

ARTICLES OF ASSOCIATION
AND
DECLARATION OF RESTRICTIONS
OF
STETSON PLACE TOWNHOUSES
A PLANNED AREA DEVELOPMENT

Instrument # 6159
Recorded Official Records
of Yavapai County, Arizona.
FEB 22 '84 - 2 10 PM
CITY OF PRESCOTT
at the request of
PATSY C. JENNEY, County Recorder
Deputy *Karen Walker* 1-18

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AGP, a general partnership, being the owner of all of Stetson Place Townhouses, according to Book 24 of Maps, Page 19, recorded in the office of the County Recorder of Yavapai County, Arizona, hereby below sets forth the Articles of Association and Declaration of Restrictions (hereinafter referred to as "Articles") which shall apply to and be binding upon each and every lot and shall run with the land.

ARTICLE I
TOWNHOUSE HOMEOWNER'S ASSOCIATION

1. For the purpose of establishing and maintaining general beautification features within Stetson Place Townhouses, and further for establishing such common community services as are deemed to be desirable for the general use and benefit of all the lot owners, each and every lot owner, in accepting a deed or contract for any lot, agrees to be bound by these Articles, and further each and every lot owner, in accepting a deed of contract for any lot, automatically becomes a member of the Stetson Place Townhouse Homeowner's Association ("Association"). The Association shall be operated and conducted on a strictly cooperative and non-profit basis. While initially unincorporated, the lot owners may, if they so desire, incorporate the Association under Arizona law. Each owner of a lot shall be responsible for its share of assessments and any and all assessments imposed by the Association, if not paid when due, shall constitute a lien on said lot.

2. No part of the net earnings of the Association shall inure to the benefit of, or be distributable to its members, directors or private persons. The Association shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distribution in furtherance of exempt purposes for which it was formed. No substantial part of the activities of the Association shall be the carrying on of propaganda,

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or otherwise attempting to influence Legislation, and the Association shall not participate in and intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of these Articles, the Association shall not carry on any other activity not permitted to be carried on (i) by an Association exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law); (ii) by an Association, contributing to which are deductible under Section 170 (c)(2) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law). Upon the dissolution of the Association, The Board of Directors shall, after paying or making provision for the payment of all of the liability of the Association, dispose of all its assets exclusively for the purpose of the Association in such manner, or to such organizations organized and operated exclusively for charitable, education, religious or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law) as the Board of Directors shall determine. Any such assets not disposed of shall be disposed of by the Superior Court of Yavapai County in which county the principal officer of the Association shall be located, exclusively for such purpose or to such organization or organizations as the Court shall determine, which are organized and operated exclusively for such purposes.

3. The Association shall provide such necessary and appropriate action for the maintenance, repair, replacement and management of all Common Areas (shown on the plat of Stetson Place Townhouses) including, but not limited to privately owned streets, landscaping, water and sewer lines (located in the Common Areas and not maintained by the City of Prescott), walls and any recreational facilities.

4. The Association shall also be responsible for the exterior maintenance of the townhouses, which exterior maintenance shall include the exterior painted surfaces and yard areas, other than areas included within patios and roofs. The duty of the Association to maintain shall not extend to the windows or structure, the Association's sole responsibility being to preserve the exteriors

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aesthetic qualities of the Stetson Place Townhouses project. All other maintenance and repairs shall be the sole responsibility of owner.

5. The Association shall have the power to adopt, amend, repeal and enforce such rules and regulations (Stetson Place Townhouse rules) pertaining to such rights and duties as are consistent with its general powers. Without limitation of the foregoing, the Stetson Place Townhouse rules may restrict in the governing of the uses of the private driveways, Common Areas and Association facilities. The Association may delegate the duties of enforcement of the rules as appear to be in the best interest of the Association and to the extent permitted by law. A copy of the rules as they may from time to time be adopted, amended, or repealed shall be mailed or otherwise delivered to each lot owner.

6. In the event that the need for maintenance or repair is caused through the willful or negligent act of the owner, his family of guests, or invitees, the cost of such maintenance or repairs shall be added to and become a part of the assessment to which such lot is subject.

ARTICLE II

STETSON PLACE HOMEOWNER'S ASSOCIATION

1. In addition to the Townhouse Homeowner's Association, each and every lot owner in accepting a deed or contract for any lot shall also be a member of the Stetson Place Homeowner's Association and thereby entitled to the rights and subject to the responsibilities thereof as set forth in the Declaration of Restricted Covenants for all units of Stetson Place as recorded in Docket ___ on Page ___, records of the County Recorder of Yavapai County, Arizona, as from time to time amended.

ARTICLE III

COVENANT FOR MAINTENANCE ASSESSMENTS

1. Each owner of any lot, by acceptance of a deed or contract therefore, whether or not it shall be expressed in such deed or contract, is deemed to covenant and agrees to pay to the Association (i) regular assessments or charges, and (ii) special assessments for capital improvements, such assessments to be established and collected as provided herein. The annual and special assess-

ments, late payment penalties, if any, together with interest, costs and reasonable attorney's fees, shall be a lien on the lot. The amount of each assessment, together with interest, any late payment penalty, costs and reasonable attorney's fees, shall be a separate, distinct and personal debt and obligation of the merger against whom the same has been assessed at the time such assessment is made and shall be collectible as such. The Association shall have the right to impose a reasonable late charge for non-payment of any assessment or installment thereof within fifteen (15) days of the date of any such payment became due. Suit to recover a money judgement for such personal obligation shall be maintainable by the Association without foreclosing or waiving the lien securing the same. No owner may exempt himself or avoid or diminish any personal obligation or liability for payment of any such assessment by waiver of the use or enjoyment of any of the private driveways, Common Areas and Association facilities or by abandonment of the property. The purchaser of a lot shall be jointly and severally liable, except as otherwise provided herein, with a selling owner for all unpaid assessments due from each owner up to the time of sale, without prejudice, however, to the right of such purchaser to recover from such selling owner any and all amounts paid by him to secure and defray the amount of unpaid assessments.

2. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of all owners, for the improvement and maintenance of the Common Area, including but not limited to management fees, insurance premiums for the Common Areas, expenses for exterior maintenance of structure and maintenance, operation, repair and replacement of Common Areas. The Association shall establish and maintain a reserve fund for replacement by the allocation and payment monthly to such reserve fund an amount to be designated from time to time by the Board of Directors. Such fund shall be deposited in a special account with a safe and responsible depository, and may be in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal by the United States of America. The reserve fund is for the purpose of effecting replacement or repair because of damage, depreciation or obsolescence to Common Areas, and maintenance of structures.

3. Both regular and special assessments must be fixed at a uniform rate for all lots and may be collected on a monthly, quarterly or annual basis.

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as determined by the Association. Lots owned by AGP, a general partnership shall be exempt from the obligations to pay assessments, unless townhouses are built on these lots and retained by AGP, at which time those lots containing completed townhouses will also be assessed the regular fees of all other lots. The regular assessments shall commence as to all lots as of close of escrow of the first lot. Prior to the first meeting of the Association (Article V, paragraph 1), the operation of the Association and the amount of the assessment shall be as determined by AGP, a general partnership, but shall not exceed \$250.00 for the initial year. Regular assessments shall be set by the Association through its Board of Directors on an annual basis. After the initial annual assessment the Association shall fix the amount of the regular assessment against each lot at least thirty (30) days in advance of each regular assessment period. Written notice of the assessment shall be sent to every owner subject thereto. The due dates shall be established by the Association.

4. The Association may set a special assessment in addition to the regular assessment, if the Board determines that such is necessary to meet the primary purposes of the Association.

5. All sums assessed by the Association for the share of the common expense chargeable to any lot but unpaid shall constitute a lien on such lot prior to all other liens except only (i) tax liens on a lot in favor of any assessing unit and special district; and (ii) all sums unpaid on the first mortgage of record. Such lien may be foreclosed by suit by the Association acting on behalf of the owners of the lots, in like manner as a foreclosure on a real property mortgage. During any such foreclosure the lot owner shall be required to pay a reasonable rental for the lot, and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The Association, acting on behalf of the owners of the lots, shall have power to bid on the lot at foreclosure sale, and to acquire and hold, lease, mortgage and convey same.

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6. Where the mortgagee of a first mortgage of record or other purchaser of a lot obtains title to the lot as a result of foreclosure of the first mortgage (Deed of Trust)), such acquirer of title, his successors and assigns, shall not be liable for the share of the common expenses of assessments by the Association chargeable to such lot which became due prior to the acquisition of title to such lot by such acquirer. As used in these Articles, the term

"mortgage" shall include "deed of trust", and "mortgagee" shall include the "beneficiary under a deed of trust".

7. Upon payment of a reasonable fee and upon written request of any member, mortgagee, title company or any person intending to acquire any right, title or interest in a lot, the Association shall furnish a written statement setting forth the amount of the unpaid assessments, if any, with respect to the lot or lots involved, the amount of the current assessment, the date that such assessment becomes or became due, which installments have been paid thereon, and credit for advance payments. Such statements shall be conclusive upon the Association and interested persons who rely thereon in good faith.

ARTICLE IV
MEMBERSHIP AND VOTING RIGHTS

1. Membership shall be appurtenant and may not be separated from membership off the lot. The rights and obligations of an owner and membership in the Association shall not be assigned, transferred, pledged, conveyed, or alienated in any way except upon transfer of ownership to such lot, or by intestate succession, testamentary disposition, foreclosure of a mortgage of record or such other legal process as now in effect or as may hereafter be established under or pursuant to the laws of the State of Arizona.

2. All members shall be entitled to one vote for each lot owned. When more than one person holds an interest in any lot, all persons shall be members and the vote for such a lot shall be exercised as they, among themselves, determine; but in no event shall more than one vote be cast with respect to any lot. In the case of when a corporation owns a lot, the member will be an officer of the corporation and will vote the corporation share.

ARTICLE V
ASSOCIATION MEMBERS MEETINGS

1. The initial annual meetings shall be held one year (with a 15-day time allowance for date convenience purposes) from the date of closing the first sale. Thereafter, the annual meeting of the members shall be held on the fourth Tuesday in the month of March of each year beginning _____,

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at such location in the Prescott metropolitan area as the President or a majority of the Board of Directors shall designate. Should the date for said annual meeting fall on a holiday, the meeting shall be held on the next succeeding business day.

2. A special meeting of the members may be called at any time by the President or by a majority of the Board, and shall be held at such place as is designated by the President or a majority of the Board, and stated in a written notice. No special meeting shall be called unless the Secretary of the Association shall have mailed to or served upon all of the owners written notice of said meeting. All notices shall be mailed to or served at the address of a member as it appears on the membership book of the Association or at such other address as designated in writing by a member.

3. Except as otherwise provided by law, the Association members present, in person or by proxy shall constitute a quorum at each meeting of the members.

4. The Secretary of the Association shall maintain a membership book reflecting the names and addresses of the members. Upon the transfer of any lot it shall be the obligation of the transferee to present the Secretary or his delegate his name and address along with evidence of such transfer and upon receipt of such evidence (a photostatic or machine copy of a recorded document indicating such purchase shall be sufficient evidence) the Secretary or his delegate shall enter in the membership book the name or names and addresses of the transferee or transferees accordingly. The Board may fix a time not exceeding thirty (30) days preceding the date of any meeting as a record date for the determination of the members entitled to notice of and to vote at any such meeting and in such case only members having submitted such evidence of membership shall be entitled to notice of and to vote at such a meeting; unless evidence is received at the meeting. In the event, no such record date for the determination of members entitled to notice and to vote at any meeting shall be the fifteen (15) day preceding the date of such meeting as of 9:00 A.M. For the purpose of determining the right to vote at any meeting of the members, the information set forth in the membership book shall be deemed conclusive except that the meeting may receive evidence as to the incorrectness of the information in the membership book and the Secretary shall correct such membership book pursuant to the direction of the majority of members attending or represented at the meeting, and the right to vote shall be

determined from the membership book as so corrected. At all meetings of the members, all matters, except those the manner of deciding upon which is otherwise expressly regulated by law, shall be decided by the vote of a majority in voting interest of active members present in person or by proxy. Unless demanded by twelve (12) members present in person or represented by proxy at any meeting of the members or so directed by the Chairman of the meeting, the vote on any question need not be by ballot. Upon a demand by such members for a vote by ballot on any question or at the direction of such Chairman that a vote by ballot be taken on any question, such vote shall be taken. On a vote by ballot, each ballot shall be signed by the person voting, or in his name by his proxy, if there be such proxy, and it shall show the number of membership or fractions thereof voted by him. A member may appoint any person to serve as his proxy for the purpose of exercising his rights to vote at any such meeting of the members. Any proxy appointments must be filed with the Secretary before the appointed time of each meeting or upon the calling to order of the meeting.

ARTICLE VI
BOARD OF DIRECTORS

1. The affairs of the Association shall be governed by a Board of Directors composed of not less than three (3) nor more than seven (7). All Board members must be lot owners.

2. The Directors shall be voted upon by the membership at its annual meeting with the term of each member of the Board of Directors to be for a period of one year. Directors may be re-elected to as many terms of directorship as the members may designate.

3. The annual meeting of the Board of Directors shall be held at the same place as the annual membership meeting immediately following the adjournment of the annual meeting of the owners. The Board of Directors may establish a schedule of regular meetings to be held at such place as the Board of Directors may designate, in which event, no notice shall be required to be sent to the said Board of Directors of said regular meetings once said schedule has been adopted.

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4. Special meetings of the Board of Directors may be called by the

President, and in his absence, by the Vice President, or by a majority of the members of the Board of Directors, by giving ten (10) days notice in writing to all of the members of the Board of Directors of the time and place of said meeting, said notice to be mailed to or personally served on each member of the Board of Directors by the Secretary of the Association. By unanimous consent of the Board of Director, a special meeting of the Board may be held without notice at any time or place. All notices of special meeting shall state the purpose of the meeting.

5. A quorum for the transaction of business at any regular or special meeting of the Board of Directors shall consist of a majority of the members of the board; but a majority of those present at any annual, regular or special meeting shall have the power to adjourn the meeting to a future time, provided that written notice of the new time, date and place shall be mailed to or personally served upon each member of the Board of Directors by the Secretary of the Association at least five (5) days prior to the time fixed for said meeting. A quorum for the transaction of business at the annual meeting will be a majority of members of the board that are present at the meeting.

6. The Directors of this Association shall serve without compensation.

7. Any director may be removed from office upon the affirmative vote of a majority of the members. In the event of any removal, resignation or vacancy on the Board, the remaining members of the Board shall elect a lot owner for the balance of the unexpired term. The election shall be held for the purpose of filling any vacancy at any regular or special meeting of the Board.

8. The Board of Directors may employ for the Association a management agent at a compensation established by the Board to perform such duties and services as the Board shall authorize. Any such management agent shall incur no liability for acting in good faith upon instruction given to it by a majority of the Board.

9. Any action required or permitted to be taken at any meeting of the Board may be taken without a meeting, if all members of the Board consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the Board.

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10. Attendance of a director at a meeting shall constitute waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Any director may waive notice of any annual, regular or special meeting of Directors by executing a written notice of waiver either before or after the time of the meeting.

ARTICLE VII
OFFICERS

1. The principal officers of the Association shall be a President, Vice President and a Secretary-Treasurer, all of whom shall be elected by the Board of Directors. At least two (2) of the officers must be lot owners. The Directors may appoint such other officers as in their judgement may be necessary.

2. The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board and shall hold office at the pleasure of the Board.

3. Upon an affirmative vote or a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any special meeting of the Board called for such purpose.

4. The President shall be the Chief Executive Officer of the Association. He shall preside at all meetings of the lot owners and of the Board of Directors. He shall have executive powers and general supervision over the affairs of the Association, and shall perform and have the powers necessary to perform all of the duties incident to his office and that may be delegated to him from time to time by the Board of Directors.

5. The Vice President shall perform all of the duties of the President in his absence and such other duties as may be required of him from time to time by the Board of Directors.

6. (a) The Secretary-Treasurer shall issue notices of all Board of Directors meetings and all minutes to the lot owners; he/she shall attend

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and keep the minutes of the same; he/she shall have charge of all of the Association books, records and papers.

(b) The Secretary-Treasurer shall have the custody of the Association funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association and shall deposit all monies and other valuable effects in the name and to the credit of the Association in such depositories as may be designated from time to time by the Board of Directors.

(c) The Secretary-Treasurer shall disburse the funds of the Association as may be ordered by the Board in accordance with these Articles, making proper voucher for such disbursements, and shall render to the President and Board of Directors, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Association.

(d) Secretary-Treasurer shall collect the assessments and shall promptly report the status of collections and of all delinquencies to the Board of Directors.

(e) The Secretary-Treasurer shall also give assessment status reports to potential transferees, on which the transferees may rely.

(7) The Secretary-Treasurer, and all officers who are authorized to sign checks must be bonded, unless waived by a vote of the membership, in an amount equal to the total anticipated assessments for a full year. Cost of the bond shall be paid for by the Association.

ARTICLE VIII

BANKING AND DETERMINATION OF ASSESSMENTS

1. The funds of the Association shall be deposited in a bank in the Prescott metropolitan area designated by the Board of Directors, in an account for the Association under resolution approved by the Board of Directors, and shall be withdrawn only upon checks and demands for money signed by the designated officers of the Association or an agent as appointed by the Board. All notes of the Association shall be signed by any two of the officers of the Association.

2. The determination of assessments and notice of delinquent assessments shall be as follows:

(a) the Board of Directors of the Association shall fix and determine from time to time the sum or sums necessary and adequate for all the common

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expenses of the property. Common expenses shall include expenses for the operation, maintenance, repair or replacement of the Common Areas and exterior maintenance of the townhouses, costs of carrying out the powers and duties of the Association, all insurance premiums and expenses relating thereto, taxes until separately assessed, and any other expenses designated as common expenses from time to time by the Board of Directors of the Association.

(b) When the Board of Directors has determined the amount of any assessment, the Secretary-Treasurer of the Association shall mail or present a statement of the assessment to each of the owners. All assessments shall be payable to the Association in care of the Secretary-Treasurer of the Association shall mail or present a statement of the assessment to each of the owners. All assessments shall be payable to the Association in care of the Secretary-Treasurer of the Association.

(c) In the event an assessment is not paid within thirty (30) days of the date it is due and payable, the Association, through the Board of Directors, may proceed to enforce and collect the said assessment together with interest at the highest legal rate (or, if no higher legal rate is applicable, than at 20% per annum).

ARTICLE IX
COMMON WALLS

The rights and duties of owners with respect to Common Walls shall be as follows:

(a) The owners of contiguous lots which have a Common Wall shall both equally have the right to use such wall provided that such use by any owner does not interfere with the use and enjoyment of same by the other owner.

(b) In the event that any Common Wall is damaged or destroyed through the act of an owner or any of his agents or guests or members of his family (whether or not such act is negligent or otherwise culpable), it shall be the obligation of such owner to rebuild and repair the Common Wall without cost to the other adjoining owner.

(c) In the event any such Common Wall is destroyed or damaged (including deterioration from ordinary wear and tear and lapse of time), other than by the act of an adjoining owner, his agent, guests or family, it shall be the obligation of the owners of the lots upon which the wall is located to rebuild or repair.

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(d) In the event of a dispute between owners with respect to the construction, repair or rebuilding of a Common Wall, or with respect to the bearing of the cost thereof, the owners shall submit the dispute to the Board, the decision of which shall be final and binding on all owners

ARTICLE X
INSURANCE

All insurance policies upon Common Areas shall be purchased by the Association for the benefit of the Association and the unit owners. Such policies and endorsements thereon shall be deposited with the Association. Unit owners shall obtain insurance coverage on their own personal property for their personal liability and living expense and on their own residences, provided that when all townhouse units have been completed, then the Association may by resolution of the Board, provide in the amount of replacement cost a master policy of fire and extended coverage insurance on the residence.

Premiums upon insurance policies purchased by the Association shall be paid by the Association as a common expense.

All insurance policies purchased by the Association shall be for the benefit of the Association and shall provide that all proceeds covering property losses shall be paid to the Association. The Association or its agents shall have exclusive authority to negotiate with the insurance carrier and to adjust losses, make settlements and give releases to the insurance carrier and to collect monies from the insurance carrier as to Association provided policies; however, proceeds from any losses related to the residences shall first be applied to the reconstruction of said residences. Nothing herein shall be construed as abrogating the rights of a mortgage as provided in its mortgage with reference to insurance proceeds.

ARTICLE XI
MAINTENANCE AND REPAIRS

1. In the event it is necessary to prevent damage to the Common Areas or make emergency repairs as determined by the Board of Directors, the Board may designate a party to enter upon any lot during any reasonable time for purposes of preventing damage or affecting emergency repairs.

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2. The Board of Directors may enter into a contract with any firm, person or corporation for the maintenance and repair of the Common Areas. The Board of Directors may, by contract, empower and grant to such firms, person or corporation, the right of access, as set forth in Paragraph 1 of this Article.

3. The Association shall have full power to control and it shall be its duty to maintain, repair and make necessary improvements to all Common Areas and exteriors of residences. There shall be no changes in color or alteration or change in roof of any residence or wall or other improvement from that as originally constructed without consent of the Association.

4. The Association shall have the power and duty to maintain all water and sewer lines within the Common Areas of the development.

ARTICLE XII
DECLARATION OF RESTRICTIONS

1. A lot shall be used exclusively for residential use. No gainful occupation, profession, trade or other non-residential use shall be conducted on any such property. Nothing herein shall be deemed to prevent the lease of a lot for residential use by the owner thereof, subject to all of the provisions hereof.

2. All initial structures and improvements or modifications whatsoever must be approved in advance in writing by Company.

3. No animals, birds, fowl, poultry, or livestock, other than a reasonable number of domestic dogs, cats, fish and birds in cages shall be maintained in any lot and then only if they are kept therein solely as domestic pets and not for commercial purposes. No animal or bird shall be allowed to make an unreasonable amount of noise, or to become a nuisance. No structure for the cars, housing or confinement of any animal or bird shall be maintained so as to be visible from a neighboring unit or street. No owner shall permit its dog or animal to create unsanitary conditions anywhere on the Common Areas. When such conditions are created the owner shall be assessed no less than \$25.00 as determined by the Board for clean-up expense by the Homeowner's Association and may seek other satisfaction as permitted by law.

4. No antenna or other device for the transmission or reception of television or radio signals or any other form of electromagnetic radiation or solar collector shall be erected, used or maintained outdoors on any property whether attached to a building or structure or otherwise, unless approved by the Association.

5. No improvements, exterior painting, landscaping or decorative alterations, repairs, excavation, or other work which in any way alters the exterior appearance of the property, or the improvements located thereon shall be commenced, erected, maintained, made or done without the prior written approval of the Association.

6. No temporary buildings or structure of any kind shall be used at any time for a residence.

7. Motorcycles, mopeds, mini-bikes, trail bikes and other motor vehicles will not be operated within the subdivision except within the traveled area of the private driveways. All such vehicles shall be equipped with a muffler in good working order and in constant use to prevent excessive or unusual noise. Lot owners shall not park or permit others to park on unpaved portions of the subdivision. Except for permitted construction purposes or limited temporary parking for loading or unloading, no vehicle in excess of 6,500 pounds gross weight, no commercial vehicle or industrial equipment shall be parked in the subdivision. No recreational vehicle, boat, boat trailer, utility trailer, mounted or unmounted camper, motorhome or travel trailer shall remain within the subdivision unless parked at all times on the paved area. No lot owner may use on a regular basis more than one (1) parking space in the common parking area.

8. No nuisance shall be permitted to exist or operate upon the property so as to be offensive or detrimental to any other property in the vicinity thereof or to its occupants. No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any property and no odors shall be permitted to arise therefrom, so as to render any such property or portion thereof unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. No exterior speakers, horns, whistles, bells or other sound devices, except security devices used

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exclusively for security purposes, shall be located, used or placed on any such property. No noxious, illegal or offensive activity shall be allowed or carried on.

9. No garbage or trash shall be placed or kept on any property except in covered or enclosed containers. In no event shall such containers be maintained so as to be visible from neighboring property except to make the same available for collection, and then only the shortest time reasonably necessary to effect such collection.

10. Outside clotheslines or other outside facilities for drying or airing clothes shall not be erected, placed or maintained on any property.

11. No lot shall be further subdivided or separated into smaller lots or conveyed or encumbered less than the full original dimensions of such lot as shown by the subdivision plat of Stetson Place Townhouse Subdivision, except when each such part lot becomes part of a lot unit larger than the original lot involved. Only the entire lot, together with the improvements thereon, may be rented. Any rental shall be for a period of not less than seven (7) days.

12. No advertising signs, billboards or other objects shall be erected, placed or permitted to remain on any of the lots except for normal real estate sale signs.

13. During the time period of construction and sales by the Company or its assigns, the limitations imposed by these Declaration of Restrictions shall not be applicable to Company.

ARTICLE XIII
EASEMENTS

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1. Each townhouse and the Common Areas will be subject to the following easements:

1. For electrical service from any point within the development to any townhouse; this specifically includes service routed under any townhouse slab to service another townhouse.

2. For sewer and water service from any point within the development to any townhouse, but specifically excluding service routed under any townhouse slab to service another townhouse.

3. For telephone or CATV service from any point within the development to any townhouse.

Each townhouse and the Common Areas shall be subject to an easement for encroachments created by constructions, settling and overhangs, as designed or constructed and for the maintenance of same, so long as it stands, shall and does exist. In the event the multi-family structure is partially or totally destroyed and then rebuilt, the owners of residence agree that minor encroachments of parts of the adjacent residence of Common Areas due to construction shall be permitted and that a valid easement for said encroachment and the maintenance thereof shall exist.

ARTICLE XIV
VIOLATIONS

In the event of any violation of any of the above by any lot owner, then the Association, Company, or any lot owner may, at its option, have the following elections against the violator:

(i) an action at law to recover for damages; (ii) an action in equity to enforce performance on the part of the lot owner; or (iii) an action in equity for such equitable relief as may be necessary under the circumstances, including injunctive relief. Failure to maintain such an action at law or in equity shall not constitute a waiver of the violations or any other violation.

ARTICLE XV
AMENDMENTS TO THE ARTICLES

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These Articles, including but not limited to Article XII hereof, may

be amended by a vote of at least eighty percent (80%) of the lot owners. No modification or amendment shall be valid unless set forth in or annexed to, a duly recorded, written and executed Amendment to the Articles.

ARTICLE XVI

TERMS

These Articles, unless amended as provided above, shall remain in full force and effect as stated until December 31, 2000, and shall be automatically renewed for successive ten year periods thereafter unless a document executed by at least two-thirds of the lot owners is placed of record modifying or terminating these Articles.

Dated this 3 day of JAN, 1984.

AGP, a General Partnership

BY [Signature]
TITLE partner

STATE OF ARIZONA)
COUNTY OF YAVAPAI)

The foregoing document was acknowledged before me this 3 day of January 1984, by LARRY GUNNING of AGP, a General Partnership.

NOTARY PUBLIC }
COUNTY OF YAVAPAI }
The instrument was acknowledged before me this 3 day of January, 1984, by LARRY GUNNING.
In witness whereof, hereunto set my hand and official seal.
[Signature] NOTARY PUBLIC

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My Commission Expires Aug. 25, 1984

SEAL

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WHEN RECORDED, RETURN TO:



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Page: 1 of 37
ARES 4016681

William J. O'Leary
115 N. Grove Avenue
Prescott, Arizona 86301
(928) 445-1856

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**AMENDED
ARTICLES OF ASSOCIATION
AND
DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
STETSON PLACE TOWNHOUSES**



AMENDED
ARTICLES OF ASSOCIATION

and

DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS

for

STETSON PLACE TOWNHOUSES

These Amended Articles of Association and Declaration of Covenants, Conditions and Restrictions for Stetson Place Townhouses (this "Declaration") are made this 24th day of May, 2006 by Stetson Road Development, Inc. (the "Declarant").

RECITALS

- A. The Declarant is the current owner of fee title to Lots 1 through 24 of Stetson Place Townhouses and the common elements thereto located in Yavapai County, Arizona, legally and fully described on Exhibit "A" attached hereto (the "Property"). The Declarant is not and was not the builder or original developer of the Property.
- B. The Declarant as the current owner of all of the Lots in Stetson Place Townhouses has voted and unanimously approved these Amended Articles of Association and Declaration of Conditions, Covenants and Restrictions, and such Amendment replaces and supersedes the Articles of Association and Declaration of Restrictions of Stetson Place Townhouses a Planned Area Development recorded at book 1609, Page 351 in the Records of Yavapai County in their entirety.
- C. By executing and recording this Amended Articles of Association and Declaration with the County Recorder of Yavapai County, Arizona, the Declarant intends to impose upon the Property mutually beneficial covenants, conditions, restrictions and easements to establish a flexible and reasonable procedure for the overall development, administration, maintenance, use and preservation of the Property. Declarant intends for this Declaration to create equitable servitudes and covenants appurtenant to and running with the Property and which will be binding upon all future Owners of all or any portion of the Property and any other Person acquiring any right, title, or interest in or to all of any portion of the Property.
- D. Declarant deems it desirable to provide for the creation of a nonprofit corporation under the laws of the State of Arizona to administer and maintain, repair, and replace the areas of Association Responsibility, and to provide for the levying the collecting of Assessments and other charges by the Association for the purpose, among other things, of paying all costs and expenses incurred or to be incurred by the Association in connection with the maintenance, repair, and replacement and administration of the



Areas of Association Responsibility, and the enforcement of the covenants, conditions, and restrictions contained in this Declaration.

ARTICLE 1
DEFINITIONS

Unless otherwise defined, the following words and phrases when used in this Declaration shall have the meanings set forth in this Article.

- 1.1 "Areas of Association Responsibility" means (a) all Commons Area; (b) all portions of the Residences that the Association is obligated to maintain, repair and replace pursuant to Section 8.1 and any other portion of a Lot, or the Improvements located thereon, that the Association is obligated to maintain, repair and replace pursuant to any other Recorded document executed by the Declarant of the Association; and (c) all land, and the Improvements situated thereon, located within the boundaries of a Lot or a public right-of-way which the Association is obligated to maintain, repair and replace pursuant to the terms of this Declaration, the Plat or other Recorded document executed by the Declarant or the Association.
- 1.2 "Articles" means the Articles of Incorporation of the Association, as amended from time to time.
- 1.3 "Assessable Lot" means, during the Declarant Control Period, a Lot owned by a Person other than the Declarant. After the termination of Declarant Control Period, all Lots shall be Assessable Lots.
- 1.4 "Assessment" means a Regular Assessment or Special Assessment.
- 1.5 "Assessment Lien" means the lien created and imposed by Article 7.
- 1.6 "Assessment Period" means the period set forth in Article 7.
- 1.7 "Association" means Stetson Place Townhouses Homeowners Association, an Arizona nonprofit corporation and its successors and assigns.
- 1.8 "Association Rules" means the rules adopted by the Board pursuant to Article 6.
- 1.9 "Board" means the Board of Directors of the Association.
- 1.10 "Bylaws" means the Bylaws of the Association, as amended from time to time.
- 1.11 "Common Area" or "Common Elements" means those areas designated as such in Stetson Places Townhouses, according to the plat recorded in Book 24 of Maps, Page 19, corrected by affidavits of correction recorded in Book 1667, Page 330, and in book 1721, Page 713 in the records of Yavapai County, Arizona, together with all



Improvements situated thereon, and (b) all other land together with all Improvements situated thereon, which the Association at any time owns in fee or in which the Association has a leasehold interest for as long as the Association is the owner of the fee or leasehold interest, except that Common Area or Common Element shall not include any Lot the Association acquires by the foreclosure of the Assessment Lien or any deed in lieu of foreclosure.

- 1.12 "Common Expenses" means the actual and estimated expenses incurred or anticipated to be incurred by or on behalf of the Association, including any allocations to reserves determined by the Board to be necessary and appropriate, and all other financial liabilities of the Association.
- 1.13 "Community Documents" means, collectively, this Amended Declaration, the Articles, the Bylaws, the Association Rules and Design Guidelines, all as amended or restated from time to time.
- 1.14 "Construction" means any devegetation, excavation or grading work on a Lot or Residence, or the construction, erection or installation of an Improvement on a Lot or Residence which would be Visible From Neighboring Property.
- 1.15 "Declarant" means Stetson Road Development, Inc., an Arizona Corporation, and any Person to whom it may expressly assign any or all of its rights under this Declaration by a Recorded instrument.
- 1.16 "Declarant Control Period" means the period commencing upon the Recording of this Declaration and ending on the earlier of (a) the date that the Declarant conveys its last Lot so that the Declarant no longer owns any Lot in the Project or (b) the date specified in a written notice from the Declarant to the Board as the date that the Declarant Control Period will terminate.
- 1.17 "Declaration" means this Amended Declaration of Covenants, Conditions and Restrictions for Stetson Places Townhouses, as amended or supplemented from time to time.
- 1.18 "Design Guidelines" means the procedures, standards and guidelines adopted by the Design Committee pursuant to Article 3, as amended or supplemented from time to time.
- 1.19 "Design Review Committee" means the committee created pursuant to Article 3.
- 1.20 "First Mortgage" means any mortgage or deed of trust on a Lot which has priority over all other mortgages and deeds of trust on the same Lot.
- 1.21 "First Mortgagee" means the holder or beneficiary of any First Mortgage.



- 1.22 "Improvement" means: (a) any Residence, building, fence or wall; (b) any swimming pool, tennis court, basketball goal, backboard or apparatus, or playground equipment; (c) any road, driveway or parking area; (d) any trees, plants, shrubs, grass or other landscaping improvements of any type and kind; (e) any statuary, fountain, artistic work, craft work, figurine or ornamentation of any type or kind, and (f) any other structure of any type, kind or nature.
- 1.23 "Lessee" means the lessee or tenant under a lease, oral or written, of any Lot including an assignee of the lessee's or tenant's interest under a lease.
- 1.24 "Lot" means a parcel of land within the Project, whether improved or unimproved, intended for independent ownership and use and designated as a "lot" on the Plat and any Residence, building, structure or other Improvement situated thereon.
- 1.25 "Maintenance" means care, inspection, maintenance, operation, repair, repainting, remodeling, restoration, improvement, renovation, alteration, replacement and reconstruction.
- 1.26 "Maintenance Standard" means the standard of Maintenance of Improvements situated on Lots established from time to time by the Board or, in the absence of any standard established by the Board, the standard of Maintenance of Improvements situated on Lots generally prevailing throughout the Project.
- 1.27 "Member" means any Person who is a Member of the Association as provided in Article 6.
- 1.28 "Modification" means an addition, alteration, repair, change or other work which in any way alters the exterior appearance of any Improvement located on a Lot Visible From Neighboring Property.
- 1.29 "Owner" means the record owner, whether one or more Persons, of beneficial or equitable title (and legal title if the same has merged with the beneficial or equitable title) to the fee simple interest of a Lot. In the case of Lots subject to an option agreement, the Optionor shall be deemed to be the Owner. Owner shall not include Persons having an interest in a Lot merely as security for the performance of an obligation or a Lessee. Owner shall include a purchaser under a Recorded contract for the conveyance of real property subject to the provisions of A.R.S. § 33-741 et seq. Owner shall not include a purchaser under a purchase contract and receipt, escrow instructions or similar executory contracts which are intended to control the rights and obligations of the parties to the executory contracts pending the closing of a sale or purchase transaction. In the case of a Lot subject to a deed of trust pursuant to Arizona Revised Statutes, Section 33-801, et seq., the Trustor shall be deemed to be the Owner. In the case of a Lot the fee simple title to which is vested in a trustee pursuant to a subdivision trust agreement or similar agreement, the beneficiary of any such trust who is entitled to possession of the trust property shall be deemed to be the Owner.

- 1.30 "Person" means a natural person, corporation, limited liability company, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or other legal or commercial entity.
- 1.31 "Plat" means the plat of Stetson Places Townhouses recorded in Book 19 of Maps, Page 19, and corrected by affidavits of correction recorded in Book 1667, Page 330 and Book 1721, Page 713 in the records of Yavapai County, Arizona, and all amendments, supplements and corrections thereto.
- 1.32 "Property" or "Project" means the real property described on Exhibit A attached to this Declaration together with all Improvements located thereon.
- 1.33 "Purchaser" means any Person, other than the Declarant, who becomes the Owner of a Lot, except for: (a) a Person who purchases a Lot and then leases it to the Declarant for use as a model in connection with the sale or lease of other Lots; and (b) a Person who, in addition to purchasing a Lot, is assigned any or all of the Declarant's rights under this Declaration.
- 1.34 "Recording" means placing an instrument of public record in the office of the County Recorder of Yavapai County, Arizona, and Recorded means having been so placed of public record.
- 1.35 "Regular Assessment" means the Assessments levied pursuant to Article 7.
- 1.36 "Residence" means any building situated upon a Lot and designed and intended for independent ownership and for use and occupancy as a residence.
- 1.37 "Resident" means each person occupying or residing in any Residence.
- 1.38 "Special Assessment" means any assessment levied pursuant to Section 7.3.
- 1.39 "Visible From Neighboring Property" means, with respect to any given Improvement, or Modification thereto, that such Improvement, or Modification thereto, is or would be visible to a natural person six feet tall, standing at ground level on any part of any Lot, the Common Area or any street within or adjacent to the Project.

ARTICLE 2
PROPERTY AND PERSONS BOUND BY DECLARATION

2.1 Purpose and Binding Effect

Declarant is the record owner of fee title to the Property. Declarant intends by this Declaration to impose upon the Property covenants, conditions, restrictions, and easements to create a general plan of development for the Property and to provide a flexible and reasonable procedure for the administration, maintenance, preservation, use, and enjoyment of the Property. The Declarant declares that all of the Property shall be held, sold, used, and conveyed subject to



the easements, restrictions, conditions, and covenants set forth in this Declaration which are for the purpose of protecting the value, desirability and appearance of the Property. Declarant further declares that all of easements, restrictions, conditions, and covenants in this Declaration shall run with the Property and shall be binding upon and inure to the benefit of the Declarant and all Owners, Lessees, and Residents and all other Persons having or acquiring any right, title, or interest in the Property or any part thereof, their heirs, successors, successors in title, and assigns. Each Person who acquires any right, title or interest in the Property, or any part thereof, agrees to abide by all of the provisions of the Community Documents. This Declaration shall be binding upon and shall be for the benefit of and enforceable by the Association. Declarant makes no warranties or representations, express or implied as to the binding effect or enforceability of all or any portion of the Community Documents, or as to the compliance of any of the provisions of the Community Documents with public laws, ordinances and regulations applicable thereto.

2.2 Disclaimer of Implied Covenants

The Declarant makes no representation or warranty that if the Project or real property is once used for a particular use, such use will continue in effect. Each Owner, Lessee, Resident and other Person acquiring any Lot or other real property in the Project acknowledges that the zoning and development plan may be amended from time to time by the City of Prescott. The Declarant makes no warranties or representations, express or implied, as to the binding effect or enforceability of all or any portion of the Community document or as to the compliance of any provision of the Community Documents with public laws, ordinances, or regulations applicable to the project. Nothing which may be represented to real estate brokers or salesmen shall be deemed to create any implied covenants, servitudes or restrictions with respect to the use of any property subject to this Declaration.

ARTICLE 3
ARCHITECTURAL CONTROL

3.1 Design Review Committee

A Design Review Committee may be established to perform the duties and exercise the Power and authority imposed on or granted to the Design Review Committee by the Community Documents. So long as the Declarant owns one or more Lots, the Declarant shall have the sole right to determine the number of members of the Design Review Committee and to appoint and remove the members of the Design Review Committee. At such time as the Declarant no longer owns any Lot, the Board shall determine the number of members on the Design Review Committee, and the members of the Design Review Committee shall be appointed and may be removed by the Board. The Declarant may at any time voluntarily surrender its right to appoint and remove the members of the Design Review Committee, and in that event the Declarant may require, for so long as the Declarant owns one or more Lots, that specified actions of the Design Review Committee, as described in a Recorded instrument executed by the Declarant, be approved by the Declarant before they become effective. All approvals or disapprovals of matters by the Design Review Committee must be in writing.



The Design Review Committee may adopt, amend and repeal architectural guidelines, standards and procedures to be used in rendering decisions. Such guidelines, standards and procedures may include without limitation, provisions regarding: (a) the size and height of Improvements; b) architectural design, with particular regard to the harmony of the design with the surrounding structures and typography; (c) landscaping design, content and conformance with the character of the Property and permitted and prohibited plants; (d) requirements concerning exterior color schemes, exterior finishes and materials; (e) signage; (f) perimeter and screen wall design and appearance; (g) time periods for commencement and completion of any approved Construction or Modification; and (i) rules and regulations governing construction activities. Any adoption, amendment or repeal of the Design Guidelines after the Declarant no longer has the right to appoint the Design Review Committee must be approved by the Board.

The Design Review Committee may establish one or more subcommittees consisting of one or more members of the Design Review Committee and may delegate to such subcommittee or subcommittees the authority and power of the Design Review Committee to approve or disapprove any Construction or Modification within a specified portion of the Project.

In the event there is no Design Review Committee in existence, then the Board shall undertake the Design Review Committee's powers, duties, and responsibilities under this Declaration, including, without limitation, granting approvals required by this Declaration.

3.2 Approval Required

No Construction or Modification shall be made or done without the prior written approval of the Design Review Committee; provided, however, that the provisions of this Article do not apply to, and approval of the Design Review Committee shall not be required for, any Construction or Modification or any other work made by, or on behalf of, the Declarant on a Lot owned by the Declarant.

Any Owner desiring approval of the Design Review Committee for any Construction or Modification shall submit to the Design Review Committee a written request for approval specifying in detail the nature and extent of the Construction or Modification which the Owner desires to perform. The request for approval must be accompanied by plans or specifications showing the nature, kind, color, shape, height, materials and location of the Improvements and such other information as may be required by the Design Guidelines. Any Owner requesting the approval of the Design Review Committee shall also submit to the Design Review Committee any additional information, plans and specifications the Design Review Committee may request.

In the event that the Design Review Committee fails to provide written approval or disapproval of a complete application for approval within sixty (60) days after the application, together with any fee payable pursuant to Section 3.7 and all supporting information, plans and specifications requested by the Design Review Committee been submitted to the Design Review Committee, the application shall be deemed disapproved. The approval by the Design Review Committee if any Construction or Modification shall not be deemed a waiver of the Design Review Committee's right to withhold approval of any similar Construction or Modification subsequently submitted for approval.

3.3 Review of Plans

In reviewing plans and specifications for any Construction or Modification, the Design Review Committee may consider any and all factors which the Design Review Committee, in its sole and absolute discretion, determines to be relevant including, but not limited to: (a) the harmony of the proposed Improvements with existing Improvements in the Project or with Improvements previously approved by the Design Review Committee but not yet constructed; (b) the location of the proposed Improvements in relation to existing topography, finished grade elevations, roads, Common Area and other Structures; (c) the exterior design, finish materials and color of the proposed Improvements; and (d) compliance of the proposed Improvements with this Declaration and the Design Guidelines. The Design Review Committee may disapprove plans and specifications for any Construction or Modification even though the plans and specifications may be in substantial compliance with this Declaration and the Design Guidelines of the Design Review Committee, in its sole and absolute discretion, determines that the proposed Construction or Modification, or some aspect or portion thereof, is undesirable or unattractive.

Decisions of the Design Review Committee may be based on purely aesthetic considerations. Each Owner acknowledges that determinations as to such matters are purely subjective and opinions may vary as to the desirability and attractiveness of certain Improvements. Each Owner agrees that the decision of the Design Review Committee shall be final on all matters submitted to it pursuant to this Declaration; provided however, that after the Declarant no longer owns any Lot, any decision of the Design Review Committee may be appealed to the Board by any Owner aggrieved by the decision. Any appeal to the Board must be filed with the Board within thirty (30) days after the date of the decision being appealed. The approval required of the Design Review Committee pursuant to this Article 3 shall be in addition to, and not in lieu of, any approvals or permits which may be required under any federal, state or local law, statute, ordinance, rule or regulation.

The Design Review Committee, by resolution, may exempt certain Construction or Modifications from the application and approval requirements of this Article, provided such Construction or Modifications are undertaken in compliance with the requirements of such resolution.

3.4 Variances

The Design Review Committee may authorize variances from compliance with any provision of the Design Guidelines in circumstances where the design meets the intent of the provision sought to be varied and where granting of the variance would enhance design innovation and excellence, or when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental consideration so require, and the Design Review Committee determines in its sole discretion, that the objective of the particular requirement can still be achieved and the variance will have no consequential adverse effect on other Owners. No variance shall be effective unless in writing and signed by an authorized representative of the Design Review Committee. No variance may be contrary to this Declaration or preclude the



Design Review Committee from denying a variance in other circumstances including, without limitation, circumstances similar or identical to circumstances under which the Design Review Committee granted a variance. For purpose of this Section, the inability to obtain approval of any governmental agency, issuance of any permit, or the terms of any financing shall not constitute hardships.

3.5 Construction of Improvements

Upon receipt of approval from the Design Review Committee for any Construction or Modification, the Owner who had requested such approval shall proceed with the Construction or Modification approved by the Design Review Committee as soon as practicable and shall diligently pursue such Construction or Modification so that it is completed within twelve (12) months from commencement of the Construction or Modification, unless otherwise approved by the Design Review Committee.

3.6 No Changes Without Approval

Any Construction or Modification approved by the Design Review Committee must be done or performed in accordance with the plans and specifications approved by the Design Review Committee. No change, deletion or addition to the plans and specifications approved by the Design Review Committee may be made without the prior written approval of the Design Review Committee.

3.7 Review Fee

The Design Review Committee shall have the right to charge a fee for reviewing requests for approval of any Construction or Modification, which fee shall be payable at the time the application for approval is submitted to the Design Review Committee. The fee charged by the Design Review Committee may include the actual or estimated fees or costs incurred or anticipated to be incurred by the Design Review Committee in consulting with, or having the application reviewed by, architects, engineers or other professionals. The Association may retain architects, engineers or other persons as deemed necessary to review applications or otherwise assist the Design Review Committee.

3.8 No Warranty

The approval by the Design Review Committee of any construction or Modification shall not be deemed a warranty or representation by the Design Review Committee as to the quality or suitability for intended use of such Construction or Modification or that such Construction or Modification conforms to any applicable building codes or other federal, state or local law, statute, ordinance, rule or regulation.

3.9 Conditional Approval

The Design Review Committee may condition its approval of plans and specifications upon the agreement by the Owner submitting such plans and specifications to furnish the



Association a bond or other security acceptable to the Design Review Committee in an amount determined by the Design Review Committee to be reasonably sufficient to: (a) assure the completion of the proposed Improvements or the availability of funds adequate to remedy any nuisance or unsightly conditions occurring as a result of the partial completion of such Improvement, and (b) repair any damage which might be caused to any Area of Association Responsibility as a result of such work. Provided there is no damage caused to any Area of Association Responsibility by the Owner or its agents or contractors, any such bond shall be released or security shall be fully refundable to the Owner upon the completion of the Improvements in accordance with the plans and specifications approved by the Design Review Committee and the Owner's written request to the Design Review Committee.

3.10 Improvements to Areas of Association Responsibility

If plans and specifications submitted to the Design Review Committee pertain to an Improvement which is within an Area of Association Responsibility so that the Association is responsible for the maintenance, repair and replacement of such Improvement, the Design Review Committee may condition its approval of the plans and specifications for the proposed Construction or Modification with respect to the Improvement on the agreement of the Owner to reimburse the Association for the future cost of the repair, maintenance or replacement of such Improvement.

ARTICLE 4 USE RESTRICTIONS

4.1 Residential Use

All Residences shall be used, improved and devoted exclusively to residential use. No trade or business may be conducted on any Lot or in or from any Residence, except that the Owner, Lessee or other Resident of a Residence may conduct a business activity within the Residence so long as: (a) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell from the outside of the Residence; (b) the business activity is a legal activity and conforms to all applicable zoning ordinances or requirements for the Project; (c) the business activity does not involve persons coming to the Lot to purchase goods or services or the door-to-door solicitation of Owners, Lessees or residents in the Project; (d) the use of the Residence for trade or business in no way destroys or is incompatible with the residential character of the Residence or the surrounding neighborhood; (e) the trade or business is conducted only inside the Residence, and does not involve the viewing, purchasing or taking delivery of goods or merchandise at, to, from or in any Residence; (f) the trade or business is conducted by a Resident or Residents with no employee working in or from such Residence who is not a Resident thereof; (g) the volume of vehicular or pedestrian traffic or parking generated by such trade business does not result in congestion and/or is not in excess of what is customary in a residential neighborhood; (h) the trade or business does not utilize flammable liquids or hazardous materials in quantities not customary to a residential use; (i) the use of the Residence for a trade or business does not violate any other provision of the Community Documents; and (j) does not constitute a nuisance or a hazardous or offensive use, and does not threaten the security or safety of other Owners or Residents, as may be determined by the Board in its sole discretion.



The terms "business" and "trade" as used in this Section shall be construed to have ordinary, generally accepted meanings, and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation or other form of consideration, regardless of whether: (a) such activity is engaged in full or part time; (b) such activity is intended or does generate a profit; or (c) a license is required for such activity. The leasing of a Residence by the Owner thereof shall not be considered a trade or business within the meaning of this Section.

4.2 Temporary Occupancy and Temporary Buildings

No trailer, basement of any incomplete building, tent, shack, garage or barn, and no temporary buildings or structures of any kind, shall be used at any time for a residence, either temporary or permanent.

4.3 Nuisances

No rubbish or debris of any kind shall be placed or permitted to accumulate on any Lot or other property, and no odors or loud noises shall be permitted to arise or emit therefrom, so as to render any such property or any portion thereof, or activity thereon, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to the Residents of such other property. No condition shall be permitted to exist or operate upon any Lot or other property so as to be offensive or detrimental to any other property in the vicinity thereof or to its Residents. No Lot shall be used in any manner to explore for or to remove any water, oil or other hydrocarbons, minerals of any kind, gravel, gas, earth or any earth substance of any kind. No outside clotheslines or other outside facilities for drying or airing clothes shall be erected, placed or maintained on any Lot so as to be Visible From Neighboring Property. No Person shall permit any thing or condition to exist upon any Lot which shall induce, breed or harbor infectious plant diseases or noxious insects.

4.4 Antennas

To the extent permitted by applicable law, the installation of antennas, satellite dishes or other devices for the transmission or reception of television or radio signals or any other form of electromagnetic radiation shall be subject to the prior written approval of the Design Review Committee. Therefore, no antenna, satellite or microwave dish or other device for transmission or reception of television or radio signals shall be constructed, installed, erected, used or maintained on any Lot without the prior written approval of the Design Review Committee unless applicable law prohibits the Design Review Committee from requiring such approval. Even if applicable law prohibits the Design Review Committee from requiring prior approval for the installation of certain antennas, any such antennas must still be installed in accordance with the Design Guidelines.

4.5 Trash Containers and Collection

No rubbish, debris, garbage or trash shall be placed or kept on any Lot except in sanitary covered containers of a type, size and style which are provided by the City of Prescott. In no event shall such containers be kept or placed on a Lot so as to be Visible From Neighboring Property except on days of collection. All rubbish, trash, debris or garbage removed from Lots and shall not be allowed to accumulate thereon. No outdoor incinerators shall be kept or maintained on any Lot.

4.6 Animals

No animal, bird, fowl, poultry, reptile or livestock may be kept on any Lot, except that a reasonable number of dogs, cats, parakeets or similar household birds may be kept on a Lot if they are kept, bred or raised thereon solely as domestic pets and not for commercial purposes. The Board shall have the authority to determine what is a reasonable number of dogs, cats, parakeets or similar household birds for any particular Lot, and the Board's determination shall be final. All dogs, cats or other pets permitted under this Section shall be confirmed to an Owner's Lot, except that a dog may be permitted to leave an Owner's Lot if such dog is at all times kept on a leash and is not permitted to enter upon any other Lot. Any person bringing a dog onto the Common Area shall immediately remove any feces deposited on the Common Area by the dog. The Board may restrict the portions of the Common Area on which dogs are permitted. No animal, bird, fowl, poultry or livestock shall be allowed to make an unreasonable amount of noise or to become a nuisance. No structure for the care, housing or confinement of any animal, bird, fowl, poultry, or livestock shall be maintained so as to be Visible From Neighboring Property. Upon the written request of any Owner, Lessee or Resident, the Board shall conclusively determine, in its sole and absolute discretion, whether, for the purposes of this Section, a particular animal, bird, fowl, poultry, or livestock is a nuisance or making an unreasonable amount of noise. Any decision rendered by the Board shall be enforceable in the same manner as other restrictions set forth in this Declaration.

The Board may adopt rules and regulations further restricting and governing animals within the Property, which rules may include, without limitation, rules providing for the removal from the Property of a domestic pet which has bitten or attacked a person or other animal, has a propensity to attack persons or other animals or otherwise constitutes a threat to the safety of persons or other animals in the Property or which because of incessant barking or other behavior constitutes an unreasonable annoyance or nuisance to Owners and Occupants.

4.7 Machinery and Equipment

No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot so as to be Visible from Neighboring property except (a) such machinery or equipment as is usual and customary in connection with residential use of property or machinery or equipment necessary for the construction of an Improvement on the Lot; (b) machinery and equipment used by the Declarant or its agents, employees, contractors or subcontractors in connection with the construction or repair of Residences or other Improvements on the Lots of the Common Area.



4.8 Signs

No signs or posters of any kind shall be displayed on any Lot without the prior written approval of the Design Review Committee, except for such signs that are expressly permitted by the Design Guidelines.

4.9 Further Subdivisions, Property Restrictions, Rezoning and Timeshares

Without the prior written approval of the Design Review Committee and the Board, no Owner other than the Declarant shall do any of the following: (a) further subdivide a Lot or separate the Lot into smaller lots or parcels; (b) convey or transfer less than all of a Lot; or (c) replat the Lot or combine the Lot with other Lots. No further covenants, conditions, restrictions or easements shall be recorded by any Owner, Lessee, or other Person other than the Declarant against any Lot without the provisions thereof having been first approved in writing by the Design Review Committee and the Board. No application for rezoning, variances or use permits pertaining to any Lot shall be filed with any governmental authority by any Person other than the Declarant unless the application has been approved by the Design Review Committee and the Board and the proposed use otherwise complies with this Declaration. No Lot shall be subjected to or used for any timesharing, cooperative, weekly, monthly or any other type of revolving or periodic occupancy by multiple owners, cooperators, licensees, or timesharing participants.

4.10 Vehicles and Parking

As used in this Section: (a) "Motor Vehicle" means a car, van, sport utility vehicle, bus, truck, motorcycle, all terrain vehicle, pickup truck or other motor vehicle.

No bus, mobile home, motor home, travel trailer, tent trailer, trailer, camper, camper shell, boat, boat trailer, personal watercraft, recreational vehicle or other similar equipment or vehicle may be parked, kept or stored on the Common Area. No bus, mobile home, motor home, travel trailer, tent trailer, trailer, camper, camper shell, boat, boat trailer, personal watercraft, recreational vehicle, or other similar equipment may be parked, kept or stored on any Lot so as to be Visible From Neighboring Property.

No Motor Vehicle which exceeds eight (8) feet in height or exceeds twenty-four feet (24') in length or which is designed or used for carrying merchandise, supplies or equipment for commercial purposes shall be parked on a driveway or any other part of a Lot so as to be Visible From Neighboring Property except for: (a) the temporary parking of the Motor Vehicles of contractors, subcontractors, suppliers or vendors of the Association or of an Owner, Lessee or Resident, and (b) the parking for not more than seventy-two (72) hours within any seven (7) day period of recreational vehicles, motor homes and similar vehicles owned or leased by an Owner, Lessee or Resident in the driveway for the purpose of loading or unloading, subject to such limitations as may be established by the Board. No Motor Vehicle of a contractor, subcontractor, supplier or vendor of an Owner, Lessee or Resident shall be parked overnight on a Lot, or Common Area. No Motor Vehicle shall be parked on any part of the Common Area other than a designated parking space. No all terrain vehicles may be stored on the Property.



No Motor Vehicle shall be constructed, reconstructed or repaired on any Lot in such a manner as to be Visible From Neighboring Property, and no inoperable Motor Vehicle may be stored or parked on any Lot in such a manner as to be Visible From Neighboring Property. Except for emergency repairs, no Motor Vehicle shall be constructed, reconstructed or repaired on any part of the Common Area. No inoperable Motor Vehicle may be stored on the Property.

The Board shall have the right and power to adopt rules and regulations governing and further restricting the parking of Motor Vehicles on Lots or the Property. In the event of any conflict or inconsistency between the provisions of this Section and the rules and regulations adopted by the Board of Directors, the provisions of this Section shall control.

4.13 Drainage

No Residence, structure, building, landscaping, fence, wall or other Improvement shall be constructed, installed, placed or maintained in any manner that would obstruct, interfere with or change the direction or flow of water in accordance with the drainage plans for the Project, or any part thereof, or for any Lot as shown on the approved drainage plans on file with the municipality in which the project is located. In addition, no Owner or other person shall change the grade or elevation of a Lot in any manner that would obstruct, interfere or change the direction or flow of water in accordance with the approved drainage plans.

4.14 Playground Equipment

No jungle gyms, swing sets, basketball backboards or similar playground equipment which would be Visible From Neighboring Property shall be erected or installed on any Lot without the prior written approval of the Design Review Committee.

4.15 Rental of Lots

No Owner may lease less than his entire Lot and the Residence situated thereon. All leases must be in writing and must provide that the terms of the lease are subject in all respect to the provisions of the Community Documents and that any Violation of this Declaration or the Association Rules by the lessee or the other occupants shall be a default under the lease.

At least ten (10) days before commencement of the lease term, the Owner shall provide the Association with the following information: (a) the commencement date and expiration date of the lease term; (b) the names of each of the Lessees and each other person who will reside in the Residence during the lease term, (c) the address and telephone number at which the Owner can be contacted by the Association during the lease term, and (d) the name, address and telephone number of a person other than the Owner whom the Association can contact in the event of an emergency involving the Lot. Any Owner who leases his Lot and the Residence situated thereon must provide the Lessee with copies of this Declaration, the Design Guidelines and the Association Rules.

Any lease of a Lot or Residence situated thereon must be for an initial term of at least one (1) month. The Owner shall be liable for any violation of this Declaration, the Design



Guidelines or the Association Rules by the Lessees or other persons residing in the Residence and guests or invitees and, in the event of any such violation, the Owner, upon demand of the Association, shall immediately take all necessary actions to correct any such violations.

4.16 Exterior Lights

Except as initially installed, no spotlights, floodlights or other lights shall be installed on the exterior of a Residence or on the ground or on any wall situated on any Lot without the prior written approval of the Design Review Committee.

4.17 Window Cover Materials

No reflective materials (including, but without limitation, aluminum foil, reflective screens or glass, mirrors or similar items) shall be installed or placed upon the outside or inside of any windows of a Residence without the prior written approval of the Design Review Committee. In no event shall windows be covered with the paper, bed sheets or other temporary coverings. No metal bars or security shutters shall be installed on the outside of windows,

ARTICLE 5
EASEMENTS

5.1 Easements for Use of Common Area

Every Owner, Lessee and Resident and their guest shall have a right and easement of enjoyment in and to the Common Area, which right shall be appurtenant to and shall pass with the title to every Lot, subject to:

- (a) The right of the Association to dedicate, convey, transfer, lease or encumber the Common Area as provided in Section 6.10; provided, however, that if the only access to a Lot is over any part of the Common Area, any conveyance, lease or encumbrance of such Common Area shall be subject to an easement for ingress and egress in favor of the Owner and Residents of the Lot and their guests and invitees.
- (b) The right of the Board to adopt rules, regulations or policies regulating the use of the Common Area including rules, rules, regulations and policies limiting the number of guests who may use the Common Area and restricting or prohibiting access to such portions of the Common Area (such as landscaped areas) not intended for use by the Owners, Lessees or Residents.
- (c) The right of the Association to suspend the right of an Owner and such Owner's family, tenants and guests to use the Common Area, other than the right of an Owner and such Owner's family, tenants and guests to use such Common Area for ingress or egress to the Owner's Lot, if such Owner is more than fifteen (15) days delinquent in the payment of Assessments or other amounts due to the Association or if the Owner has violated any other



provisions of the Community Documents and has failed to cure such violation within fifteen (15) days after the Association notifies the Owner of the violation.

- (d) The rights and easements reserved by or granted to the Declarant by this Declaration.
- (e) The rights and easements, if any, reserved or granted to the Declarant or any other Person in the deed conveying the Common Area to the Association.
- (f) The right of the Declarant or the Association to convey certain portions of the Common Areas to Owners of adjoining Lots in connection or adjustment of the boundary between the Common Area and adjoining Lots.

The right of easement and enjoyment of the Common Area may not be transferred or assigned except upon the conveyance or transfer of the Lot to which such right is appurtenant.

5.2 Utility and Development Easements

Subject to such approvals of the Declarant or the Board required by this Section, a non-exclusive, perpetual blanket easement is hereby granted over and through the Common Area for the purpose of: (a) installing, constructing, operating, maintaining, repairing or replacing equipment used to provide to any portion of the Property or adjacent land any utilities, including, without limitation, water, sewer, drainage, gas, electricity, telephone and television service, whether public or private; and (b) ingress and egress to install, construct, operate, maintain, repair and replace such equipment and (c) storm water management and storm water drainage, as necessary or desirable for the orderly development of the Property. Such easement is hereby granted to any Person providing the aforesaid utilities or installing, constructing, maintaining, repairing or replacing equipment related thereto. Any pipes, conduits, lines, wires, transformers and any other apparatus necessary for the provision or metering of any utility may be installed or relocated only where permitted by the Declarant, where contemplated on any site plan approved by the Declarant or where approved by resolution of the Board. The Person providing a service or installing a utility pursuant to this easement shall install, construct, maintain, repair or replace the equipment used to provide or meter the utility as promptly and expeditiously as possible, and shall restore the surface of the land and the surrounding vegetation and improvements to their original condition as soon as possible.

The Declarant hereby reserve the right to grant and reserve easements, rights-of-way and licenses over and through the Common Area for the purposes set forth in this Section or for any other purpose necessary or desirable for the orderly development of the Property .If the Person installing the utility or providing a service requests a specific easement by separate recordable documents, then the Declarant or the Association shall have the power to record a document locating such easements.



5.3 Easements to Facilitate Development

The Declarant reserves to itself, its successors and assigns the right to: (a) use any Lots owned or leased by the Declarant, and other Lot with written consent of the Owner thereof or any portion of the Common Areas as models, management offices, sales offices, a visitors' center, construction offices, customer service offices or sales office parking areas for the development, sale or lease of the Lots in the Project or for the development, sale or lease of the lots in any subdivision owned or marketed by the Declarant or any Person who controls, is controlled by or is under common ownership with the Declarant; and (b) install and maintain on the Common Area, any Lot owned or leased by the Declarant or any other Lot with the consent of the Owner thereof, such marketing, promotional or other signs which the Declarant deems necessary for development, sale or lease of the Lots in the Project or for the development, sale or lease of the lots in any subdivision owned or marketed by the Declarant or any Person who controls, is controlled by or is under common ownership with the Declarant. So long as the Declarant is marketing lots the Declarant shall have the right to restrict the use of parking spaces situated on the Common Area and to reserve such parking spaces for use by prospective purchasers of Lots, the Declarant's contractors, subcontractors, suppliers, agents or employees or other Persons engaged in sales, marketing or construction activities for or on behalf of the Declarant.

In the event of any conflict or inconsistency between this Section 5.3 and any other provision of the Community Documents, this Section 5.3 shall control and prevail over such other provisions. The rights of the Declarant set forth in this Section 5.3 shall be enforceable by injunction, by any other remedy available at law or in equity (including, but not limited to, the right to sue for damages) and/or by any means provided in this Declaration. Notwithstanding any other provision of this Declaration to the contrary, no amendment of this Section 5.3 shall be effective unless approved in writing by the Declarant.

5.4 Dedications and Easements Required by Governmental Authority

The Declarant hereby reserves to itself and its successors and assigns, the right to make any dedications and to grant any easements, right-of-way and licenses required by any government or governmental agency over and through all or any portion of the Common Area.

5.5 Further Assurances

The easements granted and reservations made to the Declarant in this Declaration shall not terminate or merge and shall continue to run with the land, notwithstanding the common law doctrine of merger and the common ownership of all the Property by the Declarant. Upon written request of the Declarant, the Association and each Owner shall from time to time sign, acknowledge and deliver to the Declarant such documents or instruments deemed necessary by the Declarant to evidence or confirm the reservation of rights and easements to the Declarant under this Declaration.



5.6 Easement for Maintenance and Enforcement

The Association and its directors, officers, agents, contractors and employees, the Design Review Committee and any other Persons authorized by the Board are hereby granted the right of access over and through any Lots (excluding the interior of any Residence) for: (a) the exercise and discharge of their respective powers and responsibilities under the Community Documents; (b) making inspections in order to verify that all Improvements on the Lot have been constructed in accordance with the plans and specifications for such Improvements approved by the Design Review Committee and that all Improvements are being properly maintained as required by the Community Documents; (c) correcting any condition originating in a Lot or in the Common Area threatening another Lot or the Common Area; (d) performing installations or Maintenance of utilities, landscaping or other Improvements located on the Lots for which the Association is responsible for Maintenance; or (e) correcting any condition which violates the Community Documents.

5.7 Easements for Encroachments

If any Improvements on any Lot or portion of the Common Area now or hereafter encroach on any other portion of the Property by reason of: (a) the original construction thereof; (b) deviations within normal construction tolerances in the Maintenance of any Improvement; or (c) the settling or shifting of any land or Improvement, an easement is hereby granted to the extent of any such encroachment for the period of time the encroachment exists. The Owner of the encroaching Improvement shall also have an easement for the limited purpose of Maintenance of the encroaching Improvement. This easement does not relieve any Owner or any other Person from liability for such Owner's or other Person's negligence or willful misconduct.

ARTICLE 6

THE ASSOCIATION; ORGANIZATION; MEMBERSHIP AND VOTING RIGHTS

6.1 Formation of Association

The Association shall be nonprofit Arizona corporation. The Association shall have all of the common law and statutory powers conferred upon nonprofit corporations under Arizona law and all powers necessary or desirable to perform the Association's duties and obligations and to exercise the rights and powers of the Associations set forth in the Community Documents. The Association shall not be dissolved unless another entity has agreed to assume the obligations of the Association under this Declaration with respect to the operations and maintenance of the Areas of Association Responsibility.

6.2 Board of Directors and Officers

The affairs of the Association shall be conducted by the Board and such officers as the Board may elect or appoint in accordance with the Articles and the Bylaws. The initial directors and officers of the Association shall be designated in the Articles, and such person shall serve until his death, resignation or removal from office. Until the termination of the Declarant Control Period, the Declarant shall have the right to appoint and remove the members of the Board. After



the termination of the Declarant Control Period, the Board shall be elected by the members as provided in the Bylaws. At such time the Association shall call a meeting of Members for the purposes of taking over the operation, maintenance, and improvement of all Common Areas. At such meeting, the Members shall elect, by a majority of the votes cast, no fewer than three (3) and no more than five (5) persons to the Board of Directors of said Association, all of whom shall be Members in the Property. Quorum requirements and election of officers of the Association shall be as set forth in the Bylaws. The meeting at which the new Board of Directors is elected by the Members shall be known as the "Transition Date". The newly elected Board of Directors shall estimate the expenses necessary to operate, maintain, and improve as desired the Common Areas and any Areas of Association Responsibility, shall include an appropriate reserve, shall assess Members equally for the payment of said expenses and reserve, shall set up all necessary procedures for collection and disbursement of said funds, and shall formally adopt the Bylaws. Unless the Community Documents specifically require the vote or consent of the Members, the Board may do or cause to be done any act on behalf of the Association.

6.3 The Association Rules

The Board may adopt, amend and repeal rules and regulations pertaining to: (a) the management, operation and use of the Areas of Association Responsibility; (b) minimum standards for the Maintenance of Lots; or (c) restrictions on the use of Lots. In the event of any conflict or inconsistency between the provisions of this Declaration and the Association Rules, the provisions of this Declaration shall prevail. The Association Rules shall be enforceable in the same manner and to the same extent as the covenants, conditions and restrictions set forth in this Declaration.

6.4 Personal Liability

No director or officer of the Association, no member of the Design Review Committee or of any committee of the Association, and no other person acting on behalf of the Board shall be personally liable to any Member, or to any other Person for any damage, costs, fees (including, without limitation, attorney fees), loss, or prejudice suffered or claimed on account of any act, omission, error, or negligence in the discharge of such person's duties and responsibilities under the Community Documents provided such person acted in good faith.

6.5 Implied Rights

The Association may exercise any right or privilege given to the Association expressly by the Community Documents and every other right or privilege reasonably to be implied from the existence of any right or privilege given to the Association by the Community Documents or reasonably necessary to effectuate any such right or privilege.

6.6 Identity of Members

The members of the Association shall be the Owners of the Lots. All Owners of Lots shall be mandatory members of the Association. An Owner of a Lot shall automatically, upon

becoming the Owner thereof, be a Member of the Association and shall remain a Member of the Association until such time as his or her ownership ceases for any reason, at which time his membership in the Association shall automatically cease.

6.7 Voting Rights

At all meetings on and after the Transition Date each Member shall be entitled to one vote for each Lot owned.

6.8 Voting Procedures

No change in the ownership of a Lot shall be effective for voting purposes unless and until the Board is given actual written notice of such change and is provided satisfactory proof thereof. The vote for each such Lot must be cast as a unit, and fractional votes shall not be allowed. In the event that a Lot is owned by more than one person and such Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Member casts a vote representing a certain Lot, it will thereafter be conclusively presumed for all purposes that he or she was acting with the authority and consent of all other Owners of the same Lot unless objection thereto is made in writing at or prior to the time the vote is cast. In the event more than one vote is cast by a Class A Member for a particular Lot, none of the votes shall be counted and all of the votes shall be deemed void.

6.8 Transfer of Membership

The rights and obligations of any Member other than the Declarant shall not be assigned, transferred, pledged, conveyed or alienated in any way except upon transfer of ownership of an Owner's Lot, and then only to the transferee of ownership to the Lot. A transfer of ownership to a Lot may be affected by deed, intestate succession, testamentary disposition, foreclosure of a mortgage of record, or such other legal process as now in effect or as may hereafter be established under or pursuant to the laws of the State of Arizona. Any attempt to make a prohibited transfer shall be void. Any transfer of ownership shall operate to transfer the Membership appurtenant to said Lot to the new Owner thereof. Each purchaser of a Lot shall notify the Association of his purchase within ten (10) days after he becomes the Owner of a Lot.

6.10 Conveyance, Lease or Encumbrance of Common Area

The Association may grant permits, licenses and easements on, over, under and through the Common Area for utilities, roads and other purposes reasonably necessary or useful for the proper maintenance and operation of the Property. In addition, the Association may convey portions of the Common Areas to make adjustments in the boundary lines between the Common Areas and adjoining Lots or public rights-of-way. Except as expressly permitted by this Section, the Common Area shall not be mortgaged or conveyed without the prior written consent or affirmative vote of the Declarant so long as the Declarant owns one or more Lots and the total affirmative vote or written consent of the Owners holding at least two-thirds (2/3) of the votes in the Association.



6.11 Suspension of Voting Rights

If any Owner fails to pay any Assessments or other amounts due to the Association under the Community Documents within fifteen (15) days after such payment is due or if any Owner violates any other provision of the Community Documents and such violation is not cured within fifteen (15) days after the Association notifies the Owner in writing of the violation, the Board, in accordance with the procedure set forth in the Bylaws, shall have the right to suspend such Owner's right to vote until such time as all payments, including interest and attorneys' fees, are brought current, and until any other infractions or violations of the Community Documents are corrected.

ARTICLE 7
COVENANT FOR ASSESSMENTS AND CREATION OF LIEN

7.1 Creation of Lien and Personal Obligation of Assessments

Each Owner, by becoming the Owner of a Lot, is deemed to covenant and agree to pay Assessments to the Association in accordance with this Declaration. All Assessments shall be established and collected as provided in this Declaration. The Assessments, together with interest, late charges and all costs (including but not limited to reasonable attorneys' fees) incurred by the Association in collecting or attempting to collect delinquent Assessments, whether or not suit is filed, shall be a charge on the Lot and shall be a continuing lien upon the Lot against which each such Assessment is made. During the Declarant Control Period, no Regular Assessment or Special Assessment shall be levied against any Lot owned by the Declarant.

Each Assessment, together with interest and all costs including but not limited to reasonable attorneys' fees, incurred by the Association in collecting or attempting to collect delinquent Assessments, whether or not suit is filed, shall also be the personal obligation of the Person who was the Owner of the Lot at the time when the Assessment became due. The personal obligation for delinquent Assessment shall not pass to the successors in title of the Owner unless expressly assumed by them.

No Owner shall be exempt from liability for Assessments because of such Owner's non-use of the Common Area, abandonment of such Owner's Lot or other circumstance. The obligation to pay Assessments is a separate obligation on the part of each Owner. No diminution of Assessments or set-off shall be claimed or allowed for any alleged failure of the Association, the Board or the Design Review Committee to take some action or perform some function required of it.

7.2 Regular Assessments

At least thirty (30) days prior to the commencement of each Assessment Period, the Board shall prepare and adopt a budget of the estimated Common Expenses for the next Assessment Period, including any contribution to be made to a reserve fund. The budget shall also reflect the sources and estimated amounts of funds to cover such Common Expenses, which



may include any surplus to be applied from prior years, any income expected from sources other than Assessments are the amount to be generated through Assessments against the Lots. Based on the budget adopted by the Board, the Board shall assess against each Assessable Lot a Regular Assessment. The Regular Assessment shall be the same for each Assessable Lot. The amount of increase, if any, in the Regular Assessment from one Assessment Period to the next Assessment Period shall be subject to such limitations as may be imposed by Arizona law, currently no more than twenty percent (20%) greater than the immediately preceding fiscal year's Annual Assessment.

The Board shall give notice of the Regular Assessment to each Owner at least thirty (30) days prior to the beginning of each Assessment Period, but the failure to give such notice shall not affect the validity of the Regular Assessment established by the Board nor relieve any Owner from its obligation to pay the Regular Assessment. If the Board fails to adopt a budget for any Assessment Period, then until and unless such budget is adopted and a Regular Assessment is levied by the Board for such Assessment Period, the amount of the Regular Assessment for the immediately preceding Assessment Period shall remain in effect. Unless approval or ratification of the budget or the Regular Assessment for any Assessment Period is required by law, neither the budget nor the Regular Assessment shall be required to be ratified or approved by the Members.

If the Board determines during any Assessment Period that the funds budgeted for that Assessment Period are, or will, become inadequate to meet all Common Expenses for any reason, including, without limitation, nonpayment of Assessment by Members, the Board may amend the budget and increase the Regular Assessment for that Assessment Period (subject to such limitations as may be imposed by Arizona law) and the revised Regular Assessment shall commence on the date designated by the Board.

7.3 Special Assessments

The Association may levy against each Assessable Lot a Special Assessment for the purpose of obtaining funds to pay the cost of any construction, reconstruction, repair or replacement of an Improvement upon the Common Area (including fixtures and personal property related thereto), or to pay unbudgeted expenses in excess of the amount budgeted. Any Special Assessment must be approved by two-thirds (2/3) of the votes entitled to be cast by Members who are voting in person or by proxy at a meeting duly called for such purpose. So long as the Declarant owns any Lot, any Special Assessment must be approved in writing by the Declarant. Any Special Assessment shall be levied in an equal amount for each Assessable Lot.

7.4 Assessment Period

The period for which the Regular Assessment is to be levied shall be the calendar year, except that the first Assessment Period shall commence on the date the first Lot is conveyed to a Purchaser and terminate on December 31st of such year. The Board in its sole discretion from time to time may change the Assessment Period.



7.5 Obligation of Declarant for Deficiencies

During the Declarant Control Period, the Declarant shall pay and contribute to the Association such funds as may be necessary, when added to the Assessments levied by the Association, to pay all Common Expenses of the Association as they become due. The Board may require the contribution of funds by the Declarant from time to time as the Board deems necessary by giving written notice thereof to the Declarant. Each such notice shall state the total amount of funds required to be paid by the Declarant. In no event shall the Declarant be obligated to contribute funds to the Association in excess of the amount of Assessments that would have been payable by the Declarant if the Lots owned by the Declarant had been assessed as Assessable Lots.

7.6 Rules Regarding Billing and Collection Procedures

Regular Assessments shall be collected on a monthly basis or such other basis as may be selected by the Board. Special Assessments may be collected as specified by the Board. The Board shall have the right to adopt rules and regulations setting forth procedures for the purpose of making Assessments and for the billing and collection of the Assessments provided that the procedures are not inconsistent with the provisions of this Declaration. The failure of the Association to send a bill to a Member shall not relieve any Member of such Member's liability for any Assessment or charge under this Declaration, but the Assessment Lien therefore shall not be foreclosed until the Member has been given not less than thirty (30) days written notice prior to such foreclosure that the Assessment or any installment thereof is or will be due and of the amount owing. Such notice may be given at any time prior to or after delinquency of such payment. The Association shall be under no duty to refund payments received by it even though the ownership of a Lot changes during an Assessment Period but successor Owners of Lots shall be given credit for prepayments, on a prorated basis, made by prior Owners. Assessments shall be deemed "paid" when actually received by the Association or by its designated manager or agent (but if any Assessments are paid by check and the bank or other institution upon which such check is drawn thereafter dishonors and refuses to pay such check, those Assessments shall not be deemed "paid" and shall remain due and payable with interest accruing from the date such Assessments were originally due).

7.7 Effect of Nonpayment of Assessments; Remedies of the Association

Any Assessment, or any installment, not paid within fifteen (15) days after the Assessment, or the installment of the Assessment became due shall bear interest from the due date at the rate of interest set from time to time by the Board. In addition, the Board may establish a late fee to be charged to any Owner who has not paid any Assessment or any installment of an Assessment, within fifteen (15) days after such payment was due.

The Association shall have a lien on each Lot for any Assessment levied against that Lot from the time the Assessment becomes due. The Association's lien for Assessments, for charges for late payment of those Assessments, for reasonable collection fees and for reasonable attorney fees and costs incurred with respect to those Assessments may be foreclosed in the same manner as a mortgage on real estate. Fees, charges, late charges, monetary penalties and interest



charged pursuant to Section 33-1803 of the Arizona Revised Statutes, other than charges for late payment of Assessments, are not enforceable as Assessments under this Section 7.7. If an Assessment is payable in installments, the full amount of the Assessment is a lien from the time the first installment of the Assessment becomes due. The Association has a lien for fees, charges, late charges (other than charges for late payment of Assessments), monetary penalties or interest charged pursuant to Section 33-1803 of the Arizona Revised Statutes after the entry of a judgment in a civil suit for those fees, charges, late charges, monetary penalties or interest from a court of competent jurisdiction and the recording of that judgment in the records of the County Recorder of Yavapai County, Arizona, as otherwise provided by law. The Association's lien for monies other than for Assessments, for charges for late payment of those Assessments, for reasonable collection fees and for reasonable attorney fees and costs incurred with respect to those Assessments may not be foreclosed and is effective only on conveyance of any interest in the Lot. The recording of this Declaration constitutes record notice and perfection of the Association's lien for Assessments, for charges for late payment of those Assessments, for reasonable collection fees and for reasonable attorney fees and costs incurred with respect to those Assessments, and no further recordation of any claim of lien shall be required. Although not required in order to perfect the Association's lien, the Association shall have the right but not the obligation, to record a notice setting forth the amount of any delinquent Assessments, for charges for late payment of those Assessments, for reasonable collection fees and for reasonable attorney fees and costs incurred with respect to those Assessments which are secured by the Association's lien. If the Association records a notice of lien, the Association may charge the Owner of the Lot against which the Notice of Lien is recorded a lien fee in an amount established from time to time by the Board.

The Association's Lien for Assessments, for charges for late payment of those Assessments, for reasonable collection fees and for reasonable attorney fees and costs incurred with respect to those Assessments shall have priority over all liens, other interests and encumbrances except for: (a) liens and encumbrances recorded before the recording of this Declaration; (b) liens for real estate taxes and other governmental assessments and charges; and (c) the lien of any First Mortgage or seller's interest in a first contract for sale recorded prior to the Assessment Lien. Any First Mortgagee or any other Person acquiring title or coming into possession of a Lot through foreclosure of the First Mortgage, purchase at a foreclosure sale or trustee's sale, or through any equivalent proceedings, such as, but not limited to, the taking of a deed in lieu of foreclosure shall acquire title free and clear of any claims for unpaid Assessments and charges against the Lot which became payable prior to the acquisition of such Lot by the First Mortgagee or other Person. Any assessments and charges against the Lot which accrue prior to such sale or transfer shall remain the obligation of the defaulting Owner.

The Association shall have the right, at its option, to enforce collection of any delinquent Assessments together with interest, lien fees, reasonable attorney fees and any other sums due to the Association in any manner allowed by law including, but not limited to, (a) bringing an action at law against the Owner personally obligated to pay the delinquent Assessments and such action may be brought without waiving the Assessment Lien or (b) bringing an action to foreclose the Assessment Lien in the manner provided by law for the foreclosure of a realty mortgage. The Association shall have the power to bid in at any



foreclosure sale and to purchase, acquire, hold, lease, mortgage and convey any and all Lots purchased at such sale.

7.8 Purposes for which Association's Funds May Be Used

The Association may use the funds and property collected and received by it (including the Assessments, fees, loan proceeds, surplus funds and all funds and property received by it from any other source) for the purpose of: (a) discharging and performing the Association's duties and obligations under the Community Documents or applicable law; (b) exercising the rights and powers granted to the Association by the Community Documents or applicable law; (c) providing or promoting activities and services the Board deems appropriate, necessary or desirable to foster or promote the common good and general welfare of the Project and the Owners, Lessees and Residents; (d) contracting for services (including, without limitation, trash collection or cable television) to be provided to Owner, Lessees and Residents; and (e) taking such other action as the Board deems necessary, appropriate or desirable for the management and administration of the Association or the benefit of the Association or the Project.

7.9 Surplus Funds

The Association shall not be obligated to spend in any year all the Assessments and other sums received by it in such year, and may carry forward as surplus any balances remaining. The Association shall not be obligated to reduce the amount of the Regular Assessment in the succeeding year if a surplus exists from a prior year, and the Association may carry forward from year to year such surplus as the Board in its discretion may determine to be desirable for the greater financial security of the Association and the accomplishment of its purposes.

7.10 Transfer Fee

Each Purchaser of a Lot shall pay to the Association immediately upon becoming the Owner of the Lot a transfer fee in such amount as is established from time to time by the Board to compensate the Association for the administrative costs resulting from the transfer of a Lot. The transfer fee is not intended to compensate the Association for the costs incurred in the preparation of the statement which the Association is required to mail to deliver to a purchaser under A.R.S. § 33-1806A and, therefore, the transfer fee shall be in addition to the fee which the Association is entitled to charge pursuant to A.R.S. § 33-1806C. Fees payable pursuant to this Section are secured by the Assessment Lien and are in addition to any other fees payable pursuant to the Community Documents and any other fees payable at the close of escrow.

7.11 Reserve Contribution

The amount of a Reserve Contribution shall be set by the Board after the Transition Date. The Board may from time to time thereafter increase or decrease the amount of the Reserve Contribution, but the amount of the Reserve Contribution may not be increased by the Board by more than twenty percent (20%) during any year without the approval of Members holding more than fifty percent (50%) of the votes in the Association.



All Reserve Contributions shall be deposited in the Reserve Account established pursuant to Section 7.13. Reserve Contributions shall be non-refundable and shall not be considered as an advance payment of Assessments. Reserve Contributions payable pursuant to this Section are secured by the Assessment Lien and are in addition to any other fees provided for in the Community Documents and any other fees to be paid at the close of escrow.

7.11 Reserves

After the Transition Date the Board shall establish reserves for the periodic maintenance, repair or replacement of the major components of the Area the Association Responsibility. The reserves may be funded from Regular Assessments, the Working Capital Contributions paid pursuant to Section 7.10, the Reserve Contributions paid pursuant to Section 7.12 or any other revenue of the Association. All amounts designated as reserves shall be deposited by the Board in a separate bank account (the "Reserve Account") to be held for the purposes for which they are collected and are to be segregated from and not commingled with any other funds of the Association. Unless the Association is exempt from Federal or State taxes, all reserves shall be accounted for as contributions to the capital of the Association and segregated from the regular income of the Association or in any other manner authorized by law or regulation of the Internal Revenue Service that will prevent such funds from being taxed as income of the Association. Funds in the Reserve Account may only be used to pay costs and expenses related to the periodic maintenance, repair and replacement of the Areas of Association Responsibility, unless the expenditure of any or an of the funds in the Reserve Account for other purposes is approved by the vote of Owners holding at least two-thirds (2/3) of the votes in the Association. Notwithstanding any other provision of this Section to the contrary, any funds held in the Reserve Account which are in excess of the funds reasonably necessary for the future repair and replacement of the major components of the Areas of Association Responsibility, as determined by the Board in its sole discretion, may be used for the construction of new improvements on the Common Area.

7.14 Borrowing Power

The Association may borrow money in such amounts, at such rates, upon such terms and security, and for such periods of time as the Board deems necessary or appropriate and may utilize Association funds to repay any such loans; provided, however, that no portion of the Common Areas shall be mortgaged or otherwise encumbered, except with the approval of Owners holding at least sixty-seven percent (67%) of the votes in the Association and by the Declarant.

ARTICLE 8 MAINTENANCE

8.1 Areas of Association Responsibility

The Association shall be responsible for the management and Maintenance of the Common Areas, and all Improvements located thereon, except for any part of the Common Areas which any governmental entity is maintaining or is obligated to maintain. The



Association's obligation to maintain, repair and replace the Common Areas shall include, but not be limited to, the following: (a) Construct, repair, replace or refinish any road improvement or surface upon any portion of the Common Area used as a road, street, driveway or parking area; (b) removal of debris from any portion of the Common Area used as a road, street, driveway or parking area; (c) repair injured or diseased trees or the vegetation in the Common Area; (d) reconstruct, repair, replace or refinish any building or other Improvement situated upon the Common Area; and (e) take all other actions which the Board deems necessary to preserve Common Area.

In addition, the Association shall maintain and repair and replace the following portions of each Lot and the Residence and other Improvements situated thereon: (a) the exterior surface of the perimeter fence of the Residence; (b) the paint on the garage door of the garage of the Residence; (c) the sidewalks located on the Lots; (d) the roofs of the Residences; and (e) the plants, trees, turf and other landscaping in the front yards of the Lots to the extent required by Section 8.7. The Board shall be the sole judge as to the appropriate Maintenance of all Areas of Association Responsibility, but the Areas of Association Responsibility, and the Improvements located thereon, shall be maintained in good condition and repair at all times.

8.2 Lot Owner's Responsibility

Each Owner of a Lot shall be responsible for the Maintenance of his Lot, and all buildings, Residences, landscaping or other Improvements situated thereon, except for any portion of the Lot, or the Residence or other Improvements situated thereon, which is an Area of Association Responsibility. All buildings, Residences, landscaping and other Improvements shall at all times be kept in good condition and repair. All grass, hedges, shrubs, vines and plants of any type on a Lot shall be irrigated, mowed, trimmed and cut at regular intervals so as to be maintained in a neat and attractive manner. Trees, shrubs, vines, plants and grass which die shall be promptly removed and replaced with living foliage of like kind, unless different foliage is approved in writing by the Design Review Committee. No yard equipment, wood piles or storage areas may be maintained so as to be Visible From Neighboring Property or streets.

No Owner, Resident or other Person shall construct or install any Improvements on the Areas of Association Responsibility or alter, modify or remove any Improvements situated on the Areas of Association Responsibility without the approval of the Design Review Committee. No Owner, Resident or other Person shall obstruct or interfere with the Association in the performance of the Association's management or Maintenance of the Areas of Association Responsibility, and the Improvements located thereon.

8.3 Assessment of Certain Costs of Maintenance and Repair

In the event that the need for Maintenance of an Area of Association Responsibility is caused through the willful or negligent act of any Owner, his family, tenants, guests or invitees, the cost of such Maintenance shall be paid by such Owner to the Association upon demand and payment of such amounts shall be secured by the Assessment Lien.



8.4 Improper Maintenance and Use of Lots

In the event (a) any portion of any Lot is so maintained as to present a public or private nuisance or as to substantially detract from the appearance or quality of the surrounding Lots or other areas of the Project which are substantially affected thereby or related thereto, (b) any portion of a Lot is being used in a manner which violates this Declaration, or (c) the Owner of any Lot is failing to perform any of its obligations under the Community Documents, the Board may make a finding to such effect, specifying the particular condition or conditions which exist, and pursuant thereto give notice thereof to the offending Owner that unless corrective action is taken within fifteen (15) days, the Board may cause such action to be taken at said Owner's cost. If at the expiration of said fifteen (15) day period of time the requisite corrective action has not been taken, the Board shall be authorized and empowered to cause such action to be taken at the Owner's cost. The costs thereof, including an administrative fee equal to ten percent (10%) of the amount of the costs incurred by the Association, together with all damages resulting from such Owner's failure to take the required corrective action, shall be paid by such Owner to the Association within ten (10) days after demand for such payment is made in writing to the Owner. Any amounts that become due and payable to the Association by an Owner pursuant to this Section which are not paid when due shall bear interest at the rate of twelve percent (12%) per annum from the due date until all such amounts are paid in full. All amounts have become payable by an Owner to the Association pursuant to this Section shall be secured by the Assessment Lien.

8.5 Boundary Walls

Each wall which is located on or near the boundary between two Lots shall constitute a boundary wall and, to the extent not inconsistent with this Section, the general rules of law regarding boundary walls shall apply. The Owners of contiguous Lots who share a boundary wall shall both equally have the right to use such wall provided that such use by one Owner does not interfere with the use and enjoyment of same by the other Owner. Except as otherwise provided in this Section, the Owners of contiguous Lots who share a boundary wall shall each pay one-half (1/2) of the cost of any maintenance, repair or replacement of the boundary wall. Either of such Owners may perform any necessary repair, maintenance or replacement of the boundary wall and in such event, such Owner shall be entitled to reimbursement from the other Owner for one-half (1/2) of such cost. In the event that any boundary wall is damaged or destroyed through the negligence or willful act or omission of an Owner, his agents, tenants, licensees, guests family, it shall be the obligation of such Owner to rebuild and repair the boundary wall without cost to the other Owner or Owners who share the boundary wall.

The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors in title. In addition to meeting the other requirements of this Declaration and of any other building code or similar regulations or ordinances, any Owner proposing to modify, make additions to or rebuild a boundary wall shall first obtain the written consent of the adjoining Owners.



In the event any boundary wall encroaches upon a Lot, a valid easement for such encroachment and for the maintenance of the boundary wall shall and does exist in favor of the Owners of the Lots which share such boundary wall.

The Declarant hereby reserves to itself and its successors and assigns a perpetual, non-exclusive easement over, under, upon and across the Lots for the purpose of repairing or relocating a boundary without the consent of the Owners who share the use of the boundary wall.

8.6 Maintenance of Walls other than Boundary Walls

Walls (other than boundary walls) located on a Lot shall be maintained, repaired and replaced by the Owner of the Lot. Any wall which is placed on the boundary line between a Lot and an Area of Association Responsibility shall be maintained, repaired and replaced by the Owner of the Lot, except that the Association shall be responsible for the repair and maintenance of the side of the wall which faces the Area of Association Responsibility. In the event any such wall encroaches upon the Common Area or a Lot, an easement for such encroachment shall exist in favor of the Association or the Owner of the Lot, as the case may be. Any wall which is placed on the boundary line between a Lot and public right-of-way shall be maintained, repaired and replaced by the Owner of the Lot, except that the Association shall be responsible for the repair and replacement of the surface of the wall which faces the public right-of-way.

ARTICLE 9 INSURANCE

9.1 Scope of Coverage

Commencing not later than the time of the first conveyance of a Lot to a Purchaser, the Association shall maintain, to the extent reasonably available the following insurance coverage:

- (a) Comprehensive general liability insurance, including medical payment insurance, in an amount determined by the Board, but not less than \$1,000,000.00. Such insurance shall cover all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the Areas of Association Responsibility and all other portions of the Project which the Association is obligated to maintain under this Declaration, and shall also include hired, automobile and non-owned automobile coverage with cost liability endorsements to cover liabilities of the Owners as a group to an Owner;
- b) Property insurance on all Common Areas insuring against all risk of direct physical loss, insured against in an amount equal to the maximum insurance replacement value of the Common Area as determined by the Board, provided, however, that the total amount of insurance after application of any deductibles shall not be less than one-hundred percent (100%) of the current replacement cost of the insured property, exclusive of land, excavations, foundations and other items normally excluded from a property policy.



(c) Workmen's compensation insurance to the extent necessary to meet the requirements of the laws of Arizona;

(d) Such other insurance as the Board shall determine from time to time to be appropriate to protect the Association or the Owners;

(e) The insurance policies purchased by the Association shall, to the extent reasonably available, contain the following provisions: (i) that there shall be no subrogation with respect to the Association, its agents, servants, and employees, with respect to Owners and members of their household; (ii) no act or omission by any Owner, unless acting within the scope of his authority on behalf of the Association, will void the policy or be a condition to recovery on the policy; (iii) that the coverage afforded by such policy shall not be brought into contribution or proration with any insurance which may be purchased by Owners or their mortgagees or beneficiaries under deeds of trust; (iv) a "severability of interest" endorsement which shall preclude the insurer from denying the claim of an Owner because of the negligent acts of the Association or other Owners; (v) Statement of the name of the insured as the Association; and (vi) for policies of hazard insurance, a standard mortgagee clause providing that the insurance carrier shall notify the first mortgagee named in the policy at least ten (10) days in advance of the effective date of any substantial modification, reduction or cancellation of the policy.

The premiums for any insurance obtained by the Association pursuant to this Section shall be included in the budget of the Association and shall be paid by the Association.

9.2 Certificates of Insurance

An insurer that has issued an insurance policy under this Article shall issue a certificate or a memorandum of insurance to the Association and, upon request, to any Owner, mortgagee or beneficiary under a deed of trust. Any insurance obtained pursuant to this Article may not be cancelled until thirty (30) days after notice of the proposed cancellation has been mailed to the Association, each Owner and each mortgagee or beneficiary under a deed of trust to whom certificates of insurance have been issued.

9.3 Payment of Insurance Proceeds

With respect to any loss to any Area of Association Responsibility covered by property insurance covered by the Association in accordance with this Article, the loss shall be adjusted with the Association, and the insurance proceeds shall be payable to the Association and not to any mortgagee or beneficiary under a deed of trust. Subject to the provisions of Section 9.4, the proceeds shall be disbursed for the repair or restoration of the damage to the Area of Association Responsibility. The Association is irrevocably appointed and authorized by the Owners to adjust all claims arising under insurance policies purchased by the Association and to execute and deliver releases upon the payment of claims, and to do all other acts reasonably necessary to



accomplish any of the foregoing. The Board shall have full and complete power to act for the Association in this regard and may, in its discretion, appoint an authorized representative or committee, or enter into an insurance trust agreement wherein the Trustee shall have authority, to negotiate losses under any policy purchased by the Association.

9.4 Repair and Replacement of Damaged or Destroyed Property

Any portion of the Common Areas which is damaged or destroyed shall be repaired or replaced promptly by the Association unless repair or replacement would be illegal under any state or local health or safety statute or ordinance, or Owners representing at least eighty percent (80%) of the total authorized votes in the Association vote not to repair or replace the damaged or destroyed Improvements. The cost of repair or replacement in excess of insurance proceeds and reserves shall be paid by the Association.

If all of the Areas of Association Responsibility are not repaired or replaced, insurance proceeds attributable to the damaged Areas of Association Responsibility shall be used to restore the damaged area to a condition which is not in violation of any state or local health or safety statute or ordinance and the remainder of the proceeds ~b~1 be retained by the Association as an additional capital reserve.

9.5 Individual Responsibility; Disclaimer of Liability

It shall be the responsibility of each Owner and Resident to provide insurance for himself on his real or personal property interests on or within the Property, including, but not limited to, additions and Improvements thereto, furnishings and personal property thereon, and for his personal liability. No Person shall maintain insurance which would limit or reduce in any manner the insurance proceeds payable under the insurance maintained by the Association in the event of damage to the improvements or fixtures on the Areas of Association Responsibility. The Association, any Board member, and the Declarant shall not be liable to any Person or mortgagee if any risks or hazards are not covered by the insurance obtained by the Association or the amount of such insurance is not adequate.

ARTICLE 10
GENERAL PROVISIONS

10.1 Enforcement

The Association may enforce the Community Documents in any manner provided for in the Community Documents or by law or in equity, including, but not limited to:

- (a) imposing reasonable monetary fines after notice and an opportunity to be heard is given to the Owner or other violator. An Owner shall be responsible for payment of any fine levied or imposed against a Lessee or Resident or by the Owner's Lot or by any guest or invitee of the Owner or any Lessee or Resident;



- (b) suspending an Owner's right to vote;
- (c) suspending any Person's right to use any recreational facilities within the Common Area; provided, however, nothing herein shall authorize the Board to limit ingress or egress to or from a Lot;
- (d) suspending any services provided by the Association to an Owner or the Owner's Lot if the Owner is more than 15 days delinquent in paying any assessment or other charge owed to the Association;
- (e) exercising self-help or taking action to abate any violation of the Community Documents in a non-emergency situation;
- (f) requiring an Owner, at the Owner's expense, to remove any structure or Improvement on such Owner's Lot in violation of this Declaration and to restore the Lot to its previous condition and, upon failure of the Owner to do so, the Board or its designee shall have the right to enter the property, remove the violation and restore the property to substantially the same condition as previously existed and any such action shall not be deemed a trespass;
- (g) without liability to any person prohibiting any contractor, subcontractors, agent, employee or other invitee of an Owner who fails to comply with the terms and provisions of this Declaration or the Design Guidelines from continuing or performing any further activities in the Project;
- (h) towing vehicles which are parked in violation of this Declaration or the Association Rules; and
- (i) filing a suit at law or in equity to enjoin a violation of the Community Documents, to compel compliance with the Community Documents, to recover fines or money damages or to obtain such other relief as to which the Association may be entitled.
- (j) recording a written notice of violation by any Owner, Lessee or Resident of any restriction or other provision of the Community Documents. The notice shall be executed by an officer of the Association and shall contain substantially the following information: (a) the name of the Owner, Lessee or Resident violating, or responsible for the violation of, the Community Documents; (b) the legal description of the Lot against which the notice is being Recorded; (c) a brief description of the nature of the violation; (d) a statement that the notice is being Recorded by the Association pursuant to this Declaration; and (e) a statement of the specific steps which must be taken by the Owner or occupant to cure the violation. Recordation of a notice of violation shall serve as notice to the Owner and Resident, and any subsequent purchaser of the Lot, that there is such a violation. Failure by the Association to Record a notice of violation shall not constitute a waiver of any such violation, constitute



any evidence that no violation exists with respect to a particular Lot or constitute a waiver of any right of the Association to enforce the Community Documents.

The Association shall not be obligated to take any enforcement action if the Board determines, in its sole discretion, that because of the strength of the Association's possible defenses, the time and expense of litigation or other enforcement action, the likelihood of a result favorable to the Association, or other facts deemed relevant by the Board, enforcement action would not be appropriate or in the best interest of the Association.

Any Owner shall also have the right, but not the obligation, to enforce this Declaration in any manner available at law or in equity. All riches and remedies of the Association under the Community Documents or at law in equity are cumulative, and the exercise of one right or remedy shall not waive the Association's right to exercise another right or remedy. The failure of the Association or an Owner to take enforcement action with respect to a violation of the Community Documents shall not constitute a waiver of the right of the Association or any Owner to enforce the Community Documents in the future. If any lawsuit is filed by the Association or any Owner to enforce the provisions of the Community Documents or in any other manner arising out of the Community Documents or the operations of the Association, the prevailing party in such action shall be entitled to recover from the other party all attorney fees incurred by the prevailing party in the action.

10.2 Duration: Termination

This Declaration, as it may be amended pursuant to Section 11.3, shall run with the land and bind the Property and be in full force and effect in perpetuity unless terminated as provided in this Section. This Declaration may be terminated at any time if such termination is approved by the affirmative vote or written consent, or any combination thereof, of the Owners holding ninety percent (90%) or more of the votes in the Association. If the necessary votes and consents are obtained, the Board shall cause to be Recorded a Certificate of Termination, duly signed by the President or Vice President and attested by the Secretary or Assistant Secretary of the Association, with their signatures acknowledged Following the Recording of a Certificate of Termination, this Declaration shall have no further force and effect, and the Association shall be dissolved pursuant to the terms set forth in its Articles. So long as the Declarant owns one or more Lots, no termination of this Declaration shall be effective unless approved in writing by the Declarant.

10.3 Amendments

This Declaration may be amended at any time by the affirmative vote of Owners of not less than two-thirds (2/3) of the Lots. So long as the Declarant owns one or more Lots, any amendment to this Declaration must be approved in writing by the Declarant. In addition, the provisions of Article 10 shall not be amended without the prior written consent of the Declarant even if the Declarant no longer owns any Lot at the time the amendment is adopted by the Owner. So long as the Declarant owns one or more Lots, the Declarant may unilaterally amend this Declaration to comply with the requirements or guidelines of the United States Department



of Veterans Affairs, the United States Department of Housing and Urban Development, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation.

Any amendment approved by the Owners shall be signed by the President or Vice President of the Association and shall be Recorded. Unless a later effective date is provided for in the amendment, any amendment to this Declaration shall be effective upon the Recording of the amendment.

Any challenge to an amendment to this Declaration for the reason that the amendment was not adopted by the required number of Owners or was not adopted in accordance with the procedures set forth in this Section must be made within one (1) year after the Recording of the amendment.

10.4 Condemnation of Common Area

If all or any part of the Common Area is taken or condemned, or conveyed by the Association in lieu of or under threat of Condemnation, by or to any authority having the power of condemnation or eminent domain, the award or other compensation paid as a result of such taking or conveyance shall be paid to the Association and used for such purposes as may be determined by the Board.

10.5 Interpretation

Except for judicial construction, the Board 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 Board's construction or interpretation of the provisions hereof shall be final, conclusive and binding as to all persons and property benefited or bound by this Declaration. In the event of any conflict between this Declaration and the Articles, Bylaws, Association Rules or Design Guidelines, this Declaration shall control. In the event of any conflict between the Articles and the Bylaws, the Articles shall control. In the event of any conflict between the Bylaws and the Association Rules or the Design Guidelines, the Bylaws shall control.

10.6 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:

10.7 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.



10.7 Laws, Ordinances and Regulations

The covenants, conditions and restrictions set forth in this Declaration and the provisions requiring Owners and other persons to obtain the approval of the Declarant, the Board or the Design Review Committee with respect to certain actions are independent of the obligation of the Owners and other persons to comply with all applicable laws, ordinances and regulations, and compliance with this Declaration shall not relieve an Owner of any other person from the obligation to also comply with all applicable laws, ordinances and regulations. Any violation of any state, municipal, or local law, ordinance, or regulation pertaining to the ownership, occupation or use of any property within the Property is hereby declared to be a violation of this Declaration and subject to any or all of the enforcement procedures set forth herein.

10.8 References to this Declaration in Deeds

Deeds to and instruments affecting any Lot or any other part of the Project may contain the covenants, conditions and restrictions herein set forth by reference to this Declaration; but regardless of whether any such reference is made in any Deed or instrument, each and an of the provisions of this Declaration shall be binding upon the grantee-Owner or other person claiming through any instrument and his heirs, executors, administrators, successors and assignees.

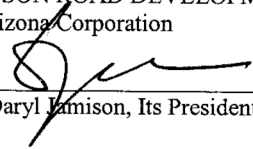
10.10 Gender and Number

Wherever the context of this Declaration so requires, words used in the masculine, feminine, or neuter genders, or the singular or plural numbers shall include the others.

10.11 Captions and Titles


All captions, titles or 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 of context thereof. Unless otherwise specified, all references in this Declaration to Articles of Sections refer to Articles and Section of this Declaration.

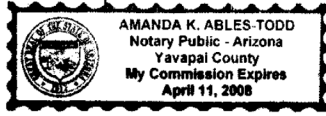
STETSON ROAD DEVELOPMENT, INC.
an Arizona Corporation

By: 
Daryl Jamison, Its President, Director

STATE OF ARIZONA)
) ss.
COUNTY OF YAVAPAI)

The forgoing instrument was acknowledged before me this 24th day of May, 2006, by Daryl Jamison.


Notary Public



SEAL