

1 shall be payable by the Owner and may be collected in the same manner as
2 assessments, including placing a lien on the Lot. Nothing contained herein shall
3 require the Association to charge for, or to collect, assessments for damage
4 caused by an Owner, his guests, family, lessees, pets or employees to any other
5 Owner's property or to the Common Areas. The Association shall not be compelled
6 by the damaged party to make such repairs or to charge the offending party or
7 collect such necessary amounts from the Lot Owner.

8 ARTICLE X

9 THE ASSOCIATION

10 Section 10.1. The Association shall be responsible for the proper and
11 efficient management of the Common Areas. The Association shall be responsible
12 for:

- 13 a. landscaping and landscaping maintenance of the Common Areas.
- 14 b. maintaining and repairing the Common Area Improvements
15 including, but not limited to the pool, common trash/garbage collection areas, and
16 parking areas constructed on the Common Areas.
- 17 c. maintaining, painting and rebuilding, if necessary, the perimeter
18 walls constructed along the boundaries of the Common Area.
- 19 d. paying real estate taxes, assessments and other charges on those
20 portions of the Areas owned by the Association.
- 21 e. insuring all improvements which the Association is obligated to
22 maintain against damage by casualty with such companies and with such limits
23 as the Association deems appropriate.
- 24 f. hiring, firing, supervising and paying employees and
25 independent contractors, including, but not limited to, workers, landscapers,

1 attorneys, accountants, architects and contractors to carry out the obligations
2 set forth herein.

3 g. maintaining liability insurance to protect the Members and the
4 Board of Directors of the Association from any liability from occurrences or
5 happenings on or about those portions of the Areas maintained by the
6 Association, including, but not limited to, obtaining an errors and omissions
7 insurance policy for the members of the Board of Directors of the Association.

8 h. maintaining worker's compensation insurance for the employees
9 of the Association.

10 i. purchasing all goods, supplies, labor and services reasonably
11 necessary for the performance of the obligations set forth herein.

12 j. enforcing the provisions of this Declaration, including, but not
13 limited to, the Use Restrictions provided for in Article III.

14 k. establishing and maintaining such cash reserves as the
15 Association deems reasonably necessary for the maintenance, repair and
16 replacement of the improvements which it is responsible to maintain and for
17 unforeseen contingencies.

18 l. providing for the payment of all utility services for common
19 facilities.

20 m. entering into such agreements and taking such actions which are
21 reasonably necessary and convenient for the accomplishment of the obligations
22 set forth above and the operation and maintenance of the Areas.

23 Section 10.2. The manner in which the Association carries out its
24 responsibilities shall be controlled by the provisions of its Bylaws, its Rules and
25 Regulations, its Articles of Incorporation and provisions of this Declaration.

1 Payment of Association dues shall not be contingent on the performance by the
2 Association of any of its obligations under this Declaration.

3 Section 10.3. By-laws. The By-laws shall establish the procedure
4 for the election of Directors and Officers of the Association; the duties of the
5 Association, the procedure for regular and special meetings of the Association;
6 the disposition of hazard insurance proceeds and amendments to the By-laws.

7 Section 10.4. Adoption of Rules and Regulations. The Board may
8 adopt Rules governing the conduct of Owners, their family, guests and lessees
9 when such conduct affects the other residents of the Properties, or affects the
10 harmony, integrity or aesthetic value of the Properties.

11 ARTICLE XI

12 INSURANCE

13 Section 11.1. Insurance Obtained by Association. Except as
14 otherwise provided in this Article, the Association is responsible and obligated
15 to purchase and maintain at all times the following types of insurance:

16 a. Comprehensive general liability and property damage insurance
17 covering all Common Areas and all other areas under the jurisdiction or control
18 of the Association. Such insurance policy or policies shall contain, if available,
19 a "severability of interest" clause or endorsement which shall preclude the
20 insurer from denying the claim of a Dwelling Unit Owner because of negligent
21 acts of the Association or of any other Dwelling Unit Owners. The scope of
22 coverage of such policy or policies must include all other coverage in the kinds
23 and amounts commonly required by private institutional mortgage investors for
24 projects similar in construction, location and use as Country Crossing. Coverage
25 shall be for at least One Million and No/100 Dollars (\$1,000,000.00) per occurrence

1 for personal injury and/or property damage.

2 b. Blanket all-risk casualty insurance, if reasonably available, for
3 all insurable improvements on the Common Areas, including ramada and
4 recreational areas. If blanket all-risk coverage is not reasonably available, then,
5 at a minimum, an insurance policy providing fire and extended coverage shall be
6 obtained. Such policy or policies shall consist, at a minimum, of a multi-peril
7 type policy covering the subject improvements, providing, as a minimum, fire and
8 extended coverage and all other coverage in the kinds and amounts commonly
9 required by private institutional mortgage lenders in Tucson, Arizona, on a
10 replacement cost basis, in an amount of not less than one hundred percent (100%)
11 of the insurable value (based upon the replacement cost).

12 c. Premiums for all insurance on the Common Areas shall be common
13 expenses of the Association. The policy may contain a reasonable deductible, and,
14 in the case of casualty insurance, the amount thereof shall be added to the face
15 amount of the policy in determining whether the insurance at least equals the
16 full replacement costs. The deductible shall be paid by the party who would be
17 liable for the loss or repair in the absence of insurance and in the event of
18 multiple parties shall be allocated in relation to the amount each party's loss
19 bears to the total.

20 d. In the event any improvement constructed on the Common Area
21 is subject to a mortgage or deed of trust, then each policy of insurance must
22 contain or have attached to it a standard mortgagee clause which provides that
23 all proceeds paid under such policies shall be paid to the Association for the use
24 and benefit of all mortgagees under mortgages encumbering any such
25 improvements, and such policy or policies must further provide that the

1 insurance carrier shall notify each First Mortgagee named, at least ten (10) days
2 in advance of the effective date of any reduction in or cancellation of the policy.
3 Such policy or policies shall further provide that the interest of each Mortgagee
4 holding a mortgage on any Dwelling Unit in insurance proceeds shall not be
5 invalidated by any action, neglect or inaction of the Board of Directors of the
6 Association, owners of Lots or their tenants or agents. Such policy or policies
7 shall further provide for waiver by the insurer of any policy provisions which
8 would render the Mortgagee clause invalid by reason of the failure of such
9 Mortgagee to notify the insurer of any hazardous use of such improvements and
10 any policy requirement that the Mortgagee pay the premium thereon.

11 e. All insurance coverage obtained by the Board shall be written in
12 the name of the Association. Such insurance shall be governed by the following
13 provisions:

14 (1) All policies shall be written with a company licensed
15 to do business in Arizona which holds a Best's rating of A or better and is
16 assigned a financial size category of V or larger as established by A. M. Best
17 Company, Inc., if reasonably available, or, if not available, the most nearly
18 equivalent rating.

19 (2) All policies on the Common Areas shall be for the benefit
20 of the Association, its Members and Mortgagees.

21 (3) Exclusive authority to adjust losses under policies
22 obtained by the Association on the Properties shall be vested in the Association's
23 Board of Directors; provided, however, no Mortgagee having an interest in such
24 losses may be prohibited from participating in the settlement negotiations, if any,
25 related thereto.

(4) In no event shall the insurance coverage obtained and

1 maintained by the Association's Board of Directors hereunder be brought into
2 contribution with insurance purchased by individual Owners, occupants or their
3 Mortgagees.

4 (5) All casualty insurance policies shall have an inflation
5 guard endorsement, if reasonably available, and an agreed amount endorsement
6 with an annual review by one (1) or more qualified persons, at least one of whom
7 must be in the real estate industry and familiar with construction in the Tucson,
8 Arizona area.

9 (6) The Association's Board of Directors shall be required to
10 make every reasonable effort to secure insurance policies that will provide for
11 the following:

12 (a) a waiver of subrogation by the insurer as to any
13 claims against the Association's Board of Directors, its manager, the Owners, and
14 their respective tenants, servants, agents and guests;

15 (b) a waiver by the insurer of its rights to repair and
16 reconstruct, instead of paying cash;

17 (c) a statement that no policy may be canceled,
18 invalidated, suspended or subject to non-renewal on account of any one or more
19 individual Owners;

20 (d) a statement that no policy may be
21 canceled, invalidated, suspended or subject to non-renewal on account of the
22 conduct of any director, officer or employee of the Association, or its duly
23 authorized manager, without prior demand in writing delivered to the Association
24 to cure the defect and the allowance of a reasonable time thereafter within which
25 the defect may be cured by the Association, its manager, any Owner or
Mortgagee;

1 (e) that any "other insurance" clause in any policy
2 exclude individual Owners' policies from consideration; and

3 (f) that the Association will be given at least thirty (30)
4 days' prior written notice of any cancellation, substantial modification or non-
5 renewal.

6 f. In addition to the other insurance required by this Section,
7 the Board shall obtain, as a common expense, worker's compensation insurance,
8 if and to the extent required by law; directors' and officers' liability coverage,
9 if reasonably available; a fidelity bond or bonds on directors, officers, employees
10 and other persons handling or responsible for the Association's funds, if
11 reasonably available; and flood insurance, if required. The amount of fidelity
12 coverage shall be determined in the Board of Director's best business judgment
13 but, if reasonably available, may not be less than one and one-one times the
14 annual operating expenses and reserves. Bonds shall contain a waiver of all
15 defenses based upon the exclusion of persons serving without compensation and
16 shall require at least thirty (30) days' prior written notice to the Association of
17 any cancellation, substantial modification or non-renewal.

18 g. In the event of substantial damage to or destruction of any
19 Dwelling Unit or any part of the Common Areas, any first mortgagee on a
20 Dwelling Unit will be entitled to timely written notice of any such damage or
21 destruction and no Owner of a Dwelling Unit or other party shall have priority
22 over such first mortgagee with respect to the distribution to such Dwelling Unit
23 Owner of any insurance proceeds.

24 Section 11.2. Individual Insurance. By virtue of taking title to a
25 Dwelling Unit which is subject to the terms of this Declaration, each Owner

1 covenants and agrees with all other Owners and with the Association that each
2 Owner shall carry blanket all-risk casualty insurance on the Dwelling Unit(s), fire
3 and extended liability insurance in an amount sufficient to cover the full
4 replacement cost of the Dwelling Unit and such other insurance the Owner deems
5 advisable to cover theft and damage and loss to personal property. Such policy
6 shall provide that there is no contribution or offset between policies of the
7 Association and policies an individual Owner may have in effect.

8 Section 11.3. Unacceptable Policies of Insurance. Policies shall be
9 unacceptable where:

10 a. under the terms of the carrier's charter, bylaws or policy,
11 contributions or assessments may be made against a Dwelling Unit owner or the
12 Federal Home Loan Mortgage Corporation, or the Federal Home Loan Mortgage
13 Corporation's designee; or b. by the terms of the carrier's charter, bylaws
14 or policy, loss payments are contingent upon action by the carrier's board of
15 directors, policyholders or members; or c. the policy includes any limiting
16 clauses (other than insurance conditions) which could prevent the Federal Home
17 Loan Mortgage Corporation or any Dwelling Unit owner from collecting insurance
18 proceeds.

19 Section 11.4. Condemnation. The term "taking" as used in this
20 Section shall mean either: (a) condemnation by eminent domain, or (b) sale under
21 threat of condemnation. In the event of a threatened taking of all or any
22 portion of the Common Areas, the Members appoint the Board and such other
23 persons as the Board may delegate to represent all of the Members in connection
24 with the taking. The Board shall act in its sole discretion with respect to any
25 awards being made in connection with the taking and shall be entitled to make

1 a voluntary sale to the condemnor in lieu of engaging in a condemnation action.
2 Any awards received on account of the taking shall be paid to the Association.
3 In the event of a taking of less than all of the Common Areas, the rules as to
4 restoration and replacement of the Common Areas and the improvements thereon
5 shall apply as in the case of destruction or improvements upon the Common
6 Areas. In the event of a total taking, the Board shall retain any award in the
7 general funds of the Association to be distributed to the Members pursuant to
8 a plan developed by the Board and approved by the majority of the Owners
9 entitled to vote.

10 Section 11.5. Destruction of Improvements. In the event of a partial
11 or total destruction of the improvements upon the Common Areas, the Association
12 shall restore and repair the same to their former condition as promptly as is
13 practicable and in a lawful and workmanlike manner. The proceeds of insurance
14 maintained for such purpose shall be used for this purpose, subject to the prior
15 rights of mortgagees whose interests may be protected by said policies. In the
16 event any excess insurance proceeds remain after repair and replacement thereof,
17 the Board shall retain such sums in the general funds of the Association. If
18 there are not sufficient insurance proceeds to restore and replace the
19 improvements, then, upon a majority vote of the Owners entitled to vote, the
20 Association may impose a special assessment equally against the Owners of each
21 Lot to provide the necessary funds for restoration and replacement. In the
22 alternative, such Owners may vote not to replace or restore the improvements but
23 to retain such proceeds in the Association's general fund. Notwithstanding
24 anything to the contrary, the distribution of any insurance proceeds for any
25 damage or destruction to the Common Area shall be subject to the prior rights