware corporation doing business as Design Master Homes, for and on behalf of said corporation.



My Commission Expires

Janet M. Bates
Notary Public

2477-01503

SCHEDULE 1

EXHIBIT "A"
TO THE DECLARATION

Condominium Units 4A-4H, inclusive, 5A-5H, inclusive, 6A-6H, inclusive, 7A-7H, inclusive, and 8A-8H, inclusive, according to the Plat of Montaña Terrace Condominium Phase I recorded in Book 26 of Maps and Plats, pages 13-14, of the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

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2477-01503

SCHEDULE 2
EXHIBIT "C"
TO THE DECLARATION
(TOTAL ANNEXABLE PROPERTY)

Tracts B-2 through B-17, inclusive, according to the Plat of Montaña Terrace Condominium Phase I recorded in Book 26 of Maps and Plats, pages 13-14 of the Official Records of the Yavapai County, Arizona Recorder.

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SCHEDULE 3

SUPPLEMENTAL PHASE ADDED
TO THE CONDOMINIUM

(Tract B-6)

Condominium Units 1A-1H, inclusive, according to the Plat of Montana Terrace Condominium Phase III recorded in Book 26 of Maps and Plats, at page 42 in the Official Records of the Maricopa County, Arizona Recorder, together with an undivided interest in the common elements.

BOOK 1951 PAGE 453

2477-01502

INSTRUMENT # 8842543
 OFFICIAL RECORDS OF
 YAVAPAI COUNTY
 PATSY C. JENNEY
 REQUEST OF:
 CAPITAL TITLE CO.
 DATE: 11/16/88 TIME: 16:05
 FEE: 8.00
 BOOK 2097 PAGE 663 PAGES: 008

WHEN RECORDED, RETURN TO: *Capital Title Co.*
 Phyllis H. Parise, Esq.
 Storey & Ross, P.C.
 Court One - Fourth Floor
 4742 North 24th Street
 Phoenix, Arizona 85016
Holder

S	8	1	P	4	Co	5	St
Bk	Map			Pl			

**THIRD AMENDMENT TO DECLARATION
 ESTABLISHING MONTAÑA TERRACE CONDOMINIUM
 AND DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
 YAVAPAI COUNTY, ARIZONA**

THIS THIRD AMENDMENT is made and entered into this 15 day of November, 1988 by FIRST CITY PROPERTIES INC., a Delaware corporation, doing business as DESIGN MASTER HOMES (the "Declarant"), and is as follows:

W I T N E S S E T H:

WHEREAS, Declarant executed that certain Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on November 26, 1986 in Book 1879, at pages 844 through 896 in the Official Records of the Yavapai County, Arizona Recorder (the "Declaration") which affects that certain real property described in Exhibit "A" to the Declaration ("Phase I"), which together with Phases II and III set forth below are described on Schedule 1 attached to this Third Amendment and incorporated herein by this reference; and

WHEREAS, Declarant executed that certain First Amendment to Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on April 17, 1987 in Book 1924, at pages 665 through 679 in the Official Records of the Yavapai County, Arizona Recorder (the "First Amendment") conditionally annexing supplemental Phases to the Condominium described in the Plat of Montaña Terrace Condominium Phase II recorded in Book 26 of Maps and Plats, at page 26 in the Official Records of the Yavapai County, Arizona Recorder ("Phase II"); and

WHEREAS, Declarant executed that certain Second Amendment to Declaration establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on July 8, 1987 in Book 1951, at pages 448 through 453 in the Official Records of the Yavapai County, Arizona Recorder (the "Second Amendment") conditionally annexing a supplemental Phase to the Condominium described in the Plat of Montaña Terrace Condominium Phase III recorded in Book 26 of Maps and Plats, at page 42, in the Official Records of the Yavapai County, Arizona Recorder ("Phase III"); and

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WHEREAS, Declarant desires to conditionally annex additional supplemental Phases constituting a portion of the annexable property described in Exhibit "C" to the Declaration which Exhibit "C" is attached to this Third Amendment as Schedule 2 and incorporated herein by this reference; and

WHEREAS, Declarant has reserved the right in Paragraph 34 of the Declaration to submit supplemental Phases to the Condominium from time to time by recording an amendment to the Declaration exercising such Development Right and by recording a Plat covering the portion of the Exhibit "C" property to be annexed; and

WHEREAS, pursuant to Paragraph 34 of the Declaration and the Arizona Condominium Act, A.R.S. § 33-1201 et seq., (the "Act") Declarant may annex any such supplemental Phase without the consent of any other Owner or Mortgagee.

NOW, THEREFORE, the undersigned Declarant hereby amends the Declaration and declares as follows:

1. Capitalized terms used in this Third Amendment without definition shall have the meanings given to such terms in the Declaration.

2. Declarant hereby exercises the Development Right to annex those certain portions of the Exhibit "C" property described as (i) Tract B-5, as more fully shown on the Plat for Montaña Terrace Condominium Phase IV recorded on August 19, 1988 in Book 27 of Maps and Plats, at page 23, in the Official Records of the Yavapai County, Arizona Recorder and (ii) Tract B-9, as more fully shown on the Plat for Montaña Terrace Condominium Phase V recorded on August 19, 1988 in Book 27 of Maps and Plats, at page 24, in the Official Records of the Yavapai County, Arizona Recorder (collectively the "Supplemental Plats"). Tracts B-5 and B-9 shall constitute two (2) individual Phases and shall contain the Condominium Units reflected on the Supplemental Plats and as shown on Schedule 3 and Schedule 4, respectively, attached to this Third Amendment and incorporated herein by this reference ("Phase IV" and "Phase V" respectively). Notwithstanding the foregoing, this Third Amendment shall not be effective to annex either Phase IV or Phase V unless and until Declarant conveys a Unit in Phase IV or Phase V to an Owner other than Declarant, whereupon the Phase from which the Unit was conveyed shall be fully and automatically subject to this Declaration and part of the Condominium without any further amendment to the Declaration being required.

3. Prior to the time Declarant conveys any Unit in Phase IV or Phase V, all the real property in either Phase IV or Phase V shall be free and clear of all liens, taxes and assessments, and all improvements contained within the boundaries of the Phases shall be substantially completed and shall be

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consistent, in terms of quality of construction, with the improvements constructed in Phases I, II and III of Montaña Terrace Condominium. Subject to the foregoing, the Supplemental Plats and this Third Amendment have been recorded prior to October 4, 1990 and, therefore, all conditions for adding real estate to the Condominium are hereby satisfied.

4. All of Phase IV and Phase V, except for and exclusive of the Units therein contained, shall be Common Elements and are hereby annexed to the Montaña Terrace Condominium. Units 2A, 2D, 2E, and 2H in Phase IV and Units 13A, 13D, 13E, and 13H in Phase V are each allocated a patio Limited Common Element as shown on the Supplemental Plats. In addition, each Unit in Phase IV and Phase V shall have a Limited Common Element parking area which is designated on the Supplemental Plats by the same number as the Unit. Each Unit is also allocated as Limited Common Elements those portions of the Common Elements described in A.R.S. § 33-1212(2) and (4) and Paragraph 3.3 of the Declaration.

5. Upon the date that this Third Amendment shall become effective to fully and unconditionally annex either Phase IV or Phase V as provided more fully above, the undivided interest in the Common Elements and in the Common Expenses of the Association shall be allocated equally among all of the Units then subject to the Declaration so that each Unit's undivided interest in the Common Elements and in the Common Expenses of the Association shall be a fraction, the numerator of which is one, and the denominator of which is all the Units then subject to the Declaration. Each Unit shall have one vote in the Association subject to any reserved rights of Declarant during the period of Declarant control as described in the Declaration and Paragraph 7 of the First Amendment.

6. All of the Development Rights and Special Declarant Rights granted to or reserved by the Declarant under Paragraphs 19 and 34 and elsewhere in the Declaration in accordance with the Act shall apply to Phase IV and Phase V pursuant to this Third Amendment.

IN WITNESS WHEREOF, the Declarant has executed this Third Amendment on the day and year first written above.

FIRST CITY PROPERTIES INC., a
Delaware corporation doing
business as DESIGN MASTER HOMES

By *Michael W. Martindale*
Michael W. Martindale
Its Arizona Division President

BOOK 2097 PAGE 665

2477-01502

STATE OF ARIZONA)
) ss.
County of)

On this the ___ day of _____, 1988, before me, the undersigned Notary Public, personally appeared MICHAEL W. MARTINDALE, who acknowledged himself to be the Arizona Division President of FIRST CITY PROPERTIES INC., a Delaware corporation doing business as DESIGN MASTER HOMES, and that he, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as such officer.

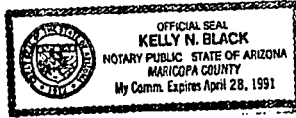
IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Kelly N. Black

Notary Public

My Commission Expires:

April 28, 1991



BOOK 2097 PAGE 666

2477-01502

SCHEDULE 1
TO THE DECLARATION

PHASE I

Condominium Units 4A-4H, inclusive, 5A-5H, inclusive, 6A-6H, inclusive, 7A-7H, inclusive, and 8A-8H, inclusive, according to the Plat of Montaña Terrace Condominium Phase I recorded in Book 26 of Maps and Plats, pages 13-14, of the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

PHASE II

(Tracts B-2, B-3, B-4, B-7 and B-8)

Condominium Units 3A-3H, inclusive, 9A-9H, inclusive, 10A-10H, inclusive, 11A-11H, inclusive, 12A-12H, inclusive, according to the Plat of Montaña Terrace Condominium Phase II recorded in Book 26 of Maps and Plats, page 26, of the Official records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

PHASE III

(Tract B-6)

Condominium Units 1A-1H, inclusive, according to the Plat of Montaña Terrace Condominium Phase III recorded in Book 26 of Maps and Plats, page 42, of the Official records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

BOOK 2097 PAGE 667

2477-01502

SCHEDULE 2
EXHIBIT "C"
TO THE DECLARATION
(TOTAL ANNEXABLE PROPERTY)

Tracts B-2 through B-17, inclusive, according to the Plat of Montaña Terrace Condominium Phase I recorded in Book 26 of Maps and Plats, pages 13-14 of the Official Records of the Yavapai County, Arizona Recorder.

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2477-01502

SCHEDULE 3

PHASE IV

(Tract B-5)

Condominium Units 2A-2H, inclusive, according to the Plat of Montaña Terrace Condominium Phase IV recorded in Book 27 of Maps and Plats, at page 23 in the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

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SCHEDULE 4

PHASE V

(Tract B-9)

Condominium Units 13A-13H, inclusive, according to the Plat of Montaña Terrace Condominium Phase V recorded in Book 27 of Maps and Plats, at page 24 in the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

BOOK 2097 PAGE 670

INSTRUMENT # 8927446
 OFFICIAL RECORDS OF
 YAVAPAI COUNTY
 PATSY C. JENNEY
 REQUEST OF:
 CAPITAL TITLE AGENCY
 DATE: 07/27/89 TIME: 16:10
 FEE: 8.00
 BOOK 2169 PAGE 081 PAGES: 008

WHEN RECORDED, RETURN TO:

Leanne S. Mariano, Esq.
 Storey & Ross, P.C.
 Court One - Fourth Floor
 4742 North 24th Street
 Phoenix, Arizona 85016

FOURTH AMENDMENT TO DECLARATION
 ESTABLISHING MONTAÑA TERRACE CONDOMINIUM AND DECLARATION OF
 COVENANTS, CONDITIONS AND RESTRICTIONS
 YAVAPAI COUNTY, ARIZONA

\$	6	1	✓	4	Co	5	Sr
	Bk			Map			Pcl

THIS FOURTH AMENDMENT is made and entered into this 17th day of July, 1989 by FIRST CITY PROPERTIES INC., a Delaware corporation doing business as DESIGN MASTER HOMES (the "Declarant"), and is as follows:

W I T N E S S E T H

WHEREAS, Declarant executed that certain Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on November 26, 1986 in Book 1879, at pages 844 through 896 in the Official Records of the Yavapai County, Arizona Recorder (the "Declaration") which affects that certain real property described in Exhibit "A" to the Declaration ("Phase I"), which together with Phases II, III, IV and V set forth below are described on Schedule 1 attached to this Fourth Amendment and incorporated herein by this reference; and

WHEREAS, Declarant executed that certain First Amendment to Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on April 17, 1987 in Book 1924, at pages 665 through 679 in the Official Records of the Yavapai County, Arizona Recorder (the "First Amendment") conditionally annexing supplemental Phases to the Condominium described in the Plat of Montaña Terrace Condominium Phase II recorded in Book 26 of Maps and Plats, at page 26 in the Official Records of the Yavapai County, Arizona Recorder ("Phase II"); and

WHEREAS, Declarant executed that certain Second Amendment to Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on July 8, 1987 in Book 1951, at pages 448 through 453 in the Official Records of the Yavapai County, Arizona Recorder (the "Second Amendment") conditionally annexing a supplemental Phase to the Condominium described in the Plat of Montaña Terrace Condominium Phase III recorded in Book 26 of Maps and Plats, at page 42, in the Official Records of the Yavapai County, Arizona Recorder ("Phase III"); and

WHEREAS, Declarant executed that certain Third Amendment to Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on November 16, 1988 in Book 2097, at pages 663 through 670 in the Official Records of the Yavapai County, Arizona Recorder ("Third Amendment") conditionally annexing supplemental Phases to the Condominium described in the Plat of Montaña Terrace Condominium Phase IV recorded in Book 27 of Maps and Plats at page 23 and the Plat of Montaña Terrace Condominium Phase V recorded in Book 27 of Maps at page 24, both in the Official Records of the Yavapai County, Arizona Recorder ("Phase IV" and "Phase V"); and

WHEREAS, Declarant desires to conditionally annex additional supplemental Phases constituting a portion of the annexable property described in Exhibit "C" to the Declaration, which Exhibit "C" is attached to this Fourth Amendment as Schedule 2 and incorporated herein by this reference; and

WHEREAS, Declarant has reserved the right in Paragraph 34 of the Declaration to submit supplemental Phases to the Condominium from time to time by recording an amendment to the Declaration exercising such Development Right and by recording a Plat covering the portion of the Exhibit "C" property to be annexed; and

WHEREAS, pursuant to Paragraph 34 of the Declaration and the Arizona Condominium Act, A.R.S. § 33-1201 et seq. (the "Act") Declarant may annex any such supplemental Phase without the consent of any other Owner or Mortgagee.

NOW THEREFORE, the undersigned Declarant hereby amends the Declaration and declares as follows:

1. Capitalized terms used in this Fourth Amendment without definition shall have the meanings given to such terms in the Declaration.

2. Declarant hereby exercises the Development Right to annex those portions of the Exhibit "C" property described as (i) Tract B-10 as more fully shown on the Plat for Montaña Terrace Condominium Phase VI recorded on July 14, 1989 in Book 27 of Maps and Plats at page 74 in the Official Records of the Yavapai County Recorder; and (ii) Tract B-11 as more fully shown in the Plat for Montaña Terrace Condominium Phase VII recorded on July 14, 1989 in Book 27 of Maps and Plats at page 75 in the Official Records of the Yavapai County, Arizona Recorder (collectively the "Supplemental Plats"). Tracts B-10 and B-11 shall constitute two (2) individual Phases and shall contain the Condominium Units reflected on the Supplemental Plats and as shown on Schedule 3 and 4, respectively attached to this Fourth Amendment and incorporated herein by this reference ("Phase VI" and "Phase VII", respectively). Notwithstanding the foregoing, this Fourth Amendment shall not be effective to annex

either Phase VI or Phase VII unless and until Declarant conveys a Unit in Phase VI or Phase VIII to an Owner other than Declarant, whereupon the Phase from which the Unit was conveyed shall be fully and automatically subject to this Declaration and part of the Condominium without any further amendment to the Declaration being required.

3. Prior to the time Declarant conveys any Unit in Phase VI or Phase VII, all the real property in either Phase VI or Phase VII shall be free and clear of all liens, taxes and assessments and all improvements contained within the boundaries of the Phases shall be substantially completed and shall be consistent, in terms of quality of construction, with the improvements constructed in Phases I, II, III, IV, and V of Montaña Terrace Condominium. Subject to the foregoing, the Supplemental Plats and this Fourth Amendment have been recorded prior to October 4, 1990 and therefore, all conditions for adding real estate to the Condominium are hereby satisfied.

4. All of Phase VI and Phase VII, except for an exclusive of the Units therein contained, shall be Common Elements and are hereby annexed to the Montaña Terrace Condominium. Units 14A, 14D, 14E and 14H in Phase VI and Units 15A, 15D, 15E and 15H in Phase VII are each allocated a patio Limited Common Element as shown on the Supplemental Plats. In addition, each Unit in Phase VI and Phase VII shall have a Limited Common Element parking area which is designated on the Supplemental Plats by the same number as the Unit. Each Unit is also allocated as Limited Common Elements those portions of the Common Elements described in A.R.S. § 33-1212(2) and (4) and Paragraph 3.3 of the Declaration.

5. Upon the date that this Fourth Amendment shall become effective to fully and unconditionally annex either Phase VI or Phase VII as provided more fully above, the undivided interest in the Common Elements and the Common Expenses of the Association shall be allocated equally among all the Units then subject to a Declaration so that each Unit's undivided interest in the Common Elements and in the Common Expenses of the Association shall be a fraction, the numerator of which is one (1) and the denominator of which is all the Units then subject to the Declaration. Each Unit shall have one (1) vote in the Association, subject to any rights of Declarant during the period of Declarant control as described in the Declaration in Paragraph 7 of the First Amendment.

6. All of the Development Rights and Special Declarant Rights granted to or reserved by the Declarant under Paragraphs 19 and 34 and elsewhere in the Declaration in accordance with the Act shall apply to Phase VI and Phase VII pursuant to this Fourth Amendment.

SCHEDULE 1

TO THE DECLARATION

PHASE I

Condominium Units 4A-4H, inclusive, 5A-5H, inclusive, 6A-6H, inclusive, 7A-7H, inclusive, and 8A-8H, inclusive, according to the Plat of Montana Terrace Condominium Phase I recorded in Book 26 of Maps and Plats, pages 13-14, of the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

Phase II

(Tracts B-2, B-3, B-4, B-7 and B-8)

Condominium Units 3A-3H, inclusive, 9A-9H, inclusive, 10A-10H, inclusive, 11A-11H, inclusive, 12A-12H, inclusive, according to the Plat of Montana Terrace Condominium Phase II recorded in Book 26 of Maps and Plats, page 26, of the Official records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

PHASE III

(Tract B-6)

Condominium Units 1A-1H, inclusive, according to the Plat of Montana Terrace Condominium Phase III recorded in Book 26 of Maps and Plats, page 42, of the Official records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

PHASE IV

(Tract B-5)

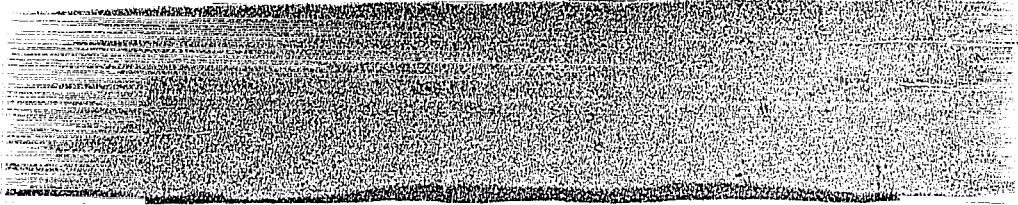
Condominium Units 2A-2H, inclusive, according to the Plat of Montana Terrace Condominium Phase IV recorded in Book 27 of Maps and Plats, at page 23 in the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

PHASE V

(Tract B-9)

Condominium Units 13A-13H, inclusive, according to the Plat of Montana Terrace Condominium Phase V recorded in Book 27 of Maps and Plats, at page 24 in the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

BOOK 2169 PAGE 84

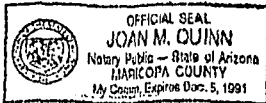


IN WITNESS WHEREOF, Declarant has executed this Fourth Amendment on the day and year first written above.

FIRST CITY PROPERTIES INC., a Delaware corporation doing business as DESIGN MASTER HOMES

By *Jack J. Moody*
Jack Moody
Its Division President
(Arizona Operations)

State of Arizona
County of Maricopa



The foregoing instrument was acknowledged before me this 17 day of July, 1989, by JACK MOODY, the Division President (Arizona Operations) of FIRST CITY PROPERTIES INC., a Delaware corporation doing business as DESIGN MASTER HOMES, for and on behalf of the corporation.

My commission expires:
12/5/91

Joan M. Quinn
Notary Public

BOOK 2169 PAGE 85



SCHEDULE 2

EXHIBIT "C"
TO THE DECLARATION
(TOTAL ANNEXABLE PROPERTY)

Tracts B-2 through B-17, inclusive, according to the Plat of Montana Terrace Condominium Phase I recorded in Book 26 of the Maps and Plats, pages 13-14 of the Official Records of the Yavapai County, Arizona Recorder.

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SCHEDULE 3

PHASE VI

(Tract B-10)

Condominium Units 14A-14H, inclusive, according to the Plat of Montana Terrace Condominium Phase VI recorded in Book 27 of Maps and Plats, at page 74 in the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

BOOK 2169 PAGE 87


SCHEDULE 4

PHASE VII

(Tract B-11)

Condominium Units 15A - 15H, inclusive, according to the Plat of Montana Terrace Condominium Phase VII recorded in Book 27 of Maps and Plats, at page 75 in the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

BOOK 2169 PAGE 88



INSTRUMENT # 8927446
 OFFICIAL RECORDS OF
 YAVAPAI COUNTY
 PATSY C. JENNEY
 REQUEST OF:
 CAPITAL TITLE AGENCY
 DATE: 07/27/89 TIME: 16:10
 FEE: 8.00
 BOOK 2169 PAGE 081 PAGES: 008

WHEN RECORDED, RETURN TO:
 Leanne S. Mariano, Esq.
 Storey & Ross, P.C.
 Court One - Fourth Floor
 4742 North 24th Street
 Phoenix, Arizona 85016

FOURTH AMENDMENT TO DECLARATION
 ESTABLISHING MONTAÑA TERRACE CONDOMINIUM AND DECLARATION OF
 COVENANTS, CONDITIONS AND RESTRICTIONS
 YAVAPAI COUNTY, ARIZONA

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	Bk			Map			Pcl

THIS FOURTH AMENDMENT is made and entered into this 17th day of July, 1989 by FIRST CITY PROPERTIES INC., a Delaware corporation doing business as DESIGN MASTER HOMES (the "Declarant"), and is as follows:

W I T N E S S E T H

WHEREAS, Declarant executed that certain Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on November 26, 1986 in Book 1879, at pages 844 through 896 in the Official Records of the Yavapai County, Arizona Recorder (the "Declaration") which affects that certain real property described in Exhibit "A" to the Declaration ("Phase I"), which together with Phases II, III, IV and V set forth below are described on Schedule 1 attached to this Fourth Amendment and incorporated herein by this reference; and

WHEREAS, Declarant executed that certain First Amendment to Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on April 17, 1987 in Book 1924, at pages 665 through 679 in the Official Records of the Yavapai County, Arizona Recorder (the "First Amendment") conditionally annexing supplemental Phases to the Condominium described in the Plat of Montaña Terrace Condominium Phase II recorded in Book 26 of Maps and Plats, at page 26 in the Official Records of the Yavapai County, Arizona Recorder ("Phase II"); and

WHEREAS, Declarant executed that certain Second Amendment to Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on July 8, 1987 in Book 1951, at pages 448 through 453 in the Official Records of the Yavapai County, Arizona Recorder (the "Second Amendment") conditionally annexing a supplemental Phase to the Condominium described in the Plat of Montaña Terrace Condominium Phase III recorded in Book 26 of Maps and Plats, at page 42, in the Official Records of the Yavapai County, Arizona Recorder ("Phase III"); and

WHEREAS, Declarant executed that certain Third Amendment to Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on November 16, 1988 in Book 2097, at pages 663 through 670 in the Official Records of the Yavapai County, Arizona Recorder ("Third Amendment") conditionally annexing supplemental Phases to the Condominium described in the Plat of Montaña Terrace Condominium Phase IV recorded in Book 27 of Maps and Plats at page 23 and the Plat of Montaña Terrace Condominium Phase V recorded in Book 27 of Maps at page 24, both in the Official Records of the Yavapai County, Arizona Recorder ("Phase IV" and "Phase V"); and

WHEREAS, Declarant desires to conditionally annex additional supplemental Phases constituting a portion of the annexable property described in Exhibit "C" to the Declaration, which Exhibit "C" is attached to this Fourth Amendment as Schedule 2 and incorporated herein by this reference; and

WHEREAS, Declarant has reserved the right in Paragraph 34 of the Declaration to submit supplemental Phases to the Condominium from time to time by recording an amendment to the Declaration exercising such Development Right and by recording a Plat covering the portion of the Exhibit "C" property to be annexed; and

WHEREAS, pursuant to Paragraph 34 of the Declaration and the Arizona Condominium Act, A.R.S. § 33-1201 et seq. (the "Act") Declarant may annex any such supplemental Phase without the consent of any other Owner or Mortgagee.

NOW THEREFORE, the undersigned Declarant hereby amends the Declaration and declares as follows:

1. Capitalized terms used in this Fourth Amendment without definition shall have the meanings given to such terms in the Declaration.

2. Declarant hereby exercises the Development Right to annex those portions of the Exhibit "C" property described as (i) Tract B-10 as more fully shown on the Plat for Montaña Terrace Condominium Phase VI recorded on July 14, 1989 in Book 27 of Maps and Plats at page 74 in the Official Records of the Yavapai County Recorder; and (ii) Tract B-11 as more fully shown in the Plat for Montaña Terrace Condominium Phase VII recorded on July 14, 1989 in Book 27 of Maps and Plats at page 75 in the Official Records of the Yavapai County, Arizona Recorder (collectively the "Supplemental Plats"). Tracts B-10 and B-11 shall constitute two (2) individual Phases and shall contain the Condominium Units reflected on the Supplemental Plats and as shown on Schedule 3 and 4, respectively attached to this Fourth Amendment and incorporated herein by this reference ("Phase VI" and "Phase VII", respectively). Notwithstanding the foregoing, this Fourth Amendment shall not be effective to annex

either Phase VI or Phase VII unless and until Declarant conveys a Unit in Phase VI or Phase VIII to an Owner other than Declarant, whereupon the Phase from which the Unit was conveyed shall be fully and automatically subject to this Declaration and part of the Condominium without any further amendment to the Declaration being required.

3. Prior to the time Declarant conveys any Unit in Phase VI or Phase VII, all the real property in either Phase VI or Phase VII shall be free and clear of all liens, taxes and assessments and all improvements contained within the boundaries of the Phases shall be substantially completed and shall be consistent, in terms of quality of construction, with the improvements constructed in Phases I, II, III, IV, and V of Montaña Terrace Condominium. Subject to the foregoing, the Supplemental Plats and this Fourth Amendment have been recorded prior to October 4, 1990 and therefore, all conditions for adding real estate to the Condominium are hereby satisfied.

4. All of Phase VI and Phase VII, except for an exclusive of the Units therein contained, shall be Common Elements and are hereby annexed to the Montaña Terrace Condominium. Units 14A, 14D, 14E and 14H in Phase VI and Units 15A, 15D, 15E and 15H in Phase VII are each allocated a patio Limited Common Element as shown on the Supplemental Plats. In addition, each Unit in Phase VI and Phase VII shall have a Limited Common Element parking area which is designated on the Supplemental Plats by the same number as the Unit. Each Unit is also allocated as Limited Common Elements those portions of the Common Elements described in A.R.S. § 33-1212(2) and (4) and Paragraph 3.3 of the Declaration.

5. Upon the date that this Fourth Amendment shall become effective to fully and unconditionally annex either Phase VI or Phase VII as provided more fully above, the undivided interest in the Common Elements and the Common Expenses of the Association shall be allocated equally among all the Units then subject to a Declaration so that each Unit's undivided interest in the Common Elements and in the Common Expenses of the Association shall be a fraction, the numerator of which is one (1) and the denominator of which is all the Units then subject to the Declaration. Each Unit shall have one (1) vote in the Association, subject to any rights of Declarant during the period of Declarant control as described in the Declaration in Paragraph 7 of the First Amendment.

6. All of the Development Rights and Special Declarant Rights granted to or reserved by the Declarant under Paragraphs 19 and 34 and elsewhere in the Declaration in accordance with the Act shall apply to Phase VI and Phase VII pursuant to this Fourth Amendment.

SCHEDULE 1

TO THE DECLARATION

PHASE I

Condominium Units 4A-4H, inclusive, 5A-5H, inclusive, 6A-6H, inclusive, 7A-7H, inclusive, and 8A-8H, inclusive, according to the Plat of Montana Terrace Condominium Phase I recorded in Book 26 of Maps and Plats, pages 13-14, of the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

Phase II

(Tracts B-2, B-3, B-4, B-7 and B-8)

Condominium Units 3A-3H, inclusive, 9A-9H, inclusive, 10A-10H, inclusive, 11A-11H, inclusive, 12A-12H, inclusive, according to the Plat of Montana Terrace Condominium Phase II recorded in Book 26 of Maps and Plats, page 26, of the Official records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

PHASE III

(Tract B-6)

Condominium Units 1A-1H, inclusive, according to the Plat of Montana Terrace Condominium Phase III recorded in Book 26 of Maps and Plats, page 42, of the Official records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

PHASE IV

(Tract B-5)

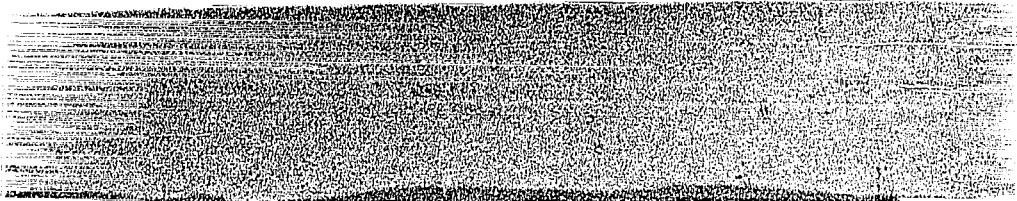
Condominium Units 2A-2H, inclusive, according to the Plat of Montana Terrace Condominium Phase IV recorded in Book 27 of Maps and Plats, at page 23 in the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

PHASE V

(Tract B-9)

Condominium Units 13A-13H, inclusive, according to the Plat of Montana Terrace Condominium Phase V recorded in Book 27 of Maps and Plats, at page 24 in the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

BOOK 2169 PAGE 84

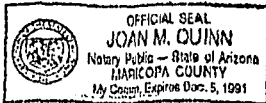


IN WITNESS WHEREOF, Declarant has executed this Fourth Amendment on the day and year first written above.

FIRST CITY PROPERTIES INC., a Delaware corporation doing business as DESIGN MASTER HOMES

By *Jack J. Moody*
Jack Moody
Its Division President
(Arizona Operations)

State of Arizona
County of Maricopa

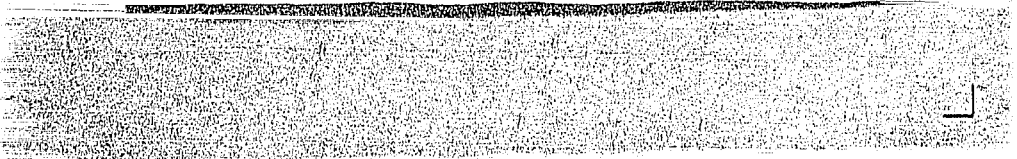


The foregoing instrument was acknowledged before me this 17 day of July, 1989, by JACK MOODY, the Division President (Arizona Operations) of FIRST CITY PROPERTIES INC., a Delaware corporation doing business as DESIGN MASTER HOMES, for and on behalf of the corporation.

My commission expires:
12/5/91

Joan M. Quinn
Notary Public

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SCHEDULE 2
EXHIBIT "C"
TO THE DECLARATION
(TOTAL ANNEXABLE PROPERTY)

Tracts B-2 through B-17, inclusive, according to the Plat of Montana Terrace Condominium Phase I recorded in Book 26 of the Maps and Plats, pages 13-14 of the Official Records of the Yavapai County, Arizona Recorder.

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SCHEDULE 3

PHASE VI

(Tract B-10)

Condominium Units 14A-14H, inclusive, according to the Plat of Montana Terrace Condominium Phase VI recorded in Book 27 of Maps and Plats, at page 74 in the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

BOOK 2169 PAGE 87

SCHEDULE 4

PHASE VII


(Tract B-11)

Condominium Units 15A - 15H, inclusive, according to the Plat of Montana Terrace Condominium Phase VII recorded in Book 27 of Maps and Plats, at page 75 in the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

BOOK 2169 PAGE 88

WHEN RECORDED, RETURN TO:

Leanne S. Mariano, Esq.
Storey & Ross, P.C.
Court One - Fourth Floor
4742 North 24th Street
Phoenix, Arizona 85016

	INSTRUMENT # 8933874
	OFFICIAL RECORDS OF YAVAPAI COUNTY PATSY C. JENNEY
	REQUEST OF: CITY OF PRESCOTT
	DATE: 09/13/89 TIME: 12:30
	FEE: 14.00
	BOOK 2182 PAGE 289 PAGES: 014

FIFTH AMENDMENT TO DECLARATION
ESTABLISHING MONTAÑA TERRACE CONDOMINIUM AND DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
YAVAPAI COUNTY, ARIZONA

5/4	12	P	A	Co	S	St
Bl	Map					Pd

THIS FIFTH AMENDMENT is made and entered into this 13th day of September, 1989 by FIRST CITY PROPERTIES INC., a Delaware corporation doing business as DESIGN MASTER HOMES (the "Declarant"), and is as follows:

W I T N E S S E T H

WHEREAS, Declarant executed that certain Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on November 26, 1986 in Book 1879, at pages 844 through 896 in the Official Records of the Yavapai County, Arizona Recorder (the "Declaration") which affects that certain real property described in Exhibit "A" to the Declaration ("Phase I"), which together with Phases II, III, IV, V, VI and VII set forth below are described on Schedule 1 attached to this Fifth Amendment and incorporated herein by this reference; and

WHEREAS, Declarant executed that certain First Amendment to Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on April 17, 1987 in Book 1924, at pages 665 through 679 in the Official Records of the Yavapai County, Arizona Recorder (the "First Amendment") conditionally annexing supplemental Phases to the Condominium described in the Plat of Montaña Terrace condominium Phase II recorded in Book 26 of Maps and Plats, at page 26 in the Official Records of the Yavapai County, Arizona Recorder ("Phase II"); and

WHEREAS, Declarant executed that certain Second Amendment to Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on July 8, 1987 in Book 1951, at pages 448 through 453 in the Official Records of the Yavapai County, Arizona Recorder (the "Second Amendment") conditionally annexing a supplemental Phase to the Condominium described in the Plat of Montaña Terrace Condominium Phase III recorded in Book 26 of Maps and Plats, at page 42, in the Official Records of the Yavapai County, Arizona Recorder ("Phase III"); and

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Page 1 of 6

BOOK 2182 PAGE 289

WHEREAS, Declarant executed that certain Third Amendment to Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on November 16, 1988 in Book 2097, at pages 663 through 670 in the Official Records of the Yavapai County, Arizona Recorder ("Third Amendment") conditionally annexing supplemental Phases to the Condominium described in the Plat of Montaña Terrace Condominium Phase IV recorded in Book 27 of Maps and Plats at page 23 and the Plat of Montaña Terrace Condominium Phase V recorded in Book 27 of Maps at page 24, both in the Official Records of the Yavapai County, Arizona Recorder ("Phase IV" and "Phase V"); and

WHEREAS, Declarant executed that certain Fourth Amendment to Declaration Establishing Montaña Terrace Condominium and Declaration of Covenants, Conditions and Restrictions recorded on July 27, 1989 in Book 2169, at pages 081 through 088 in the Official Records of the Yavapai County, Arizona Recorder ("Fourth Amendment") conditionally annexing supplemental Phases to the Condominium described in the Plat of Montaña Terrace Condominium Phase VI recorded in Book 27 of Maps and Plats at page 74 and the Plat of Montaña Terrace Condominium Phase VII recorded in Book 27 of Maps and Plats at page 75, both in the Official Records of the Yavapai County, Arizona Recorder ("Phase VI" and "Phase VII"); and

WHEREAS, Declarant desires to conditionally annex additional supplemental Phases constituting a portion of the annexable property described in Exhibit "C" to the Declaration, which Exhibit "C" is attached to this Fifth Amendment as Schedule 2 and incorporated herein by this reference; and

WHEREAS, Declarant has reserved the right in Paragraph 34 of the Declaration to submit supplemental Phases to the Condominium from time to time by recording an amendment to the Declaration exercising such Development Right and by recording a Plat covering the portion of the Exhibit "C" property to be annexed; and

WHEREAS, pursuant to Paragraph 34 of the Declaration and the Arizona Condominium Act, A.R.S. § 33-1201 et seq. (the "Act") Declarant may annex any such supplemental Phase without the consent of any other Owner or Mortgagee.

NOW THEREFORE, the undersigned Declarant hereby amends the Declaration and declares as follows:

1. Capitalized terms used in this Fifth Amendment without definition shall have the meanings given to such terms in the Declaration.
2. Declarant hereby exercises the Development Right to annex those portions of the Exhibit "C" property described as:
(i) Tract B-12 as more fully shown on the Plat for Montaña

Terrace Condominium Phase VIII recorded on September 13, 1989 in Book 27 of Maps and Plats at page 85 in the Official Records of the Yavapai County Recorder; (ii) Tract B-13 as more fully shown in the Plat for Montaña Terrace Condominium Phase IX recorded on September 13, 1989 in Book 27 of Maps and Plats at page 86 in the Official Records of the Yavapai County, Arizona Recorder; (iii) Tract B-14 as more fully shown in the Plat for Montaña Terrace Condominium Phase X recorded on September 13, 1989 in Book 27 of Maps and Plats at page 87 in the Official Records of the Yavapai County, Arizona Recorder; (iv) Tract B-15 as more fully shown in the Plat for Montaña Terrace Condominium Phase XI recorded on September 13, 1989 in Book 27 of Maps and Plats at page 88 in the Official Records of Yavapai County, Arizona Recorder; (v) Tract B-16 as more fully shown in the Plat for Montaña Terrace Condominium Phase XII recorded on September 13, 1989 in Book 27 of Maps and Plats at page 89 in the Official Records of the Yavapai County, Arizona Recorder; and (vi) Tract B-17 as more fully shown in the Plat for Montaña Terrace Condominium Phase XIII recorded on September 13, 1989 in Book 27 of Maps and Plats at page 90 of the Official Records of the Yavapai County, Arizona Recorder (collectively the "Supplemental Plats"). Tracts B-12 through B-17, inclusive, shall constitute six (6) individual Phases and shall contain the Condominium Units reflected on the Supplemental Plats and as shown on Schedules 3 through 8, inclusive, respectively attached to this Fifth Amendment and incorporated herein by this reference (referred to herein as "Phases VIII, IX, X, XI, XII and XIII", respectively). Notwithstanding the foregoing, this Fifth Amendment shall not be effective to annex Phases VIII through XIII, inclusive, unless and until Declarant conveys a Unit in a Phase to an Owner other than Declarant, whereupon the Phase from which the Unit was conveyed shall be fully and automatically subject to this Declaration and part of the Condominium without any further amendment to the Declaration being required.

3. Prior to the time Declarant conveys any Unit in Phases VIII through XIII, inclusive, all the real property in the Phase to be fully and unconditionally annexed shall be free and clear of all liens, taxes and assessments and all improvements contained within the boundaries of said Phase shall be substantially completed and shall be consistent, in terms of quality of construction, with the improvements constructed in Phases I, II, III, IV, V, VI and VII of Montaña Terrace Condominium. Subject to the foregoing, the Supplemental Plats and this Fifth Amendment have been recorded prior to October 4, 1990 and therefore, all conditions for adding real estate to the Condominium are hereby satisfied.

4. All of Phases VIII through XIII, inclusive, except for an exclusive of the Units therein contained, shall be Common Elements and are hereby annexed to the Montaña Terrace Condominium. The following Units are each allocated a patio Limited Common Element as shown on the Supplement Plats: Units 16A, 16D, 16E and 16H in Phase VIII, Units 21A, 21D, 21E and 21H in Phase

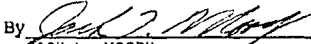
IX, Units 17A, 17D, 17E and 17H in Phase X, Units 18A, 18D, 18E and 18H in Phase XI, Units 19A, 19D, 19E and 19H in Phase XII and Units 20A, 20D, 20E and 20H in Phase XIII. In addition, each Unit in Phases VIII through XIII, inclusive, shall have a Limited Common Element parking area which is designated on the Supplemental Plats by the same number as the Unit. Each Unit is also allocated as Limited Common Elements those portions of the Common Elements described in A.R.S. § 33-1212(2) and (4) and Paragraph 3.3 of the Declaration.

5. Upon the date that this Fifth Amendment shall become effective to fully and unconditionally annex Phases VIII through XIII, inclusive, as provided more fully above, the undivided interest in the Common Elements and the Common Expenses of the Association shall be allocated equally among all the Units then subject to a Declaration so that each Unit's undivided interest in the Common Elements and in the Common Expenses of the Association shall be a fraction, the numerator of which is one (1) and the denominator of which is all the Units then subject to the Declaration. Each Unit shall have one (1) vote in the Association, subject to any rights of Declarant during the period of Declarant control as described in the Declaration in Paragraph 7 of the First Amendment.

6. All of the Development Rights and Special Declarant Rights granted to or reserved by the Declarant under Paragraphs 19 and 34 and elsewhere in the Declaration in accordance with the Act shall apply to Phases VIII through XIII, inclusive, pursuant to this Fifth Amendment.

IN WITNESS WHEREOF, Declarant has executed this Fifth Amendment on the day and year first written above.

FIRST CITY PROPERTIES INC., a
Delaware corporation doing
business as DESIGN MASTER HOMES

By 
JACK L. MOODY
Its Division President
(Arizona Operations)

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Page 4 of 6

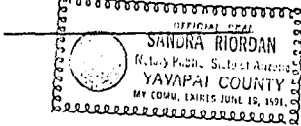
2477-01510
000989.2

State of Arizona

County of ~~Mavipba~~ Yavapai

The foregoing instrument was acknowledged before me this
12 day of September, 1989, by JACK L. MOODY the Division
President (Arizona Operations) of FIRST CITY PROPERTIES INC., a
Delaware corporation doing business as DESIGN MASTER HOMES, for
and on behalf of the corporation.

My commission expires:




Notary Public

BOOK 2182 PAGE 293

Page 5 of 6

2477-01510
080989.2

SCHEDULE 1

TO THE DECLARATION

PHASE I

Condominium Units 4A-4H, inclusive, 5A-5H, inclusive, 6A-6H, inclusive, 7A-7H, inclusive, and 8A-8H, inclusive, according to the Plat of Montaña Terrace Condominium Phase I recorded in Book 26 of Maps and Plats, pages 13-14, of the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

PHASE II

(Tracts B-2, B-3, B-4, B-7 and B-8)

Condominium Units 3A-3H, inclusive, 9A-9H, inclusive, 10A-10H, inclusive, 11A-11H, inclusive, 12A-12H, inclusive, according to the Plat of Montaña Terrace Condominium Phase II recorded in Book 26 of Maps and Plats, page 26, of the Official records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

PHASE III

(Tract B-6)

Condominium Units 1A-1H, inclusive, according to the Plat of Montaña Terrace Condominium Phase III recorded in Book 26 of Maps and Plats, page 42, of the Official records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

PHASE IV

(Tract B-5)

Condominium Units 2A-2H, inclusive, according to the Plat of Montaña Terrace Condominium Phase IV recorded in Book 27 of Maps and Plats, page 23, of the Official records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

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PHASE V

(Tract B-9)

Condominium Units 13A-13H, inclusive, according to the Plat of Montaña Terrace Condominium Phase III recorded in Book 27 of Maps and Plats, page 24, of the Official records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

PHASE VI

(Tract B-10)

Condominium Units 14A-14H, inclusive, according to the Plat of Montaña Terrace Condominium Phase VI recorded in Book 27 of Maps and Plats, at page 74 in the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

PHASE VII

(Tract B-11)

Condominium Units 15-15H, inclusive, according to the Plat of Montaña Terrace Condominium Phase VII recorded in Book 27 of Maps and Plats, page 75, of the Official records of the Yavapai County, Arizona Recorder, together with an undivided interest in the common elements.

SCHEDULE 2

EXHIBIT "C"
TO THE DECLARATION

(TOTAL ANNEXABLE PROPERTY)

Tracts B-2 through B-17, inclusive, according to the Plat of Montaña Terrace Condominium Phase I recorded in Book 26 of Maps and Plats, pages 13-14 of the Official Records of the Yavapai County, Arizona Recorder.

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SCHEDULE 3

PHASE VIII

(Tract B-12)

Condominium Units 16A - 16H, inclusive, according to the Plat of Montaña Terrace Condominium Phase VIII recorded in Book 21 of Maps and Plats, at page 25 in the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the Common Elements

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SCHEDULE 4

PHASE IX

(Tract B-13)

Condominium Units 21A - 21H, inclusive, according to the Plat of Montaña Terrace Condominium Phase IX recorded in Book 27 of Maps and Plats, at page 86 in the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the Common Elements.

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SCHEDULE 5

PHASE X

(Tract B-14)

Condominium Units 17A - 17H, inclusive, according to the Plat of Montaña Terrace Condominium Phase X recorded in Book 27 of Maps and Plats, at page 27 in the Official Records of The Yavapai County, Arizona Recorder, together with an undivided interest in the Common Elements.

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SCHEDULE 6

PHASE XI

(Tract B-15)

Condominium Units 18A - 18H, inclusive, according to the Plat of Montaña Terrace Condominium Phase XI recorded in Book 27 of Maps and Plats, at page 28 in the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the Common Elements.

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SCHEDULE 7

PHASE XII

(Tract B-16)

Condominium Units 19A - 19H, inclusive, according to the Plat of Montaña Terrace Condominium Phase XII recorded in Book 27 of Maps and Plats, at page 29 in the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the Common Elements.

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SCHEDULE 8

PHASE XIII

(Tract B-17)

Condominium Units 20A - 20H, inclusive, according to the Plat of Montaña Terrace Condominium Phase XIII recorded in Book 27 of Maps and Plats, at page 97 in the Official Records of the Yavapai County, Arizona Recorder, together with an undivided interest in the Common Elements.

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