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**COMMUNITY CHARTER**

**FOR**

**STONERIDGE**

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**COMMUNITY CHARTER**

**FOR**

**STONERIDGE**

**PART ONE: INTRODUCTION TO THE COMMUNITY**

*To accomplish great things, we must not only act, but also dream; not only plan, but also believe.*

*Anatole France*

*As the developer of StoneRidge, StoneRidge-Prescott Valley, L.L.C. has established and recorded this Community Charter to provide a governance structure and a flexible system of standards and procedures for the overall development, expansion, administration, maintenance, and preservation of StoneRidge as a master planned community. An integral part of the development plan is the creation of StoneRidge at Prescott Valley Community Association, an association comprised of all owners of non-commercial real property in StoneRidge, to own, operate and/or maintain various common areas and community improvements and to administer and enforce this Declaration and the other Governing Documents referenced in this Declaration.*

**Chapter 1**  
**Creation of the Community**

*Nothing will ever be attempted if all possible objections must first be overcome.*  
*Samuel Johnson*

**1.1. Binding Effect.**

This Community Charter governs the property described in Exhibit "A" and any other property submitted to this Community Charter in the future by a recorded Supplemental Charter. This Community Charter shall run with the title to such property and shall bind anyone having any right, title, or interest in any portion of such property, including Owners, their heirs, successors, successors-in-title, assigns, and occupants of property within StoneRidge, as well as their respective tenants, guests, and invitees.

The Founder, the Association, any aggrieved Owner, and their respective legal representatives, heirs, successors, and assigns may enforce this Community Charter. This Community Charter shall be effective for a minimum of 25 years from the date it is recorded. After 25 years, this Community Charter shall be extended automatically for successive 10-year periods unless at least 75% of the then Owners sign a document stating that the Community Charter is terminated and that document is recorded within the year before any extension. In such case, this Community Charter shall terminate on the date specified in the termination document.

Notwithstanding the above, if any provision of this Community Charter would be unlawful, void, or voidable by reason of any Arizona law restricting the period of time that covenants on land may be enforced, such provision shall expire 21 years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England. Nothing in this Section shall be construed to permit termination of any easement

created in this Community Charter without the consent of the holder of such easement.

**1.2. Governing Documents.**

The Community's Governing Documents consist of the documents set forth in the accompanying diagram, each as may be amended.

Additional provisions that are more restrictive than the provisions of this Community Charter may be imposed on any portion of the Community, in which case the more restrictive provisions will control. However, during the Development and Sale Period, no one may record any additional covenants, conditions, or restrictions affecting any portion of the Community without the Founder's written consent. Thereafter, the Board must consent. Any instrument recorded without the required consent shall be void and of no force and effect. The Association shall have standing and the power, but not the obligation, to enforce such additional covenants.

If there are conflicts among Arizona law, the Community Charter, the Articles, and the By-Laws, then Arizona law, the Community Charter, the Articles, and the By-Laws (in that order) shall prevail. If there is a conflict between the Governing Documents and any Neighborhood Association's covenants or policies, the Governing Documents will control.

If any court should determine that any provision of this Community Charter is invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provisions or applications of such provision.

Diagrams and quotations are used in the Governing Documents to illustrate concepts and assist the reader. The diagrams and quotations are for illustrative purposes only. If there is a conflict between any diagram and the text of the Governing Documents, the text shall control.

GOVERNING DOCUMENTS	
<b>Community Charter</b> (recorded)	creates obligations which are binding upon the Association and all present and future owners of property in StoneRidge
<b>Supplemental Charter</b> (recorded)	adds property to StoneRidge; <i>may</i> create easements and impose additional obligations or restrictions on such property
<b>Articles of Incorporation</b> (filed with Arizona Corporation Commission)	establish the Association as a non-profit corporation under Arizona law
<b>By-Laws</b> (Board adopts)	govern the Association's internal affairs, such as voting, elections, meetings, etc.
<b>Design Guidelines</b> (Founder adopts)	establish architectural standards and guidelines for improvements and modifications to Units, including structures, landscaping, and other items on Units
<b>Rules</b> (initial set attached as Exhibit "C")	govern use of property, activities, and conduct within StoneRidge
<b>Board Resolutions</b> (Board adopts)	establish rules, policies and procedures for internal governance and Association activities, regulate operation and use of Common Area



## Chapter 2

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### Concepts and Definitions

#### 2.1. Defined Terms.

Unless otherwise defined, the terms used in the Governing Documents shall have their natural, commonly accepted definitions. The following capitalized terms shall have the meanings set forth below. All defined documents include any future amendments.

**Area of Common Responsibility:** The Common Area, together with such other areas, if any, for which the Association has or assumes responsibility under the terms of this Community Charter, any Supplemental Charter, or other applicable covenants, contracts, or agreements.

**Articles:** The Association's Articles of Incorporation, filed with the Arizona Corporation Commission.

**Association:** StoneRidge at Prescott Valley Community Association, an Arizona nonprofit corporation, its successors or assigns.

**Base Assessment:** Assessments levied on all Units subject to assessment under Chapter 8 to fund Common Expenses for the general benefit of all Units, as determined in accordance with Section 8.1.

**Board:** The Association's board of directors, selected as provided in the By-Laws and generally serving the same role as the board of directors under Arizona corporate law.

**Builder:** Any Person who purchases one or more Units for the purpose of constructing improvements for later sale to consumers, or who purchases one or more parcels of land within StoneRidge for further subdivision, develop-

ment, and/or resale in the ordinary course of its business.

**By-Laws:** The Association's By-Laws. A copy of the initial By-Laws is attached to this Community Charter as Exhibit "D."

**Common Area:** All real and personal property which the Association owns or otherwise has rights in for the common use and enjoyment of the Owners. The term includes the Limited Common Area.

**Common Expenses:** Expenses the Association incurs, or expects to incur, for the general benefit of all Owners. Common Expenses include any reserves the Board finds necessary or appropriate.

**Community or StoneRidge:** The real property described in Exhibit "A," together with such additional property as is subjected to this Community Charter in accordance with Chapter 9.

**Community System(s) or System(s):** Any or all of central telecommunication receiving and distribution systems (*e.g.*, cable television, high speed data/Internet/intranet services, and security monitoring), and its components, including associated infrastructure, equipment, hardware, and software, serving StoneRidge.

**Community-Wide Standard:** The standard of conduct, maintenance, or other activity generally prevailing at StoneRidge, or the minimum standards established pursuant to the Design Guidelines, Rules, and Board resolutions, whichever is the highest standard. The Community-Wide Standard may contain objective elements, such as specific maintenance require-

ments, and subjective elements, such as matters subject to the Board's or the DRC's discretion. The Community-Wide Standard may or may not be set out in writing. The Founder initially shall establish such standard; provided, the Community-Wide Standard may evolve as development progresses and as StoneRidge changes.

**Covenant to Share Costs:** Any recorded declaration of easements and covenant to share costs, or similarly titled instrument, to which the Association is a party or a named beneficiary. A Covenant to Share Costs may create easements benefiting the Community and other properties within or in the vicinity of StoneRidge and may obligate the Association and the owners of such other properties to share the costs of maintaining shared property.

**Design Guidelines:** The guidelines and standards for architecture, design, construction, landscaping, and exterior items on Units, adopted pursuant to Chapter 4.

**Design Review Committee or DRC:** The committee established, upon delegation on termination of the Founder's authority under Chapter 4, to review plans and specifications for the construction or modification of improvements within StoneRidge and to administer and enforce design standards and controls described in Chapter 4.

**Development and Sale Period:** The period during which the Founder owns real property within the Community or has an unexpired option unilaterally to annex property into the Community.

**Election District:** A Neighborhood, or a combination of Neighborhoods, whose Unit Owners vote on a common slate for election of Board members, as more particularly described in Section 6.4(b).

**Founder:** StoneRidge-Prescott Valley, L.L.C., an Arizona limited liability company, or any successor or assign who takes title to any portion of the property described in Exhibit "A" or "B" for the purpose of development and/or sale and who is designated as the Founder in a recorded instrument that the immediately preceding Founder executes.

**Founder Control Period:** The period of time during which the Founder Member is entitled to appoint a majority of Board members as provided in the By-Laws. The Founder Control Period shall terminate on the first to occur of the following:

(a) when 75% of the total number of Units permitted by the Master Plan have been conveyed to Owner Members other than Builders;

(b) December 31, 2020; or

(c) when, in its discretion, the Founder Member so determines.

**Governing Documents:** A collective term referring to the documents identified in Section 1.2.

**Leasing:** The regular, exclusive occupancy of a Residence by any Person other than the Owner, for which the Owner receives any consideration or benefit, including a fee, service, or gratuity.

**Limited Common Area:** A portion of the Common Area primarily benefiting one or more, but less than all, Units, Service Areas, or Neighborhoods, as more particularly described in Chapter 12.

**Master Plan:** The land use plan(s) for the development of StoneRidge approved by Yavapai County and the Town of Prescott Valley, Arizona, and other applicable governmental authorities, as may be amended, which include(s) all of



the property described in Exhibit "A" and all or any portion of the property described in Exhibit "B." The Founder is not obligated to submit property shown on the Master Plan to this Community Charter. In addition, the Founder may submit property to this Community Charter that is not shown on the Master Plan.

**Member:** Each Unit Owner, as described in Section 6.2. There are two classes of membership – Owner Member and Founder Member.

**Mortgage:** A mortgage, deed of trust, deed to secure debt, or any other form of security instrument affecting title to any Unit. The term "Mortgagee" shall refer to a beneficiary or holder of a Mortgage.

**Natural Area:** Those portions of StoneRidge, as described on the Master Plan, which shall not be disturbed and shall be maintained in their natural state. Natural Areas shall include, but not be limited to, trails and hilltops, and shall be accessible by members of the general public.

**Neighborhood:** A group of Units designated as a separate Neighborhood pursuant to Section 6.4 for purposes of representative voting as described in Section 6.2. A Neighborhood may be comprised of more than one housing type, may include noncontiguous parcels of property, and may include any number of Units.

**Neighborhood Association:** Any owners association having jurisdiction over a Neighborhood that is concurrent with (but subordinate to) the Association's rights under this Community Charter. This Community Charter does not require the creation of any Neighborhood Associations.

**Neighborhood Representative:** The individual selected by the Owner Members within a Neighborhood to cast their votes on Association matters (except where Members are required to cast their own votes). The term "Neighborhood

Representative" shall also refer to alternate Neighborhood Representative in the absence of the Neighborhood Representative and any Owner authorized personally to cast a Unit's vote.

**Owner:** One or more Persons who hold the record title to any Unit, but excluding any party holding an interest merely as security for the performance of an obligation. If a Unit is sold under a recorded contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

**Person:** An individual, a corporation, a partnership, a trustee, or any other legal entity.

**Private Facility(ies):** Real property and facilities located within, adjacent to, or near StoneRidge, which Persons other than the Association own and operate for recreational and related purposes. The Private Facilities shall include, without limitation, any golf course that is so located and its related and supporting facilities and improvements.

**Residence:** That portion of a Unit which is intended for use and occupancy as a separate residential single-family dwelling.

**Rules:** The initial restrictions and other rules set forth in Exhibit "C," as they may be modified and repealed pursuant to Chapter 3.

**Service Area:** A group of Units which is separately designated pursuant to this Community Charter for purposes of sharing Limited Common Areas and/or receiving benefits or services from the Association that are not provided to all Units. A Service Area may be comprised of more than one housing type and may include noncontiguous parcels of property. Where the context permits or requires, the term "Service Area" shall also refer to the Service Area Committee established in accordance with the By-Laws to represent the interests of Owners of

Units within a Service Area. Service Area boundaries may be established and modified as provided in Section 7.3.

**Service Area Assessments:** Assessments levied against the Units in a particular Service Area to fund Service Area Expenses, as described in Section 8.2.

**Service Area Expenses:** Expenses the Association incurs or expects to incur for the benefit of Owners within a particular Service Area, including any reserve for capital repairs and replacements and administrative charges authorized by this Community Charter or the Supplemental Charter(s) applicable to such Service Area.

**Special Assessment:** An assessment charged against all Owners or all Owners in a Service Area in accordance with Section 8.4.

**Specific Assessment:** An assessment levied against a particular Unit or particular Units in accordance with Section 8.5.

**Supplemental Charter:** A recorded instrument which subjects additional property to this Community Charter, designates Neighborhoods and Service Areas, identifies Common Area and Limited Common Areas, designates Election Districts, and/or creates or imposes additional covenants on the land described in such instrument.

**Unit:** A portion of StoneRidge, whether improved or unimproved, which may be independently owned and is intended for development, use, and occupancy as a Residence. The term shall refer to the land, if any, which is part of the Unit as well as any improvements on the Unit. Unit boundaries shall be shown on a recorded plat; provided, in the case of a building containing multiple Residences for independent sale (e.g., attached condominium units), each Resi-

dence that may be sold independently shall be a separate Unit.

A parcel shall be deemed to be a single Unit until such time as a plat, survey, or condominium instrument is recorded which subdivides all or a portion of the parcel. Thereafter, the subdivided portion shall contain the number of Units shown, created, designated, or described on the plat. Any portion not subdivided shall continue to be a single Unit.

## 2.2. Interpretation of Certain References.

(a) *Recording.* All references in the Governing Documents to a "recorded" legal instrument, or to recordation or the recording of a legal instrument, shall refer to an instrument filed or the filing of a legal instrument in the official records of Yavapai County, or such other place designated as the official location for filing documents affecting title to real estate in Yavapai County in order to make them a matter of public record.

(b) *Consent or Approval.* All references in the Governing Documents to "consent" or "approval" shall refer to permission or approval, which unless otherwise expressly qualified in the specific provision, may be granted or withheld in the discretion of the Person whose consent or approval is required.

(c) *Discretion and Determinations.* All references in the Governing Documents to "discretion" or to the right to "determine" any matter shall refer to the sole and absolute power or right to decide or act. Unless otherwise expressly limited in the Governing Documents or by law, a Person entitled to exercise its discretion or make a determination may do so without regard to the reasonableness of, and without the necessity of justifying, the decision, determination, action or inaction.

## **PART TWO: CREATION AND MAINTENANCE OF COMMUNITY STANDARDS**

*Standards for use and conduct, maintenance, architecture, landscaping, and other aesthetic matters at StoneRidge are what give the Community its identity and make it a place that people want to call "home." This Community Charter establishes procedures for adopting, modifying, applying, and enforcing such standards while providing the flexibility for community standards to evolve as StoneRidge changes and grows.*

*The price of greatness is responsibility.  
Winston Churchill*

### **Chapter 3**

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## **Use and Conduct**

### **3.1. Restrictions on Use, Occupancy, and Alienation.**

Except as otherwise specifically provided, the restrictions set forth in this Section may be amended only in accordance with Chapter 20.

(a) *Residential and Related Uses.* Units shall be used primarily for residential and related purposes. An Owner or occupant residing in the Unit may conduct business activities on such Unit only if the business activity:

(i) is not apparent or detectable by sight, sound, or smell from outside of a permitted structure;

(ii) complies with applicable zoning requirements;

(iii) does not involve regular visitation of the Unit by clients, customers, suppliers, or other business invitees, or door-to-door solicitation within the Community; and

(iv) is consistent with the residential character of the Community and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of others, as the Board determines in its discretion.

"Business" shall have its ordinary, generally accepted meaning and shall include, without limitation, any lawful occupation, work, or activity undertaken on an ongoing basis which involves providing goods or services to Persons other than the family of the producer and for which the producer receives a fee, compensation, or other form of consideration, regardless of whether (i) such activity is engaged in full or part time; (ii)

such activity is intended to or does generate a profit; or (iii) a license is required.

This Section shall not apply to restrict the Founder's activities, nor shall it restrict the activities of Persons the Founder approves with respect to the development and sale of property within StoneRidge. This Section also shall not apply to the operation of Private Facilities or Association activities related to the provision of services or to operating and maintaining the Community, including any recreational and other facilities the Association owns or operates.

Leasing a Unit for residential purposes is not a "business" within the meaning of this subsection.

(b) *Leasing.* Only the principal Residence on the Unit may be leased (e.g., separate rooms within the same Residence may not be separately leased); provided, a detached "in-law suite" or "guest house" may be independently leased.

**All leases shall be in writing and shall disclose that tenants and all occupants of the leased Unit are bound by and obligated to comply with the Governing Documents; provided, the Governing Documents shall apply regardless of whether such a provision is specifically set forth in the lease.**

Within ten days of a lease being signed, an Owner shall notify the Board or the Association's managing agent of the lease and provide any additional information the Board may reasonably require. The Owner must give the tenant copies of the Governing Documents. In addition to, but consistent with this sub-section, the Association or the Board may adopt Rules governing leasing and subleasing.



(c) *Occupants Bound.* An Owner is responsible for all occupants of or visitors to his or her Unit complying with the Governing Documents. Each Owner shall be responsible for, and may be sanctioned for, all violations and losses their occupants or visitors cause to the Area of Common Responsibility, notwithstanding the fact that such Persons also are responsible for complying and may be sanctioned for any violation.

(d) *Subdivision of a Unit and Time-Sharing.* Units may not be subdivided or their boundary lines changed except with the Board's prior written approval; provided, the Founder or any successor may subdivide, change the boundary line of, and replat any Unit it owns. In addition, during the Development and Sale Period, the Founder may convert Units it owns into Common Area.

Subject to such other restrictions as may be set forth in this Community Charter or Association rules, Units may be combined or further subdivided, and Unit boundary lines may be changed. This may be done only by recording a plat or other legal instrument further subdividing or resubdividing the parcel of property. In the absence of such recorded instrument, ownership of adjacent Units by the same Owner shall not permit such Units to be treated as a single Unit for purposes of voting and assessment, even though such Units may be improved with a single Residence.

The use of any Unit for operation of a time-sharing, fraction-sharing, or similar program whereby the right to exclusive use of the Unit rotates among participants in the program on a fixed or floating time schedule over a period of years is prohibited, except that the Founder may operate such a program or permit other developers to operate such a program.

### 3.2. Framework for Regulation.

As part of the general plan of development for StoneRidge, the Governing Documents establish a framework of covenants and conditions that govern the Residential Community. This includes the initial Rules set forth in Exhibit "C." Within that framework, the Board and the Members must be able to respond to unforeseen problems and changes affecting the Community. This Chapter establishes procedures for modifying and expanding the Rules to respond to such changes.

The procedures described in Section 3.4 for modifying and expanding the Rules are not intended to apply to reasonable rules and regulations relating to use and operation of the Common Area, which the Board may adopt by resolution, or other administrative rules, unless the Board chooses, in its discretion, to submit to such procedures. Examples of such administrative rules shall include, but not be limited to, hours of operation of a recreational facility, speed limits on private roads, and the method of allocating or reserving use of a facility (if permitted) by particular individuals at particular times.



Since it is impossible to foresee all potential situations and problems that may arise within StoneRidge, the Board has the authority to adopt and modify rules as needed to address these changing circumstances.

### 3.3. Owners' Acknowledgment and Notice to Purchasers.

By accepting a deed, each Owner acknowledges and agrees that the use, enjoyment, and marketability of his or her Unit is limited and affected by the Rules and Board rules, which may change from time to time. All Unit purchasers are on notice that the Association may have adopted changes to the Rules and that such changes may not be set forth in a recorded document. Copies of the current

Rules and all administrative rules may be obtained from the Association.

### 3.4. Rule Making Authority.

(a) Subject to the terms of this Chapter and the Board's duty to exercise judgment and reasonableness on behalf of the Association and its Members, the Board may change the Rules. The Board shall send notice to all Owners concerning any proposed Rule change at least five business days prior to the Board meeting at which such action is to be considered. Neighborhood Representatives shall have a reasonable opportunity to be heard at such Board meeting.

A Rule changed under this subsection (a) shall become effective after compliance with subsection (c) below unless disapproved at a meeting by Neighborhood Representatives representing more than 50% of the total votes in the Association and the Founder Member, if any. The Board shall have no obligation to call a meeting of the Neighborhood Representatives to consider disapproval except upon receipt of a petition for a special meeting that meets the requirements set out in the By-Laws. Upon the Board's receipt of such petition prior to the effective date of the Rules change, the proposed change shall not become effective until after a meeting is held, and then subject to the outcome of the meeting.

(b) Alternatively, Neighborhood Representatives representing a majority of the votes in the Association at a special meeting duly called for such purpose, may vote to change the Rules then in effect.

(c) Before any Rules change under this Section becomes effective, the Board shall send a copy of the new or changed Rule to each Owner. The new or changed Rule does not become effective until 30 days following distribution to the Owners. The Association shall provide any requesting Member or Mortgagee, without cost, a copy of Rules then in effect.

(d) No action taken under this Chapter shall have the effect of modifying or repealing the Design Guidelines or any provision of this Community Charter other than the Rules. In the event of a conflict between the Design Guidelines and the Rules, the Design Guidelines shall control. In the event of a conflict between the Rules and any provision within this Community Charter (exclusive of the Rules), the Community Charter provision shall control.

(e) During the Development and Sale Period, no Rule change shall be effective without the Founder's prior written consent.

### 3.5. Protection of Owners and Others.

Except as may be set forth in this Community Charter (either initially or by amendment) or in the initial Rules set forth in Exhibit "C," all Rules shall comply with the following provisions:

(a) *Similar Treatment.* Similarly situated Units shall be treated similarly; however, the Rules may vary by Neighborhood or Service Area.

(b) *Displays.* No Rule shall abridge an Owner's right to display religious and holiday signs, symbols, and decorations on his or her Unit of the kinds normally displayed in single-family residential neighborhoods, except that the Association may adopt time, place, and manner restrictions with respect to displays visible from outside of structures on the Unit.

The Association shall not regulate the content of political signs; however, it may regulate the time, place, and manner of posting such signs (including design criteria).

(c) *Household Composition.* No Rule shall interfere with an Owner's freedom to determine household composition, except that the Association may impose and enforce reasonable occupancy limitations and conditions based on Unit

size and facilities and its fair share use of the Common Area.

(d) *Activities Within Residences.* No Rule shall interfere with the activities carried on within a Residence, except that the Association may prohibit activities not normally associated with residential property, and it may restrict or prohibit activities that create monetary costs for the Association or other Owners, that are illegal, that create a danger to anyone's health or safety, that generate excessive noise or traffic, that create unsightly conditions visible outside the Residence, or that are an unreasonable source of annoyance.

(e) *Allocation of Burdens and Benefits.* No Rule shall alter the allocation of financial burdens among the various Units or rights to use the Common Area to the detriment of any Owner over that Owner's objection expressed in writing to the Association. Nothing in this provision shall prevent the Association from changing the Common Area available, from adopting generally applicable rules for use of Common Area, or from denying use privileges to those who are delinquent in paying assessments, abuse the Common Area, or violate the Governing Documents. This provision does not affect the right to increase the amount of assessments as provided in Chapter 8.

(f) *Alienation.* No Rule shall prohibit leasing or transfer of any Unit, or require the Associa-

tion's or the Board's consent prior to leasing or transferring a Unit; provided, the Association or the Board may require a minimum lease term of up to 6 months. Minimum lease terms may vary by Neighborhoods or Service Areas. By Board rule, the Association may require that Owners use Association-approved lease forms or include specific lease terms, and may impose a reasonable review or administrative fee in connection with its review of a lease.

(g) *Abridging Existing Rights.* No Rule shall require that an Owner dispose of personal property that was in or on a Unit in compliance with previous Rules. This exemption shall apply only during the period of such Owner's ownership of the Unit, and shall not apply to subsequent Owners who take title to the Unit after adoption of the rule.

(h) *Reasonable Rights to Develop.* No Rule may unreasonably impede the Founder's right to develop StoneRidge.

(i) *Interference with Private Facilities.* No Rule may unreasonably interfere with the use, ownership, appearance, or operation of any Private Facility.

The limitations in subsections (a) through (g) of this Section shall not apply to amendments to this Community Charter adopted in accordance with Chapter 20.

## **Chapter 4**

### **Architecture and Landscaping**

*We shape our buildings and our buildings shape us.*  
*Winston Churchill*

#### **4.1. General.**

No structure or thing shall be placed upon any Unit, and no improvements or other work of any kind on or to the land shall take place within StoneRidge, except in compliance with, and pursuant to prior approval under, this Chapter and the Design Guidelines.

No approval is required to repaint the exterior of any Unit in accordance with the Unit's most recently approved color scheme or to rebuild in accordance with the Unit's most recently approved plans and specifications. Generally, no approval is required for work done to the interior of a structure; however, modifications to the interior of screened porches, patios, and any other portions of a Unit visible from outside a structure are subject to approval.

All Residences constructed on any portion of StoneRidge shall be designed by and built in accordance with the plans and specifications of a licensed architect unless the Founder or its designee in its sole discretion otherwise approves.

Approval under this Chapter is not a substitute for any approvals or reviews required by the Town of Prescott Valley or any other municipality or governmental agency or entity having jurisdiction over architectural or construction matters.

This Chapter shall not apply to the Founder's activities or to the Association's activities during the Founder Control Period.

#### **4.2. Design Review.**

(a) *Founder.* The Founder shall have exclusive authority to administer and enforce architectural controls and to review and act upon all applications for architectural and other improvements within the Community. The Founder's rights under this Chapter shall exist until the later of (i) the expiration of the Development and Sale Period, or (ii) such time as all Units contemplated under the Master Plan have been improved with Residences for which a certificate of occupancy has been issued. The Founder may designate one or more Persons to act on its behalf in reviewing any application. In reviewing and acting upon any request for approval, the Founder and its designee act solely in the Founder's interest and owe no duty to any other Person.

From time to time, the Founder may delegate all or any portion of its rights under this Chapter to any other Person or committee, including the Design Review Committee. Any such delegation shall be in writing, shall specify the scope of responsibilities delegated, and shall be subject to (i) the Founder's right to revoke such delegation at any time and reassume its prior control, and (ii) the Founder's right to veto any decision which it determines, in its discretion, to be inappropriate or inadvisable for any reason. So long as the Founder has any rights under this Chapter, other entities' jurisdiction shall be limited to such matters as the Founder specifically delegates.

(b) *Design Review Committee.* Upon delegation by the Founder or upon expiration or termination of the Founder's rights under this Chapter,




the Association, acting through the DRC, shall assume jurisdiction over design matters. When appointed, the DRC shall consist of at least three, but not more than seven, persons who shall serve and may be removed and replaced in the Board's discretion. DRC members need not be Members or representatives of Members, and may, but need not, include architects, engineers, or similar professionals, who may be compensated in such manner and amount, if any, as the Board may establish.

Until expiration of the Founder's rights under this Chapter, the DRC shall notify the Founder in writing within five business days of any action (*i.e.*, approval, partial approval, or disapproval) it takes under this Chapter. A copy of the application and any additional information the Founder may require shall accompany the notice. The Founder shall have 10 business days after receipt of such notice to veto any such action, in its sole discretion, by written notice to the DRC.

Unless and until such time as the Founder delegates all or a portion of its reserved rights to the DRC or the Founder's rights under this Chapter terminate, the Association shall have no jurisdiction over architectural matters.

(c) *Reviewer.* For purposes of this Chapter, the entity having jurisdiction in a particular case shall be referred to as the "Reviewer."

(d) *Fees; Assistance.* The Reviewer may establish and charge reasonable fees for its review of applications and may require that such fees be paid in advance. Such fees may also include reasonable costs incurred in having professionals review any application. The Board may include the compensation of such persons in the Association's annual operating budget.



Initially, the Founder reviews applications for proposed Improvements and determines whether they should be approved. Thereafter, the Board of Directors will appoint a Design Review Committee to review applications for proposed improvements. The Founder or the Design Review Committee is referred to as the "Reviewer." The Reviewer sets fees for reviewing applications.

### 4.3. Guidelines and Procedures.

(a) *Design Guidelines.* The Founder may prepare the initial Design Guidelines, which may contain general provisions applicable to all of StoneRidge as well as specific provisions that vary among uses or locations within the Community. The Design Guidelines are intended to provide guidance to Owners and Builders regarding matters of particular concern to the Reviewer. The Design Guidelines are not the exclusive basis for the Reviewer's decisions, and compliance with the Design Guidelines does not guarantee an application's approval.

The Founder shall have sole and full authority to amend the Design Guidelines for so long as it has authority under Section 4.2(a). The Founder's right to amend the Design Guidelines shall continue even if its reviewing authority is delegated to the DRC, unless the Founder also delegates the power to amend to the DRC. Upon termination or delegation of the Founder's right to amend, the DRC may amend the Design Guidelines with the Board's consent.

Amendments to the Design Guidelines shall be prospective only. They shall not require modifications to or removal of any structures previously approved once the approved construction or modification has begun. However, any new work on such structures must comply with the Design Guidelines as amended. Subject to the Community-Wide Standard, there shall be no limitation on the scope of amendments to the

Design Guidelines, and such amendments may remove requirements previously imposed or otherwise make the Design Guidelines less restrictive.

The Reviewer shall make the Design Guidelines available to Owners and Builders who seek to engage in development or construction within StoneRidge. In the Founder's discretion, such Design Guidelines may be recorded, in which event the recorded version, as it may be amended from time to time, shall control in the event of any dispute as to which version of the Design Guidelines was in effect at any particular time.

(b) *Procedures.* Unless the Design Guidelines provide otherwise, no activities described in Section 4.1 may begin on any portion of StoneRidge until a request for approval is submitted to and approved by the Reviewer. The request must be in writing and accompanied by plans and specifications and other information the Reviewer or the Design Guidelines require.

In reviewing each submission, the Reviewer may consider any factors it deems relevant, including, without limitation, harmony of the proposed external design with surrounding structures and environment. Decisions may be based on purely aesthetic considerations. Each Owner acknowledges that such determinations are purely subjective and that opinions may vary as to the desirability and/or attractiveness of particular improvements.

The Reviewer shall have the sole discretion to make final, conclusive, and binding determinations on matters of aesthetic judgment, and such determinations shall not be subject to review so long as made in good faith and in accordance with required procedures.

The Reviewer shall make a determination on each application after receipt of a completed application with all required information. The Re-

viewer may permit or require that an application be submitted or considered in stages, in which case, a final decision shall not be required until after the final, required submission stage. The Reviewer may (i) approve the application with or without conditions; (ii) approve a portion of the application and disapprove other portions; or (iii) disapprove the application.

The Reviewer shall notify the applicant in writing of the final determination on any application no later than 30 business days after its receipt of a completed, final application; provided, with respect to any DRC determination subject to the Founder's veto right, the Reviewer shall notify the applicant within 45 business days of its receipt of the final application.


If the Reviewer fails to respond in a timely manner, approval shall be deemed given. However, no approval, whether expressly granted or deemed granted, shall be inconsistent with the Design Guidelines unless a written variance has been granted pursuant to Section 4.5.

Notice shall be deemed given at the time the envelope containing the response is deposited in the U. S. mail. Hand delivery, facsimile, electronic mail, or similar delivery of such written notice also shall be sufficient and shall be deemed given at the time of confirmed delivery to the applicant.

As part of any approval, the Reviewer may require that construction commence within a specified time period. If construction does not commence within the required period, the approval shall expire, and the Owner must reapply for approval before commencing any activities. Once construction is commenced, it shall be diligently pursued to completion. All work shall be completed within one year of commencement unless otherwise specified in the notice of approval or unless the Reviewer, in its discretion, grants an extension in writing. If approved work is not completed within the required time, it

shall be in violation of this Chapter and shall be subject to enforcement action by the Association, the Founder, or any aggrieved Owner.

The Reviewer may exempt certain activities from the application and approval requirements of this Chapter, provided such activities are in compliance with the Design Guidelines and the Community-Wide Standard.

 The purpose of the Design Guidelines is to maintain a consistent character and quality of appearance for the Improvements within the community and to ensure that Improvements are constructed in an orderly manner. The Design Guidelines may describe what types of building materials and design elements are preferred and others that are discouraged. The Design Guidelines also provide a specific procedure for submitting applications for proposed Improvements and describe how to carry out the construction of the Improvements once approval has been received.


#### 4.4. No Waiver of Future Approvals.

Each Owner acknowledges that the people reviewing applications under this Chapter will change from time to time and that opinions on aesthetic matters, as well as interpretation and application of the Design Guidelines, may vary accordingly. In addition, each Owner acknowledges that it may not always be possible to identify objectionable features until work is completed. In such cases, it may be unreasonable to require changes to objectionable features. However, the Reviewer may refuse to approve similar proposals in the future. Approval of applications or plans shall not constitute a waiver of the right to withhold approval as to any similar applications, plans, or other matters subsequently or additionally submitted for approval.

#### 4.5. Variances.

The Reviewer may authorize variances from compliance with any of the Design Guidelines

and any procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted rules. No variance shall (a) be effective unless in writing; (b) be contrary to this Community Charter; or (c) prevent the Reviewer from denying a variance in other circumstances. A variance requires the Founder's written consent during the Development and Sale Period and, thereafter, requires the Board's written consent.

 In some circumstances, an Owner may find it difficult or impossible to comply with the requirements of the Design Guidelines. In that case, the Owner can file a request with the Reviewer to be excused from complying with the Design Guidelines. This is known as a variance.

#### 4.6. Limitation of Liability.

This Chapter establishes standards and procedures as a mechanism for maintaining and enhancing the overall aesthetics of StoneRidge; they do not create any duty to any Person. Review and approval of any application pursuant to this Chapter may be based purely on aesthetic considerations. The Reviewer is not responsible for the structural integrity or soundness of approved construction or modifications, for compliance with building codes and other governmental requirements, or for ensuring that all Residences are of comparable quality, value, size, or design, or are aesthetically pleasing or otherwise acceptable to other Owners.

The Founder, the Association, its officers, the Board, any committee, or member of any of the foregoing shall not be held liable for (a) soil conditions, drainage, or other general site work; (b) any defects in plans revised or approved hereunder; (c) any loss or damage arising out of the action, inaction, integrity, financial condition, or quality of work of any contractor or its subcontractors, employees, or agents, whether or not



the Founder has approved or featured such contractor as a builder in StoneRidge; or (d) any injury, damages, or loss arising out of the manner or quality or other circumstances of approved construction on or modifications to any Unit. In all matters, the Association shall defend and indemnify the Board, the DRC, and the members of each, as provided in Section 7.7.

#### **4.7. Certificate of Compliance.**

Any Owner may request in writing that the Reviewer issue a certificate of compliance certifying that there are no known violations of this Chapter or the Design Guidelines. The Association shall either grant or deny such written request within 30 days after receipt and may charge a reasonable administrative fee. Issuance of such a certificate shall prevent the Association from taking enforcement action against an Owner for any condition known to the Association on the date of such certificate.

#### **4.8. Historical and Archeological Sites.**

Historical and Archeological Sites exist on various portions of StoneRidge. Numerous Historical and Archeological Sites have been identified ("Identified Sites") however some Historical and Archeological Sites may exist on the Property that have not been identified ("Undiscovered Sites"). Such Historical and Archeological Sites may impact the manner in which an Owner may improve his/her Unit. Some of the Identified Sites have been or will be designated for preservation ("Preservation Sites") while other Identified Sites have been or will be designated for potential data recovery ("Data Recovery Sites").

Preservation Sites shall not be disturbed or removed. The Association shall be obligated to protect and preserve Preservation Sites as required by the Arizona State Historic Preservation Officer and the United States Army Corps of Engineers, pursuant to Permit No. 994009200-LSF, issued August 30, 2000. Protection and preservation of Preservation Sites may include the construction of walls, gates and barriers, the instal-

lation of signs, plants and other landscaping, and monitoring of Preservation Sites.

The Association may facilitate workshops and educational activities for Owners to raise awareness of the significance and need for preservation, and provide for participation of community groups and Indian tribes from the Prescott Valley area to help develop independent programs for historic preservation, provided such workshops and activities are approved by the United States Army Corps of Engineers. The cost of maintaining such protection and preservation measures, if any, shall be a Common Expense of the Association.

In the unlikely event an Owner discovers the existence of an Undiscovered Archeological Site prior to or after commencing construction of an Improvement, the Owner shall cease construction and notify the Association immediately of the existence and location of the Undiscovered Site. In the event that a human burial site is encountered the Association and/or the Founder shall immediately notify the United States Army Corps of Engineers and the Director of the Arizona State Museum. The Owner shall then grant the Founder, the Association, their agents, employees, and any governmental officials and inspectors access to the site to conduct any required evaluation, testing, data recovery, preservation, and mitigation that may be required by the Arizona State Historic Preservation Officer, the United States Army Corps of Engineers, the Historic Property Treatment Plan, or any other applicable state or federal law.

Neither the Association nor the Founder give any warranty, or make any representation, that all Historical and Archeological Sites that exist within StoneRidge have been discovered. Undiscovered Sites may affect the manner in which Units within StoneRidge may be developed. Neither the Association nor the Founder shall have any liability for any damages, increased construction costs, or delays caused by the existence

of, or the discovery of, an Historical and Archco-  
logical Site.

## **Chapter 5**

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### **Maintenance and Repair**

#### **5.1. Maintenance of Units.**

Each Owner shall maintain his or her Unit, including all structures, landscaping, and other improvements comprising the Unit, in a manner consistent with the Governing Documents and the Community-Wide Standard unless such maintenance responsibility is otherwise assumed by or assigned to (and accepted by, if necessary) the Association or a Neighborhood Association under this Community Charter, any Supplemental Charter, or by law.

Each Owner also shall be responsible for maintaining and irrigating the landscaping within that portion of any adjacent public right-of-way lying between the Unit boundary and any wall, fence, or curb located on the Common Area or public right-of-way within 10 feet of the Unit boundary. However, Owners may not remove trees, shrubs, or similar vegetation from this area without prior approval pursuant to Chapter 4.

#### **5.2. Maintenance of Neighborhood Property.**

A Neighborhood Association shall maintain its common property and any other property for which it has maintenance responsibility in a manner consistent with the Governing Documents, the Community-Wide Standard, and all applicable covenants.

Any Neighborhood Association shall also be responsible for maintaining and irrigating the landscaping within that portion of any adjacent Common Area or public right-of-way lying between the boundary of its common property and any wall, fence, or curb located on the Common Area or public right-of-way within 10 feet of its boundary. A Neighborhood Association shall not remove trees, shrubs, or similar vegetation from

this area without prior approval pursuant to Chapter 4.

The Association may assume maintenance responsibility for property within any Neighborhood, either upon designation of the Neighborhood as a Service Area pursuant to Section 7.3 or upon the Board's determination, pursuant to Section 7.5(a), that the level and quality of maintenance then being provided is not consistent with the Community-Wide Standard. The provision of services in accordance with this Section shall not constitute discrimination within a class.

#### **5.3. Responsibility for Repair and Replacement.**

Unless otherwise specifically provided in the Governing Documents or in other instruments creating and assigning maintenance responsibility, responsibility for maintenance shall include responsibility for repair and replacement necessary to maintain the property to a level consistent with the Community-Wide Standard.

Each Owner shall carry property insurance for the full replacement cost of all insurable improvements on his or her Unit, less a reasonable deductible, unless either a Neighborhood Association (if any) or the Association carries such insurance (which they may but are not obligated to do). If the Association assumes responsibility for insuring a Unit, the premiums for such insurance shall be levied as a Specific Assessment against the benefited Unit and the Owner.

Within three months of any damage to or destruction of a structure on a Unit, the Unit's Owner shall promptly repair or reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Chapter 4; provided,

under appropriate circumstances, the Board, in its discretion, may extend such period. Alternatively, the Owner shall clear the Unit and maintain it in a neat and attractive condition consistent with the Community-Wide Standard. The Owner shall pay any costs insurance proceeds do not cover.

The Board may adopt additional covenants applicable to any Neighborhood or Service Area and establish additional insurance requirements and more stringent standards for rebuilding or reconstructing structures on Units and for clearing and maintaining the Units in the event the

structures are not rebuilt or reconstructed. Such additional covenants may be based on changes in applicable law, local ordinances, changes in products, services, then existing conditions in the insurance industry, or any other reason in the Board's discretion.

**This Section shall apply to a Neighborhood Association with respect to common property within the Neighborhood in the same manner as if the Neighborhood Association was an Owner and the common property was a Unit.**

### **PART THREE: COMMUNITY GOVERNANCE AND ADMINISTRATION**

*This Community Charter establishes the Association as a mechanism for each Owner to participate in the governance and administration of StoneRidge. While many powers and responsibilities are vested in the Board in order to facilitate day-to-day management and operation, some decisions are considered of such importance that they are reserved for the Association's membership -- the Owners.*



## Chapter 6 The Association and its Members

*A community is like a ship; everyone ought to be prepared to take the helm.*  
*Henrik Ibsen*

### 6.1. Association's Function.

The Association is responsible for management, maintenance, operation, and control of the Area of Common Responsibility. The Association also has primary responsibility for enforcing the Governing Documents. The Association shall perform its functions in accordance with the Governing Documents and Arizona law.

### 6.2. Membership.

Every Owner shall be a Member of the Association. There shall be only one membership per Unit. If more than one Person owns a Unit, all co-Owners shall share the privileges of such membership, subject to reasonable Board regulation and the restrictions on voting set forth in Section 6.3 and in the By-Laws. Co-Owners are jointly and severally obligated to perform the responsibilities of Owners. The membership rights of an Owner that is not an individual (*e.g.*, a corporation or a partnership) may be exercised by any officer, director, partner, or trustee, or by an individual the Owner designates from time to time in a written instrument provided to the Association's Secretary.

The Association shall have two classes of membership, as follows:

(a) *Owner Member.* Owner Members shall be all Owners except the Founder Member, if any.

(b) *Founder Member.* The Founder Member shall be the Founder. The Founder membership shall terminate upon the earlier to occur of: (i) two years after expiration of the Founder Con-

trol Period; or (ii) when, in its discretion, the Founder so determines and declares in a recorded instrument.

### 6.3. Voting Rights.

*If you don't like something, change it. If you can't change it, change your attitude. Don't complain.*  
*Maya Angelou*

The voting rights of each class of membership shall be as follows:

(a) *Owner Members.* Each Unit owned by an Owner Member is assigned one equal vote. Due to the number of Units anticipated to be developed in StoneRidge, the Association shall use a representative system of voting. Except as otherwise specified in this Community Charter or the By-Laws, the vote for each Unit owned by an Owner Member shall be exercised by the Neighborhood Representative representing the Neighborhood in which such Unit is located.

As provided in the By-Laws, each Neighborhood shall elect a Neighborhood Representative and an alternate Neighborhood Representative to serve as the Neighborhood's voting delegates. Neighborhood Representatives are subordinate to the Board, and their responsibility does not extend to policymaking, supervising, or otherwise being involved in Association governance. Such matters are the Board's province. Until such time as the Board first calls for election of a Neighborhood Representative for a Neighborhood, the Owner Members owning Units within such Neighborhood may personally cast the votes

attributable to their respective Units on any issue requiring a membership vote under the Governing Documents.

A Neighborhood Representative may vote all votes it is entitled to cast in its discretion and may, but shall not be obligated to, poll the Owner Members in the Neighborhood which he or she represents prior to voting. On any issue, other than election of directors, for which the Neighborhood Representative is entitled to cast more than one vote, the Neighborhood Representative may cast all such votes as a block or split them but shall not be entitled to fractionalize any vote.

In any situation in which an Owner Member is entitled personally to exercise the vote for his or her Unit, if there is more than one Owner of such Unit, the vote shall be exercised as the co-Owners determine among themselves and advise the Association's Secretary in writing prior to the vote being taken. Absent such advice, the Unit's vote shall be suspended if more than one Person seeks to exercise it.

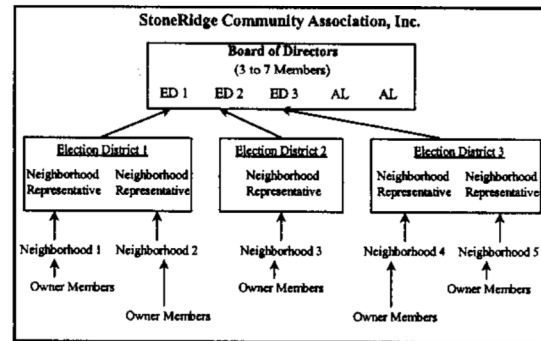
No vote shall be exercised for any property exempt from assessment under Section 8.9.

(b) *Founder Member.* The Founder Member shall not have voting rights; rather, the Founder Member's consent shall be required for various actions of the Board, the membership, and committees, as specifically provided elsewhere in the Governing Documents. In addition, the Founder Member may appoint at least a majority of the Board during the Founder Control Period. After termination of the Founder Control Period, the Founder Member shall have a right to disapprove actions of the Board and committees as provided in the By-Laws. Additional rights of the Founder Member are specified elsewhere in the Governing Documents.

After the Founder membership terminates, the Founder shall be an Owner Member entitled

to one vote for each Unit it owns in accordance with subsection (a) above.

The following diagram illustrates the Association's organizational structure and the manner in which Neighborhood Representatives and Election Districts elect the Board after the Founder Control Period.



[Note: The number of directors (five), Neighborhoods (five), and Election Districts (three) shown in the illustration are for demonstrative purposes only; the actual number may be different.]

#### 6.4. Neighborhood Designations.

Exhibit "A," any Supplemental Charter, or any recorded plat may initially assign property to a specific new or existing Neighborhood (by name or other identifying designation). In addition, during the Development and Sale Period, the Founder may unilaterally record a Supplemental Charter or amend this Community Charter or any Supplemental Charter to create Neighborhoods, re-designate Neighborhood boundaries, or combine two or more existing Neighborhoods. Thereafter, the Board may amend this Community Charter or any Supplemental Charter to re-designate Neighborhood boundaries; provided, the Board may not combine two or more existing Neighborhoods without the consent of Owners of a majority of the Units in the affected Neighborhoods.

**6.5. Election Districts.**

The Founder or the Board may designate Election Districts consisting of one or more Neighborhoods for the purpose of electing directors. Election Districts shall be created, if at all, in the manner provided in the By-Laws. The number of Election Districts shall not exceed the total number of directors to be elected to the

Board by the Owner Members under the By-Laws. The purpose of Election Districts is to provide for representation on the Board by groups with dissimilar interests and to avoid a situation in which particular groups are able to elect the entire Board due to the number of votes held by such groups.

**Chapter 7**  
**Association Powers and Responsibilities**

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**7.1. Acceptance and Control of Association Property.**

(a) The Founder and its designees may convey to the Association, and the Association shall accept, personal property and fee title or other property interests in any improved or unimproved real property described in Exhibit "A" or "B." Upon the Founder's written request, the Association shall transfer back to the Founder any unimproved real property originally conveyed to the Association for no payment, to the extent conveyed by the Founder in error or needed by the Founder to make minor adjustments in property lines.

(b) The Association may acquire, hold, lease (as lessor or lessee), operate, and dispose of tangible and intangible personal property and real property subject to Section 16.9. The Association may enter into leases, licenses, or operating agreements, for payment or no payment, as the Board deems appropriate, permitting use of portions of the Common Area by others.

(c) The Association is responsible for management, operation, and control of the Common Area, subject to any covenants set forth in the deed or other instrument transferring the property to the Association. The Board may adopt such reasonable rules regulating use of the Common Area as it deems appropriate.

**7.2. Maintenance of Area of Common Responsibility.**

The Association shall maintain the Area of Common Responsibility in accordance with the Community-Wide Standard. The Area of Common Responsibility includes, but shall not limited to:

(a) the Common Area;

(b) landscaping within public rights-of-way within or abutting StoneRidge; and

(c) such portions of any additional property as may be dictated by the Founder, this Community Charter, any Supplemental Charter, the Covenant to Share Costs, or any contract, covenant, or agreement for maintenance entered into by, or for the benefit of, the Association.

(d) any property and facilities which the Founder owns and makes available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members. Such property and facilities shall be identified by written notice from the Founder to the Association and will remain part of the Area of Common Responsibility maintained by the Association until such time as the Founder revokes such privilege of use and enjoyment by written notice to the Association.

(e) any property and facilities which the Founder owns and makes available, on a temporary or permanent basis, for the use and enjoyment of the general public.

Except for those portions of the stormwater drainage system that will be maintained by the Town of Prescott Valley, the Association also shall be responsible for maintaining ponds,



streams, and/or wetlands located within StoneRidge which serve as part of the Community's stormwater drainage system, including associated improvements and equipment; provided, with respect to such areas located within the boundaries of a Unit or outside of the Community, the Association shall have the right to maintain for purposes relating to the stormwater drainage system, but shall not be obligated to maintain for aesthetic or other purposes, unless otherwise provided by Supplemental Charter or a Covenant to Share Costs. All maintenance, whether performed by the Association or the Town of Prescott Valley, shall be in compliance with United States Army Corps of Engineers Permit No. 994009200-LSF.

The Association may maintain other property it does not own, including, without limitation, Units, property dedicated to the public, or property owned or maintained by a Neighborhood Association, if the Board determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard. The Association shall not be liable for any damage or injury occurring on, or arising out of the condition of, property it does not own except to the extent that it has been negligent in performing its maintenance responsibilities.

The Association shall maintain the facilities and equipment within the Area of Common Responsibility in continuous operation, except for any periods necessary, as determined in the Board's sole discretion, to perform required maintenance or repairs, unless Neighborhood Representatives representing 75% of the total votes in the Association agree in writing to discontinue such operation; provided, if the property is Limited Common Area, at least 75% of the Owners to whom such Limited Common Area is assigned (or such higher percentage as a Supplemental Charter may require) also must agree in writing.

Notwithstanding the above, during the Development and Sale Period, the Area of Common Responsibility shall not be reduced except with the Founder's prior written approval.

The costs associated with maintenance, repair, and replacement of the Area of Common Responsibility shall be a Common Expense; provided, the Association may seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Community Charter, a Covenant to Share Costs, other recorded covenants, or agreements with the owner(s) thereof. Maintenance, repair, and replacement of Limited Common Areas shall be a Service Area Expense assessed to the Owners within the Service Area(s) to which the Limited Common Areas are assigned.

### **7.3. Provision of Benefits and Services to Service Areas.**

(a) On Exhibit "A," any Supplemental Charter, or any recorded plat the Founder may initially assign property to a specific new or existing Service Area (by name or other identifying designation). During the Development and Sale Period, the Founder may unilaterally record a Supplemental Charter or amend this Community Charter or any Supplemental Charter to create Service Areas, re-designate Service Area boundaries, or combine two or more existing Service Areas.

A Supplemental Charter may require that the Association provide benefits or services to Units within a Service Area in addition to those that Association generally provides to all Units.

(b) In addition to Service Areas which the Founder may designate, any group of Owners may petition the Board to designate their Units as a Service Area for the purpose of receiving from the Association (i) special benefits or services which are not provided to all Units, or (ii) a higher level of service than the Association oth-

erwise provides. Upon receipt of such petition signed by Owners of a majority of the Units within the proposed Service Area, the Board shall investigate the terms upon which the requested benefits or services might be provided and notify the Owners in the proposed Service Area of such terms and the charge for providing the requested service. Upon written approval of the proposal by Owners of at least 67% of the Units within the proposed Service Area, the Association shall provide the requested benefits or services on the terms set forth in the proposal.

(c) The Board, by resolution, also may designate a group of Units as a Service Area and levy Service Area Assessments against such Units to fund the costs of operating, maintaining, and insuring certain portions of the Area of Common Responsibility within or adjacent to such Service Area. This may include, without limitation, the costs of maintaining any signage, entry features, right-of-way and greenspace between the Service Area and adjacent public roads; private streets within the Service Area; and lakes or ponds within the Service Area, regardless of ownership; provided, all similarly situated Units shall be treated the same.

(d) All costs associated with the provision of services or benefits to a Service Area shall be assessed against the Units within the Service Area as a Service Area Assessment. The Service Area Assessment may include a reasonable administrative charge in such amount as the Board deems appropriate. Such administrative charge shall apply at a uniform rate per Unit among all Service Areas receiving the same service.

#### **7.4. Insurance.**

(a) *Required Coverages.* The Board, on the Association's behalf, shall obtain and continue in effect the following types of insurance, if reasonably available, or if not reasonably available, the most nearly equivalent coverages as are reasonably available:

(i) Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for all insurable improvements on the Common Area and within the Area of Common Responsibility to the extent the Association has assumed responsibility in the event of a casualty, regardless of ownership. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. The limits of Association property insurance policies shall be sufficient to cover the full replacement cost of the insured improvements under current building ordinances and codes.

In addition, if specified in a Supplemental Charter, the Association shall obtain and maintain property insurance on the insurable improvements within a Neighborhood, which insurance shall comply with the above requirements.

(ii) Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, such coverage (including primary and any umbrella coverage) shall have a limit of at least \$1,000,000.00 per occurrence, or other amount as determined by the Board, with respect to bodily injury, personal injury, and property damage; provided, should additional coverage and higher limits be available at reasonable cost that a reasonably prudent person would obtain, the Association shall obtain such additional coverages or limits;

(iii) Workers compensation insurance and employers liability insurance, if and to the extent required by law;

(iv) Directors and officers liability coverage; and

(v) Commercial crime insurance, including fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's business judgment but not less than an amount equal to one-sixth of the annual Base Assessments on all Units plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation; and

In the exercise of its business judgment, the Board may obtain additional insurance coverage and higher limits.

(b) *Insurance Premiums.* Premiums for all insurance on the Area of Common Responsibility shall be Common Expenses, except that (i) premiums for property insurance on Units within a Service Area shall be a Service Area Expense; and (ii) premiums for insurance on Limited Common Areas may be included in the Service Area Expenses of the Neighborhood(s) to which such Limited Common Areas are assigned unless the Board reasonably determines that other treatment of the premiums is more appropriate.

(c) *Policy Requirements.* The Association shall arrange for an annual review of the sufficiency of its insurance coverage by one or more qualified Persons, at least one of whom must be familiar with insurable replacement costs in the Prescott Valley area. All Association policies shall provide for a certificate of insurance to be furnished to the Association and, upon request, to each Member insured.

Policies may contain a reasonable deductible, as determined by the Board, which shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 7.4(a). In the event of an insured loss, the deductible shall be treated as a Common Expense or a Service Area Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board

reasonably determines, after notice and an opportunity to be heard in accordance with the By-Laws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may assess the full amount of such deductible against such Owner(s) and their Units as a Specific Assessment.

To the extent available at reasonable cost and terms, all Association insurance shall:

(i) be written with a company authorized to do business in Arizona which satisfies the requirements of the Federal National Mortgage Association, or such other secondary mortgage market agencies or federal agencies as the Board deems appropriate;

(ii) be written in the name of the Association as trustee for the benefited parties. Policies on the Common Areas shall be for the benefit of the Association and its Members. Policies secured on behalf of a Service Area shall be for the benefit of the Owners within the Service Area and their Mortgagees, as their interests may appear;

(iii) not be brought into contribution with insurance purchased by Owners, occupants, or their Mortgagees individually;

(iv) contain an inflation guard endorsement;

(v) include an agreed amount endorsement, if the policy contains a co-insurance clause;

(vi) provide that each Owner is an insured person under the policy with respect to liability arising out of such Owner's interest in the Common Area as a Member in the Association (provided, this provision shall not be construed as giving an Owner any interest in the Common Area other than that of a Member);



(vii) provide a waiver of subrogation under the policy against any Owner or household member of an Owner;

(viii) include an endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer on account of any act or omission of one or more individual Owners, unless such Owner is acting within the scope of its authority on the Association's behalf, or on account of any curable defect or violation, without prior written demand to the Association to cure the defect or violation and allowance of a reasonable time to cure.

In addition, the Board shall use reasonable efforts to secure insurance policies that list the Owners as additional insureds and provide:

(i) a waiver of subrogation as to any claims against the Association's Board, officers, employees, and its manager, the Owners and their tenants, servants, agents, and guests;

(ii) a waiver of the insurer's rights to repair and reconstruct instead of paying cash;

(iii) an endorsement excluding Owners' individual policies from consideration under any "other insurance" clause;

(iv) an endorsement requiring at least 30 days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal;

(v) a cross liability provision; and

(vi) a provision vesting in the Board exclusive authority to adjust losses; provided, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss.

(d) *Restoring Damaged Improvements.* In the event of damage to or destruction of property the

Association is obligated to insure, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repairing or restoring the property to substantially its condition prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

The Association shall repair or reconstruct damaged Common Area improvements unless the Neighborhood Representatives representing at least 75% of the total votes in the Association, and the Founder Member, if any, decide within 60 days after the loss not to repair or reconstruct. If the damage is to Limited Common Area, repairs shall be made unless at least 75% of the Owners of Units to which such Limited Common Area is assigned also vote within 60 days after the loss not to repair or reconstruct and the Founder Member, if any, consents. If either the insurance proceeds or estimates of the loss, or both, are not available to the Association within such 60-day period, then the period shall be extended until such funds or information are available. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed.

If a decision is made not to restore the damaged improvements, and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive condition consistent with the Community-Wide Standard.

The Association shall retain and place in a capital improvements account for the benefit of all Owners or the Owners of Units within the insured Service Area, as appropriate, any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate. This is a cove-



nant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Unit.

If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board may, without a vote of the Neighborhood Representatives, levy Special Assessments to cover the shortfall against those Owners responsible for the premiums for the applicable insurance coverage under Section 7.4(a).

#### 7.5. Compliance and Enforcement.

(a) Every Owner and occupant of a Unit shall comply with the Governing Documents. The Board may impose sanctions for violation of the Governing Documents, including those listed below and any others described elsewhere in the Governing Documents. The following sanctions require prior notice and an opportunity for a hearing in accordance with the By-Laws:

(i) imposing reasonable monetary fines, which shall constitute a lien upon the violator's Unit. In the event that any occupant, guest, or invitee of a Unit violates the Governing Documents and a fine is imposed, the fine may, but need not, first be assessed against the violator; provided, if the fine is not paid by the violator within the time period set by the Board, the Owner shall pay the fine upon notice from the Board);

(ii) suspending an Owner's right to vote (except that no notice or hearing is required if the Owner is more than 90 days delinquent in paying any Base or Special Assessment);

(iii) suspending any Person's right to use any Common Area facilities (A) for any period during which any charge against such Owner's Unit remains delinquent, and (B) for a period not to exceed 30 days for a single violation or for a longer period in the case of any continuing violation (except that no notice or hearing is required if the Owner is more than 60 days delinquent in paying any assessment or other charge owed the

Association); provided, nothing herein shall authorize the Board to limit ingress or egress to or from a Unit;

(iv) suspending services the Association provides (except that no notice or hearing is required if the Owner is more than 60 days delinquent in paying any assessment or other charge owed to the Association);

(v) exercising self-help or taking action to abate any violation of the Governing Documents in a non-emergency situation (including removing personal property that violates the Governing Documents);

(vi) without liability to any Person, precluding any contractor, subcontractor, agent, employee or other invitee of an Owner who fails to comply with the terms and provisions of Chapter 4 and the Design Guidelines from continuing or performing any further activities in StoneRidge; and

(vii) levying Specific Assessments to cover costs the Association incurs in bringing a Unit into compliance with the Community-Wide Standard or other requirements under the Governing Documents.

In addition, the Board may take the following enforcement procedures to ensure compliance with the Governing Documents without the necessity of compliance with the procedures set forth in the By-Laws:

(i) exercising self-help or taking action to abate a violation on a Unit in any situation which requires prompt action to avoid potential injury or damage or unreasonable inconvenience to other persons or their property (specifically including, but not limited to, the towing and impounding or other storage of vehicles that are in violation of parking rules and regulations);

(ii) exercising self-help or taking action to abate a violation on the Common Area under any circumstances;

(iii) requiring an Owner or a Neighborhood Association, at its own expense, to perform maintenance or to remove any structure or improvement on such Owner's Unit or on the Neighborhood Association's property, respectively, in violation of the Community-Wide Standard or other requirements under the Governing Documents and to restore the property to its previous condition;

(iv) entering the property and exercising self-help to remove or cure a violating condition if an Owner or Neighborhood Association fails to take action as required pursuant to subsection (iii) above within 10 days after receipt of written notice to do so, and any such entry shall not be deemed a trespass; or

(v) bringing suit at law for monetary damages or in equity to stop or prevent any violation, or both.

In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Association may record a notice of violation against the Unit.

All remedies set forth in the Governing Documents are in addition to any remedies available at law or in equity. In any action to enforce the Governing Documents, if the Association prevails, it shall be entitled to recover all costs, including, without limitation, attorney's fees and court costs, reasonably incurred in such action.

(b) The decision to pursue enforcement action in any particular case shall be left to the Board's discretion, except that the Board shall not be arbitrary or capricious in taking enforcement action. For example, the Board may determine that, in a particular case:

(i) the Association's position is not strong enough to justify taking any or further action;


(ii) the covenant, restriction or rule being enforced is, or is likely to be construed as, inconsistent with applicable law;

(iii) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or

(iv) that it is not in the Association's best interests, based upon hardship, expense, or other reasonable criteria, to pursue enforcement action.

A decision not to enforce a particular provision shall not prevent the Association from enforcing the same provision at a later time or prevent the enforcement of any other covenant, restriction, or rule.

The Association, by contract or other agreement, may enforce applicable city and county ordinances. In addition, Yavapai County or the Town of Prescott Valley may enforce ordinances within StoneRidge.

 All Owners are required to abide by the Governing Documents. If an Owner fails or refuses to obey the Governing Documents the Owner may be subject to various penalties including fines and the loss of the right to use the Common Areas.

### 7.6. Implied Rights; Board Authority.

The Association may exercise any right or privilege given to it expressly or by reasonable implication under the Governing Documents, and may take action reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in the Governing

Documents or by law, the Board may exercise the Association's rights and powers without a vote of the membership.

The Board may institute, defend, settle, or intervene on behalf of the Association in mediation, binding or non-binding arbitration, litigation, or administrative proceedings in matters pertaining to the Area of Common Responsibility, enforcement of the Governing Documents, or any other civil claim or action. However, the Board has no legal duty to institute litigation or any other proceeding on behalf of or in the name of the Association or its Members.

In exercising the Association's rights and powers, making decisions on the Association's behalf (including, without limitation, deciding whether to file a lawsuit or take other legal action under any circumstances) and conducting the Association's affairs, Board members and the Association's officers are subject to, and their actions shall be judged in accordance with, the standards set forth in the By-Laws.

#### **7.7. Indemnification of Directors, Officers, and Others.**

Directors, officers, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The directors and officers shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on the Association's behalf (except to the extent that such directors or officers may also be Members of the Association). The Association shall indemnify and forever hold each such director, officer, and committee member harmless from any and all liability to others on account of any such contract, commitment, or action.

Subject to Arizona law, the Association shall indemnify every director, officer, and committee member against all damages and expenses, in-

cluding counsel fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board) to which he or she may be a party by reason of being or having been an officer, director, or committee member, except that such obligation to indemnify shall be limited to those actions for which liability is limited under the Articles of Incorporation.

This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. As a Common Expense, the Association shall maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available as determined by the Board.

#### **7.8. Powers of the Association Relating to Neighborhood Associations.**

The Association shall have the power to veto any action taken or contemplated to be taken by any Neighborhood Association that the Board reasonably determines to be adverse to the interests of the Association or its Members or inconsistent with the Community-Wide Standard. The Association also shall have the power to require specific action to be taken by any Neighborhood Association in connection with its obligations and responsibilities, such as requiring specific maintenance or repairs or aesthetic changes to be effectuated and requiring that a proposed budget include certain items and that expenditures be made therefor.

A Neighborhood Association shall take appropriate action required by the Association in a written notice within the reasonable time frame set by the Association in the notice. If the Neighborhood Association fails to comply, the Association shall have the right to effect such action on behalf of the Neighborhood Association and levy Specific Assessments to cover the costs, as well as an administrative charge and sanctions.



#### **7.9. Provision of Services.**

The Association may provide, or provide for, services and facilities for the Members and their Units and may enter into and terminate contracts or agreements with other entities, including the Founder, to provide such services and facilities. The Board may charge use or service fees for any such services and facilities provided at the option of an Owner, or may include the costs in the Association's budget as a Common Expense and assess it as part of the Base Assessment if provided to all Units. By way of example, such services and facilities might include landscape maintenance, pest control service, cable television service, security, caretaker, transportation, fire protection, utilities, trash collection, and similar services and facilities.

Nothing in this Section shall be construed as a representation by the Founder or the Association as to what, if any, services shall be provided. In addition, subject to the contract terms, the Board may modify or cancel existing contracts for services in its discretion, unless the provision of such services is otherwise required by the Governing Documents. Non-use of services provided to all Owners or Units as a Common Expense shall not exempt any Owner from the obligation to pay assessments for such services.

#### **7.10. Relationships with Other Properties.**

The Association may enter into contractual agreements or covenants to share costs with any neighboring property or Private Facility to contribute funds for, among other things, shared or mutually beneficial property or services and/or a higher level of Common Area maintenance.

#### **7.11. Facilities and Services Open to the Public.**

Certain facilities and areas within StoneRidge may be open for use and enjoyment of the public. Such facilities and areas may include, by way of example: greenbelts, trails and paths, parks, me-

sas, hilltops, and other neighborhood spots conducive to gathering and interaction, roads, sidewalks, and medians. The Founder may designate such facilities and areas as open to the public at the time the Founder makes such facilities and areas a part of the Area of Common Responsibility or the Board may so designate at any time thereafter.

#### **7.12. Use of Technology.**

In recognition of the opportunities offered through computers and continuing advancements in technology, the Association may, as a Common Expense, provide for or offer services that make use of computers and other technological opportunities. For example, to the extent Arizona law permits, and unless otherwise specifically prohibited in the Governing Documents, the Association may send required notices by electronic means; hold Board or Association meetings and permit attendance and voting by electronic means; send and collect assessment and other invoices by means of a computer; sponsor a community cable television channel; create and maintain a community intranet or Internet home page offering interactive participation opportunities for users; and maintain an "online" newsletter or bulletin board.

#### **7.13. Service Agreements.**

The Association may enter into contracts, including bulk rate service agreements, with providers of Community Systems and utilities and with other Persons for the maintenance, management, administration, upgrading, modification, and operation of the Community Systems and other utilities. The Association's expenses in connection with any such bulk rate contracts may be a Common Expense to be included in the Base Assessment or a Service Area Expense to be included in a Service Area Assessment. However, if particular or additional services or benefits are provided to particular Units, the benefited Owner(s) shall pay the service provider directly

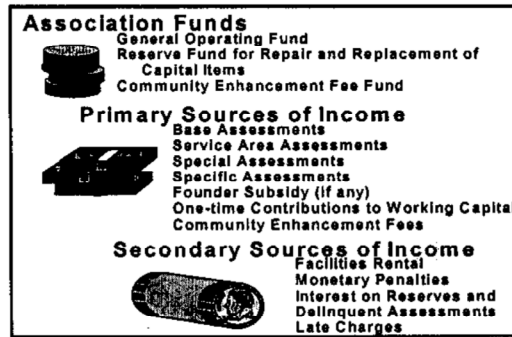
for such services, or the Association may assess the costs as a Specific Assessment.

The terms of any Association contract for Community Systems or other utilities may obligate individual Owners or occupants to execute subscription agreements or other contracts directly with the Persons providing components or services prior to gaining access to the System or utility. In the alternative, the Association may execute a subscription agreement or contract on behalf of all Owners. Subscription agreements or other contracts may contain terms and conditions

relating to use and access to the Community System or utility which, if violated by the Owner or occupant of a Unit, may result in services to such Owner or occupant's Unit being terminated by the System or utility provider or by the Association. The termination of service for such a violation shall not relieve the Owner of the continuing obligation to pay that portion of Base Assessments, Service Assessments, or other Association charges pertaining to the Community Systems or common utilities.



## Chapter 8 Association Finances



### 8.1. Budgeting and Allocating Common Expenses.

The Association is authorized to levy Base Assessments equally against all Units subject to assessment under Section 8.6 to fund the Common Expenses. At least 60 days prior to each new fiscal year, the Board shall prepare a budget of the estimated Common Expenses for the coming year, including any contributions to be made to a reserve fund pursuant to Section 8.3. The budget shall reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Units, and the amount to be generated through the levy of Base Assessments and Special Assessments against the Units.

In determining the Base Assessment rate, the Board may consider any assessment income expected to be generated from any property reasonably anticipated to become subject to assessment during the fiscal year. The Base Assessment may not exceed the Base Assessment from the preceding fiscal year in an amount greater than 20% without the approval of a majority of the Owner Members.

The Founder may, but shall not be obligated to, reduce the Base Assessment for any fiscal year

by payment of a subsidy (in addition to any amounts paid by the Founder under Section 8.7(b)), which may be either a contribution, an advance against future assessments due from the Founder in the Founder's discretion. Any such subsidy shall be disclosed as a line item in the income portion of the budget. Payment of such subsidy in any year shall not obligate the Founder to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between the Association and the Founder.

The Board shall send a copy of the final budget and notice of the amount of the Base Assessment to each Owner at least 30 days before the fiscal year begins. Such budget and assessment shall become effective unless disapproved at a meeting by the Owners individually, not Neighborhood Representatives, representing at least 75% of the total votes in the Association and by the Founder Member, if such exists. There shall be no obligation to call a meeting for the purpose of considering the budget except on petition by the Owners as provided for special meeting in the Chapters, which petition must be presented to the Board within 10 days after delivery of the notice of assessments.

If any proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then the budget most re-

cently in effect increased by 10% shall continue in effect until a new budget is determined.

The Board may revise the budget and adjust the Base Assessment from time to time during the year, subject to the notice requirements and the Members' right to disapprove the revised budget as set forth above.

## 8.2. Budgeting and Allocating Service Area Expenses.

To fund Service Area Expenses, the Association is authorized to levy Service Area Assessments equally against all Units subject to assessment in the Service Area; provided, if specified in a Supplemental Charter or if a majority of the Owners within the Service Area requests in writing, any portion of the assessment intended for exterior maintenance of structures, insurance on structures, replacement reserves pertaining to particular structures, or services provide within the Service Area may be levied on just the benefited Units equally, in proportion to the benefit received, or in any other reasonable manner.

At least 60 days prior to each fiscal year, the Board shall prepare a separate budget covering the estimated Service Area Expenses for each Service Area on whose behalf Service Area Expenses are expected to be incurred during the coming year. Each such budget shall include any costs for additional or higher level of services provided to the Service Area as provided in Section 7.3 and any contribution to be made to a reserve fund pursuant to Section 8.3. The budget shall reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Units, and the amount required to be generated through the levy of Service Area and Special Assessments against the Units in such Service Area.

The Board shall cause a copy of the Service Area budget and notice of the amount of the Ser-

vice Area Assessment for the coming year to be delivered to each Owner in the Service Area at least 30 days prior to the beginning of the fiscal year. Such budget and assessment shall become effective unless disapproved at a meeting by Owners representing at least 75% of the Units in the Service Area to which the Service Area Assessment applies. However, the Board is not obligated to call a meeting to consider the budget except on petition of Owners of at least 10% of the Units in such Service Area. This right to disapprove shall only apply to those line items in the Service Area budget which are attributable to services or benefits requested by the Owners within the Service Area and shall not apply to any item which the Governing Documents require to be assessed as a Service Area Assessment.

If the proposed budget for any Service Area is disapproved or if the Board fails for any reason to determine the budget for any year, then until such time as a budget is determined, the budget in effect for the immediately preceding year increased by 10% shall continue for the current year.

The Board may revise the budget for any Service Area and the amount of any Service Area Assessment from time to time during the year, subject to the notice requirements and the right of the Owners in the affected Service Area to disapprove the revised budget as set forth above.

All amounts collected by the Association as Service Area Assessments shall be held in trust for and expended solely for the benefit of the Service Area for which they were collected and shall be accounted for separately from the Association's general funds.

The Founder may reduce the Service Area Assessment for any Service Area for any fiscal year by payment of a subsidy (in addition to any amounts paid by the Founder under Section 8.7(b)), which may be either a contribu-

tion, or an advance against future assessments due from the Founder in the Founder's discretion. Any such subsidy shall be disclosed as a line item in the income portion of the budget. Payment of such subsidy in any year shall not obligate the Founder to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between the Association and the Founder.

### 8.3. Budgeting for Reserves.

The Board may include in the Common Expense budget a capital contribution to fund reserves in an amount sufficient to meet the projected need with respect both to amount and timing by annual contributions over the budget period. Reserve budgets shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. In its discretion, the Board shall determine the amount or necessity of the reserve fund, and such amount shall be considered adequate so long as the Board has exercised its business judgment.

The Board may adopt resolutions regarding the expenditure of any reserve funds, including policies designating the nature of assets for which reserve funds may be expended. These policies may differ for general Association purposes. So long as the Founder owns any property described in Exhibit "A" or "B," neither the Association nor the Board shall adopt, modify, limit, or expand such policies without the Founder's prior written consent.

### 8.4. Special Assessments.

In addition to other authorized assessments, the Association may levy Special Assessments to cover unbudgeted expenses or expenses in excess of those budgeted. Special Assessments may be levied against the entire membership if such Special Assessment is for Common Expenses or against the Units within any Service Area if such Special Assessment is for Service Area Expenses.

Except as otherwise specifically provided in this Community Charter, any Special Assessment shall require the affirmative vote or written consent of Neighborhood Representatives (if a Common Expense) or Owners (if a Service Area Expense) representing more than 50% of the total votes allocated to Units which will be subject to such Special Assessment, and the affirmative vote or written consent of the Founder Member, if such exists. Special Assessments shall be payable in such manner and at such times as the Board determines and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

### 8.5. Specific Assessments.

The Association shall have the power to levy Specific Assessments against a particular Unit as follows:

(a) to cover the costs, including overhead and administrative costs, of providing services to Units upon request of an Owner pursuant to any menu of special services the Association may offer (which might include the items identified in Section 7.9) or which the Association otherwise provides in the Board's discretion. Specific Assessments for special services may be levied in advance of the provision of the requested service; and

(b) to cover all costs incurred in bringing the Unit into compliance with the Governing Documents, or all costs incurred as a consequence of the conduct of the Owner or occupants of the Unit, their agents, contractors, employees, licensees, invitees, or guests; provided, the Board shall give the Unit Owner prior written notice and an opportunity for a hearing, in accordance with the By-Laws, before levying any Specific Assessment under this subsection.

(c) to cover all costs incurred to exercise any self help remedies permitted by this Charter, including the costs of towing and impounding vehicles, and the costs to clear the Common Area



of debris or other matter resulting as a consequence of the conduct of the Owner or occupants of the Unit, their agents, contractors, employees, licensees, invitees, or guests; provided, the Board shall give the Unit Owner prior written notice and an opportunity for a hearing, in accordance with the By-Laws, before levying any Specific Assessment under this subsection.

The Association may also levy a Specific Assessment against the Units within any Neighborhood to reimburse the Association for costs incurred in bringing the Neighborhood into compliance with the provisions of the Governing Documents, provided the Board gives prior written notice to the Owners of Units in, or the Neighborhood Representative representing, the Neighborhood and an opportunity for such Owners or Neighborhood Representative to be heard before levying any such assessment.

#### **8.6. Authority to Assess Owners; Time of Payment.**

The obligation to pay assessments commences as to each Unit on the first day of the month following: (a) the month in which the Unit is made subject to this Community Charter, or (b) the month in which the Board first determines a budget and levies assessments pursuant to this Chapter, whichever is later. The first annual Base Assessment and Service Area Assessment, if any, levied on each Unit shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Unit.

Owners shall pay assessments in the manner and on the dates the Board establishes. Unless the Board otherwise provides, the Base Assessment and any Service Area Assessment shall be due and payable in advance on the first day of each fiscal year. The Board may require advance payment of assessments at closing of the transfer of title to a Unit and may impose special requirements for Owners with a history of delinquent payment. If any Owner is delinquent in

paying any assessments or other charges levied on his or her Unit, the Board may require the outstanding balance on all assessments to be paid in full immediately.

#### **8.7. Obligation for Assessments.**

(a) *Personal Obligation.* Each Owner shall pay all assessments authorized in the Governing Documents. All assessments, together with interest (computed from the assessment's due date at a rate of 10% per annum or such higher rate as the Board may establish, subject to Arizona law), late charges as determined by Board resolution, costs, and reasonable attorney's fees, shall be the personal obligation of each Owner and a lien upon each Unit until paid in full. Upon a transfer of title to a Unit, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance.

The Board's failure to fix assessment amounts or rates or to deliver or mail to each Owner an assessment notice shall not be deemed a waiver, modification, or release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Base Assessments and Service Area Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfalls in collections.


No Owner may exempt himself or herself from liability for assessments by non-use of Common Area, abandonment of his or her Unit, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No reduction or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some required function, or for inconvenience or discomfort arising from the making of repairs or improvements, or for any other reason.

Upon written request, the Association shall furnish to any Owner liable for any type of assessment a certificate in writing signed by an Association officer setting forth whether such assessment has been paid. Such certificate shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

(b) *Founder's Option to Fund Budget Deficits.* During the Founder Control Period, the Founder may satisfy its obligation for assessments on Units which it owns either by paying such assessments in the same manner as any other Owner or by funding the budget deficit. The budget deficit is the difference between the amount of assessments levied on Owner-Member-owned Residences, plus any other income received during the fiscal year, and the amount of the Association's actual expenditures during the fiscal year, but excluding expenses exclusively for capital improvement costs and reserves. Unless the Founder otherwise notifies the Board in writing at least 60 days before the beginning of each fiscal year, the Founder shall continue paying on the same basis as during the previous fiscal year.

Regardless of the Founder's election, the Founder's obligations hereunder may be satisfied in the form of cash or by "in kind" contributions of services or materials, or by a combination of these. After termination of the Founder Control Period, the Founder shall pay assessments on its unsold Units in the same manner as any other Owner.

The Founder may make the election provided for under this subsection both with respect to Base Assessments and with respect to Service Area Assessments within any Service Area.

 By buying a Unit in StoneRidge each Owner agrees to pay all assessments levied against his or her Unit. If the Owner does not pay on time, that Owner will be charged late fees on all past due amounts. In some instances the Founder may choose to pay the difference between the Association's budgeted and actual expenses, rather than paying assessments on the Units it owns. The Founder is free to do so only during the Founder Control Period.

#### 8.8. Lien for Assessments.

The Association shall have a lien against each Unit, including Units the Founder owns, to secure payment of delinquent assessments, as well as interest, late charges (subject to Arizona law), and costs of collection (including attorney's fees). Such lien shall be superior to all other liens except (a) the liens of all taxes, bonds, assessments, and other levies which by law would be superior, and (b) the lien or charge of any recorded first Mortgage (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value. The Association's lien may be enforced by suit, judgment, and judicial or non-judicial foreclosure, or such other method as may be available pursuant to applicable law.

The Association may bid for the Unit at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Unit. While the Association owns a Unit following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Unit shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such Unit had it not been acquired by the Association. The Association may sue for unpaid assessments and other charges authorized hereunder without foreclosing or waiving the lien securing the same.



Sale or transfer of any Unit shall not affect the assessment lien or relieve such Unit from the lien for any subsequent assessments. However, the sale or transfer of any Unit pursuant to foreclosure of the first Mortgage shall extinguish the lien as to any installments of such assessments due prior to the Mortgagee's foreclosure. The subsequent Owner to the foreclosed Unit shall not be personally liable for assessments on such Unit due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Units subject to assessment under Section 8.6, including such acquirer, its successors and assigns.



In order to insure that each Owner pays their assessments, the Association has a lien against the Units when assessments are not paid in a timely fashion. This means that if an Owner does not pay his or her assessments on time, the Association could foreclose the lien, thus causing the Owner's Unit to be sold to pay the past due assessments. Alternatively, the Association may sue an Owner in court to recover past due assessments.

#### 8.9. Exempt Property.

The following property shall be exempt from payment of Assessments:

- (a) All Common Area and such portions of the property owned by the Founder as are included in the Area of Common Responsibility;
- (b) Any property dedicated to and accepted by any governmental authority or public utility; and
- (c) Property owned by any Neighborhood Association for the common use and enjoyment of its members, or owned by the members of a Neighborhood Association as tenants-in-common.

In addition, the Founder and/or the Association shall have the right, but not the obligation, to grant exemptions to Persons qualifying for tax-exempt status under Section 501(c) of the Internal Revenue Code so long as such Persons own property subject to this Community Charter for purposes listed in Section 501(c).

#### 8.10. Capitalization of Association.

Upon acquisition of record title to a Unit by an Owner other than the Founder or a Builder, a contribution shall be made by or on behalf of the purchaser to the Association in an amount equal to one-sixth (1/6) of the annual Base Assessment per Unit for that year. This contribution shall be in addition to, not in lieu of, the annual Base Assessment and shall not be considered an advance payment of such assessment. The Association may use such funds to cover operating and other expenses pursuant to this Community Charter and the By-Laws.

#### 8.11. Use and Consumption Fees.

The Board may charge use and consumption fees to any Person using Association services or facilities and may determine the amount and method of determining such fees. Different fees may be charged to different classes of users (*e.g.*, Owners and non-Owners).

#### 8.12. Community Enhancement Fee.

(a) *Authority.* As an additional funding source, the Board may establish and collect a Community Enhancement Fee upon each transfer of title to a Unit. The fee shall be charged to the seller of the Unit, shall be payable to the Association at the closing of the transfer, and shall be secured by the Association's lien for assessments under Section 8.8. Each Owner shall notify the Association's Secretary or designee at least seven days prior to the scheduled closing and provide the name of the buyer, the date of title transfer, and other information the Board may reasonably require.

(b) *Fee Limit.* The Board shall have the sole discretion to determine the amount of and method of calculating the Community Enhancement Fee. The fee may be based upon a sliding scale that varies in accordance with the "gross selling price" of the property or any other factor the Board deems appropriate. However, the Community Enhancement Fee may not exceed one-half of one percent (0.5%) of the Unit's gross selling price. The gross selling price is the total cost to the purchaser of the Unit, excluding transfer taxes and title fees imposed by the Town of Prescott Valley, Yavapai County, and/or the State of Arizona.

(c) *Purpose.* The Community Enhancement Fees shall be placed in a segregated account and used to provide funding for activities and such other purposes as the Board deems beneficial to the general good and welfare of StoneRidge. For example, Community Enhancement Fees might be used to assist one or more tax-exempt entities in funding:

(i) programs and activities which enhance the welfare, benefit, and lifestyle of residents within and outside of StoneRidge.

(ii) the preservation and maintenance of natural areas, wildlife preserves, or similar conservation areas and sponsorship of educational programs and activities that contribute to the overall understanding, appreciation, and preservation of the natural environment within and surrounding StoneRidge;

(iii) programs, services, and activities which serve to promote a sense of community within StoneRidge, such as recreational leagues, cultural programs, educational programs, festivals and holiday celebrations and activities, a

community computer network, and recycling programs; and

(iv) social services, educational programs, community outreach programs, and other charitable causes.

(d) *Exempt Transfers.* Notwithstanding the above, no Community Enhancement Fee shall be levied upon transfer of title to a Unit:

(i) by or to the Founder;

(ii) by a Builder who held title solely for purposes of development and resale;

(iii) by a co-owner to any Person who was a co-owner immediately prior to such transfer;

(iv) to the Owner's estate, surviving spouse, or heirs at law upon the death of the Owner;

(v) to an entity wholly owned by the grantor or to a family trust created by the grantor for the benefit of grantor, his or her spouse, and/or heirs at law; provided, upon any subsequent transfer of an ownership interest in such entity, the Community Enhancement Fee shall become due;

(vi) to an institutional lender pursuant to a Mortgage or upon foreclosure of a Mortgage; or

(vii) under circumstances which the Board, in its discretion, deems to warrant classification as an exempt transfer (*e.g.*, a transfer made solely for estate planning purposes may be, but is not required to be, deemed exempt from payment of the Community Enhancement Fee).

#### **PART FOUR: COMMUNITY DEVELOPMENT**

*This Community Charter reserves various rights to the Founder to facilitate the smooth and orderly development of StoneRidge and to accommodate changes in the master plan which inevitably occur as a community the size of StoneRidge grows and matures.*

## **Chapter 9**

### **Expansion of the Community**

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#### **9.1. Expansion by Founder.**

From time to time, the Founder may subject to this Community Charter all or any portion of the property described in Exhibit "B" by recording a Supplemental Charter describing the additional property to be subjected. A Supplemental Charter recorded pursuant to this Section shall not require the consent of any Person except the owner of such property, if other than the Founder.

The Founder's right to expand StoneRidge under this Section expires when all property described in Exhibit "B" has been subjected to this Community Charter or 20 years after this Community Charter is recorded, whichever is earlier. Until then, the Founder may transfer or assign this right to any Person who is the developer of at least a portion of the real property described in Exhibit "A" or "B." Any such transfer shall be memorialized in a recorded instrument executed by the Founder.

Nothing in this Community Charter shall require the Founder or any successor to subject additional property to this Community Charter or to develop any of the property described in Exhibit "B" in any manner whatsoever.

#### **9.2. Expansion by the Association.**

The Association also may subject additional property to this Community Charter by recording a Supplemental Charter describing the additional property. Any such Supplemental Charter shall require the affirmative vote of Neighborhood Representatives representing more than 50% of the Association's total votes at a meeting duly called for such purpose and the consent of the owner of the property. In addition, during the Development and Sale Period,

the Founder's consent is required. The Association's President and Secretary, the owner of the property, and the Founder, if the Founder's consent is required, shall sign the Supplemental Charter.

#### **9.3. Additional Covenants and Easements.**

The Founder may subject any portion of StoneRidge to additional covenants and easements, including covenants obligating the Association to maintain and insure such property and authorizing the Association to recover its costs through Service Area Assessments. Such additional covenants and easements may be set forth either in a Supplemental Charter subjecting such property to this Community Charter or in a separate Supplemental Charter referencing property previously subjected to this Community Charter. If someone other than the Founder owns the property, then such owner's consent and execution of the Supplemental Charter is required. Any Supplemental Charter may create exceptions to, expand, or otherwise modify the terms of this Community Charter as it applies to the subject property in order to reflect the different character and intended use of such property.]

#### **9.4. Effect of Filing Supplemental Charter.**

A Supplemental Charter shall be effective upon recording unless otherwise specified in such Supplemental Charter. On the effective date of the Supplemental Charter, any additional property subjected to this Community Charter shall be assigned voting rights in the Association and assessment liability in accordance with the provisions of this Community Charter.

## **Chapter 10**

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### **Additional Rights Reserved to the Founder**

#### **10.1. Withdrawal of Property.**

During the Development and Sale Period, the Founder may amend this Community Charter to remove any unimproved portion of StoneRidge from the coverage of this Community Charter, provided such withdrawal does not reduce the total number of Units then subject to the Community Charter by more than 10 percent. "Unimproved" means that no permanent structure has yet been completed on the property. Such amendment shall not require the consent of any Person other than the Owner(s) of the property to be withdrawn, if not the Founder. If the property is Common Area, the Association shall consent to such withdrawal.

#### **10.2. Marketing and Sales Activities.**

Notwithstanding anything in the Governance Documents to the contrary, the Founder and its designees or assigns may construct, use, and maintain upon portions of the Common Area and other property they own, such facilities and activities as, in the Founder's opinion, may reasonably be required, convenient, or incidental to the construction or sale of Units. Such permitted facilities and activities shall include business offices, signs, flags (whether hung from flag poles or attached to a structure), model homes, sales offices, holding or sponsoring special events, and exterior lighting features or displays. In addition, if reasonably required, convenient, or incidental to construction or sales activities, the Founder and its employees, agents, and designees may park vehicles only in designated areas, including within courtyards enclosed by building frontages or in parking courts. The rights of any Founder designee or assign under this Section are subject to the Founder's approval.

#### **10.3. Right to Develop.**

The Founder and its employees, agents, and designees shall have a right of access and use and an easement over and upon all of the Common Area for the purpose of making, constructing, and installing such improvements to the Common Area and to the Exhibit "B" property as it deems appropriate.

#### **10.4. Right to Approve Changes in StoneRidge Standards.**

During the Development and Sale Period, no amendment to or modification of any Rules or Design Guidelines shall be effective without prior notice to and the written approval of the Founder.

#### **10.5. Exclusive Rights to Use Name of Development.**

No Person shall use the name "StoneRidge" or any derivative of such name or in logo or depiction in any printed or promotional material without the Founder's prior written consent. However, Owners may use the name "StoneRidge" in printed or promotional matter where such term is used solely to specify that particular property is located within StoneRidge and the Association shall be entitled to use the words "StoneRidge" in its name.

#### **10.6. Community Systems.**

The Founder reserves for itself, its affiliates, successors, and assigns, a perpetual right and easement to install and operate within StoneRidge such Community Systems as the Founder, in its discretion, deems appropriate to service the buildings and the structures within any Lot or other portion of the Community. Such right



shall include, without limitation, the Founder's right to select and contract with companies licensed to provide telecommunications, cable television, and other Community Systems services in the region. The Founder also has the right to charge individual users a reasonable fee not to exceed the maximum allowable charge for such service, as from time to time is defined by the laws, rules, and regulations of the relevant government authority, if applicable.

Notwithstanding the above, there is no guarantee or representation that any particular Community System will be made available.

In recognition of the fact that interruptions in cable television and other Community Systems services will occur from time to time, neither the Founder nor any of the Founder's successors or assigns, including the Association, shall in any manner be liable for such interruptions. No Community System user shall be entitled to refund, rebate, discount, or offset in applicable fees, for any interruption in Community Systems services, regardless of whether or not such interruption is caused by reasons within the service provider's control.

#### **10.7. Easement to Inspect and Right to Correct.**

The Founder reserves for itself and others it may designate the right, but not the obligation, to inspect, monitor, test, redesign, and correct any structure, improvement, or condition which may exist on any portion of the property within StoneRidge, including Units, and a perpetual nonexclusive easement of access throughout StoneRidge to the extent reasonably necessary to exercise such right. Except in an emergency, entry onto a Unit shall be only after reasonable notice to the Owner, and no entry into a Residence shall be permitted without the Owner's consent. The person exercising this easement shall promptly repair, at such person's own expense, any damage resulting from such exercise. Nothing in this paragraph shall be deemed to re-

lieve an Owner of the responsibility for the maintenance and repair of his or her Unit.

#### **10.8. Right to Notice of Design or Construction Claims.**

No Person shall retain an expert for the purpose of inspecting the design or construction of any structures or improvements within StoneRidge in connection with or in anticipation of any potential or pending claim, demand, or litigation involving such design or construction unless the Founder and any builder involved in the design or construction have been first notified in writing and given an opportunity to meet with the owner of the property to discuss the owner's concerns and conduct their own inspection.

#### **10.9. Right to Transfer or Assign the Founder's Rights.**

Any or all of the Founder's special rights and obligations set forth in this Community Charter or the By-Laws may be transferred in whole or in part to other Persons; provided, the transfer shall not reduce an obligation nor enlarge a right beyond that which Founder has under this community Charter or the By-Laws. No such transfer or assignment shall be effective unless it is in a written instrument the Founder signs and records. The foregoing sentence shall not preclude the Founder from permitting other Persons to exercise, on a one-time or limited basis, any right reserved to the Founder in this Community Charter where the Founder does not intend to transfer such right in its entirety, and in such case it shall not be necessary to record any written assignment unless necessary to evidence the Founder's consent to such exercise.

#### **10.10. Termination of Rights.**

The rights contained in this Chapter shall not terminate until the earlier of (a) the period specified in the particular Section; (b) 40 years from the date this Community Charter is recorded; or

(c) the Founder's recording of a written statement that all sales activity has ceased.

### **PART FIVE: PROPERTY RIGHTS WITHIN THE COMMUNITY**

*The nature of living in a planned community, with its wide array of properties and development types and its ongoing development activity, requires the creation of special property rights and provisions to address the needs and responsibilities of the Owners, the Founder, the Association, and others within or adjacent to the community.*

**Chapter 11**  
**Easements**

*Don't ever take a fence down until you know why it was put up.*  
*Robert Frost*

**11.1. Easements in Common Area.**

The Founder grants to each Owner a nonexclusive right and easement of use, access, and enjoyment in and to the Common Area, subject to:

(a) The Governing Documents and any other applicable covenants;

(b) Any restrictions or limitations contained in any deed conveying such property to the Association;

(c) The Board's right to:

(i) adopt rules regulating Common Area use and enjoyment, including rules limiting the number of guests who may use the Common Area, and to charge use fees for such use;

(ii) suspend an Owner's right to use Common Area facilities;

(iii) dedicate or transfer all or any part of the Common Area, subject to such approval requirements as may be set forth in this Community Charter;

(iv) impose reasonable membership requirements and charge reasonable admission or other use fees for the use of any recreational facility situated upon the Common Area;

(v) rent any portion of any clubhouse or other Common Area recreational facilities on an

exclusive or non-exclusive short-term basis to any Person;

(vi) permit use of any recreational facilities situated on the Common Area by the general public, which use may be subject to admission charges, membership fees, or other user fees established in the Board's discretion; and

(vii) mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, subject to the approval requirements set forth in Section 16.9; and

(d) Certain Owners' rights to the exclusive use of those portions of the Common Area designated "Limited Common Areas," as described in Chapter 12.

Any Owner may extend his or her right of use and enjoyment to the members of his or her family, lessees, and social invitees, as applicable, subject to reasonable Board regulation. An Owner who leases his or her Unit shall be deemed to have assigned all such rights to the lessee of such Unit for the period of the lease.

**11.2. Easements of Encroachment.**

The Founder grants reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Unit and any adjacent Common Area and between adjacent Units or any Unit and any Private Facility. A permitted encroachment is a structure or fixture that extends unintentionally from one person's property onto another's a dis-

tance of less than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. An encroachment easement shall not exist if the encroachment results from willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.



An easement is one person's right to go onto the property of another's. An encroachment occurs when a person's home, fence, or structure of any kind is placed on his or her neighbor's property. This section provides that minor, inadvertent encroachments are permitted.

### 11.3. Easements for Utilities.

(a) *Installation and Maintenance.* During the Development and Sale Period, the Founder reserves for itself and grants to the Association, the right to grant to certain utility providers, perpetual non-exclusive easements throughout StoneRidge (but not through a structure) to the extent reasonably necessary to:

(i) install utilities and infrastructure to serve StoneRidge, other Community Systems, security and similar systems, and drainage systems;

(ii) install walkways, pathways and trails, street lights, and signage on property the Founder or the Association owns or within public rights-of-way or easements reserved for such purpose on a recorded plat;

(iii) inspect, maintain, repair, and replace the utilities, infrastructure, and other improvements described above; and

(iv) access and read utility meters.

Notwithstanding the above, the Founder reserves the right to deny access to any utility or service provider, to the extent permitted by law, or to condition such access on negotiated terms.

(b) *Specific Easements.* The Founder also reserves for itself the non-exclusive right and power to grant and record such specific easements as it deems necessary to develop the property described in Exhibits "A" and "B."

(c) *Minimal Interference.* All work associated with the exercise of the easements described in subsections (a) and (b) of this Section shall be performed so as to minimize interference with the use and enjoyment of the property burdened by the easement. Upon completion of the work, the Person exercising the easement shall restore the property, to the extent reasonably possible, to the condition existing prior to the commencement of the work. The exercise of these easements shall not extend to permitting entry into the structures on any Unit, nor shall it unreasonably interfere with the use of any Unit and, except in an emergency, entry onto any Unit shall be made only after reasonable notice to the Owner or occupant.

### 11.4. Easements to Serve Additional Property.

The Founder hereby reserves for itself and its duly authorized agents, successors, assigns, and mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access, and development of the property described in Exhibit "B," whether or not such property is made subject to this Community Charter. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property. The Person exercising such easement rights shall be responsible for any damage caused to the Common Area as a result of their actions in connection with development of such property.



If the above easement grants permanent access to any property which is not submitted to this Community Charter, the Founder, or its successors or assigns, shall enter into a reasonable agreement with the Association to share the cost of maintenance that the Association provides for the benefit of the easement holder. The shared maintenance costs may include maintenance to or along any roadway providing access to the benefited property.

#### **11.5. Easements for Maintenance, Emergency, and Enforcement.**

The Founder grants to the Association easements over StoneRidge as necessary to enable the Association to fulfill its maintenance responsibilities under Section 7.2 and its enforcement rights under Section 7.5. The Association shall also have the right, but not the obligation, to enter upon any Unit for emergency, security, and safety reasons, to perform maintenance, to inspect for compliance with the Governing Documents, and to enforce the Governing Documents. Any member of the Board and its duly authorized agents and assignees and all emergency personnel in the performance of their duties may exercise such right. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner.

#### **11.6. Easements for Lake and Pond Maintenance and Flood Water.**

The Founder reserves for itself, the Association, and their successors, assigns, and designees, the nonexclusive right and easement; but not the obligation, to enter upon bodies of water and wetlands located within the Area of Common Responsibility to (a) install, operate, maintain, and replace pumps to supply irrigation water to the Area of Common Responsibility; (b) construct, maintain, and repair structures and equipment used for retaining water; and (c) maintain such areas in a manner consistent with the Community-Wide Standard. The Founder, the Association, and their successors,

assigns, and designees shall have an access easement over and across any of StoneRidge abutting or containing bodies of water or wetlands to the extent reasonably necessary to exercise their rights under this Section.

The Founder further reserves for itself, the Association, and their successors, assigns, and designees, a perpetual, nonexclusive right and easement of access and encroachment over the Common Area and Units (but not the Residences thereon) adjacent to or within 100 feet of bodies of water and wetlands vegetation buffers within StoneRidge, in order to (a) temporarily flood and back water upon and maintain water over such portions of StoneRidge; (b) alter in any manner and generally maintain the bodies of water and wetlands within the Area of Common Responsibility; and (c) maintain and landscape the slopes and banks pertaining to such areas. All persons entitled to exercise these easements shall use reasonable care in and repair any damage resulting from the intentional exercise of such easements. Nothing herein shall be construed to make the Founder or any other Person liable for damage resulting from flooding due to heavy rainfall or other natural occurrences.

#### **11.7. Easements for Golf Course.**

The Community is burdened with an easement permitting golf balls unintentionally to come upon areas adjacent to or in the vicinity of a golf course, and for golfers at reasonable times and in a reasonable manner to come upon the Common Area or common property of a Neighborhood Association to retrieve errant golf balls. However, golfers shall not enter onto any Unit without obtaining the Owner's permission before entry. The existence of this easement shall not relieve golfers of liability for damage caused by errant golf balls.

**Under no circumstances shall any of the following Persons be held liable for any damage or injury resulting from errant golf balls or the exercise of this**

easement: the Founder; the Association or its Members (in their capacities as such); StoneRidge-Prescott Valley, L.L.C., its successors, successors-in-title to the golf course, or assigns; any Builder or contractor (in their capacities as such); any officer, director, partner, or member of any of the foregoing, or any officer, director, or member of any partner.

The owner of any golf course within or adjacent to any portion of StoneRidge, its agents, successors and assigns, shall at all times have a right and non-exclusive easement of access and use over those portions of the Common Areas reasonably necessary to the operation, maintenance, repair, and replacement of its golf course. If, in the exercise of this easement, any portion of the Common Area is damaged, the person exercising the easement shall have the obligation to repair the damaged property and return the Common Area to the condition it existed prior to the exercise of the easement.

Any portion of StoneRidge immediately adjacent to any golf course is hereby burdened with a non-exclusive easement in favor of the adjacent golf course for overspray of water from the irrigation system serving such golf course. **Under no circumstances shall the Association or the owner of such golf course be held liable for any damage or injury resulting from such overspray or the exercise of this easement.**

The owner of any golf course within or adjacent to any portion of StoneRidge, its successors and assigns, shall have a perpetual, exclusive easement of access over StoneRidge for the purpose of retrieving golf balls from bodies of water within the Common Areas lying reasonably within range of golf balls hit from its golf course.

#### 11.8. Easement for Historical and Archeological Sites.

The Founder reserves for itself and the Association and their respective agents, employees, representatives, and designees, a nonexclusive, perpetual easement over the Common Areas to (a) travel to and from Historical and Archeological Sites, and (b) inspect, evaluate, perform data recovery, maintain and preserve the Historical and Archeological Sites identified in StoneRidge from time to time. Such easement shall affect only such portions of the Common Area as the Founder or the Association, as the case may be, deems reasonably necessary for such purposes.

The Founder further reserves for itself and the Association the right to grant nonexclusive easements over the Common Areas to (a) travel to and from such Historical and Archeological Sites, (b) inspect, evaluate, perform data recovery, maintain and preserve such Historical and Archeological Sites, and/or (c) perform traditional, cultural and/or religious practices at such Historical and Archeological Sites, to any Person who is or may be entitled under Arizona law, federal law, or federal regulation to exercise any such rights. Such easements shall affect only such portions of the Common Areas as the Founder or the Association, as the case may be, deems reasonably necessary for such purposes and may be subject to such reasonable terms, conditions and restrictions that the Founder or the Association may impose consistent with Arizona law.

Some Historical and Archeological Sites have been identified, however, others may exist that have yet to be discovered. The Historical and Archeological Sites that have yet to be discovered may be located in the Common Areas, Units, or other areas in or adjacent to StoneRidge. The Founder reserves for itself and the Association the right to grant additional easements or modify existing easements under this Section for additional Historical and Archeological Sites that are discovered and to comply with Arizona law, or the requirements of any governmental or quasi

governmental entity that has jurisdiction over matters involving such Historical and Archeological Sites.

Due to the sensitive nature of this type of easement, the potential exists for conflict between Persons using easements pursuant to this Section and Owners. In order to avoid or eliminate any potential conflicts that may arise, an environment of mutual respect between Persons using the easements and Owners must prevail. Owners should exercise caution to avoid disruption of Historical and Archeological Sites and should take no action to prevent or hinder access to Historical and Archeological Sites. Persons utilizing easements pursuant to this Section should do so in a careful, considerate and conscientious manner and take reasonable steps to avoid disturbing Owners. Neither the Association nor the Founder shall have any liability for any damages, increased construction costs, or delays caused by the existence of, or the discovery of, a Historical and Archeological Site or the designation or use of an easement related to such Historical and Archeological Site.

#### **11.9. Easement for Maintenance of Natural Area.**

The Founder reserves for itself, so long as the Founder owns any property described in Exhibit "A" or "B" of this Community Charter, and grants to the Association its successors, assigns, and designees, and the Town of Prescott Valley, the nonexclusive right and easement, but not the obligation, to access and enter upon the portion of StoneRidge designated as the Natural Area, for the purpose of maintaining landscaping, plants, trees and any other vegetation existing on the Natural Area. This easement shall not include the right to enter a Residence.

#### **11.10 Easement for Public Access to Natural Area.**

Each owner recognizes the uniqueness and beauty of the Natural Areas in StoneRidge. To promote preservation and awareness of the history and beauty of the Prescott Valley area, the public should be granted access to the Natural Area. Therefore, the Founder reserves for the public the right to use designated portions of StoneRidge for access to, and use of, the Natural Area.

## **Chapter 12**

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### **Limited Common Areas**

#### **12.1. Purpose.**

Certain portions of the Common Area may be designated as Limited Common Area and reserved for the exclusive use or primary benefit of Owners and occupants of particular Units. By way of illustration and not limitation, Limited Common Areas may include entry features, recreational facilities, landscaped medians and cul-de-sacs, lakes and other portions of the Common Area serving a limited area. All costs associated with maintenance, repair, replacement, and insurance of a Limited Common Area shall be a Specific Assessment or a Service Area Expense allocated among the Owners to which the Limited Common Areas are assigned.

#### **12.2. Designation.**

Initially, any Limited Common Area shall be designated as such in the deed conveying such area to the Association, on the subdivision plat relating to such Common Area, or in a Supplemental Charter; provided, any such assignment shall not preclude the Founder from later assigning use of the same Limited Common Area to additional Units during the Development and Sale Period.

Thereafter, a portion of the Common Area may be assigned as Limited Common Area and Limited Common Area may be reassigned upon approval of the Board and the vote of Neighborhood Representatives representing a majority of the total votes in the Association, including a majority of the votes attributable to Units to which the Limited Common Area is proposed to be assigned or reassigned. As long as the Founder owns any property subject to this Community Charter or which may become subject to this Community Charter in accordance with Section 9.1, any such assignment or reassignment shall also require the Founder's written consent.

#### **12.3. Use by Others.**

Upon approval of a majority of Owners of Units to which any Limited Common Area is assigned, the Association may permit Owners of other Units to use all or a portion of such Limited Common Area upon payment of reasonable user fees, which fees shall be used to offset the Service Area Expenses attributable to such Limited Common Area.



**Chapter 13**  
**Party Walls and Other Shared Structures**

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**13.1. General Rules of Law to Apply.**

Each wall, fence, driveway, or similar structure built as a part of the original construction on the Units that serves and/or separates any two adjoining Units shall constitute a party structure. To the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto. Any dispute arising concerning a party structure shall be handled in accordance with the provisions of Chapter 14.

**13.2. Maintenance; Damage and Destruction.**

The cost of reasonable repair and maintenance of a party structure shall be shared equally by the Owners who make use of the party structure.

If a party structure is destroyed or damaged through the conduct of an Owner or a guest of an

Owner, that Owner shall be responsible for restoring the party structure.

If a party structure is destroyed or damaged by fire or other casualty, then to the extent that such damage is not covered by insurance and repaired out of the proceeds of insurance, any Owner who has used the structure may restore it. If other Owners thereafter use the structure, they shall contribute to the restoration cost in equal proportions. However, such contribution will not prejudice the right to call for a larger contribution from the other users under any rule of law regarding liability for negligent or willful acts or omissions.

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.

**PART SIX: RELATIONSHIPS WITHIN AND OUTSIDE THE COMMUNITY**

*The growth and success of StoneRidge as a community in which people enjoy living, working, and playing requires good faith efforts to resolve disputes amicably, attention to and understanding of relationships within the community and with our neighbors, and protection of the rights of others who have an interest in the community.*

## **Chapter 14**

### **Dispute Resolution and Limitation on Litigation**

*Problems cannot be solved at the same level of awareness that created them.*  
*Albert Einstein*

#### **14.1. Agreement to Encourage Resolution of Disputes Without Litigation.**

(a) The Founder, the Association and its officers, directors, and committee members, all Persons subject to this Community Charter, and any Person not otherwise subject to this Community Charter who agrees to submit to this Chapter (collectively, "Bound Parties"), agree that it is in the best interest of all concerned to encourage the amicable resolution of disputes involving the Community without the emotional and financial costs of litigation. Accordingly, each Bound Party agrees not to file suit in any court with respect to a Claim described in subsection (b), unless and until it has first submitted such Claim to the alternative dispute resolution procedures set forth in Section 14.2 in a good faith effort to resolve such Claim.

(b) As used in this Chapter, the term "Claim" shall refer to any claim, grievance, or dispute arising out of or relating to:

(i) the interpretation, application, or enforcement of the Governing Documents;

(ii) the rights, obligations, and duties of any Bound Party under the Governing Documents; or

(iii) the design or construction of improvements within the Community, other than matters of aesthetic judgment under Chapter 4, which shall not be subject to review except that the following shall not be considered "Claims" unless all parties to the matter otherwise agree to

submit the matter to the procedures set forth in Section 14.2:

(i) any suit by the Association to collect assessments or other amounts due from any Owner;

(ii) any suit by the Association to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of Part Two of this Community Charter (relating to creation and maintenance of community standards);

(iii) any suit that does not include the Founder or the Association as a party, if such suit asserts a Claim that would constitute a cause of action independent of the Governing Documents;

(iv) any dispute which affects the material rights or obligations of a party who is not a Bound Party and has not agreed to submit to the procedures set forth in Section 14.2; and

(v) any suit as to which any applicable statute of limitations would expire within 180 days of giving the Notice required by Section 14.2(a), unless the party or parties against whom the Claim is made agree to toll, or extend, the Claim's statute of limitations to comply with this Chapter.

#### 14.2. Dispute Resolution Procedures.

(a) *Notice.* The Bound Party asserting a Claim ("Claimant") against another Bound Party ("Respondent") shall give written notice ("Notice") by mail or personal delivery to each Respondent and to the Board, stating plainly and concisely:

(i) the nature of the Claim, including the Persons involved and the Respondent's role in the Claim;

(ii) the legal basis of the Claim (*i.e.*, the specific authority out of which the Claim arises);

(iii) the Claimant's proposed resolution or remedy; and

(iv) the Claimant's desire to meet with the Respondent to discuss in good faith ways to resolve the Claim.

(b) *Negotiation.* The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.

(c) *Mediation.* If the parties have not resolved the Claim through negotiation within 30 days of the date of the Notice (or within such other agreed upon period), the Claimant shall have 30 additional days to submit the Claim to mediation with an entity designated by the Association (if the Association is not a party to the Claim) or to an independent agency providing dispute resolution services in the Prescott Valley area. Each Bound Party shall present the mediator with a written summary of the Claim.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for and participate in good faith in the mediation when scheduled, the Claimant shall be deemed to

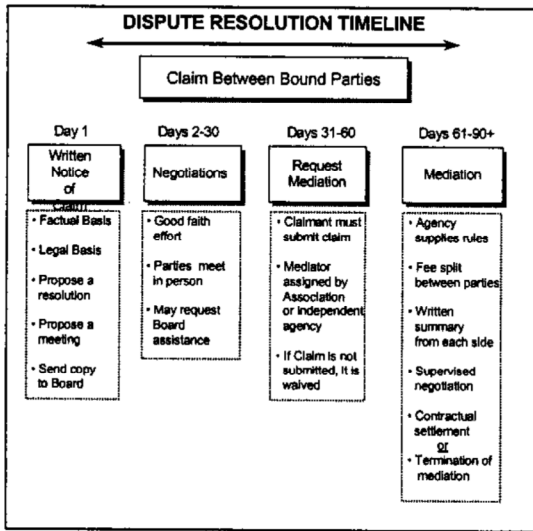
have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

If the parties do not settle the Claim within 30 days after submission of the matter to mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that mediation was terminated. The Claimant shall thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.

Each Bound Party shall bear its own costs of the mediation, including attorney's fees, and each Party shall share equally all fees charged by the mediator.

(d) *Settlement.* Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the parties. If any party thereafter fails to abide by the terms of such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Section. In such event, the party taking action to enforce the agreement or award shall, upon prevailing, be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties in equal proportions) all costs incurred in enforcing such agreement or award, including, without limitation, attorney's fees and court costs.





### 14.3. Initiation of Litigation by Association.

In addition to compliance with the foregoing alternative dispute resolution procedures, if applicable, the Association shall not initiate any judicial or administrative proceeding unless first approved by a vote of Neighborhood Representatives entitled to cast 75% of the total votes in the

Association, except that no such approval shall be required for actions or proceedings:

(a) initiated during the Founder Control Period;

(b) initiated to enforce the provisions of this Community Charter, including collection of assessments and foreclosure of liens;

(c) initiated to challenge *ad valorem* taxation or condemnation proceedings;

(d) initiated against any contractor, vendor, or supplier of goods or services arising out of a contract for services or supplies; or

(e) to defend claims filed against the Association or to assert counterclaims in proceedings instituted against it.

This Section shall not be amended unless such amendment is approved by the same percentage of votes necessary to institute proceedings.

## **Chapter 15**

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### **Private Facilities**

#### **15.1. General.**

Neither membership in the Association nor ownership or occupancy of a Unit shall confer any ownership interest in or right to use any Private Facility. Rights to use the Private Facilities will be granted only to such persons, and on such terms and conditions, as may be determined from time to time by the respective owners of the Private Facilities. The owners of the Private Facilities shall have the right, from time to time in their sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of their respective Private Facilities, including, without limitation, eligibility for and duration of use rights, categories of use and extent of use privileges, and number of users, and shall also have the right to reserve use rights and to terminate use rights altogether, subject to the terms of any written agreements with their respective members.

#### **15.2. Conveyance of Private Facilities.**

All Persons, including Owners, are hereby advised that no representations or warranties have been or are made by the Founder, the Association, any Builder, or by any Person acting on behalf of any of the foregoing, with regard to the continuing ownership or operation of any Private Facility. No purported representation or warranty in such regard, either written or oral, shall be effective unless specifically set forth in a written instrument executed by the record owner of the Private Facility. Ownership or operation of the Private Facility may change at any time by virtue of, but without limitation, (a) the sale to or assumption of operations of any Private Facility by a Person other than the current owner or operator; (b) the establishment of, or conversion of the membership structure to, an "equity" club or similar arrangement whereby the members of the Private Facility or an entity owned or con-

trolled by its members become the owner(s) and/or operator(s) of the Private Facility; or (c) the conveyance of any Private Facility to one or more of the Founder's affiliates, shareholders, employees, or independent contractors. Consent of the Association, any Neighborhood Association, any Neighborhood Representative, or any Owner shall **not** be required to effectuate any change in ownership or operation of any Private Facility, for or without consideration and subject to or free of any mortgage, covenant, lien, or other encumbrance.

#### **15.3. View Impairment.**

The Founder, the Association, or the owner of any Private Facility, does not guarantee or represent that any view over and across the Private Facility from Units adjacent to the Private Facility will be preserved without impairment. Owners of the Private Facilities shall have no obligation to prune or thin trees or other landscaping, and shall have the right, in their sole and absolute discretion, to add trees and other landscaping to the Private Facilities from time to time. In addition, the owner of any Private Facility which includes a golf course may, in its sole and absolute discretion, change the location, configuration, size, and elevation of the trees, bunkers, fairways and greens, which may diminish or obstruct the view from the Units. Any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

#### **15.4. Rights of Access and Parking.**

There is hereby established for the benefit of the Private Facility and its members (regardless of whether such members are Owners hereunder), guests, invitees, employees, agents, contractors, and designees, a right and nonexclusive easement of access and use over all roadways lo-

cated within StoneRidge reasonably necessary to travel between the entrance to StoneRidge and the Private Facility and over those portions of StoneRidge (whether Common Area or otherwise) reasonably necessary to the operation, maintenance, repair, and replacement of the Private Facility. Without limiting the generality of the foregoing, members of the Private Facility and guests and invitees of the Private Facility shall have the right to park their vehicles on the roadways located within StoneRidge at reasonable times before, during, and after tournaments

and other similar functions held by or at the Private Facility to the extent that the Private Facility has insufficient parking to accommodate such vehicles.

**15.5. Jurisdiction and Cooperation.**

It is the Founder's intention that the Association and the Private Facility shall cooperate to the maximum extent possible in the operation of StoneRidge and the Private Facility.

## **Chapter 16**

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### **Mortgagee Provisions**

The following provisions are for the benefit of holders, insurers and guarantors of first Mortgages on Units in StoneRidge. The provisions of this Chapter apply to both this Community Charter and to the By-Laws, notwithstanding any other provisions contained therein.

#### **16.1. Notices of Action.**

An institutional holder, insurer, or guarantor of a first Mortgage which provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Unit to which its Mortgage relates, thereby becoming an "Eligible Holder"), will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of StoneRidge or which affects any Unit on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder;

(b) Any delinquency in the payment of assessments or charges owed by a Unit subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 days, or any other violation of the Governing Documents relating to such Unit or the Owner or occupant which is not cured within 60 days; and

(c) Any lapse, cancellation, or material modification of any insurance policy maintained by the Association; and

(d) Any proposed action which would require the consent of a specified percentage of Eligible Holders.

#### **16.2. Special FHLMC Provision.**

So long as required by the Federal Home Loan Mortgage Corporation, the following provisions apply in addition to and not in lieu of the foregoing. Unless at least 67% of the first Mortgagees or Neighborhood Representatives representing at least 67% of the total votes in the Association consent, the Association shall not:

(a) By act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer all or any portion of the real property comprising the Common Area which the Association owns, directly or indirectly (the granting of easements for utilities or other similar purposes consistent with the intended use of the Common Area shall not be deemed a transfer within the meaning of this subsection);

(b) Change the method of determining the obligations, assessments, dues, or other charges which may be levied against an Owner of a Unit (a decision, including contracts, by the Board or provisions of any declaration subsequently recorded on any portion of StoneRidge regarding assessments for Service Areas or other similar areas shall not be subject to this provision where such decision or subsequent declaration is otherwise authorized by this Community Charter);

(c) By act or omission change, waive, or abandon any scheme of regulations or enforcement pertaining to architectural design, exterior appearance, or maintenance of Units and the Common Area (the issuance and amendment of architectural standards, procedures, rules and regulations, or use restrictions shall not constitute a change, waiver, or abandonment within the meaning of this provision);

(d) Fail to maintain insurance, as required by this Community Charter; or



(e) Use hazard insurance proceeds for any Common Area losses for other than the repair, replacement, or reconstruction of such property.

First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area and may pay overdue premiums on casualty insurance policies or secure new casualty insurance coverage upon the lapse of an Association policy, and first Mortgagees making such payments shall be entitled to immediate reimbursement from the Association.

### 16.3. Other Provisions for First Lien Holders.

To the extent not inconsistent with Arizona law:

(a) Any restoration or repair of StoneRidge after a partial condemnation or damage due to an insurable hazard shall be performed substantially in accordance with this Community Charter and the original plans and specifications unless the approval is obtained of the Eligible Holders of first Mortgages on Units to which more than 50% of the votes of Units subject to Mortgages held by such Eligible Holders are allocated.

(b) Any election to terminate the Association after substantial destruction or a substantial taking in condemnation shall require the approval of the Eligible Holders of first Mortgages on Units to which more than 50% of the votes of Units subject to Mortgages held by such Eligible Holders are allocated.

### 16.4. Amendments to Documents.

The following provisions do not apply to amendments to the constituent documents or termination of the Association as a result of destruction, damage, or condemnation pursuant to Section 16.3(a) and (b), or to the addition of land in accordance with Chapter 9.

(a) The consent of Neighborhood Representatives representing at least 67% of the total votes in the Association and of the Founder, so long as it owns any land subject to this Community Charter, and the approval of the Eligible Holders of first Mortgages on Units to which at least 67% of the votes of Units subject to a Mortgage appertain, shall be required to terminate the Association.

(b) The consent of Neighborhood Representatives representing at least 67% of the total votes in the Association and of the Founder, so long as it owns any land subject to this Community Charter, and the approval of Eligible Holders of first Mortgages on Units to which more than 50% of the votes of Units subject to a Mortgage appertain, shall be required materially to amend any provisions of the Community Charter, By-Laws, or Articles of Incorporation, or to add any material provisions thereto which establish, provide for, govern, or regulate any of the following:

(i) voting;

(ii) assessments, assessment liens, or subordination of such liens;

(iii) reserves for maintenance, repair, and replacement of the Common Area;

(iv) insurance or fidelity bonds;

(v) rights to use the Common Area;

(vi) responsibility for maintenance and repair of StoneRidge;

(vii) expansion or contraction of StoneRidge or the addition, annexation, or withdrawal of Properties to or from the Association;

(viii) boundaries of any Unit;

(ix) leasing of Units;

(x) imposition of any right of first refusal or similar restriction of the right of any Owner to sell, transfer, or otherwise convey his or her Unit;

(xi) establishment of self-management by the Association where professional management has been required by an Eligible Holder; or

(xii) any provisions included in the Governing Documents which are for the express benefit of holders, guarantors, or insurers of first Mortgages on Units.

#### **16.5. No Priority.**

No provision of this Community Charter or the By-Laws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Unit in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

#### **16.6. Notice to Association.**

Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Unit.

#### **16.7. Failure of Mortgagee to Respond.**

Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within 30 days of the date of the Association's request, provided such request is delivered to the Mortgagee by

certified or registered mail, return receipt requested.

#### **16.8. Construction of Chapter 16.**

Nothing contained in this Chapter shall be construed to reduce the percentage vote that must otherwise be obtained under this Community Charter, the By-Laws, or Arizona law for any of the acts set out in this Chapter.

#### **16.9. HUD/VA Approval.**

As long as there is a Founder Member, the following actions shall require the prior approval of the U.S. Department of Housing and Urban Development ("HUD") or the U.S. Department of Veterans Affairs ("VA"), if either such agency is insuring or guaranteeing the Mortgage on any Unit: merger, consolidation, or dissolution of the Association; annexation of additional property other than that described in Exhibit "B"; dedication, conveyance (other than to correct errors on property descriptions or other inconsequential or immaterial conveyances), or mortgaging of Common Area; or material amendment of this Community Charter or the By-Laws. In addition, so long as HUD or VA insures or guarantees the Mortgage on any Unit, the above actions also shall require the prior approval of at least two-thirds (2/3) of the total votes in the Association and the Founder Member's consent.

Notwithstanding anything to the contrary in Section 11.3 or this Section, the Association, acting through the Board, may grant easements over the Common Area for installation and maintenance of utilities and drainage facilities and for other purposes not inconsistent with the intended use of the Common Area, without the approval of the membership, or HUD or VA.

## **Chapter 17**

### **Disclosures and Waivers**

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#### **17.1. Safety and Security.**

Each Owner and occupant of a Unit, and their respective guests and invitees, shall be responsible for their own personal safety and the security of their property in StoneRidge. The Association may, but shall not be obligated to, maintain or support certain activities within StoneRidge designed to promote or enhance the level of safety or security which each person provides for himself or herself and his or her property. However, neither the Association nor the Founder shall in any way be considered insurers or guarantors of safety or security within StoneRidge, nor shall either be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

No representation or warranty is made that any systems or measures, including security monitoring systems or any mechanism or system for limiting access to StoneRidge, cannot be compromised or circumvented, nor that any such systems or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands, and shall be responsible for informing its tenants and all occupants of its Unit that the Association, its Board and committees, and the Founder are not insurers or guarantors of security or safety and that each Person within StoneRidge assumes all risks of personal injury and loss or damage to property, including Units and the contents of Units, resulting from acts of third parties.

#### **17.2. Changes in Master Plan.**

Each Owner acknowledges that StoneRidge is a master planned community, the development of which is likely to extend over many years, and agrees that neither the Association nor any Neighborhood Association shall engage in, or use Association funds to support, any protest, challenge, or other form of objection to (a) changes in uses or density of property within StoneRidge, or (b) changes in the Master Plan as it relates to property outside StoneRidge, without the Founder's prior written consent, which consent may be granted or withheld in the Founder's discretion.

#### **17.3. View Impairment.**

Neither the Founder nor the Association guarantee or represent that any view over and across the Units, any open space within the Residential Community, or any golf course or other Private Facility will be preserved without impairment. The Founder, the Founder's Affiliates, the Association and any Private Facility owner shall not be obligated to relocate, prune, or thin trees or other landscaping except to maintain the Community-Wide Standard or as otherwise required under a separate covenant or agreement. The Association (with respect to the Common Area) and Private Facility owners (with respect to Private Facility property) have the right to add trees and other landscaping from time to time subject to applicable law. Any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

Any golf course owner may, in its discretion, but shall not be obligated to, change the location, landscaping, topography, hydrology, configuration, size, and elevation of the tees, bunkers, fairways, greens, buildings, improvements, land-

scaping and water bodies on such golf course from time to time. Any such additions or changes to such golf course may diminish or obstruct the view from the Units.

**17.4. Notices and Disclaimers as to Community Systems and Services.**

In recognition of the fact that interruptions in cable television and other Community Systems and Services (as defined in definitions) will occur from time to time, the Founder, the Founder's Affiliates, or any of their respective successors or assigns shall not be liable for, and no Community System or Service user shall be entitled to, refund, rebate, discount, or offset in applicable fees, for any interruption in Community Systems and Services, regardless of whether or not such interruption is caused by reasons within the service provider's control.

**17.5. Natural Conditions.**

StoneRidge contains a number of manmade, natural and environmentally sensitive areas that

may serve as habitats for a variety of native plants and wildlife, including, but not limited to, insects, venomous and non-venomous snakes and other reptiles, coyotes, mule deer, bobcats, fox, javelina, and other animals, some of which may pose hazards to persons or pets coming in contact with them. Each Owner and occupant of any Unit, and every person entering StoneRidge (i) acknowledges that such plants and wildlife are indigenous to the area and are not restrained or restricted in their movement within or through StoneRidge; and (ii) assumes all risk of personal injury arising from the presence of such plants and wildlife within StoneRidge. Neither the Association, the Founder, any Builder, nor the members, partners, affiliates, officers, directors, agents or employees of any of the foregoing, shall have any duty to take action to control, remove, or eradicate any plant or wildlife in StoneRidge, nor shall they have any liability for any injury resulting from the presence, movement or propagation of any plant or wildlife within or through StoneRidge.



**PART SEVEN: CHANGES IN THE COMMUNITY**

*Anyone who has never made a mistake has never tried anything new.*

*Albert Einstein*

*Communities such as StoneRidge are dynamic and constantly evolving as circumstances, technology, needs and desires, and laws change, as the residents age and change over time, and as the surrounding community changes. StoneRidge and its Governing Documents must be able to adapt to these changes while protecting the things that make StoneRidge unique.*

**Chapter 18**  
**Changes in Ownership of Units**

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Any Owner desiring to sell or otherwise transfer title to his or her Unit shall give the Board at least seven days' prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably

require. The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Unit Owner, including assessment obligations, until the date upon which the Board receives such notice, notwithstanding the transfer of title.

## **Chapter 19**

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### **Changes in Common Area**

#### **19.1. Condemnation.**

If any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation by the Board acting on the written direction of Neighborhood Representatives representing at least 67% of the total votes in the Association and of the Founder, during the Development and Sale Period) by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to written notice of such taking or conveyance prior to disbursement of any condemnation award or proceeds from such conveyance. Such award or proceeds shall be payable to the Association to be disbursed as follows:

If the taking or conveyance involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent available, unless within 60 days after such taking the Founder, during the Development and Sale Period, and Neighborhood Representatives representing at least 75% of the total votes in the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board. The provisions of Section 7.4(c) regarding funds for restoring improvements shall apply.

If the taking or conveyance does not involve any improvements on the Common Area, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board shall determine.

#### **19.2. Partition.**

Except as permitted in this Community Charter, the Common Area shall remain undivided, and no Person shall bring any action partition of any portion of the Common Area without the written consent of all Owners and Mortgagees. This Section shall not prohibit the Board from acquiring and disposing of tangible personal property nor from acquiring and disposing of real property that may or may not be subject to this Community Charter.

#### **19.3. Transfer or Dedication of Common Area.**

The Association may dedicate portions of the Common Area to Yavapai County, Arizona, the Town of Prescott Valley or to any other local, state, or federal governmental or quasi-governmental entity, subject to such approval as may be required by Section 16.9.

## **Chapter 20**

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### **Amendment of Community Charter**

#### **20.1. By the Founder.**

In addition to specific amendment rights granted elsewhere in this Community Charter, until conveyance of the first Unit to a Person other than a Builder, the Founder may unilaterally amend this Community Charter for any purpose.

Thereafter, the Founder may unilaterally amend this Community Charter if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Units; (c) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure, or guarantee mortgage loans on the Units; or (d) to satisfy the requirements of any local, state, or federal governmental agency. However, any amendment under this paragraph shall not adversely affect the title to any Unit unless the Owner shall consent in writing.

In addition, during the Development and Sale Period, the Founder may unilaterally amend this Community Charter for any other purpose, provided the amendment has no material adverse effect upon the rights of more than 2% of the Owners.

#### **20.2. By Members.**

Except as otherwise specifically provided above and elsewhere in this Community Charter, this Community Charter may be amended only by the affirmative vote or written consent, or any combination thereof, of Neighborhood Representatives representing 75% of the total votes in the

Association, including 75% of the total votes held by Owner Members other than the Founder, and the Founder's consent, so long as the Founder owns any property subject to this Community Charter or which may become subject to this Community Charter in accordance with Section 9.1.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

#### **20.3. Validity and Effective Date.**

No amendment may remove, revoke, or modify any right or privilege of the Founder or the Founder Member without the written consent of the Founder or the Founder Member, respectively (or the assignee of such right or privilege). In addition, the approval requirements set forth in Chapter 16 shall be met, if applicable.

If an Owner consents to any amendment to this Community Charter or the By-Laws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

Any amendment shall become effective upon recording unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within six months of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Community Charter.

**20.4. Exhibits.**

Exhibits "A" and "B" attached to this Community Charter are incorporated by this reference, and amendment of such exhibits shall be governed by this Chapter. Exhibit "C" is incorporated by this reference and may be amended

under Chapter 3 or pursuant to Sections 20.1 and 20.2. All other exhibits are attached for informational purposes and may be amended as provided therein or in the provisions of this Community Charter, which refer to such exhibits.



THIS COMMUNITY CHARTER is made this 2nd day of July, 2001, by StoneRidge Prescott Valley, L.L.C., an Arizona limited liability company ("Founder"). In witness whereof, the under-signed Founder has executed this Community Charter the date and year first written above.

**FOUNDER:** STONERIDGE PRESCOTT VALLEY, LLC,  
an Arizona limited liability company  
By: SunCor Development Company, an\*

\*Arizona corporation, its  
Managing Member

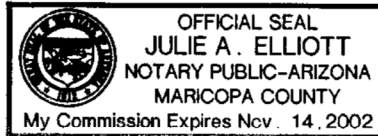
By: DSBM  
Name: DUANE S. BLACK  
Its: V.P.

STATE OF ARIZONA )  
 )  
COUNTY OF YAVAPAI )

The foregoing instrument was acknowledged before me this 2nd day of July, 2001, by Duane S. Black, Vice President of SunCor Development Company, an Arizona corporation, Managing Member of StoneRidge-Prescott Valley, L.L.C., an Arizona limited liability company.

Julie A. Elliott  
Notary Public

My commission expires:  
\_\_\_\_\_



Consented:

FIRST AMERICAN TITLE INSURANCE AGENCY OF  
YAVAPAI, INC., AS TRUSTEE UNDER TRUST #4579

By: Roger A. Yedinak  
Roger A. Yedinak, its Trust Officer

STATE OF ARIZONA )  
 )  
COUNTY OF YAVAPAI )

The foregoing instrument was acknowledged before me this 2nd day of July, 2001, by Roger A. Yedinak, Trust Officer of First American Title Insurance Agency of Yavapai, Inc., an Arizona corporation.

Ella L. Weckerle  
Notary Public

My commission expires:  
11-30-04



EXHIBIT "A"

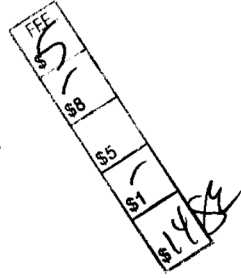
Land Initially Submitted

Neighborhood Designation:

Lots 82 through 92, inclusive, Lots 98 through 100, inclusive, Lots 230 to 234, inclusive, and Lots 236, through 249, inclusive, of StoneRidge Unit 1 according to the Final Development Plan and Final Plat thereof recorded in Book 42 of Maps and Plats, pages 18 through 31, inclusive, and Certificate of Correction recorded in Book 3844, Page 224, records of the Yavapai County, Arizona Recorder; and

Tracts A, C, D, E, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Z, FF, GG, HH and JJ of StoneRidge Unit 1 according to the Final Development Plan and Final Plat thereof recorded in Book 42 of Maps and Plats, pages 18 through 31, inclusive, and Certificate of Correction recorded in Book 3844, Page 224, records of the Yavapai County, Arizona Recorder.

When recorded, return to:  
StoneRidge-Prescott Valley, L.L.C.  
Attn: Julie Elliott  
2501 N. Stoneridge Drive  
Prescott Valley, AZ 86314



3521065 BK 3978 PG 894  
Yavapai County, Arizona  
Patsy Jenney-Colon, Recorder  
11/22/2002 03:35P PAGE 1 OF 4  
STONERIDGE-PRESCOTT VALLEY LLC  
RECORDING FEE 5.00  
SURCHARGE 8.00  
POSTAGE 1.00

## SUPPLEMENTAL CHARTER UNIT 2 ADDITIONAL PROPERTY

THIS SUPPLEMENTAL CHARTER is made this 21st day of November, 2002, by StoneRidge-Prescott Valley, L.L.C., an Arizona limited liability company ("Founder").

WHEREAS, Founder executed and filed that certain Community Charter for StoneRidge which was recorded in the Official Records of the Yavapai County Recorder on July 2, 2001, at Book 3844, page 225, *et seq.* (the "Charter"); and

WHEREAS, Founder executed and filed a Supplemental Charter for StoneRidge High Mesa Village Townhomes which was recorded in the Official Records of the Yavapai County Recorder on September 27, 2001, at Book 3866, page 242, (the "Townhome Supplemental Charter"); and

WHEREAS, Founder executed and filed a Supplemental Charter for StoneRidge Unit 1 Additional Property which was recorded in the Official Records of the Yavapai County Recorder on October 24, 2001, at Book 3873, page 252, (the Unit 1 Additional Property Supplemental Charter"); and

WHEREAS, pursuant to Section 9.1 of the Charter, Founder may subject to the Charter all or any portion of the property described in Exhibit "B" to the Charter, by filing a Supplemental Charter describing the additional property to be subjected; and

WHEREAS, the property described in Exhibit "A" attached hereto ("Additional Unit 2 Property") is a portion of the property described in Exhibit "B" to the Charter; and

WHEREAS, this Supplemental Charter is made and recorded during the Development and Sale Period by the Founder for the property described in Exhibit "A," and

WHEREAS, the Founder desires to subject the property described in Exhibit "A" to the Charter and to impose covenants, conditions, easements, and restrictions on such property as set forth in the Charter;

NOW, THEREFORE, Founder hereby subjects the real property described on Exhibit "A" to the covenants, conditions, easements, and restrictions set forth in the

Charter. The Additional Unit 2 Property shall be sold, transferred, used, conveyed, occupied, and mortgaged or otherwise encumbered pursuant to the provisions of the Charter and this Supplemental Charter, as each may be amended from time to time, which shall run with the title to such property and shall be binding upon all persons having any right, title, or any interest in such property, their respective heirs, legal representatives, successors, successors-in-title, and the terms of the Charter, shall be binding upon the Association.

Except as otherwise defined in this Supplemental Charter, all capitalized terms shall have the same meaning as set forth in the Charter. The Units within the Additional Unit 2 Property shall be referred to individually as a Unit and collectively as Units as defined in the Charter.

FOUNDER: StoneRidge Prescott-Valley, L.L.C.  
an Arizona limited liability company

By: SunCor Development Company,  
an Arizona corporation, its Managing Member

By: [Signature]  
Its: General Manager

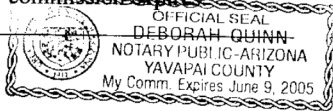
CONSENTED: First American Title Insurance Agency of  
Yavapai, Inc., an Arizona corporation, as  
Trustee under Trust #4398 and Trust #4579

By: [Signature]  
Jeffrey Graham, its Trust Officer

STATE OF ARIZONA )  
                                  ) ss.  
County of Yavapai )

The foregoing instrument was acknowledged before me this 21<sup>st</sup> day  
of November, 2002 by Brod Swisher the  
General Manager of SunCor Development Company, an Arizona  
corporation, as Managing Member of StoneRidge-Prescott Valley, L.L.C., an Arizona  
limited liability company.

My commission expires:



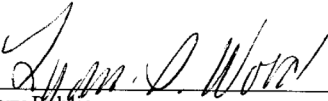
SEAL

[Signature]  
Notary Public

STATE OF ARIZONA        )  
  ) ss.  
County of Yavapai        )

The foregoing instrument was acknowledged before me this 21<sup>st</sup> day of November, 2002, by Jeffrey Graham the Trust Officer of First American Title Insurance Agency of Yavapai, Inc., an Arizona corporation, Trustee under Trust #4398 and Trust #4579.

My commission expires:  
3-19-05

  
\_\_\_\_\_  
Notary Public

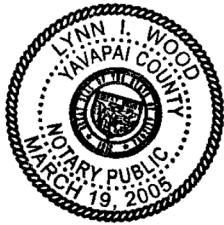




EXHIBIT "A"

ADDITIONAL UNIT 2 PROPERTY

Lots 1 through 156, inclusive, of StoneRidge Unit 2 according to the Final Development Plan & Final Plat for StoneRidge Unit 2 and Map of Dedication for A Portion of Old Black Canyon Highway recorded in Book 46 of Maps and Plats, pages 18 through 29, records of the Yavapai County, Arizona Recorder.

34



Recorded at the request of:

When Recorded, MAIL TO:

Stone Ridge  
1300 Stone Ridge Dr  
Prescott Valley AZ  
86314

2nd Amendment to By-Laws

original recorded 7/2/2001

Book 3844 pg 225

1st amendment 5/21/12

Book 4881 pg 31

**SECOND AMENDMENT TO BY-LAWS**

**OF**

**STONERIDGE AT PRESCOTT VALLEY COMMUNITY ASSOCIATION, INC.**

Pursuant to the provisions of Article 10.6 of the By-Laws of StoneRidge at Prescott Valley Community Association, Inc. ("Corporation") and Article 6(b)(ii)(9) of the Articles of Incorporation of the Corporation, the Corporation hereby amends the By-Laws of the corporation as follows:

1. Section 2.9(a) of the By-Laws is hereby amended as follows:

Except as these By-Laws or the Community Charter otherwise provide, the presence of Neighborhood Representatives representing 30 percent of the total votes in the Association shall constitute a quorum at all Association meetings.

Except as provided in the preceding sections, the By-Laws of the Corporation, as amended shall remain in full force and effect. The undersigned represents that the Founder Control Period, as that term is defined in the By-Laws, has not terminated or expired.

IN WITNESS WHEREOF, the foregoing Second Amendment to the By-Laws of StoneRidge at Prescott Valley Community Association, Inc. is hereby executed and effective by the undersigned Declarant, as that term is defined in the By-Laws, as of July 10, 2013.

UNIVEST-STONERIDGE, LLC

By: \_\_\_\_\_

THOMAS J. LOWE, JR., Manager