

MICHAEL K. JEANES  
 Clerk of the Superior Court  
 By Trista Shepardson, Deputy  
 Date 12/19/2016 Time 14:31:14

Description	Amount
CASE# CV2016-055080	
CIVIL NEW COMPLAINT	319.00
TOTAL AMOUNT	319.00
Receipt# 25640569	

1 R. L. Whitmer  
 2 6333 N. Scottsdale Rd.  
 3 Casita 21  
 4 Scottsdale, Arizona 85250  
 5 602.531.2615  
 6 Pro Per

6 **IN THE SUPERIOR COURT OF THE STATE OF ARIZONA**  
 7 **IN AND FOR THE COUNTY OF MARICOPA**

9 R. L. WHITMER,  
 10  
 11 Petitioner.  
 12 v.  
 13 HILTON CASITAS HOMEOWNERS  
 14 ASSOCIATION, also known as  
 15 HILTON CASITAS COUNCIL OF  
 16 HOMEOWNERS, also known as  
 17 COUNCIL OF CO-OWNERS, also  
 18 known as HILTON CASITAS  
 19 COUNCIL OF CO-OWNERS; and  
 20 MICHAEL BENGSON, President of  
 21 the named Respondent;  
 22 Respondents.

CV2016-055080  
**VERIFIED COMPLAINT  
 FOR AN ORDER TO SHOW  
 CAUSE**  
 FOR THE ENFORCEMENT OF AN  
 ADMINISTRATIVE LAW ORDER  
 No. 14F-H1415004-BFS

20 Pursuant to A.R.S. §12-861 et seq and Arizona Rules of Civil Procedure  
 21 65(j), the Petitioner hereby submits the following VERIFIED COMPLAINT FOR  
 22 AN ORDER TO SHOW CAUSE:

- 23 1. A final order of the Administrative Law Judge Decision No. 14F-  
 24 H1415004-BFS (Ex. 1) in this case was entered on January 7, 2015 and certified  
 25 on February 18, 2015 by the Arizona Department of Fire, Building and Life Safety.
- 26 2. The Administrative Law Judge ordered that the Respondents "shall  
 27 fully comply with the applicable provisions of A.R.S. § 33-1243(D) in the future."  
 28 (Ex. 1, P4:27-28)

1 A.R.S. § 33-1243(D) Except as provided in the  
2 declaration, within thirty days after adoption of any  
3 proposed budget for the condominium, the board of  
4 directors shall provide a summary of the budget to all the  
5 unit owners. Unless the board of directors is expressly  
6 authorized in the declaration to adopt and amend budgets  
7 from time to time, any budget or amendment shall be  
8 ratified by the unit owners in accordance with the  
9 procedures set forth in this subsection. If ratification is  
10 required, the board of directors shall set a date for a  
11 meeting of the unit owners to consider ratification of the  
12 budget not fewer than fourteen nor more than thirty days  
13 after mailing of the summary. Unless at that meeting a  
14 majority of all the unit owners or any larger vote specified  
in the declaration rejects the budget, the budget is ratified,  
whether or not a quorum is present. If the proposed  
budget is rejected, the periodic budget last ratified by the  
unit owners shall be continued until such time as the unit  
owners ratify a subsequent budget proposed by the board  
of directors.

15 3. The Hilton Casitas Condominium was created with the May 22, 1972  
16 recordation of the Declaration of Horizontal Property Regime for Hilton Casitas  
17 ("Declaration") (Ex. 2) pursuant ARS 33-531 "the Horizontal Property Regime  
18 Act." The Declaration is the organic contract between the HOA and the  
19 casita/unit owners.

20 4. There is no provision in the Declaration that expressly authorizes the  
21 board of directors on its own to adopt or amend budgets. Accordingly, the board  
22 and its officers are required by statute and the administrative law order to secure  
23 ratification from the unit owners.

24 5. A.R.S. § 33-1243(D) requires the board of directors to adopt a  
25 budget, and then circulate the budget to all the units within 30 days of the board  
26 adopting the budget.

27 6. On March 24, 2016, the board circulated the meeting notice and a  
28 meeting agenda (Ex. 3) for the annual unit owners meeting that was held on

1 March 31, 2016.

2 7. The only board meeting held prior to the March annual unit owners  
3 meeting was held on February 16, 2016 (Ex. 4). As per the agenda of that  
4 meeting, the board did not adopt a 2016 budget.

5 8. Instead of providing "a summary of the budget to all the unit owners"  
6 prior to annual meeting as required by A.R.S. § 33-1243(D), the board chose to  
7 provide the budget only to the annual meeting attendees. To date, the budget  
8 has never been circulated to "all the unit owners."

9 9. For more than 10 years, including 2016, the 29 unit owners of Hilton  
10 Casitas have been assessed \$125 a month for Safeguard security<sup>1</sup> (Ex. 5). On  
11 August 25, 2016, the Hilton Casitas board sent out an email (Ex. 6) announcing  
12 that the Safeguard security agreement had been renegotiated, and that there  
13 would be substantial savings. Without amending the budget, the board  
14 announced that they would be putting the savings into a reserve account.

15 10. Any re-appropriating of assessment payments requires that the  
16 board amend the budget, and then give all of the unit owners the opportunity to  
17 oppose or ratify any budget amendments. No such action was taken.

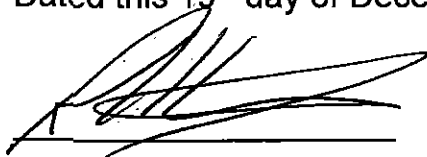
18 11. The administrative law judge ordered the following: 1) compliance  
19 with A.R.S. § 33-1243(D); 2) ordered Hilton Casitas to pay the petitioner his filing  
20 fees, 3) did not impose sanctions against Hilton Casitas based upon Mr.  
21 Bengson's, now the purported Hilton Casitas president, promise to the tribunal to  
22 "get everything on the right track." (Ex. 1, P2:25). In his testimony, Mr. Bengson  
23 promised that the 2014 budget would be amended and ratified. No such  
24 amendment or ratification ever took place.

25 ///

26 <sup>1</sup> In addition, the Scottsdale Hilton Hotel, acting under a management contract (Ex. 7)  
27 with Hilton Casitas, has for more than 10 years diverted \$26.29 of the \$125 a month  
28 Safeguard assessment (Ex. 5) also without any budget authorization to do so.

1           Petitioner THEREFORE, requests that a hearing be set, and hereby  
2 submits his REQUEST by VERIFIED COMPLAINT FOR AN ORDER TO SHOW  
3 CAUSE to find the Respondents in contempt of the Administrative Law Decision  
4 No. 14F-H1415004-BFS (Ex. 1), and to sanction Hilton Casitas and its purported  
5 president, Mr. Bengson, as the Court finds appropriate to insure that in the future  
6 Hilton Casitas' board and officers obey the administrative law order to follow  
7 A.R.S. § 33-1243(D).

8                   Dated this 19<sup>th</sup> day of December, 2016.

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11                   R. L. Whitmer

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**VERIFICATION**

Pursuant to **Rule 80(i)** of the Arizona Rules of Civil Procedure, I, R.L. Whitmer, declare under the penalty of perjury that the preceding Complaint is true and correct to the best of our information, knowledge and belief.

DATED this 19<sup>th</sup> day of December, 2016.



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R. L. Whitmer  
Petitioner

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## TABLE OF EXHIBITS

Exhibit:

1. Administrative Law Judge Decision No. 14F-H1415004-BFS
2. The Declaration of Horizontal Property Regime for Hilton Casitas
3. March 31, 2016 Annual Unit Owners Meeting Notice & Agenda
4. February 16, 2016 Board of Directors Meeting Notice & Agenda
5. Hilton Casitas' Financial Worksheets from 1/2007 to 6/2016
6. August 25, 2016 Hilton Casitas Board Email
7. Scottsdale Hilton Hotel Management Contract.

# Exhibit 1



1 5. Respondent's Answer to the Petition provided, in relevant part, as follows:

2 **There has been no violation of A.R.S. § 33-1243.**

3 The [Hilton Casitas] consists of twenty-nine (29) homes located  
4 behind the Scottsdale Hilton. In large part, the majority of the  
5 maintenance and management of the Casitas is taken care of by  
6 the hotel. The Association adopts its proposed budget at the  
7 annual meetings and adopted a proposed budget for 2013 at the  
8 annual meeting. The proposed budget was insufficient because  
9 Mr. Whitmer has made multiple legal challenges requiring the  
10 Association's counsel to respond.

9 **TESTIMONY**

10 **Testimony of Michael Bengson**

11 6. Michael Bengson (hereinafter "Mr. Bengson") testified that he was elected to be a  
12 member of the Board for Hilton Casitas in October 2014. Mr. Bengson stated that there  
13 has been no Board meeting since October 15, 2014. Mr. Bengson testified that he  
14 retained Respondent's counsel, Robert Anderson, Esq., as a friend to help Hilton  
15 Casitas out. Mr. Bengson stated that he wanted to resolve the chaos that Hilton  
16 Casitas was currently involved in. Mr. Bengson testified that Hilton Casitas' prior  
17 counsel had resigned and that he felt it was imperative for Hilton Casitas to have legal  
18 representation at the hearing.

19 7. Mr. Bengson testified that he had been a member of the association since May  
20 2011. Mr. Bengson stated that there had not been a meeting of the Board since his  
21 election to the Board on October 15, 2014. Mr. Bengson testified that the Board was  
22 aware of the budget problems and intended to meet soon to adopt an amended budget.

23 8. Mr. Bengson testified that the amended budget would ratify the increased legal  
24 expenses incurred by Hilton Casitas. Mr. Bengson stated that he and the new Board  
25 wanted to "get everything on the right track."

26 **Testimony of Esther Sue Karatz**

27 9. Esther Sue Karatz (hereinafter "Mrs. Karatz") testified that she had previously been  
28 president of the Board for Hilton Casitas. Mrs. Karatz stated that Hilton Casitas' prior  
29 legal counsel was hired on January 31, 2013. Mrs. Karatz acknowledged that there  
30 was no record of the Board's decision to retain legal counsel.

1 10. Mrs. Karatz testified that Hilton Casitas had suffered a computer crash and that  
2 there were no records for meetings or actions of the Board for Hilton Casitas after  
3 January 10, 2013, and that there were no records regarding the retention of Hilton  
4 Casitas' prior legal counsel. Mrs. Karatz said that the majority of the Board approved  
5 the hiring of the prior legal counsel by "a telephone vote."

6 11. Mrs. Karatz acknowledged that Hilton Casitas' legal fees in 2014, substantially  
7 exceeded the amount of money that had been budgeted for legal fees in 2014. Mrs.  
8 Karatz testified that the increased legal expenses were incurred because Petitioner had  
9 filed two or three law suits against Hilton Casitas and that the law suits necessitated  
10 increased legal fees. Mrs. Karatz stated that the increased legal fees had not been  
11 anticipated by Hilton Casitas.

#### 12 PROVISIONS OF LAW REFERENCED AT HEARING

13 1. A.R.S. § 33-1243(D) provides as follows:

14 Except as provided in the declaration, within thirty days after  
15 adoption of any proposed budget for the condominium, the board  
16 of directors shall provide a summary of the budget to all the unit  
17 owners. Unless the board of directors is expressly authorized in  
18 the declaration to adopt and amend budgets from time to time,  
19 any budget or amendment shall be ratified by the unit owners in  
20 accordance with the procedures set forth in this subsection. If  
21 ratification is required, the board of directors shall set a date for a  
22 meeting of the unit owners to consider ratification of the budget  
23 not fewer than fourteen nor more than thirty days after mailing of  
24 the summary. Unless at that meeting a majority of all the unit  
25 owners or any larger vote specified in the declaration rejects the  
26 budget, the budget is ratified, whether or not a quorum is present.  
27 If the proposed budget is rejected, the periodic budget last ratified  
28 by the unit owners shall be continued until such time as the unit  
29 owners ratify a subsequent budget proposed by the board of  
30 directors.

#### 26 CONCLUSIONS OF LAW

27 1. A.R.S. § 41-2198.01 permits an owner or a planned community organization to  
28 file a petition with the Department for a hearing concerning violations of planned  
29 community documents or violations of statutes that regulate planned communities. That  
30

1 statute provides that such petitions will be heard before the Office of Administrative  
2 Hearings.

3 2. The burden of proof at an administrative hearing falls to the party asserting a  
4 claim, right, or entitlement and the standard of proof on all issue in this matter is by a  
5 preponderance of the evidence. See A.A.C. R2-19-119.

6 3. Proof by "preponderance of the evidence" means that it is sufficient to persuade  
7 the finder of fact that the proposition is "more likely true than not." *In re Arnold and*  
8 *Baker Farms*, 177 B.R. 648, 654 (9<sup>th</sup> Cir. BAP (Ariz.) 1994).

9 4. A.R.S. § 33-1243(D) provides that within thirty days after adoption of any  
10 proposed budget for the condominium, the Board shall provide a summary of the budget  
11 to all the unit owners and that unless the Board is expressly authorized in the  
12 declaration to adopt and amend budgets from time to time, any budget or amendment  
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14 subsection. Mrs. Karatz acknowledged that Hilton Casitas' legal fees in 2014 exceeded  
15 the amount of money that had been budgeted for legal fees in 2014. Mr. Bengson  
16 stated that there had not been a meeting of the Board since his election to the Board on  
17 October 15, 2014. Mr. Bengson testified that the Board was aware of the budget  
18 problems and intended to meet soon to adopt an amended budget. Mr. Bengson stated  
19 that the amended budget would ratify the increased legal expenses incurred by Hilton  
20 Casitas. Hilton Casitas has not ratified the increased expenses and adopted an  
21 amended budget as required by applicable statute. This Tribunal concludes that Hilton  
22 Casitas failed to comply with the applicable provisions of A.R.S. § 33-1243(D).

### 23 RECOMMENDED ORDER

24 In view of the foregoing, it is ORDERED that Petitioner be deemed the prevailing  
25 party in this matter.

26 It is further ORDERED that Hilton Casitas shall fully comply with the applicable  
27 provisions of A.R.S. § 33-1243(D) in the future.

28 It is further ORDERED that Hilton Casitas shall pay Petitioner his filing fee of  
29 \$550.00, to be paid directly to Petitioner within thirty (30) days of this Order.

30 It is further ORDERED that no civil penalty shall be imposed in this matter.





1 5. Respondent's Answer to the Petition provided, in relevant part, as follows:

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3 The [Hilton Casitas] consists of twenty-nine (29) homes located  
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26 **CONCLUSIONS OF LAW**

27 1. A.R.S. § 41-2198.01 permits an owner or a planned community organization to  
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1 statute provides that such petitions will be heard before the Office of Administrative  
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3 2. The burden of proof at an administrative hearing falls to the party asserting a  
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20 Casitas. Hilton Casitas has not ratified the increased expenses and adopted an  
21 amended budget as required by applicable statute. This Tribunal concludes that Hilton  
22 Casitas failed to comply with the applicable provisions of A.R.S. § 33-1243(D).

### 23 RECOMMENDED ORDER

24 In view of the foregoing, it is ORDERED that Petitioner be deemed the prevailing  
25 party in this matter.

26 It is further ORDERED that Hilton Casitas shall fully comply with the applicable  
27 provisions of A.R.S. § 33-1243(D) in the future.

28 It is further ORDERED that Hilton Casitas shall pay Petitioner his filing fee of  
29 \$550.00, to be paid directly to Petitioner within thirty (30) days of this Order.

30 It is further ORDERED that no civil penalty shall be imposed in this matter.



# Exhibit 2

When recorded return to :  
Paul Wentworth  
Snell & Wilmer  
400 Security Building  
Phoenix, Arizona

DET 9448 PAGE 790

02-R MISC.  
129439

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DECLARATION OF HORIZONTAL PROPERTY REGIME  
for  
HILTON CASITAS

\* \* \*

STATE OF ARIZONA )  
County of Maricopa } ss

I hereby certify that the within instrument was filed and recorded at request of

INAMERICA TITLE INSURANCE COMPANY

MAY 22 1972 - 10 10

Instrument 9448

Page 790 - 846

Witness my hand and official seal the day and year aforesaid.

Paul M. Johnston

County Recorder

By [Signature]  
County Recorder

70

DECLARATION OF HORIZONTAL PROPERTY REGIME

for

HILTON CASITAS

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## DECLARATION OF HORIZONTAL PROPERTY REGIME

for

HILTON CASITAS

THIS DECLARATION OF HORIZONTAL PROPERTY REGIME for HILTON CASITAS is made as of the 18<sup>th</sup> day of May, 1972 by W. J. SMALL and HAZEL M. SMALL, husband and wife, and LINCSCOTT HOTEL CORPORATION, an Arizona corporation.

W I T N E S S E T H :Recitals:

W. J. SMALL and HAZEL M. SMALL, husband and wife ("Smalls"), as fee owners, leased approximately 20 acres of land (the "20 acres") to LINCSCOTT HOTEL CORPORATION, an Arizona corporation (the "Corporation"), pursuant to that certain Lease (the "Ground Lease") dated April 10, 1970, a memorandum of which was recorded on June 19, 1970 in Docket 8186, pages 741 to 743 inclusive, as amended by Amendment to Lease Agreement dated December 22, 1970, and recorded on December 23, 1970 in Docket 8454, pages 705 to 708 inclusive, records of Maricopa County, Arizona.

The Ground Lease provides that all or portions of the 20 acres may be subjected to a horizontal property regime (a condominium arrangement) under Arizona Revised Statutes,

§§ 33-551 through 33-561 (hereinafter called the "Horizontal Property Regime Act"), and the Corporation desires to develop and sell condominiums ("Casitas") on approximately 8 of the 20 acres leased to it (said 8 acres hereinafter being referred to as the "Property"). The Corporation subsequently also may desire to subject some additional lands to such horizontal property regime.

Accordingly, the Smalls and the Corporation desire to submit the Property, which is situated in Maricopa County, Arizona and is more specifically described as follows:

Hilton Casitas, according to the Plat thereof recorded in Book 149 of Maps, page 50, records of Maricopa County, Arizona

to a horizontal property regime and to certain easements, assessments, liens, covenants, conditions and restrictions (such easements, assessments, liens, covenants, conditions and restrictions hereinafter collectively being referred to as "Restrictions"), all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Property.

Covenants: NOW, THEREFORE, the Smalls and the Corporation hereby submit and subject the Property to a horizontal property regime pursuant to the Horizontal Property Regime Act, and in furtherance thereof make and declare the following Restrictions, and hereby declare and agree that the Property

is held and shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied and improved subject to said Restrictions, which Restrictions shall constitute covenants and conditions running with the land and shall be binding upon and inure to the benefit of all persons having or acquiring any interest in and to the Property, and their respective heirs, executors, administrators, successors and assigns.

ARTICLE I  
DEFINITIONS

Section 1.1. "Building" shall mean and include all of the buildings erected or to be erected on the Property.

Section 1.2. "Casita" shall mean the entire estate in the Property held by an Owner, including the subleasehold estate of the space within which the Unit is or will be located (as shown on the Plat of Hilton Casitas and the Profile Elevation Schedule thereon), the Unit constructed or to be constructed within that space, the exclusive right to use and occupy the numbered tract (as shown on the Plat) on which the Unit is constructed, and an undivided fractional interest in the General Common Elements as provided in this Declaration.

Section 1.3. "Common Elements" shall mean the General and Limited Common Elements as defined in this Declaration.

Section 1.4. "Council" shall mean the Council of Co-owners as defined in the Horizontal Property Regime Act, and consists of all of the Owners of the Casitas.

Section 1.5. "Declaration" shall mean this Declaration of Horizontal Property Regime, and any and all amendments hereof or supplements hereto.

Section 1.6. "General Common Elements" shall consist of (a) Tracts 1 to 29 inclusive as shown on the Plat of Hilton Casitas, (b) the concrete foundations and concrete slabs of the Building and patio slabs situated on Tracts 1 to 29 inclusive, and (c) Tracts A through G, including any and all private roadways, guard house, walls, landscaped areas and other amenities located thereon. However, each Owner of a Unit shall have an easement for the exclusive use of the numbered tract on which his Unit is located.

Section 1.7. "Limited Common Elements" consist of the block work and partitions separating Units.

Section 1.8. "Owner" shall mean the record owner of a Casita. Except as otherwise indicated in this Declaration, the term "Owner" shall include the Corporation in its capacity as the owner of an unsold Casita (i.e., the owner of an unsold Unit located in a space which has not been subleased, together with a fractional interest in the General Common Elements).

An Owner does not include a person or entity who holds an interest in a Casita merely as security for the performance of an obligation.

Section 1.9. "Property" shall mean "property" as defined in the Horizontal Property Regime Act, and initially includes:

Hilton Casitas, according to the Plat thereof recorded in Book 149 of Maps, Page 50, records of Maricopa County, Arizona, and all improvements and structures now or hereafter situated thereon.

From and after the addition of each new parcel of land subjected to the Restrictions of this Declaration pursuant to Article II hereof, the term "Property" also shall include each such new parcel of land and the improvements and structures thereon.

Section 1.10. "Unit" shall mean "apartment" as defined in the Horizontal Property Regime Act, and shall consist of an entire dwelling unit situated on a numbered tract within the space subleased or to be subleased by the Corporation to an Owner. A Unit includes the exterior walls and roof, but excludes the concrete foundation, concrete slab and patio slab, and excludes any block wall or partition separating it from an adjoining Unit. Each space within which each Unit is located is more particularly shown on the Plat of Hilton Casitas and the Profile Elevation Schedule thereon.

## ARTICLE II

## ANNEXATION

Section 2.1. Corporation's Right to Annex New Lands: The Corporation, in its sole discretion and at its election, shall have the exclusive right to extend from time to time, in the manner set forth in Section 2.2, the area of the Property subjected to this Declaration. Any and all new lands annexed and added to the Property, and the Owners thereof, shall be subject to and bound by the Restrictions in this Declaration. The lands annexed to the Property may be anywhere within the following described area situated in Maricopa County, Arizona:

The northerly 1353.80 feet of the West half of the Southwest Quarter of Section 11, T2N, R4E, G&SRB&M, EXCEPT the northerly 678.64 feet thereof (which area consists of approximately 20 acres south of the Property).

Section 2.2. Procedure for Annexing New Lands: The procedure for annexing new lands to the Property shall be as follows: The Corporation shall give written notice to the Council of such election to annex new lands and shall record in the office of the County Recorder of Maricopa County, Arizona, a supplement to this Declaration (hereinafter called "Supplemental Declaration") signed by the Corporation (and signed by any other persons whose signatures may be required by law); the Supplemental Declaration

shall (i) describe the new land being annexed to and made part of the Property, (ii) state that such land and the improvements and structures thereon, and the owners and others having an interest in such land, shall be subject to and bound by all of the Restrictions in this Declaration, and (iii) set forth the necessary adjustments in fractional interest of ownership of the General Common Elements appurtenant to each of the Units within the Property (i.e., including both the newly added Units and the previously covered Units). Upon recordation by the Corporation of such Supplemental Declaration, the annexation of such additional land to the Property shall be automatically effective.

### ARTICLE III

#### THE PROPERTY

Section 3.1. Number of Units. At the time of recordation of this Declaration the Property consists solely of Hilton Casitas, according to the Plat thereof in Book 149 of Maps, page 50, including the twenty-nine (29) Units to be located thereon. (It is understood that the Property and total number of Units may be increased in accordance with the Corporation's right to annex additional lands as set forth in Article II). Units are more specifically

described in Section 3.4 hereof, and are located in the spaces set forth on the Plat of Hilton Casitas and the Profile Elevation Schedule thereon.

Section 3.2. Location: The location of the Building (and each of the individual buildings which in the aggregate comprise the Building) and Units and the description of the land utilized for each of them is set forth on the recorded Plat.

Section 3.3. Cubic Content Space of Building: The cubic content space of the Building shall consist of and be measured by the entire space between the following boundaries:

Horizontal Boundaries

The upper boundary shall be the plane of the top elevations of each of the individual buildings as shown on the Profile Elevation Schedule, and the lower boundary shall be the top of the concrete slab of each of the individual buildings as shown on the Plat and Profile Elevation Schedule.

Vertical Boundaries

The vertical boundaries shall be the exterior of the outside walls of each of the individual buildings, as shown on the Plat and Profile Elevation Schedule.

Section 3.4. Cubic Content Space of Unit: The cubic content space of each Unit located within the Building shall consist of and be measured by the entire space between the following boundaries:

Horizontal Boundaries

The upper boundary shall be the plane of the top elevation of the individual building in which the Unit is located, as shown on the Profile Elevation Schedule, and the lower boundary shall be the top of the concrete slab of the individual building as shown on the Plat and Profile Elevation Schedule.

Vertical Boundaries

The vertical boundaries shall be the exterior of the outside walls, and the interior surface of any walls separating Units in an individual building, the lines of which are shown on the Plat and Profile Elevation Schedule.

Section 3.5. General Common Elements: The General Common Elements consist of Tracts 1 to 29 inclusive, the concrete foundation and concrete slab of the Building and patio slabs, and Tracts A through G and the improvements, landscaping, and other amenities located on Tracts A through G.

Section 3.6. Fractional Ownership: (a) The fractional interest which each Unit bears to the Property, subject to the provisions set forth in Article II regarding the annexation of additional land, is one twenty-ninth (1/29). The sum of all such fractional interests in the Property is one. (b) The fractional interest in any Limited Common Elements (as defined in Sections 1.7 and 20.1) shall be an undivided one-half with respect to each of the adjoining Units.

Section 3.7. Ownership of Common Elements: Each Owner of a Unit shall have a subleasehold of the space in which the Unit is situated, together with an undivided subleasehold interest in and to the General Common Elements in the Property in the fractional proportion specified in Section 3.6, subject to the adjustments contemplated in Article II.

ARTICLE IV  
EASEMENTS

Section 4.1. In Favor of Individual Owners: There is hereby reserved and created an easement in favor of each Casita Owner upon, across, over and under the numbered tract (which is part of the General Common Elements) on which each such Owner's Unit is situated for such Owner's exclusive use and occupancy of said numbered tract. It is further declared and agreed that any improvements, structures, landscaping or other items (except those defined as General Common Elements in Section 3.5)

constructed, erected or placed upon, across, over or under each such numbered tract shall be deemed to be owned solely by the Owner of the Unit on such tract, and no other Owner shall have any right, title or interest therein.

Section 4.2. In Favor of the Corporation, Its Agents, Contractors and Employees: There is hereby reserved and created a blanket easement in favor of the Corporation, its agents, contractors and employees, upon, across, over and under all of the Property for all reasonable acts necessary to be undertaken by the Corporation, its agents, contractors and employees in constructing the Units and other improvements on the Property.

Section 4.3. In Favor of Public Utilities and the Council, Its Agents, Contractors and Employees: There is hereby reserved and created a blanket easement in favor of public utilities and the Council, its agents, contractors and employees, upon, across, over and under all of the General Common Elements within the Property, for ingress, egress, installation, replacing, repairing and maintaining (1) all utilities, including but not limited to water, gas, telephones and electricity, (2) all sewer facilities, (3) a master television antenna system, (4) any air conditioning and heating conduits, lines and ducts (except the numbered tracts and improvements thereon), and (5) all other facilities, equipment and structures which are located on such General Common Elements (except the numbered tracts and improvements

thereon) for the general use and benefit of the Owners. By virtue of this easement, it shall be expressly permissible for the utility companies or any other entities furnishing any of the aforesaid services to erect and maintain the necessary poles, lines, conduits and ducts and other necessary equipment on such General Common Elements and to affix and maintain the same on, above, across and under such General Common Elements, whether the same are now or hereafter erected and existing, including replacements thereof. The foregoing easement is not intended to permit the interference with the Owner's use and enjoyment of any numbered tract or the Unit or other improvements thereon. Notwithstanding anything to the contrary in this Section 4.3, all such installations, alterations, additions, replacements and maintenance in, upon, under or over such General Common Elements shall be subject to the provisions of Article V. This easement shall in no way affect any other recorded easements on the Property.

Section 4.4. Encroachments: Each numbered tract and the Unit thereon, and the General Common Elements shall be subject to an easement for encroachments (in favor of adjacent Owners or the Council, whichever is appropriate) created by construction, fireplaces and chimneys, exterior decorative

walls and structures, settling and overhangs and the like, as designed, constructed or permitted by the Corporation. An easement in favor of the same persons (and including the agents, contractors or employees of the Council, when the easement is in favor of the Council) exists for purposes of repair and maintenance of any such encroaching construction. In the event any Unit or other structure is partially or totally destroyed, and then rebuilt, minor encroachments due to construction (as described above) shall be permitted, and a valid easement in favor of the Owners or the Council, its agents, contractors and employees for said encroachments, and the repair and maintenance of such encroaching construction, shall exist.

#### ARTICLE V

##### ARCHITECTURAL CONTROL

Section 5.1. Submission of Plans for Construction: Except as hereinbelow set forth, no building, Unit, fence, wall, antenna, tower or structure of any kind or character shall be commenced, erected, placed or maintained on the Property unless and until plans and specifications (including but not limited to grading and landscape plans) showing the location kind, material, approximate cost, area, height, color, shape and design thereof first shall have been submitted to and approved by the Corporation, and a copy thereof as finally

approved is lodged permanently with the Corporation. Failure of the Corporation to reject in writing said plans and specifications within thirty (30) days from the date the same were submitted shall constitute approval of said plans and specifications, provided the building, Unit or other structure to be built or placed on the Property shall be governed by all of the Restrictions in the Declaration and that each such building, Unit or other structure shall be in harmony with existing buildings, Units and structures within the Property. The Corporation shall have the right to deny or refuse approval of any plans or specifications which, in its opinion, are not suitable or desirable for aesthetic or any other reasons. In this regard the Corporation shall have the right to take into consideration all matters mentioned above (i.e., location, kind, material, etc.), as well as the effect any proposed building, Unit or structure may have upon the site where it is proposed to be constructed or placed, and the suitability of the same with respect to the surrounding area and the effect thereof (including but not limited to harmony of external design and location) upon adjacent areas and Casitas as a whole. The restrictions and conditions set forth in this Section shall not be applicable to the Corporation or to any original construction or landscaping undertaken by the Corporation within the Property. The restrictions and conditions set forth in

this Section 5.1 shall be applicable to the Council and to all Casita Owners.

Section 5.2. Installations, Alterations, Additions, Replacements and Maintenance: All exterior additions, changes, alterations or redecorations (including but not limited to painting of exterior surfaces and all such activities by utility companies or any other entities furnishing services to the Property) of any building, Unit, fence, wall, landscaping, antenna, tower or structure of any kind or character on the Property shall be subject to the prior approval of the Corporation under the same conditions set forth in Section 5.1 above.

ARTICLE VI

COUNCIL OF CO-OWNERS

Section 6.1. Function: Unless otherwise specifically provided in this Declaration, the function of the Council shall be limited to the maintenance, repair, management, operation and administration of the General Common Elements pursuant to the provisions of this Declaration. For the purposes of this Article VI, and particularly but not necessarily limited to Section 6.8 hereof, the term "General Common Elements" shall include only Tracts A through G and the improvements, landscaping and other amenities thereon, and the front yards of

Tracts 1 through 29 (any side and rear yards and the concrete foundations, building slabs and patio slabs on the numbered tracts are excluded).

Section 6.2. Membership: Membership in the Council shall consist of all the Casita Owners. The Corporation shall be deemed the Owner of each Casita until each such Casita is sold (i.e., the Unit is sold and the space occupied by such Unit is subleased). Any person, upon acquiring and recording a Sublease, and Deed for the Unit, and/or other instrument establishing title to a Casita, shall be the Owner of such Casita and shall automatically become a member of the Council and shall remain a member thereof until such time as his ownership of such Casita ceases for any reason, at which time his membership in the Council shall automatically cease.

Section 6.3. Additional Provisions: Membership in the Council shall be subject to all of the provisions of this Declaration and the Council's Bylaws, as the same may be amended from time to time.

Section 6.4. Voting: Each Owner of a Casita shall have one vote. In the event any Casita is owned by two or more persons, whether by joint tenancy, tenancy in common, community property, or otherwise, the membership as to such Casita shall be

joint and a single membership for such Casita shall be in the names of all, and they shall designate to the Council, in writing, one of their number who shall hold the membership and have the power to vote said membership, and, in the absence of such designation and until such designation is made, the Board at any time, or from time to time, shall make such designation.

Section 6.5. Suspension of Voting Rights: In the event any Owner shall be in arrears in the payment of any amount due under any of the provisions in this Declaration or any amount legally imposed by the Council upon the Owners for a period of fifteen (15) days, or shall be in default in the performance of any of the terms of this Declaration for a period of fifteen (15) days, said Owner's right to vote as a member of the Council shall be suspended and shall remain suspended until all payments are brought current and all defaults cured.

Section 6.6. Council's Rights and Powers as Set Forth in Bylaws: In addition to the rights and powers of the Council set forth in this Declaration, the Council shall have such rights and powers as are set forth in its Bylaws and any Articles of Incorporation which may be adopted. Such rights and powers may encompass any and all things which a natural person could do or which now or hereafter may be authorized by law,

provided such Bylaws (and/or Articles) are not inconsistent with the provisions of this Declaration and are necessary, desirable or convenient for effectuating the purposes set forth in this Declaration. A copy of the Bylaws of the Council (and Articles of Incorporation, if the Council is incorporated) shall be available for inspection at the office of the Council during reasonable business hours.

Section 6.7. Council's and Corporation's Rights of Enforcement: The Council (as the agent and representative of the Casita Owners) and the Corporation, or either of them, shall have the right to enforce the Restrictions set forth in this Declaration.

Section 6.8. Operation and Maintenance of the General Common Elements: Operation and maintenance, including but not limited to repair, replacement, and restoration of the General Common Elements, and any additions and alterations thereto, shall be the responsibility and expense of the Council, and shall be in accordance with the provisions of the Horizontal Property Regime Act, this Declaration and the Articles of Incorporation (if any), Bylaws, and rules and regulations of the Council. Specifically, but without limitation, the Council or its agents shall:

(1) Keep all General Common Elements within the Property in a neat, clean and sanitary condition and observe and perform all laws, ordinances, rules and regulations now or hereafter made by any governmental authority for the time being applicable to the Property or the use thereof.

(2) Restore, rebuild and repair the General Common Elements and all defects therein, and preserve and maintain said General Common Elements in good and attractive condition.

(3) Provide for the installation and maintenance of a security system or systems, in a form approved and desired by the Council, which system may (but need not) include a gate to the Property and/or a guardhouse.

Section 6.9. Construction of Additional General Common Elements: Upon the affirmative vote of 75% or more of the Owners, the Council may erect and construct on the General Common Elements of the Property, subject to the architectural control provisions of Article V hereof, such additional buildings and structures as are desired and contemplated by the Council.

Section 6.10. Surety Bond: Before commencing or permitting any rebuilding, restoration or repairs of existing General

Common Elements, and before commencing or permitting the construction of new General Common Elements, the Council shall obtain and deposit with the Corporation herein a bond or certificate thereof naming as obligees the Corporation and collectively all other Casita Owners as their interests may appear, in a sum equal to 100% of the estimated cost of such construction and with a corporate surety authorized to do business in Arizona, guaranteeing completion of such construction free and clear of all mechanics' and materialmen's liens, or, at the discretion of the Corporation, provide for other guaranteeing arrangements mutually satisfactory to the Corporation and the Council.

#### ARTICLE VII

##### INSURANCE

Section 7.1. Duty to Purchase: Except as otherwise may be required or permitted by the Corporation, the Council shall purchase all insurance policies upon or with respect to the Property and/or the Casitas for the benefit of the Corporation, the Casita Owners and their respective mortgagees, as their respective interests may appear, such insurance policies to include, without limitation, the following coverage:

- (1) Casualty. All structures and improvements upon the Property, including but not limited

to the Units, shall be insured in an amount equal to the maximum insurable replacement value, excluding foundation and excavation costs, as determined annually by the Council with the approval and concurrence of the insurer or insurers. Such coverage shall afford protection against (i) loss or damage by fire and other hazards covered by a standard form of extended coverage endorsement and (ii) such other risks as from time to time shall be customarily covered with respect to buildings and properties similar in construction, location and use as those on the Property, including, but without limitation, vandalism and malicious mischief coverages.

(2) Public Liability. Public liability and property damage in such amounts and with such coverages as shall be determined by the Council.

(3) Workmen's Compensation. Such workmen's compensation insurance as may be necessary.

(4) Other Insurance. Such other insurance as the Council shall from time to time determine to be desirable.

Section 7.2. Premiums: Premiums on all insurance policies purchased by the Council shall be paid in accordance with

the provisions set forth in Section 8.3 herein. Any Casita Owner may obtain, at his own expense, such additional insurance coverage as he may deem necessary or appropriate.

#### ARTICLE VIII

##### COMMON EXPENSES

Section 8.1. Personal Obligation: All charges, costs and expenses whatsoever incurred by the Council for or in connection with the administration of the Property, including but not limited to operation of the Property and maintenance, repair, replacement and restoration of the General Common Elements, any additions and alterations thereto, all labor, services, materials, supplies and equipment therefor, and all liability whatsoever for loss or damage arising out of or in connection with the General Common Elements or any accident or fire on the General Common Elements or any nuisance thereon shall constitute common expenses of the Property. The Casita Owners shall be personally and severally liable for their respective proportionate shares (as determined in accordance with Section 3.6 hereof) of the common expenses.

Section 8.2. Establishment and Basis of Common Expenses:

The Owner of each Casita, for himself, his heirs, executors,

administrators, successors and assigns covenants and agrees that each Casita shall be subject to an annual assessment in an amount to be determined by the Council, which shall be such Casita's pro rata share (as determined in Section 3.6 hereof) of the following aggregate costs:

(1) The actual cost to the Council of all taxes, insurance, repairs, maintenance, management and related charges and expenses necessary to carry out the purposes of the Council as set forth in this Declaration, the Bylaws, and any Articles of Incorporation.

(2) Such sum as the Council shall determine to be fair and prudent for the establishment and maintenance of a reserve for repair, maintenance, taxes, insurance, management and administrative costs and other charges as specified herein.

(3) The actual cost to the Council of all expenses and related charges necessary to carry out any construction of additional buildings and structures pursuant to Section 6.9 herein.

The pro rata share of the annual common expenses chargeable to each Casita shall be collected by the Council at monthly, semi-annual or such other regular intervals (but not less than once a year) as may be fixed by the Council.

Section 8.3. Insurance Premiums and Expenses:

(a) Except only as provided in Section 8.3(b) herein, all charges, costs and expenses whatsoever incurred by the Council for or in connection with the purchase of all insurance policies provided for in Section 7.1 herein shall constitute common expenses of the Property (as provided in Section 8.1 herein) to be collected by the Council from each Casita Owner in the manner provided for in Section 8.2 herein.

(b) Notwithstanding any other provision in this Declaration, the Council shall have the authority to allocate such expenses attributable to the cost of insurance among the Owners on such other basis that the Council determines will result in fair and equitable treatment of the Owners. Any such allocation of insurance costs (which allocation may be unequal among the Owners) shall be computed solely by the Council, and the Council may rely upon the insurable values established by the insurer in making its determination for equitable allocation among all the Owners.

(c) If the Council shall be unable to make a determination as contemplated in Section 8.3(b)

herein, then the expenses attributable to the cost of insurance shall be allocated by the Council among the Owners in the manner provided in Section 8.2 herein.

Section 8.4. Refund Obligation: The Council shall not be obligated to spend in any year all the assessments received by it in such year, and may carry forward as surplus any balances remaining. Nor shall the Council be obligated to apply any such surpluses to the reduction of the amount of the annual assessment in the succeeding year, but may carry forward from year to year such surplus as the Council in its discretion may determine to be desirable for the greater financial security of the Council and the effectuation of its purposes.

Section 8.5. Waiver of Use: No Owner may exempt himself from liability for his contribution toward the common expenses, or except himself from membership in the Council, by waiver or abandonment of the use or enjoyment of any of the General Common Elements or his Unit.

#### ARTICLE IX

##### COMMON EXPENSES CONSTITUTE LIEN

Section 9.1. Creation of Lien: All sums assessed by the Council and all expenses incurred in enforcing the collection

of such sums as set forth in Section 11.3 herein shall be a charge on the land and shall be a continuing lien (hereinafter called the "Assessment Lien") upon the Casita against which such assessment is made. Such Assessment Lien on the Casita shall be a lien prior to all other liens except (1) liens for taxes and assessments lawfully imposed by governmental authority against such Casita, and (2) liens of mortgages (or deeds of trust) of bona fide lending institutions against such Casita.

Section 9.2. Enforcement of Payment of Common Expenses:

If any Owner fails to pay any sums assessed by the Council against his Casita, the Council may enforce payment by taking either or both of the following actions, concurrently or separately (and by exercising either of the remedies hereinbelow set forth, the Council does not prejudice or waive its right to exercise the other remedy):

(a) Bring an action at law against the Owner for a money judgment for his share of the common expenses;

(b) Foreclose the Assessment Lien against the Casita in accordance with the then prevailing Arizona law relating to the foreclosure of realty mortgages (including any right to recover any deficiency); the

Council shall have the power to bid on the Casita at the foreclosure sale and to acquire, hold, lease, mortgage, sell or convey the same; and the Casita may be redeemed after foreclosure sale as provided by law. Anything hereinabove to the contrary notwithstanding, the remedies above set forth for the Council are not exclusive, and the Council may take any and all other remedies available to it at law or in equity.

#### ARTICLE X

##### LIABILITY FOR ASSESSMENTS AND COMMON EXPENSES AFTER CONVEYANCE

Section 10.1. Voluntary Conveyance: In a voluntary conveyance and/or assignment, the grantee (and assignee of a sublessee's interest) of a Casita shall be jointly and severally liable with the grantor (and assignor of a sublessee's interest) for all unpaid assessments and common expenses against the grantor for the grantor's share of such assessments and expenses up to the time of the grant, conveyance and/or assignment. Such liability of the grantee shall be without prejudice to his right to recover from the grantor the amounts paid by the grantee therefor. However, any such grantee shall be entitled to a statement from the Council setting forth the amount of unpaid assessments against the grantor and such grantee shall not be liable for, nor shall the Casita conveyed

be subject to a lien for, any unpaid assessments against the grantor in excess of the amount herein set forth.

Section 10.2. Foreclosure: Where the mortgagee of a mortgage of record, beneficiary under a deed of trust, or other purchaser of any Casita obtains title to such Casita as a result of foreclosure, such acquirer of title, his successors and assigns, shall not be liable for the share of the common expenses and assessments by the Council chargeable to such Casita which became due prior to the acquisition of title to such Casita by such acquirer. Such unpaid shares of common expenses and assessments shall be deemed to be common expenses collectible from all of the Casita Owners including such acquirer, his successors and assigns. The acquirer shall be liable, however, for the share of the common expenses and assessments charged by the Council to such Casita which become due after the acquisition of title to such Casita by such acquirer.

#### ARTICLE XI

##### COMPLIANCE WITH DECLARATION, BYLAWS AND DECISIONS

Section 11.1. Compliance: All Casita Owners, their tenants, families, servants and guests, or any other person who may in any manner use the Property or any part thereof, shall be bound by and comply strictly with the provisions of this

Declaration, the Bylaws and any Articles of Incorporation of the Council, and all agreements, decisions, determinations, rules and regulations of the Council, as lawfully made or amended from time to time. Failure to comply with any of the same shall be grounds for an action for damages or injunctive relief, or both, and to the extent the same constitute a first and prior lien (except as provided in Section 9.1) on the interest of such Owner in the Casita and should any obligation of an Owner not be paid or performed when due, such lien shall be subject to foreclosure as provided in Section 9.2.

Section 11.2. Maintenance of Legal Action: All actions requiring such compliance shall be maintained by the Council, or if it fails to act or perform its obligations within fifteen (15) days after written notice from the Corporation to the Council, then the Corporation may maintain any such action, or, in a proper case, an aggrieved Casita Owner may maintain an action.

Section 11.3. Expenses of Enforcement: Any Owner against whom the Council takes any enforcement action shall pay to the Council (regardless of whether suit is brought) promptly on demand all costs and expenses (including reasonable attorneys' fees) incurred by or on behalf of the Council in collecting any delinquent assessments against such Casita, foreclosing its Assessment Lien therefor or enforcing any provisions of this Declaration, or

Bylaws of the Council, or enforcing any agreements, decisions, determinations, rules or regulations against any such Owner or any occupant of such Casita. If for any reason the Council is unable to collect any or all of such costs and expenses incurred in any enforcement action against an Owner, such costs and expenses shall be divided among all the Casita Owners, who shall pay such costs and expenses in proportion to their fractional ownership in the Property as set forth in Section 3.6. In the event the Corporation takes any enforcement action against an Owner, the Corporation shall be entitled to collect from the Owner the same costs and expenses as are permitted to be collected by the Council pursuant to this Section.

#### ARTICLE XII

#### PROPERTY RIGHTS

Section 12.1. Owners' Easements of Enjoyment: Every Owner shall have a right and easement of enjoyment in and to the General Common Elements (which in this Article exclude the numbered tracts), and such easement shall be appurtenant to and shall pass with the title to each and every Casita. Such right and easement of enjoyment shall be subject to reasonable rules and regulations as from time to time are promulgated by the Council which rules and regulations may include but shall not be limited to:

(a) The right of the Council to limit the number of guests of Owners using or enjoying any recreational facilities on the General Common Elements;

(b) The right of the Council to control and regulate use of any private roadways and/or parking areas included in the General Common Elements; and

(c) The right of the Council to regulate and change the type, nature and extent (including the hours) of use of the General Common Elements.

It is understood that each Owner also has an easement for the exclusive use of the numbered tract on which his Unit is located, and that such easement is and shall be appurtenant to and shall pass with the title to each such Casita.

Section 12.2. Delegation of Use: Subject to the Bylaws and rules and regulations of the Council, any Owner may delegate his right of enjoyment to the General Common Elements to members of his family, his tenants or other persons who reside in his Unit.

## ARTICLE XIII

## USE RESTRICTIONS

Section 13.1. Residential Use: All of the Casitas in the Property shall be known and described as, and limited in use to, residential use; provided, however, that nothing herein shall prevent such Casitas, or any part or parts thereof, from being rented.

Section 13.2. Construction: All buildings, Units and other structures on the Property shall be of new construction (and then only as may be acceptable to the Corporation pursuant to Article V hereof). No buildings, Units or structures shall be moved from any other location onto the Property, nor shall any buildings, Units or structures be removed from the Property.

Section 13.3. Temporary Structures: No structures of a temporary character (except a temporary construction shed and/or sales office, acceptable to the Corporation, used for the original construction and sale of Casitas on the Property) shall be permitted on the Property, and no trailers, tents, shacks or barns shall be permitted on the Property either temporarily or permanently.

Section 13.4. Business or Offensive Activities: No noxious or offensive activity may be carried on or permitted on any part of the Property, nor shall anything be done thereon

which may be or become an annoyance or nuisance to the neighborhood; nor shall any part of the Property be used by an Owner for business (except for rental of his Casita), professional, commercial, rest home (including but not limited to care or treatment of the physically or mentally sick or disabled), religious or institutional purposes. This Section does not apply to the construction or business activities of the Corporation, or the activities of the Council in furtherance of its powers and purposes as set forth in this Declaration.

Section 13.5. Animals; Pets: Only commonly accepted household pets may be kept in the Units, provided that such commonly accepted household pets are not kept, bred or maintained for any commercial purposes. No other animals, fish or birds of any kind shall be raised, bred, or kept on any part of the Property.

Section 13.6. Trash; Unsightly Items: All clothes lines, garbage cans, equipment, service areas, woodpiles, storage piles and storage areas shall be kept screened by adequate planting or fencing so as to conceal them from view of neighboring Casitas, property and streets. All rubbish, trash, or garbage shall be removed from the Property and shall not be

burned on, or allowed to accumulate on, the Property. No incinerators, except those approved in writing by the Corporation, shall be permitted on the Property.

Section 13.7. Trucks, Boats, Cycles, Campers: Except for trucks or vans belonging to persons doing work on the Property during daylight hours (or at other times during emergencies), cars, station wagons, trucks, buses, vans, trailers, boats, cycles, antique cars, campers, and similar type vehicles or equipment shall be kept or parked only in parking areas designated by the Corporation for such vehicles or equipment, unless specific written approval is first obtained from the Corporation with respect to some other place and/or manner of keeping or parking such vehicles or equipment. If the Corporation or Council determines that a vehicle (including but not limited to a motorbike or motorcycle) is creating loud or annoying noises by virtue of its operation within the Property, such determination shall be conclusive evidence that such operation of the vehicle is a nuisance to the neighborhood and such operation shall, upon notice by the Corporation or Council to the owner or operator thereof, be prohibited within the Property.

Section 13.8. Signs: No sign (other than an address sign) of any nature whatsoever shall be permitted on any building, Unit

or the General Common Elements, unless specific written approval for a particular sign is first obtained from the Corporation.

Section 13.9. Antennas: Except as otherwise expressly approved in writing by the Corporation, all radio, television and other antennas of every kind or nature shall be placed and maintained upon the Property (or the improvements located thereon) so that no portion thereof shall be visible from the neighboring property or the streets.

Section 13.10. Renting: Each Casita, or any portion or portions thereof, may be rented.

Section 13.11. Other Unlawful Use: No activity or use of any part of the Property shall be undertaken or permitted by an Owner which will increase the rate of insurance upon the Property.

Section 13.12. Rebuilding or Restoration: If any Unit is damaged or destroyed, the Owner of such Unit shall forthwith proceed to rebuild, repair or restore the same, or cause the same to be rebuilt, repaired or restored, to as good a condition as formerly. If the Owner fails to rebuild, repair or restore his Unit promptly, then the Corporation and/or the Council shall have the right to do so pursuant to all of the terms and conditions set forth in Article XXII hereof.

ARTICLE XIV

PARTITION

Section 14.1. Partition Disallowed: No right shall exist to partition or divide any part of the Property except as provided in the Horizontal Property Regime Act.

ARTICLE XV

RESTRAINT UPON ASSIGNMENT OF SHARES IN ASSETS

Section 15.1. Separate Assignment Prohibited: The share of a Casita Owner in the funds and assets of the Council cannot be assigned, hypothecated or transferred in any manner except as an appurtenance to his Casita.

ARTICLE XVI

CONVEYANCES SUBJECT TO A RIGHT OF FIRST REFUSAL

Section 16.1. Corporation's and Council's Rights: The sale, lease, transfer or assignment of a Casita by the Owner shall be subject to a right of first refusal in the Corporation, and if the Corporation fails to exercise such right, then the Council shall have the right to exercise such right of first refusal, all as more specifically set forth in the Bylaws. Such right of first refusal shall be exercised (if at all) pursuant to procedures established by the Council in its Bylaws.

Section 16.2. Mortgages Not Affected by Right of First Refusal: In the event of any default on the part of any

Casita Owner under any first mortgage held by an institutional lender, which entitled the holder thereof to foreclose the same, any sale under such foreclosure, including delivery of a deed to the first mortgagee in lieu of such foreclosure, shall be made free and clear of the provisions of Section 16.1, and the purchaser (or grantee under such deed in lieu of foreclosure) of such Casita shall be thereupon and thereafter subject to the provisions of this Declaration. If the purchaser following such foreclosure sale (or grantee under deed given in lieu of such foreclosure) shall be the then holder of the first mortgage, or its nominee, the said holder or nominee may thereafter sell and convey the Casita free and clear of the provisions of Section 16.1, but its grantee shall thereupon and thereafter be subject to all of the provisions thereof. The foregoing references to "mortgage" shall include a deed of trust, and references to "foreclosure sale" shall, in the context of a deed of trust, be deemed to refer to a sale by the trustee.

#### ARTICLE XVII

##### MANAGER

Section 17.1. Employment: The Council may employ a responsible individual, corporation, partnership or other entity as Manager to manage and control the General Common Elements, with all the administrative functions and such other powers and

duties and for such fees as the Council may establish, subject to prior approval of any such management contract by a majority of the Owners. No Manager shall be employed without prior written consent of the Corporation. In any event, the Council may grant to the Manager in any such contract, for such term as the Council deems appropriate, all or any portion or portions of the rights, powers, duties and obligations of the Council set forth in this Declaration and/or the Bylaws.

ARTICLE XVIII

SUBSTITUTION OF CORPORATION IN PLACE OF COUNCIL

Section 18.1. Procedure: In the event the Council at any time shall fail to perform the obligations set forth in this Declaration, and such failure shall continue for fifteen (15) days after written notice thereof to the Council by the Corporation, the Corporation, at its option, shall have the right to assume all or any part of the rights, powers and duties (including but not limited to levying the annual assessment) given to the Council in this Declaration, and if the Corporation elects to assume all or any part of said rights, powers and duties, the Council thereupon shall have no further rights, powers and duties, except those thereafter expressly released by the Corporation to the Council. The Corporation shall have the right to either employ a Manager pursuant to Article XVII, or, at the Corporation's sole discretion, assume all rights, powers and duties of the Council,

charging the individual Owners a management fee equal to the fee normally charged by a Manager. Should the Corporation elect to exercise the rights, powers and duties of the Council without the employment of a Manager, the management fee charged by the Corporation shall constitute part of the common expenses of the Property.

#### ARTICLE XIX

##### LIABILITY OF THE CORPORATION

Section 19.1. Limitation on Liability: The Corporation shall be held harmless from all fines, suits, claims, demands and actions of any kind or nature of anyone whomsoever, by reason of any breach or violation of any law on the part of any Owner, or any agents, servants, employees or tenants of Owner.

The Corporation shall not be liable for any theft, vandalism, disturbance, riot, unauthorized entrance or other similar occurrence which may take place on or about the Property. The Corporation in no event shall be liable for any accident or injury (including death) to any person or damage to property which shall occur in any manner whatsoever on or about the Property or arise out of the condition, maintenance, repair or use of the Property, except for any accident, injury or damage resulting solely from acts of the Corporation, its agents or employees. The Owners, through the Council, and as a common expense, shall indemnify and hold the Corporation harmless from and against any and all liability, damages, suits

and claims of every kind and nature, including reasonable attorneys' fees, made or brought by or on behalf of any person on account of any such accident, injury or damage not excepted as aforesaid. Each Owner further waives any and all right or claim he or any person claiming under him may have against the Corporation on account of any accident or injury (including death) to any person or damage to property which shall occur in any manner whatsoever on or about the Property or arise out of the condition, maintenance, repair, operation, control, regulation or use of the General Common Elements within the Property (including without limitation the roads within, adjacent to or in the vicinity of the Property), except for any accident, injury or damage resulting solely from the acts of the Corporation, its agents or employees.

ARTICLE XX

PARTY WALLS

Section 20.J. Controlling Law; Definitions: Every wall which is a Limited Common Element and constitutes a dividing line between separate Units shall constitute a "party wall." The Owners shall be subject to the limitations and restrictions set forth in this Article with respect to party walls. With respect to each such wall, each of the adjoining Owners shall have the obligations and be entitled to the benefits of the provisions in this Article and, to the extent applicable and not inconsistent herewith, the general rules of law regarding party walls.

Section 20.2. Damage by One of the Adjoining Owners: If any party wall is damaged or destroyed through the act or acts of any one adjoining Owner, or any of his guests, tenants, licensees, agents, servants or members of his family (whether such act is willful, negligent or accidental), the Council shall forthwith proceed to rebuild or repair the same to as good a condition as formerly and shall assess the cost therefor to said adjoining Owner without cost to the other adjoining Owner.

Section 20.3. Damage by Some Other Cause: If any wall is damaged or destroyed by some act or event other than that produced by one of the adjoining Owners, his guests, agents, tenants, licensees, servants, or members of his family (including ordinary wear and tear and deterioration from lapse of time), then the Council shall proceed forthwith to rebuild or repair the same to as good condition as formerly, and shall assess both adjoining Owners equally for the cost therefor.

Section 20.4. Alterations: Any Owner of a Unit who proposes, at his own cost, to modify, rebuild, repair or make additions in any way or manner to his own Unit which requires the extension, alteration or modification of any party wall, shall first obtain the written consent of the Council and the adjoining Owner, in addition to meeting the requirements of these Restrictions and of any applicable building codes or similar ordinances.

Section 20.5. Arbitration: In the event of a disagreement between Owners of adjoining Units with respect to the repair, reconstruction or maintenance of a party wall or with respect to sharing the cost of repairing, rebuilding or maintaining the same, then, upon the written request of either of said Owners to the Council, the matter shall be submitted to the Council for arbitration under such rules as from time to time may be adopted by the Council. If no such rules are adopted for such purpose or the Council refuses to act, then the matter shall be submitted to the Corporation.

Section 20.6. Council's Rights: Upon failure to forthwith institute rebuilding or repairing of such party wall as required under Section 20.2 and 20.3 (or as established by the Council or Corporation under Section 20.5), and after giving thirty (30) days' notice to the Owners involved, the Council shall have the right, at its option, to rebuild or repair such party wall and charge the responsible Owner or Owners therefor. Said charge shall be the personal obligation of the responsible Owner or Owners, shall be secured by the Assessment Lien against such responsible Owner's or Owners' Casitas, and shall be collected pursuant to the provisions of Section 9.2.

Section 20.7. Private Agreements: No private agreement of any adjoining Owners shall modify or abrogate any of these

party wall restrictions or the obligations, rights, duties and limitations set forth in this Article upon the individual Casita Owners.

#### ARTICLE XXI

##### TAXES AND UTILITY CHARGES

Section 21.1. Responsibility of Owners: Each Owner shall pay all real estate taxes, charges and assessments against his Casita and/or Unit, and shall pay all charges for water, electricity, telephone and other utilities, and for sewer services, used or consumed in his Unit when the same become due and payable. Owner also shall pay for any installation of such utilities if installed during his term of ownership of such Unit.

#### ARTICLE XXII

##### RESTORATION OF OWNER'S UNIT

Section 22.1. Individual Assessment: In the event the Owner of a Unit fails to maintain the exterior of the Unit and other improvements and the yard and landscaping on the numbered tract on which his Unit is situated in an attractive, neat and clean condition, and generally in a manner satisfactory to the Council and the Corporation (and each of them), the Council and/or the Corporation through their respective agents, employees and/or independent contractors shall have the right,

and each Owner expressly grants and assigns to the Council and the Corporation (and each of them) the right (subject to prior notice as hereinbelow set forth), to enter upon the land upon which such Unit is situated and repair, maintain, rehabilitate and restore the yard, patio and exterior of the Unit and any and all improvements and/or other structures located thereon to the condition deemed satisfactory to the Council and the Corporation. The cost thereof (together with a reasonable profit) shall be charged against and collected from the Owner of the Unit, the amount thereof to be paid by the Owner within thirty (30) days from the date of the invoice sent to the Owner, and said amount further shall be secured by, and subject to all provisions regarding the Assessment Lien as provided in Article IX of this Declaration.

Section 22.2. Notice: Prior to exercising the aforesaid right of restoration, the Council shall give written notice to the Owner of said Unit specifying the necessary repairs, maintenance, rehabilitation or restoration to be undertaken, and granting the Owner thirty (30) days to accomplish the same. If, at the end of said period, the work required to be performed has not been completed (or has been completed in a manner unsatisfactory to the Council or the Corporation), then the Council and/or the Corporation shall have the right,

as above set forth, to make such repairs, maintenance, re-habilitation or restoration.

Nothing herein contained shall be construed as granting to the Council or Corporation any right to enter into or inside of any Unit without the consent of the Owner thereof.

#### ARTICLE XXIII

##### GENERAL PROVISIONS

Section 23.1. Binding Effect; Term: These Restrictions shall run with, bind and burden the Property, and said Restrictions shall be binding upon each Owner and his heirs, executors, administrators, successors, assigns and grantees, and all other persons (including but not limited to mortgagees and beneficiaries under trust deeds, and their successors and assigns) claiming an interest in and to the Property until September 29, 2069.

Section 23.2. References to Declaration: All instruments of conveyance, transfer or assignment of any interest of all or any part of the Property may contain the Restrictions herein set forth by reference to this Declaration. However, the Restrictions herein shall be binding upon all persons affected by the terms of this Declaration, regardless of whether any reference is made to this instrument in the deed or other instrument of conveyance.

Section 23.3. Amendment or Termination: These Restrictions may be amended at any time during the term hereof by recording in the office of the County Recorder of Maricopa County, Arizona, an instrument in writing reciting said amendments bearing the signed and acknowledged concurrence of the then Owners of fifty-one percent (51%) of the Casitas within the Property; provided, however, no such written instrument reciting said amendments shall be valid and effective during the term hereof unless it bears the signed and acknowledged concurrence of the Corporation.

These Restrictions may be terminated under the same conditions above set forth except that the Owners of one hundred percent (100%) of the Casitas, and the Corporation, must sign such instrument, and further provided that a public authority has agreed to accept a dedication of such General Common Elements as are commonly maintained by a public authority or otherwise has agreed to maintain the same.

In any event, this Declaration and the Restrictions herein set forth shall, if not earlier terminated pursuant to the terms hereinabove, terminate at 11:59 p.m. September 29, 2069, and the Owners, by accepting a sublease or other transfer, conveyance and/or assignment of their Casita, expressly consent to the termination of the Horizontal Property Regime

and the withdrawal of the Property from said Horizontal Property Regime on said date. It is understood that any encumbrances or liens against all or any of the Casitas and/or Units shall be deemed terminated or expired by operation of law, and of no further force and effect, as of 11:59 p.m., September 29, 2009.

Section 23.4. Default Under Ground Lease: In the event of any default by the Corporation (as Lessee) under the Ground Lease and such default is not cured as provided therein, the Smalls (the Ground Lessors) covenant and agree that (a) this Declaration and the Restrictions herein set forth nevertheless shall continue in full force and effect and shall not be terminated except as set forth in Section 23.3, and (b) with respect to each sublease of a Casita (between the Corporation, as sublessor, and a Casita Owner, as sublessee), as long as such sublease is not in default or otherwise subject to termination by the Corporation, then any such sublessee's tenancy shall not be disturbed (except as provided in the sublease) and there shall be an attornment between such sublessee and the Smalls (i.e., any such sublease shall continue in effect as if the Smalls were the sublessor).

Section 23.5. Financing: The terms of all financing arrangements relating to any Casita which contemplate or involve

placing any security interest, lien or encumbrance on the Smalls' or the Corporation's interests shall be subject to the prior approval of the Corporation, which approval shall not be unreasonably withheld. Any such loan made with respect to a Casita shall comply with the following requirements: (i) it shall be made by a reputable institutional lender; (ii) the total principal amount thereof shall not exceed seventy-five percent (75%) of the total estimated cost of the improvements for the Casita as established by the lending institution (which improvements include but shall not necessarily be limited to the Unit, architectural and engineering costs and fees, offsite and onsite improvements, and all subsequent alterations, repairs and replacements); (iii) the rate of interest thereon shall not exceed ten percent (10%) per annum and the principal amount thereof shall be amortized in equal monthly installments over a period of not in excess of thirty (30) years; and (iv) the security instrument to be executed shall be in a form regular for such an instrument and shall affect only the Corporation's and/or Smalls' interest in Hilton Casitas (or the portion thereof allocable to the Casita), and shall in no way serve to make the Corporation or the Smalls personally liable for the payment of the loan thereby secured; and each such security instrument shall provide that the holder thereof shall be

entitled to notice of default under the Sublease covering such Casita and shall be given the right to cure any such default within twenty (20) days from the time notice of default is given by the Corporation.

Section 23.6. Waiver or Abandonment: The waiver of, or failure to enforce, any breach or violation of any Restriction herein contained shall not be deemed to be a waiver of the right to enforce or be deemed an abandonment of, such Restriction or any of the Restrictions; nor shall it be deemed to be a waiver of the right to enforce any subsequent breach or violation of such Restriction or any of the Restrictions. No Restriction contained herein shall be deemed to have been abandoned or the right to enforce the same waived, unless this Declaration is amended to delete such Restriction.

Section 23.7. Severability: Any determination by any court of competent jurisdiction that any provision of this Declaration is invalid or unenforceable shall not affect the validity or enforceability of any of the other provisions hereof.

Section 23.8. Construction: Except for judicial construction, the Corporation shall have the exclusive right to construe and interpret the provisions of this Declaration. In the absence of any adjudication to the contrary by a court of competent jurisdiction, the Corporation's construction or

interpretation of the provisions hereof shall be final, conclusive and binding as to all persons and the Property.

Section 23.9. Rules and Regulations: The Council shall have the right to adopt rules and regulations, and amend, cancel, and adopt new rules and regulations from time to time with respect to all aspects of the Council's rights, activities and duties, provided said rules and regulations are not inconsistent with the provisions of this Declaration or the Bylaws or Articles (if any) of the Council.

Section 23.10. Mergers: The Council shall have the power and right to merge or consolidate with any other non-profit corporation, council of co-owners, association or other entity (regardless of whether the rights, obligations and area served by such other non-profit corporation, association or other entity are lesser than, the same as, or greater than those of the Council). Any such proposed merger or consolidation shall be effective only upon (i) an affirmative vote of a majority of the votes cast at a meeting of the Owners held for such purpose, and (ii) express written consent of the Corporation.

Section 23. 11. Corporation's Exclusive Rights: It is understood that the Corporation (and not the Council) has and shall retain all rights granted exclusively to the Corporation in this Declaration.

Section 23.12. Change of Circumstances: Except as otherwise expressly provided in this Declaration, no change of conditions or circumstances shall operate to extinguish, terminate or modify any of the provisions of this Declaration.

Section 23.13. Gender and Number: Wherever the context of this Declaration so requires, words used in the masculine gender shall include the feminine and neuter genders. Words used in the neuter gender shall include the masculine and feminine genders; words used in the singular shall include the plural, and words in the plural shall include the singular.

Section 23.14. Captions and Titles: All captions, titles and headings of the Articles and Sections in this Declaration are for the purpose of reference and convenience only, and are not to be deemed to limit, modify or otherwise affect any of the provisions hereof, or to be used in determining the intent hereof.

IN WITNESS WHEREOF, this Declaration is signed as of the day, month and year first above written.

LINCSCOTT HOTEL CORPORATION

By Robert H. Karay  
President

Attest:

Paul K. Wentworth  
Assistant Secretary

W. J. Small  
W. J. SMALL

Hazel M. Small  
HAZEL M. SMALL

# Exhibit 3

Your Vote is Important

**HILTON CASITAS COUNCIL OF HOMEOWNERS, INC.  
NOTICE OF ANNUAL MEETING OF ELIGIBLE MEMBERS  
TO BE HELD ON MARCH 31, 2016**

The Annual Meeting of Eligible Members of the Hilton Casitas Council of Homeowners, Inc., will be held at the Scottsdale Hilton Ballroom, located at 6333 N. Scottsdale Road, Scottsdale, AZ 85250, on March 31, 2016, at 4:30 pm, for the following purposes:


- To elect the Board of Directors for the Association;
- To review Financial Report of the Association;
- To review the approved Budget for 2016;
- To review and vote on Amending Declaration;
- To review and vote on proposed new Rules & Regulations; and
- To review and vote on amending Bylaws.

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON, PLEASE PROMPTLY FILL IN, DATE, SIGN AND RETURN THE ENCLOSED FORM OF BALLOT, IN THE SELF-ADDRESSED, POSTAGE PREPAID ENVELOPE PROVIDED FOR YOUR CONVENIENCE. THIS BALLOT MAY ALSO BE HAND DELIVERED TO THE PRESIDENT OF THE ASSOCIATION. THE BALLOT CANNOT BE REVOKED.

Scottsdale, Arizona

Dated: March 24, 2016

By Order of the Board of Directors

\_\_\_\_ BARRIE BERGUSON  Secretary

**HILTON CASITAS COUNCIL OF HOMEOWNERS  
AGENDA FOR  
ANNUAL MEETING OF ACTIVE MEMBERS  
MARCH 31, 2016**

1. Call meeting to Order-Chairman
2. Roll call
3. Declaration of Quorum
4. Reading of Minutes of Preceding Meeting
5. Vote on election of Board of Directors
6. Formal Announcement of Voting Results re new Board
7. Review Financial Report of the Association
8. Review approved budget for 2016
9. Review and vote on proposed new Rules & Regulations
10. Review and vote on Amending Declaration
11. Discuss Unfinished Business
12. Discuss New Business
13. Adjournment of Meeting

# Exhibit 4

**R L Whitmer**

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**Subject:** FW: Scottsdale Hilton Casitas - Board Meeting Notice- (Change of Location!)

On Monday, February 15, 2016 3:40 PM, Evon Potocki <[Evon@cpihoa.com](mailto:Evon@cpihoa.com)> wrote:

**Note: Change of Location!**

## **BOARD OF DIRECTORS MEETING NOTICE**

**The Board of Directors meeting scheduled for:**

**Date:** Tuesday February 16<sup>th</sup>, 2016..

**Located:** Scottsdale Hilton Ballroom

**Time:** 4:30pm

**Agenda:**

- Approve the last Board minutes
- Parking signs
- Noncompliance Issues
- Discuss the amended Declarations..
- Date for annual meeting and vote on the amended Declarations.
- Questions
- Adjourned

Homeowners are welcome to attend!

Thank you-

**The Hilton Casitas Council of Homeowners**

**Evon Potocki**  
*Community Manager*



**Cornerstone Properties, Inc.**  
P.O. Box 62073  
Phoenix, AZ 85082

Office: (602) 433-0331 x103  
Fax: (602) 244-9214  
E-Mail: <mailto:evon@cpihoa.com>  
<http://www.cpihoa.com/>

# Exhibit 5

Scottsdale Hilton Casita Worksheet  
01/31/07 thru 12/31/07

EXPENSES:  
Note - Landlease paid separately

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	2007	
City of Scottsdale	\$ -	\$ -	\$ 728.25	\$ 728.25	\$ 729.25	\$ 728.25	\$ 728.25	\$ 728.25	\$ 728.25	\$ 728.25	\$ 728.25	\$ 728.25	\$ 728.25	\$ 8,700.00
State farm	\$ -	\$ 1,318.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,318.00
Horizon	\$ 420.00	\$ 904.23	\$ 420.00	\$ 497.56	\$ 420.00	\$ 420.00	\$ 1,731.48	\$ 520.04	\$ 420.00	\$ 420.00	\$ 1,089.10	\$ 420.00	\$ 420.00	\$ 7,662.41
Safeguard	\$ 2,855.49	\$ 2,844.00	\$ 2,855.49	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 34,319.01
ACE	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 2,400.00
APS	\$ 34.58	\$ 32.75	\$ 30.48	\$ 33.13	\$ 31.08	\$ 29.33	\$ 33.83	\$ 32.01	\$ 32.86	\$ 33.55	\$ 30.24	\$ 29.97	\$ 29.97	\$ 383.81
HQA	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 6,960.00
Qwest	\$ 56.95	\$ 57.08	\$ 57.09	\$ 57.08	\$ 57.47	\$ 57.45	\$ 57.47	\$ 56.42	\$ 58.42	\$ 56.42	\$ 56.38	\$ 56.37	\$ 56.37	\$ 682.81
Trash - Hotel	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 8,700.00
Mgmt Fee - Hotel	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 12,180.00
Average cost per Casita	\$ 203.00	\$ 284.62	\$ 227.98	\$ 230.89	\$ 228.29	\$ 228.23	\$ 273.60	\$ 233.21	\$ 229.75	\$ 229.81	\$ 232.04	\$ 249.85	\$ 235.93	\$ 235.93

-- Jan & Feb server invoices were most likely included in the truck's server expense in 2006.

	Original Budget Per Casita	2007 Expenses Per Casita	Variance
City of Scottsdale	\$ 5.40	\$ 21.55	\$ 16.15
State farm	\$ 5.12	\$ 3.78	\$ (1.34)
Horizon - Grounds	\$ 15.00	\$ 22.02	\$ 7.02
Safeguard	\$ 125.00	\$ 98.62	\$ (26.38)
ACE - street sweeping	\$ 3.00	\$ 6.80	\$ 3.80
APS - elec	\$ -	\$ 1.10	\$ 1.10
HQA	\$ 20.00	\$ 20.00	\$ -
Qwest - gate phone line	\$ -	\$ 1.98	\$ 1.98
Trash - Hotel	\$ 25.00	\$ 25.00	\$ -
Mgmt Fee - Hotel	\$ 35.00	\$ 35.00	\$ -
	\$ 233.52	\$ 235.93	\$ 2.41

Scottsdale Hilton Casita Worksheet  
01/31/08 thru 12/31/08

EXPENSES:

Note - Landlease paid separately

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	2008
City of Scottsdale	\$ 770.82	\$ 770.82	\$ 770.82	\$ 775.82	\$ 770.82	\$ 770.82	\$ 543.48	\$ 543.48	\$ 543.48	\$ 548.48	\$ 548.48	\$ 553.48	\$ 7,910.80
State farm	\$ 420.00	\$ 420.00	\$ 420.00	\$ 420.00	\$ 420.00	\$ 420.00	\$ 1,400.11	\$ 420.00	\$ 420.00	\$ 420.00	\$ 1,360.13	\$ 480.00	\$ 1,326.00
Horizon	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 7,020.24
Safeguard	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 2,400.00
ACE	\$ 34.88	\$ 31.76	\$ 35.07	\$ 31.57	\$ 30.93	\$ 33.32	\$ 30.00	\$ 30.00	\$ 30.00	\$ 31.33	\$ 31.12	\$ 33.28	\$ 293.28
APS	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 6,960.00
HOA	\$ 57.22	\$ 113.27	\$ 56.21	\$ 57.25	\$ 57.25	\$ 57.28	\$ 57.28	\$ 58.50	\$ 57.64	\$ 57.99	\$ 57.99	\$ 57.61	\$ 745.49
Qwest	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 8,700.00
Trash - Hotel	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 12,180.00
Mgmt Fee - Hotel	\$ 6,665.59	\$ 6,718.52	\$ 6,664.77	\$ 7,993.31	\$ 6,661.67	\$ 6,664.09	\$ 7,363.54	\$ 6,404.65	\$ 6,403.79	\$ 6,440.47	\$ 7,380.39	\$ 6,507.04	\$ 81,887.83
Average cost per Casita	\$ 229.85	\$ 231.67	\$ 229.82	\$ 275.63	\$ 229.71	\$ 229.80	\$ 254.60	\$ 220.85	\$ 220.82	\$ 222.09	\$ 254.50	\$ 224.38	\$ 235.31

-- July, Aug & Sept APS invoices were most likely included in the hotel's electric expense in error.

	Original Budget Per Casita	2008 Expenses Per Casita	Variance
City of Scottsdale	\$ 5,40	\$ 22,73	\$ 17,33
State farm	\$ 5.12	\$ 3.61	\$ (1.51)
Horizon - Grounds	\$ 15.00	\$ 20.17	\$ 5.17
Safeguard	\$ 125.00	\$ 98.71	\$ (26.29)
ACE - street sweeping	\$ 3.00	\$ 6.90	\$ 3.90
APS - elec	\$ 20.00	\$ 0.84	\$ 19.16
HOA	\$ 25.00	\$ 2.14	\$ 22.86
Qwest - gale phone line	\$ 35.00	\$ 35.00	\$ -
Trash - Hotel	\$ 233.52	\$ 233.52	\$ -
Mgmt Fee - Hotel	\$ 233.52	\$ 233.52	\$ -

Scottsdale Hilton Casita Worksheet  
01/31/09 thru 12/31/09

EXPENSES:  
Note - Landlease paid separately

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	2009
City of Scottsdale	\$ 538.48	\$ 543.48	\$ 543.48	\$ 543.48	\$ 543.48	\$ 543.48	\$ 322.46	\$ 322.46	\$ 322.46	\$ 322.46	\$ 322.46	\$ 322.46	\$ 5,180.64
State farm				\$ 1,354.00									\$ 1,354.00
Horizon	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 1,360.07	\$ 584.07	\$ 480.00	\$ 480.00	\$ 1,085.63	\$ 480.00	\$ 7,358.77
Safeguard	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 34,352.04
ACE	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 2,400.00
APS	\$ 31.45	\$ 36.52	\$ 31.67	\$ 32.18	\$ 33.74	\$ 31.61	\$ 32.86	\$ 34.53	\$ 32.46	\$ 30.61	\$ 30.33	\$ 38.65	\$ 398.61
HOA	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 6,960.00
Qwest	\$ 57.62	\$ 57.81	\$ 57.98	\$ 57.98	\$ 57.98	\$ 59.06	\$ 58.13	\$ 58.24	\$ 58.99	\$ 58.12	\$ 58.99	\$ 58.48	\$ 700.19
Trash - Hotel	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 8,700.00
Mgmt Fee - Hotel	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 12,180.00
Average cost per Casita	\$ 223.80	\$ 224.15	\$ 223.99	\$ 270.70	\$ 224.06	\$ 224.03	\$ 246.80	\$ 220.41	\$ 216.43	\$ 216.34	\$ 237.24	\$ 216.63	\$ 228.72
Original Budget Per Casita													
2009 Expenses Per Casita													
Variance													
City of Scottsdale	\$ 5.40			\$ 14.92				\$ 9.52					\$ 9.52
State farm	\$ 5.12			\$ 3.89				\$ (1.23)					\$ (1.23)
Horizon - Grounds	\$ 15.00			\$ 21.15				\$ 6.15					\$ 6.15
Safeguard	\$ 125.00			\$ 98.71				\$ (26.29)					\$ (26.29)
ACE - street sweeping	\$ 3.00			\$ 6.90				\$ 3.90					\$ 3.90
APS - elec				\$ 1.14				\$ 1.14					\$ 1.14
HOA	\$ 20.00			\$ 20.00				\$ -					\$ -
Qwest - gate phone line				\$ 2.01				\$ 2.01					\$ 2.01
Trash - Hotel	\$ 35.00			\$ 35.00				\$ -					\$ -
Mgmt Fee - Hotel	\$ 233.52			\$ 228.72				\$ (4.80)					\$ (4.80)

Scottsdale Hilton Casita Worksheet  
01/31/10 thru 12/31/10

EXPENSES:  
Note - Landlease paid separately

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	2010
City of Scottsdale	\$ 322.48	\$ 322.48	\$ 322.46	\$ 322.46	\$ 322.46	\$ 322.46	\$ 322.48	\$ 322.46	\$ 569.18	\$ 569.18	\$ 569.18	\$ 569.18	\$ 4,856.40
State farm:				1,354.00									\$ 1,354.00
Horizon	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 1,353.00	\$ 1,590.65	\$ 581.42	\$ 628.85	\$ 480.00	\$ 1,224.50	\$ 812.78	\$ 8,871.20
Safeguard	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 34,352.04
ACE	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 2,400.00
APS	\$ 32.72	\$ 38.57	\$ 33.20	\$ 38.57	\$ 33.77	\$ 34.95	\$ 35.53	\$ 37.17	\$ 34.92	\$ 33.80	\$ 37.02	\$ 35.38	\$ 425.40
HOA	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 6,960.00
Qwest	\$ 58.69	\$ 59.49	\$ 58.37	\$ 58.51	\$ 58.74	\$ 58.74	\$ 59.05	\$ 58.72	\$ 82.16	\$ 41.86	\$ 61.97	\$ 81.36	\$ 898.96
Trash - Hotel	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 8,700.00
Mgmt Fee - Hotel	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 12,180.00
Average cost per Casita	\$ 216.44	\$ 216.68	\$ 218.47	\$ 203.32	\$ 218.47	\$ 248.61	\$ 254.84	\$ 220.08	\$ 230.27	\$ 224.39	\$ 250.87	\$ 229.70	\$ 232.18

	Original Budget Per Casita	2010 Expenses Per Casita	Variance
City of Scottsdale	\$ 5.40	\$ 13.96	\$ 8.56
State farm	\$ 5.12	\$ 3.89	\$ (1.23)
Horizon - Grounds	\$ 15.00	\$ 25.49	\$ 10.49
Safeguard	\$ 125.00	\$ 98.71	\$ (26.29)
ACE - street sweeping	\$ 3.00	\$ 6.90	\$ 3.90
APS - elec		\$ 1.22	\$ 1.22
HOA	\$ 20.00	\$ 20.00	\$ -
Qwest - gate phone line		\$ 2.01	\$ 2.01
Trash - Hotel	\$ 35.00	\$ 25.00	\$ -
Mgmt Fee - Hotel	\$ 233.52	\$ 232.18	\$ (1.34)

Scottsdale Hilton Casita Worksheet  
01/31/11 thru 12/31/11

EXPENSES:  
Note - Landlease paid separately

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	2011
City of Scottsdale	\$ 569.18	\$ 569.18	\$ 569.18	\$ 569.18	\$ 569.18	\$ 569.18	\$ 569.18	\$ 569.18	\$ 569.18	\$ 569.18	\$ 569.18	\$ 569.18	\$ 6,830.16
State farm			\$ 1,374.00										\$ 1,374.00
Horizon	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 6,754.50
Safeguard	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 34,352.04
ACE	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 2,400.00
APS	\$ 41.90	\$ 36.44	\$ 35.08	\$ 38.94	\$ 35.07	\$ 40.78	\$ 39.44	\$ 36.81	\$ 34.03	\$ 41.50	\$ 37.82	\$ 38.43	\$ 454.84
HOA	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 6,960.00
Qwest	\$ 62.28	\$ 62.86	\$ 62.86	\$ 61.82	\$ 62.73	\$ 63.05	\$ 81.53	\$ 61.89	\$ 62.56	\$ 62.57	\$ 62.77	\$ 62.77	\$ 789.59
Trash - Hotel	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 8,700.00
Mgmtl Fee - Hotel	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 12,180.00
Average cost per Casita	\$ 225.38	\$ 225.21	\$ 272.54	\$ 225.30	\$ 225.16	\$ 225.37	\$ 225.96	\$ 225.18	\$ 225.12	\$ 228.58	\$ 256.34	\$ 225.21	\$ 232.11

	Original Budget Per Casita	2011 Expenses Per Casita	Variance
City of Scottsdale	\$ 5.40	\$ 19.63	\$ 14.23
State farm	\$ 5.12	\$ 3.95	\$ (1.17)
Horizon - Grounds	\$ 15.00	\$ 19.41	\$ 4.41
Safeguard	\$ 125.00	\$ 98.71	\$ (26.29)
ACE - street sweeping	\$ 3.00	\$ 8.80	\$ 3.80
APS - elec		\$ 1.31	\$ 1.31
HOA	\$ 20.00	\$ 20.00	\$ -
Qwest - gale phone line		\$ 2.21	\$ 2.21
Trash - Hotel	\$ 25.00	\$ 25.00	\$ -
Mgmtl Fee - Hotel	\$ 35.00	\$ 35.00	\$ -
	\$ 233.52	\$ 232.11	\$ (1.41)

Scottsdale Hilton Casita Worksheet  
01/31/12 thru 12/31/12

EXPENSES:  
Note - Landlease paid separately

	Jan.	Feb.	Mar.	Apr.	May	Jun	July	Aug	Sept	Oct	Nov	Dec	2012
City of Scottsdale	\$ 577.72	\$ 569.18	\$ 566.18	\$ 676.14	\$ 676.14	\$ 676.14	\$ 676.14	\$ 752.12	\$ 751.12	\$ 751.12	\$ 751.12	\$ 1,513.51	\$ 8,168.51
State farm				\$ 1,470.00									\$ 1,470.00
Horizon	\$ 480.00	\$ 615.30	\$ 480.00	\$ 480.00	\$ 507.98	\$ 660.55	\$ 480.00	\$ 480.00	\$ 728.39	\$ 480.00	\$ 480.00	\$ 980.00	\$ 6,352.22
Safeguard	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 5,725.34	\$ 34,352.04
American Sweeping	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 400.00	\$ 2,400.00
APS	\$ 44.80	\$ 56.13	\$ 48.91	\$ 42.23	\$ 37.83	\$ 41.78	\$ 40.59	\$ 42.23	\$ 39.55	\$ 40.67	\$ 40.67	\$ 77.72	\$ 514.54
HOA	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 1,160.00	\$ 6,980.00
Qwest/Century Link	\$ 62.77	\$ 63.34	\$ 63.35	\$ 63.35	\$ 63.35	\$ 63.23	\$ 127.41	\$ 65.52	\$ 63.09	\$ 63.09	\$ 63.09	\$ 127.91	\$ 763.06
Trash - Hotel	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 8,700.00
Mgmt Fee - Hotel	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 12,180.00
Average cost per Casita	\$ 225.79	\$ 230.84	\$ 225.66	\$ 279.81	\$ 227.75	\$ 235.32	\$ 231.27	\$ 133.10	\$ 240.17	\$ 231.64	\$ 158.71	\$ 403.60	\$ 235.29
	\$ 6,547.96	\$ 6,698.62	\$ 6,544.11	\$ 8,114.39	\$ 6,804.72	\$ 6,824.37	\$ 6,708.81	\$ 3,859.87	\$ 6,984.82	\$ 6,717.55	\$ 4,802.87	\$ 11,704.48	\$ 81,880.37

	Original Budget Per Casita	2012 Expenses Per Casita	Variance
City of Scottsdale	\$ 5.40	\$ 23.53	\$ 18.13
State farm	\$ 5.12	\$ 4.22	\$ (0.90)
Horizon - Grounds	\$ 15.00	\$ 18.25	\$ 3.25
Safeguard	\$ 125.00	\$ 98.71	\$ (26.29)
ACE - street sweeping	\$ 3.00	\$ 6.80	\$ 3.80
APS - elec		\$ 1.48	\$ 1.48
HOA	\$ 20.00	\$ 20.00	\$ -
Qwest - gate phone line		\$ 2.19	\$ 2.19
Trash - Hotel	\$ 25.00	\$ 25.00	\$ -
Mgmt Fee - Hotel	\$ 35.00	\$ 35.00	\$ -
	\$ 233.52	\$ 235.29	\$ 1.77

Scottsdale Hilton/Casita Worksheet  
01/31/13 thru 12/31/13

EXPENSES:  
Note - Landlease paid separately

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	2013
City of Scottsdale	\$ 751.12	\$ 751.12	\$ 751.12	\$ 751.12	\$ 751.12	\$ 751.12	\$ 751.12	\$ 883.58	\$ 883.58	\$ 883.58	\$ 883.58	\$ 883.58	\$ 9,675.74
State farm					\$ 1,472.00								\$ 1,472.00
Horizon	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 580.00	\$ 1,290.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 980.00	\$ 6,870.00
Safeguard	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 2,862.67	\$ 5,725.34	\$ 34,352.04
American Sweeping	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 2,400.00
APS	\$ 39.14	\$ 41.89	\$ 37.22	\$ 38.44	\$ 37.45	\$ 37.91	\$ 36.74	\$ 37.29	\$ 36.34	\$ 38.93	\$ 35.73	\$ 34.60	\$ 449.48
HOA	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 6,960.00
Qwest/Century Link	\$ 65.40	\$ 66.07	\$ 63.05	\$ 63.18	\$ 63.06	\$ 64.01	\$ 130.64	\$ 65.13	\$ 65.13	\$ 65.13	\$ 66.18	\$ 65.10	\$ 711.82
Trash - Hotel	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 8,700.00
Mgmt Fee - Hotel	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 12,180.00
Average cost per Casita	\$ 231.67	\$ 231.78	\$ 231.52	\$ 231.50	\$ 282.28	\$ 235.02	\$ 281.76	\$ 233.92	\$ 137.42	\$ 233.97	\$ 219.59	\$ 351.33	\$ 240.15

Original Budget Per Casita

2013 Expenses Per Casita

Variance

City of Scottsdale	\$ 5.40	\$ 27.80	\$ 22.40
State farm	\$ 5.12	\$ 4.23	\$ (0.89)
Horizon - Grounds	\$ 15.00	\$ 19.17	\$ 4.17
Safeguard	\$ 125.00	\$ 98.71	\$ (26.29)
ACE - street sweeping	\$ 3.00	\$ 6.90	\$ 3.90
APS - elec		\$ 1.29	\$ 1.29
HOA	\$ 20.00	\$ 20.00	\$ -
Qwest - gale phone line		\$ 2.05	\$ 2.05
Trash - Hotel	\$ 25.00	\$ 25.00	\$ -
Mgmt Fee - Hotel	\$ 35.00	\$ 35.00	\$ -
	\$ 233.52	\$ 240.15	\$ 6.63

Scottsdale Hilton Casino Worksheet  
2014 Expenses

EXPENSES:  
Note - Landscapes paid separately

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	2014 Expenses
Projected Revenues @ \$233.52 per unit (assuming all pay)	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 81,284.96
Expenses:													
City of Scottsdale - Sewer	\$ 890.83	\$ 893.58	\$ 893.58	\$ 896.83	\$ 897.03	\$ 897.04	\$ 897.04	\$ 894.68	\$ 894.68	\$ 894.68	\$ 1,011.63	\$ 1,011.63	\$ 14,119.16
State Farm - Insurance	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 4,094.78	\$ 4,094.78	\$ 48,000.00
Hortzon - Landscapes	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 34,382.04
Stratguard Security Svc	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 2,000.00	\$ 2,000.00	\$ 24,000.00
Street Sweeper	\$ 68.28	\$ 65.30	\$ 65.28	\$ 68.31	\$ 65.33	\$ 65.33	\$ 67.30	\$ 66.69	\$ 66.69	\$ 66.79	\$ 67.78	\$ 66.78	\$ 785.90
CenturyLink	\$ 37.04	\$ 34.18	\$ 38.66	\$ 38.22	\$ 38.32	\$ 38.42	\$ 40.73	\$ 37.56	\$ 41.40	\$ 38.24	\$ 35.95	\$ 41.22	\$ 457.06
APC	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 580.00	\$ 6,960.00
HDA Reseave	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 8,700.00
Trash - Hotel	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 12,180.00
Mgmt Fee - Hotel	\$ 6,892.83	\$ 6,845.73	\$ 6,880.20	\$ 6,341.03	\$ 6,883.35	\$ 7,723.48	\$ 6,887.74	\$ 6,981.62	\$ 7,450.44	\$ 8,821.97	\$ 10,593.02	\$ 9,882.51	\$ 92,583.84
Total Expenses	\$ (80.75)	\$ (73.65)	\$ (78.12)	\$ (1,588.95)	\$ (91.27)	\$ (95.138)	\$ (95.66)	\$ (189.54)	\$ (878.36)	\$ (3,048.83)	\$ (4,220.94)	\$ (210.43)	\$ (11,288.88)
Produce (Projected Revenues less Expenses)	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 81,284.96

	Original Budget Per Casino	2014 Expenses Per Casino	Variance
City of Scottsdale	\$ 5.40	\$ 40.67	\$ 35.17
State Farm	\$ 5.12	\$ 4.25	\$ (0.87)
Hortzon - Grounds	\$ 13.00	\$ 31.85	\$ 18.85
Stratguard	\$ 125.00	\$ 98.71	\$ (26.29)
ACE - street sweeping	\$ 3.00	\$ 6.90	\$ 3.90
APC - elec	\$ 20.00	\$ 2.78	\$ (17.22)
HDA	\$ 25.00	\$ 20.00	\$ (5.00)
Quest - gate phone line	\$ 25.00	\$ 25.00	\$ -
Trash - Hotel	\$ 35.00	\$ 35.00	\$ -
Mgmt Fee - Hotel	\$ 233.62	\$ 285.89	\$ 52.47

Extra Expenses:  
Hortzon (in addition to monthly maintenance of \$480)  
June - 19 Treen iron palm, 1 Treen date palm  
Sept - Storm damage/repairs & gifted Palms  
Nov - Irrigation machine replacement  
Nov - Winter Overseeing  
City of Scottsdale (Oct) 3 year back billing for 6 units that have not been invoiced.

\$3,373.02  
\$8,732.80

Current monthly sewer expense is \$1011.63 until July 2015  
increase in City of Scottsdale Sewer for October is back billing for three years on 6 properties (Lots 1,2,3,5,9,19)

Scottsdale Hilton Casita Worksheet  
2014 Expenses

EXPENSES:  
Note - Landscapes paid separately

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	2014 Expenses
Projected Revenue @ \$23,82 per unit (assuming all pay)	\$ 6,772.06	\$ 6,772.06	\$ 6,772.06	\$ 6,772.06	\$ 6,772.06	\$ 6,772.06	\$ 6,772.06	\$ 6,772.06	\$ 6,772.06	\$ 6,772.06	\$ 6,772.06	\$ 6,772.06	\$ 81,264.96
Expenses:													
City of Scottsdale - Sewer	\$ 898.83	\$ 893.58	\$ 893.58	\$ 898.83	\$ 897.03	\$ 897.04	\$ 897.04	\$ 994.68	\$ 994.68	\$ 3,854.21	\$ 1,011.83	\$ 1,011.83	\$ 14,119.16
Stella Farm - Insurance	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 1,340.00	\$ 480.00	\$ 480.00	\$ 985.00	\$ 480.00	\$ 4,494.78	\$ 480.00	\$ 11,479.00
Horizon - Landscapers	\$ 2,862.87	\$ 2,862.87	\$ 2,862.87	\$ 2,862.87	\$ 2,862.87	\$ 2,862.87	\$ 2,862.87	\$ 2,862.87	\$ 2,862.87	\$ 2,862.87	\$ 2,862.87	\$ 2,862.87	\$ 34,352.04
Seaford Security Svc	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 2,400.00
Street Sweeps	\$ 68.29	\$ 65.30	\$ 65.29	\$ 68.31	\$ 65.33	\$ 65.33	\$ 67.39	\$ 66.89	\$ 66.89	\$ 66.79	\$ 67.79	\$ 66.79	\$ 785.90
CermonyLink	\$ 37.04	\$ 34.16	\$ 38.66	\$ 36.72	\$ 38.42	\$ 38.42	\$ 40.73	\$ 37.56	\$ 41.40	\$ 38.24	\$ 35.95	\$ 41.22	\$ 457.86
HOA Reserve	\$ 590.00	\$ 590.00	\$ 590.00	\$ 590.00	\$ 590.00	\$ 590.00	\$ 590.00	\$ 590.00	\$ 590.00	\$ 590.00	\$ 590.00	\$ 590.00	\$ 6,960.00
Trash - Hotel	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 8,700.00
Meat Fee - Hotel	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 12,180.00
Total Expenses	\$ 6,892.83	\$ 6,845.73	\$ 6,850.20	\$ 6,341.03	\$ 6,893.35	\$ 7,723.48	\$ 6,867.74	\$ 6,861.62	\$ 7,450.44	\$ 9,821.91	\$ 10,893.02	\$ 6,862.51	\$ 92,363.84
Profit/Loss (Projected Revenue less Expenses)	\$ (90.75)	\$ (73.65)	\$ (78.12)	\$ (1,569.95)	\$ (91.27)	\$ (951.39)	\$ (95.66)	\$ (189.54)	\$ (678.36)	\$ (3,049.83)	\$ (4,220.94)	\$ (210.43)	\$ (11,298.88)
Average cost per Casita (Expenses divided by 29)	\$ 236.85	\$ 236.08	\$ 236.21	\$ 287.62	\$ 236.87	\$ 266.33	\$ 236.82	\$ 240.06	\$ 256.91	\$ 338.89	\$ 378.07	\$ 240.78	\$ 265.99
Committed amount per Casita	\$ 233.52	\$ 233.52	\$ 233.52	\$ 233.52	\$ 233.52	\$ 233.52	\$ 233.52	\$ 233.52	\$ 233.52	\$ 233.52	\$ 233.52	\$ 233.52	\$ 233.52
Shortfall Per Casita	\$ (3.13)	\$ (2.54)	\$ (2.68)	\$ (54.10)	\$ (3.15)	\$ (32.81)	\$ (3.30)	\$ (6.54)	\$ (23.39)	\$ (105.17)	\$ (145.55)	\$ (7.26)	\$ (32.47)
Actual Revenues (see 2nd tab "payments")	\$ 6,305.04	\$ 6,305.04	\$ 6,305.04	\$ 6,305.04	\$ 6,305.04	\$ 6,071.52	\$ 6,305.04	\$ 6,305.04	\$ 6,305.04	\$ 6,305.04	\$ 6,305.04	\$ 6,071.52	\$ 75,193.44
Expenses (see above)	\$ 6,862.83	\$ 6,845.73	\$ 6,850.20	\$ 6,341.03	\$ 6,893.35	\$ 7,723.48	\$ 6,867.74	\$ 6,861.62	\$ 7,450.44	\$ 9,821.91	\$ 10,993.02	\$ 6,862.51	\$ 92,563.84
Profit/Loss on Actual Revenues	\$ (557.79)	\$ (540.69)	\$ (545.16)	\$ (2,036.99)	\$ (588.31)	\$ (1,651.94)	\$ (562.70)	\$ (556.58)	\$ (1,145.40)	\$ (2,516.87)	\$ (4,687.98)	\$ (810.99)	\$ (17,370.40)

Extra Expenses:  
Horizon (in addition to monthly maintenance of \$480)  
June- 18 Trim fan palms, 1 trim date palms  
Sept- Storm damage/repairs & grind Peloverde  
Nov- Injapion mat/liners replacement  
Nov-Winter Overseeding

\$3,373.02  
\$6,732.80

Current monthly sewer expense is \$1011.83 until July 2015  
Increase in City of Scottsdale Sewer for October is back billing for three years on 6 properties (Lots 1,2,3,5,9,19)

Scottsdale Hilton Casita Worksheet  
2015 Expenses

EXPENSES:  
Note - Landscapes paid separately

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	2015
Projected Revenues @ \$233.52 thru April and \$249.04 beginning May (assuming all pay)	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,772.08	\$ 6,382.16	\$ 6,382.16	\$ 6,382.16	\$ 6,382.16	\$ 6,382.16	\$ 6,382.16	\$ 6,382.16	\$ 6,382.16	\$ 64,145.60
Expenses:													
City of Scottsdale - Sewer	\$ 1,011.83	\$ 1,011.83	\$ 1,011.83	\$ 1,011.83	\$ 1,011.83	\$ 1,011.83	\$ 942.16	\$ 942.16	\$ 942.16	\$ 942.16	\$ 942.16	\$ 942.16	\$ 11,723.94
State Farm - Insurance	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 1,510.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 1,341.45	\$ 880.53	\$ 14,010.00
Horton - Landscapes	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 2,882.67	\$ 34,258.69
Seaboard Security Svc	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 2,400.00
Street Sweeper	\$ 98.98	\$ 98.98	\$ 98.98	\$ 98.13	\$ 98.13	\$ 98.13	\$ 97.08	\$ 70.22	\$ 70.53	\$ 42.55	\$ 39.20	\$ 44.31	\$ 824.76
CentralVue	\$ 39.42	\$ 39.61	\$ 67.98	\$ 83.64	\$ 39.63	\$ 41.79	\$ 39.09	\$ 37.97	\$ 45.04	\$ 42.55	\$ 39.20	\$ 44.31	\$ 482.25
APS	\$ 590.00	\$ 590.00	\$ 590.00	\$ 590.00	\$ 1,648.26	\$ 1,648.26	\$ 1,648.26	\$ 1,648.26	\$ 1,648.26	\$ 1,648.26	\$ 1,648.26	\$ 1,648.26	\$ 15,506.88
HOA Reserve	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 8,700.00
Trash - Hotel	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 12,180.00
Magnt Fee - Hotel	\$ 690.88	\$ 691.07	\$ 834.46	\$ 7518.27	\$ 8,318.57	\$ 7,882.78	\$ 8,809.26	\$ 7,782.71	\$ 7,770.09	\$ 7,897.07	\$ 8,694.76	\$ 8,179.43	\$ 94,967.25
Total Expenses	\$ (208.80)	\$ (208.80)	\$ (208.80)	\$ (1,571.26)	\$ (578.78)	\$ (578.28)	\$ (447.20)	\$ (618.45)	\$ (612.07)	\$ (685.09)	\$ (612.60)	\$ (202.73)	\$ (761.65)
Profit/Loss (Projected Revenues less Expenses)	\$ 6,563.28	\$ 6,563.28	\$ 6,563.28	\$ 5,200.82	\$ 5,803.38	\$ 5,803.88	\$ 5,934.96	\$ 5,763.71	\$ 5,667.16	\$ 5,737.17	\$ 5,769.56	\$ 6,184.89	\$ 64,907.25

	Original Budget Per Casita	2015 Expenses Per Casita	Variance
City of Scottsdale	\$ 5.40	\$ 23.89	\$ 18.49
State Farm	\$ 8.12	\$ 4.03	\$ (4.09)
Horton - Grounds	\$ 19.00	\$ 26.34	\$ 7.34
Seaboard	\$ 125.00	\$ 98.44	\$ (26.56)
ACE - street sweeping	\$ 3.00	\$ 2.87	\$ (0.13)
APS - elec	\$ 20.00	\$ 2.37	\$ (17.63)
HOA	\$ 25.00	\$ 1.41	\$ (23.59)
Trash - Hotel	\$ 35.00	\$ 26.00	\$ (9.00)
Magnt Fee - Hotel	\$ 233.52	\$ 35.00	\$ (198.52)

Extra Expenses:  
Horton (In addition to monthly maintenance of \$480)

April - Irrigation repairs	\$ 480.00
May - Irrigation repairs & trim palm trees	\$ 286.75
July - trim palm trees	\$ 1,030.00
Nov - winter seeding	\$ 881.45
Dec - Irrigation repairs	\$ 408.53
<b>Total</b>	<b>\$3,056.73</b>

Goodcastle Hilton Casita Worksheet  
2016 Expenses

EXPENSES:  
Note - Landscaper paid separately

Projected Revenues @ \$288.04 per unit  
(assuming all pay)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2016
Expenses:													
City of Scottsdale - Sewer	\$ 942.16	\$ 942.16	\$ 942.16	\$ 942.16	\$ 942.16	\$ 942.16	\$ 942.16	\$ 942.16	\$ 942.16	\$ 942.16	\$ 942.16	\$ 942.16	\$ 11,305.92
State Farm - Insurance	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 480.00	\$ 5,760.00
Hortzon - Landscapers	\$ 2,844.00	\$ 2,844.00	\$ 2,844.00	\$ 2,844.00	\$ 2,844.00	\$ 2,844.00	\$ 2,844.00	\$ 2,844.00	\$ 2,844.00	\$ 2,844.00	\$ 2,844.00	\$ 2,844.00	\$ 34,128.00
Security Services Svc													
Street Sweepers													
CenturyLink	\$ 44.86	\$ 70.09	\$ 80.28	\$ 38.22	\$ 284.29	\$ 43.75	\$ 69.50	\$ 71.71					\$ 485.59
APS	\$ 1,648.36	\$ 1,648.36	\$ 1,648.36	\$ 1,648.36	\$ 1,648.36	\$ 1,648.36	\$ 1,648.36	\$ 1,648.36	\$ 1,648.36	\$ 1,648.36	\$ 1,648.36	\$ 1,648.36	\$ 19,780.32
HQA Reserve	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 725.00	\$ 8,700.00
Tech - Hotel	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 1,015.00	\$ 12,180.00
Marlin Fee - Hotel	\$ 7,689.48	\$ 7,774.61	\$ 9,329.79	\$ 7,682.74	\$ 6,350.81	\$ 7,689.27	\$ 8,503.65	\$ 3,395.71	\$ -	\$ -	\$ -	\$ -	\$ 60,396.25
ProfilOne (Projected Revenues less Expenses)	\$ 882.68	\$ 657.65	\$ (947.62)	\$ 689.42	\$ 31.26	\$ 883.89	\$ (121.89)	\$ 4,888.45	\$ 8,382.16	\$ 8,382.16	\$ 8,382.16	\$ 8,382.16	\$ 40,180.87

Original Budget Per Casita

2016 Expenses Per Casita

Variance

City of Scottsdale	\$ 5.40												
State Farm	\$ 5.12												
Hortzon - Grounds	\$ 19.00												
Security	\$ 125.00												
ACE - street sweeping	\$ 3.00												
APS - elec	\$ 20.00												
HQA	\$ 25.00												
Overst - gas phone line	\$ 35.00												
Tech - Hotel	\$ 233.52												
Marlin Fee - Hotel													\$ (233.52)

Extra Expenses:  
Hortzon (in addition to monthly maintenance of \$400)

may - orn plants	\$ 372.00
July - orn 18 plants	\$ 815.00

\$1,187.00

# Exhibit 6

Received 8/27/16

**The Hilton Casitas Council of Homeowners**  
6333 N. Scottsdale Rd.  
Scottsdale, AZ 85250

August 22<sup>nd</sup>, 2016

Casita Owners,

Enclosed are the new "Rules and Regulations" for our community. The old "Rules and Regulations" have been replaced in its entirety by these new Rules and Regulations. The Board has also made changes to our Safeguard Security agreement. They are as follows:

- Monitoring of individual Casitas will terminate 10/01/2016. You may contact Safeguard direct if you would like to continue service individually at your expense. The plans start at \$35/month.
- Safeguard Patrol/vacation service will terminate 10/01/2016 as well. Again if the vacation service is important. You may contact Safeguard direct and they can let you know the costs etc.

Your next question should be: Will our monthly dues be going down?? The answer is "yes" in the long run. Let me tell you the 12-18-month plan:

- Install security cameras at the gates and at least looking down 2 streets.
- Having one management company to oversee all of the violations, finances, financial reports, and provide a Community website for owners to access all information such as Minutes of meetings, HOA financial reports, meeting information and dates.
- Repave our streets at the same time the hotel repaves their parking lot. This will be 12-18 months from now.

The savings from the Safeguard changes and management company changes will be used to build a reserve to pay for the paving and install the new security cameras. We will have those exact costs in the next 90 days. When the reserves are adequate to pay for these capital expenditures we will then reduce the monthly HOA dues to less than \$200/month!!!

The reserves and timing are also subject to our legal expenses. If we are assured these fees will be minimized, we can accomplish our goal sooner.

Please bear with us as we make these changes which will be positive for all of us in the long run.

Please let me know if you have any questions.

Best Regards-

Board of Directors  
**The Hilton Casitas Council of Homeowners**

# Exhibit 7

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## MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT (this "Agreement"), dated as of the 2<sup>nd</sup> day of June, 2000, is entered into by and between Scottsdale Resort & Spa Partners, Limited Partnership, a Delaware limited partnership (the "Manager") having an address at c/o The Griffin Group, 780 Third Avenue, New York, NY 10017, and Scottsdale Hilton Casitas Homeowners Association [formerly called the Scottsdale Hilton Casitas Council of Co-Owners] (the "Association"), having an address at 6333 North Scottsdale Road, Scottsdale, Arizona 85250 (a/o President of the Association):

### WITNESSETH:

WHEREAS, the Association is the representative body elected to represent the owners (the "Owners") of the Hilton Casitas, comprised of twenty-nine (29) units (each, "Unit") being located on the real property described in Exhibit A attached hereto and incorporated herein by reference for all purposes (the "Land"), together with all improvements thereon, and all real and personal property relating thereto (together with the Land, the "Casitas"); and

WHEREAS, the Association desires to engage a manager to provide certain services to the Owners of the Casitas.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Association and the Manager agree as follows:

### ARTICLE I. ENGAGEMENT AND TERM

Section 1.1. **Engagement.** The Association hereby engages the Manager, and the Manager hereby accepts its engagement, on the terms and conditions herein contained, as the sole and exclusive manager for the Casitas.

Section 1.2. **Term.** This Agreement shall be effective as of the date hereof, and unless sooner terminated pursuant to the provisions hereof, shall continue in full force and effect for a period of ten (10) years (the "Initial Term"). Thereafter, this Agreement may, at the option of the Manager, exercised by written notice to the Association at least ninety (90) days prior to the end of the Initial Term or any Renewal Period then in effect, be extended for successive periods of ten (10) years each (each, a "Renewal Period"), with the last Renewal Period to be coterminous with the expiration date of the subleases of the Casitas.

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## ARTICLE II. MANAGERIAL RESPONSIBILITIES

**Section 2.1. Operations.** The Manager shall perform and provide in a good and workmanlike manner the services identified in Part II of Exhibit B and collect the other sums specified in Parts I and III of Exhibit B attached hereto and made a part hereof.

### Section 2.2. Employment of Personnel.

2.2.1. The Manager shall hire, pay, supervise, train and discharge the Project Personnel (as herein defined). All matters pertaining to the employment, supervision, compensation, promotion and discharge of Project Personnel are and shall be the responsibility of the Manager, and such Project Personnel shall be employees of the Manager and not of the Association. The Association shall have no right to supervise or direct such Project Personnel. The Manager shall comply with all applicable laws, ordinances and regulations pertaining to workers' compensation, social security, unemployment insurance, hours of labor, wages, working conditions and other employer-employee related subjects.

2.2.2. As used herein, the term "Project Personnel" shall mean all maintenance and cleaning personnel, and all other permanent or part-time personnel who are responsible for the provision of the services required hereby. Notwithstanding anything to the contrary contained herein, the Manager shall have the express right and authority to perform its functions hereunder by utilizing as Project Personnel persons employed by, and performing services for, the Hilton Scottsdale Resort and Villas.

**Section 2.3. Compliance with Laws and Contracts.** Solely to the extent of the Manager's duties hereunder, the Manager shall be responsible for compliance with all federal, state and municipal laws, ordinances, regulations and orders relative to the condition, operation, repair, management and maintenance of the Casitas and the Common Areas and with the rules, regulations or orders of the local Board of Fire Underwriters or other similar bodies and with all insurance companies providing casualty or liability insurance with respect to the Casitas and/or Common Areas.

## ARTICLE III. INSURANCE AND INDEMNIFICATION

**Section 3.1. Insurance.** The Association shall obtain and keep in force adequate insurance against physical damage (by way of example and not by way of limitation, fire with extended coverage endorsement, and the like) and against liability for loss, damage or injury to property or persons which might arise out of the occupancy, management, operation or maintenance of the Common Areas serving or contained within the Casitas, which areas are required to be insured by the Association. The Manager will be named as an additional insured in all liability insurance policies obtained by the Association and maintained with respect to the Common Areas contained

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within the Casitas, and the Association shall provide to the Manager certificates of insurance or certified copies of the policies evidencing such coverage.

**Section 3.2. Indemnification by the Association.** The Association, on its own behalf and on behalf of each individual Owner, agrees (i) to indemnify, and to defend promptly and diligently, and hold harmless the Manager from any claim for damages or injuries to persons or property arising by reason of the Association's failure or refusal to comply with or abide by any rule, order, determination, ordinance or law of any federal, state or municipal authority to which the Association is subject; and (ii) except for any claims of negligence by Manager or breach of any contract relating to the Casitas to which Manager is a party (acting on its own and not on behalf of the Association), to defend promptly and diligently, at the Association's sole expense, any claims, action or proceeding brought against the Manager or the Manager and the Association, jointly or severally, arising out of or relating to the Manager's actions in the performance of its duties and responsibilities hereunder or the Association's actions or failure to act as specified herein. The provisions of this Section shall survive the termination of this Agreement.

**Section 3.3. Indemnification by the Manager.** The Manager agrees to indemnify, and to defend promptly and diligently, and hold harmless the Association from any and all claims, demands, liability, loss, cost or expense asserted or incurred by reason of any willful, negligent or tortious act by the Manager or any of the Manager's employees or agents, or any breach of any contract to which Manager is a party (other than when acting for and on behalf of the Association in accordance with the terms and provisions of this Agreement), unless the Association shall have approved the same in writing or participated therein. This indemnity shall not be applicable with respect to acts of the Manager duly authorized and performed in accordance with the terms and provisions of this Agreement.

#### ARTICLE IV. COMPENSATION

**Section 4.1 Management Fee.** In consideration of the services to be rendered by the Manager pursuant to this Agreement, and so long as this Agreement is in effect and has not been terminated pursuant to the terms hereof, the Manager shall receive compensation (the "Fee") for its services hereunder, in the initial year of this Agreement, in the sum of \$35.00 per Casita (Unit) as prescribed in Part II of Exhibit B. Thereafter the Fee shall be increased at the commencement of each calendar year during the term of this Agreement by the amount of the actual total increase to the Manager of its costs of providing such services specified in Part II of Exhibit B, plus ten percent (10%) of the amount of each such annual increase.

**Section 4.2. Payment of Management Fee.** The costs specified in Parts I and II of Exhibit B and the Fee shall be paid by the Association to the Manager monthly in advance on or before the first day of each calendar month during the term hereof. (The Association shall be solely responsible for collecting amounts owing from the Owners, and the Fee shall be due and payable to the Manager in accordance with the terms hereof without regard to the Association's actions with respect to collection thereof.) For any period of less than one month, the monthly payment shall be computed on pro rata basis based upon a thirty (30) day month.

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Section 4.3. Interest on Late Payments. Any monthly installment that is not paid when due shall bear interest from the date due until the date payment is received in an amount equal to the lesser of (a) the highest rate permitted by applicable law and (b) one percent (1%) per month.

Section 4.4. Lien. Payment of the Fee and other costs due hereunder (as set forth in Parts I and II of Exhibit B) shall be secured by a lien upon the property of each Casita Owner not paying the costs and Fee attributable to his Unit. In addition to the right of the Manager to foreclose any such lien on a defaulting Casita Owner, the Manager shall have a right of action against the Association for payment of all or any portion of any unpaid costs or Fee. The Manager and/or the Association shall have all rights under applicable law to foreclose any such lien for payments not made when due.

Section 4.5. Ground Lease. It is understood that each Casita Owner, in addition to the costs and Fee prescribed in Parts I and II of Exhibit B, is required to pay monthly to the Manager, as collection agent for the Sublessor, ground rent (as set forth in Part III of Exhibit B) pursuant to the terms of each such Casita Owner's Sublease, as amended, with the Sublessor. However, enforcement of collection of the ground rent by the Sublessor and/or Manager is outside the scope and terms of this Agreement and shall be enforced by the Sublessor pursuant to the provisions of the Subleases, as amended. All rights of the Sublessor and Sublessees are as defined in the applicable Subleases, and no such rights shall be limited by the terms of this Agreement.

#### ARTICLE V. TERMINATION

Section 5.1. Termination by the Manager. The Manager may terminate this Agreement without cause by giving ninety (90) days prior written notice the Association. If the Association shall fail to reimburse or pay to the Manager any amount for which the Manager is entitled as reimbursement or compensation, and such failure continues for a period of thirty (30) days after written notice from the Manager to the Association designating such amount and the Manager's entitlement thereto, then the Manager may terminate this Agreement by written notice to the Association at any time thereafter.

Section 5.2. Termination by the Association. If the Manager fails to perform its obligations under this Agreement, the Association shall given written notice of such failure to the Manager (the "Notice"), which Notice shall set forth in detail the nature of the obligation which the Manager has failed to perform. If, within the thirty (30) day period immediately following receipt of the Notice, the Manager in good faith commences to perform such obligation and to cure such failure and thereafter prosecutes to completion with diligence and continuity the curing thereof and cures such failure within a reasonable time, then it shall be deemed that the Notice was not given and the Association shall not be entitled to terminate this Agreement. If, within such thirty (30) day period, the Manager does not commence in good faith the curing of such failure or does not thereafter prosecute to completion with diligence and continuity the curing thereof, then the Association shall have the right to terminate this Agreement.

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**Section 5.3 Obligations Upon Termination.** Upon termination of this Agreement, each party shall promptly pay to the other, as soon as the same is determinable after the effective date of termination, all amounts to be paid to the other under this Agreement and, except as provided in Article III, upon such payment neither party shall have any further claim or right against the other.

## ARTICLE VI. NOTICES

**Section 6.1. Notices.** All notices, demands, consents and reports provided for in this Agreement shall be in writing and shall be given to the Association or the Manager at the address set forth below or at such other address as each party may specify thereafter in writing in accordance herewith:

**THE ASSOCIATION:**

Scottsdale Hilton Casitas  
Homeowners Association  
6333 North Scottsdale Road  
Scottsdale, Arizona 85250  
Attention: President

**MANAGER:**

Griffin Management, Inc.  
780 Third Avenue  
New York, NY 10017  
Attention: General Counsel

All notices or other communications required or permitted to be given pursuant hereto shall be in writing and shall be deemed served and given at the time of (i) deposit in a depository receptacle under the care and custody of the United States Postal Service, properly addressed to the designated address of the addressee as set forth herein, postage prepaid, registered or certified mail with return receipt requested, (ii) delivery to the designated address of the addressee set forth above by a third party commercial delivery service, with evidence of delivery, or (iii) receipt thereof by the addressee.

## ARTICLE VII. MISCELLANEOUS

**Section 7.1. Assignment.** This Agreement and all rights hereunder shall not be assignable by either the Association or the Manager without the express written consent of the other party. Notwithstanding the foregoing, the Manager shall be permitted to assign its rights and obligations hereunder, without the prior consent of the Association, to an affiliate of the Manager (defined, for purposes hereof, as any person or entity controlled by, in control of, or under common control with, the Manager) or to the person or entity acquiring ownership of the Hilton Scottsdale Resort & Villas subsequent to the date of this Agreement, in each case provided that such assignee expressly assumes the obligations of the Manager hereunder.

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Section 7.2. Amendments. Except as otherwise herein provided, any and all amendments, additions or deletions to this Agreement shall be null and void unless in writing, executed on behalf of each of the parties hereto.

Section 7.3. Headings. All headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.

Section 7.4. Complete Agreement. This Agreement and the Exhibits attached hereto supersede and take the place of any and all previous management agreements and/or arrangements entered into between the parties hereto with respect to the Casitas.

Section 7.5. Attorneys' Fees. In the event any party to this Agreement is required to initiate legal actions or proceedings to enforce its rights under the terms of this Agreement, then the prevailing party in such legal actions or proceedings shall be entitled to an award of reasonable attorneys' fees and other costs and expenses incurred in such legal actions or proceedings.

Section 7.6. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

Section 7.7. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Arizona.

IN WITNESS WHEREOF, this Agreement has been duly executed in multiple counterparts by the parties hereto on the date and year first above written.

**"MANAGER"**

**SCOTTSDALE RESORT & SPA PARTNERS,  
LIMITED PARTNERSHIP, a Delaware limited  
partnership**

By: Griffin Scottsdale Holdings, Inc.,  
General Partner

By:   
Name: Robert H. Karatz  
Title: President

**"ASSOCIATION"**

**SCOTTSDALE CASITAS HOMEOWNERS  
ASSOCIATION**

By:   
Name: Robert H. Karatz  
Title: President

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**EXHIBIT A**

**Real Property**

Hilton Casitas, according to the plat of record in the Office of the County Recorder of Maricopa County, Arizona, in Book 149 of Maps, pages 49 and 50; and Affidavit of Correction pertaining to Tract Nos. 26 and 27, recorded in Docket 10026, pages 605 and 606.

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**EXHIBIT B****Management / Initial Year Assessments****PART I**

The Association contracts for and obtains, or provides for itself, in its own name, the following services, insurance and fees. The Association pays the Manager the monthly costs therefor and the Manager reimburses the providers of the services specified in (i) and (ii) below, and the Manager deposits in a bank account in the name of the Association the fee specified in (iii) below. The Manager is not responsible for procuring or providing the services specified in this Part I.

<u>Function</u>	<u>Assessment (per Unit, per month)</u>
(i) Security	\$125.00
(ii) Insurance	5.18
(iii) Special Fee	<u>20.00</u>
<b>SUBTOTAL</b>	<b>\$150.18</b>

**PART II**

The Manager contracts for or otherwise provides the following:

<u>Function</u>	<u>Assessment (per Unit, per month)</u>
Refuse Collection	\$ 25.00
Sewage	5.40
Power Sweeping	3.00
Common Area	15.00
Management Fee, including Miscellaneous Services Specified Below:	35.00
Billing & Collection	
Phone Service	
U. S. Mail Service	
Charge Privileges	
Maintenance Consulting	
Maintenance - Small Repairs	
Banking Service	
Bill Payment	
Safety Deposit Boxes	
Shipping & Receiving	
<b>SUBTOTAL</b>	<b>\$ 83.40</b>

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**PART III**

Land Sub-Lease (Underlying Property) Ground Rent	\$326.88 *
Plus applicable transaction privilege tax	
<b>TOTAL</b>	<u>\$560.40</u>

\* Adjusted as provided in the applicable sublease.