

When Recorded Return To:

TMN Development, LLC
143 Wells Fargo Road
Prescott, AZ 86303



**DECLARATION OF COVENANTS,
CONDITIONS, RESTRICTIONS AND EASEMENTS
FOR
SADDLE VIEW**

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**DECLARATION OF COVENANTS,
CONDITIONS, RESTRICTIONS AND EASEMENTS
FOR
SADDLE VIEW**

THIS DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS (the "Declaration") is made and executed as of November 29, 2016, by TMN Development, LLC, an Arizona limited liability company (the "Declarant"). This Declaration is made with reference to the following matters:

RECITALS

A. Declarant is the owner of the real property described on Exhibit "A" attached hereto and incorporated herein by this reference (the "Property"). The Declarant has divided the Property into separate parcels (such parcels being herein individually called a "Parcel," and collectively, the "Parcels").

B. This Declaration is made by the Declarant for the purpose of establishing certain covenants, conditions, restrictions and easements affecting the Property and each and every portion thereof, and establishing certain beneficial restrictions and obligations with respect to the proper use, occupancy and enjoyment thereof, all for the overall purpose of enhancing and protecting the value, desirability and attractiveness of the Property.

C. This Declaration is also intended to provide an equitable means for maintaining certain private roadways, entryways, and other facilities and certain other improvements and amenities for the benefit of the Declarant and the future Owners (as hereinafter defined) of the Property and any portion thereof.

D. Pursuant to this Declaration, the Declarant, future Owners, mortgagees, beneficiaries and trustees under trust deeds, occupants, and all other persons hereafter acquiring any interest in the Property, or any portion thereof, shall at all times enjoy the benefits of, and shall hold their interests subject to, the covenants, conditions, restrictions, liens, easements, privileges, obligations and rights hereinafter set forth, all of which are intended to promote and protect the value and usefulness of the Property.

NOW, THEREFORE, Declarant, for the purposes set forth above, hereby declares that the Property and every portion thereof shall hereafter be held, transferred, sold, conveyed, leased, occupied and used subject to the covenants, conditions, restrictions, liens, easements, privileges, obligations and rights hereinafter set forth, all of which are intended to touch and concern and run with the land and be binding upon the Property and all portions thereof as hereinafter set forth, and shall be binding upon each and every Person having or acquiring any right, title or interest in the Property or any part thereof, and shall inure to the benefit of each Owner thereof.

**ARTICLE I
DEFINITIONS**

For purposes of this Declaration, the following terms shall have the meanings set forth below. Defined terms appear throughout this Declaration with the initial letter of each word in such term capitalized.

- 1.1 "Additional CC&Rs" has the meaning given that term in Section 2.2.
- 1.2 "Annual Assessments" means the assessments designated as such in this Declaration and computed and levied as provided in Article 8 of this Declaration.
- 1.3 "Arbitrator" has the meaning given that term in Section 10.8.5.
- 1.4 "Architectural Committee" means the committee provided for in Section 2.4 of this Declaration.
- 1.5 "Areas of Association Responsibility" means the areas designated as such in this Declaration and

as provided in Section 4.1 of this Declaration.

1.6 “Articles” means the Articles of Incorporation of the Association together with any amendments thereto.

1.7 “Assessments” means the Annual Assessments, the Special Assessments, and/or any other amounts assessed by the Association pursuant to the terms of this Declaration.

1.8 “Assessment Lien” means the lien created and imposed by Section 8.3 of this Declaration.

1.9 “Association” means and refers to Saddle View Community Association, Inc., and its successors and assigns, and, unless otherwise provided, shall mean and include its Board, officers, and other authorized agents.

1.10 “Association Maintained Road” has the meaning given that term in Section 3.1.

1.11 “Association Maintained Road Easement” has the meaning given that term in Section 3.1.

1.12 “Base Annual Assessment” has the meaning given that term in Section 8.5.2.

1.13 “Board” means the Board of Directors of the Association.

1.14 “Bylaws” means the Bylaws of the Association, together with any amendments thereto.

1.15 “Common Expenses” means the actual and estimated expenses of administering, operating, and maintaining the Association and the Areas of Association Responsibility, and of performing any of the Association’s other obligations set forth herein, including but not limited to operating costs, insurance (including premiums for fidelity bonds), the maintenance and repair of Areas of Association Responsibility and all replacements and additions thereto, and any other financial liabilities of the Association, together with an allocation for reasonable reserves, all as may be found to be necessary and appropriate by the Board pursuant to this Declaration and the Articles and the Bylaws.

1.16 “County” means Yavapai County, a political subdivision of the State of Arizona.

1.17 “Declarant” or “Declarants” means TMN Development, LLC, an Arizona limited liability company, and its successor and assigns.

1.18 “Declaration” means this instrument and all covenants, conditions, restrictions, liens, easements, privileges and rights contained herein, as from time to time amended.

1.19 “Development Standards” has the meaning given that term in Section 2.4.2.

1.20 “Dispute” has the meaning given that term in Section 10.8.

1.21 “Dwelling Unit” means any improvements placed within the confines of any Parcel or portion thereof and designed and intended for human residence, including any attached garage for motor vehicles, but excluding stables, barns and detached storage sheds or buildings.

1.22 “First Mortgage” means a Recorded Mortgage which is the first and most senior of all Recorded Mortgages upon the same property.

1.23 “First Mortgagee” means the holder of a First Mortgage.

1.24 “Improvements” means any building, fence, wall, or other structure or improvement above or below ground (including, without limitation, any sheds, basketball poles/hoops, patio covers and balconies) or any swimming pool, road, driveway, parking area (paved or unpaved) water well facilities, irrigation facilities and any trees, plants, shrubs, grass or other landscaping improvements of every type and kind.

1.25 “Lot” or “Lots” means the divided portions of Parcels established in accordance with Section 2.1 of this Declaration.

1.26 “Maintenance Standard” means the standard of maintenance for landscaping and improvements within each Parcel or any portion thereof established from time to time by the Board or the Architectural Committee or, in the absence of any standard established by the Board or the Architectural Committee, the standard of maintenance required by this Declaration and generally prevailing throughout the Property.

1.27 “Maximum Base Annual Assessment” means the amount determined for each fiscal year of the Association in accordance with Section 8.7 of this Declaration.”

1.28 “Member” means any Person who is a member of the Association, as provided in this Declaration and the Articles.

1.29 “Modification” means any construction, installation, addition, alteration, repair, change or replacement, or other work to any property, landscaping or Improvement within any Parcel or portion thereof, including the initial construction of landscaping and Improvements upon a Parcel or portion thereof.

1.30 “Mortgage” means any Recorded instrument given as security for the performance of an obligation, including without limitation a mortgage, a deed of trust or a Recorded agreement of sale or contract for the sale of real property under the terms of which the purchaser is entitled to possession of a Parcel or a portion thereof, but shall not include any instrument creating or evidencing solely a security interest arising under the Uniform Commercial Code.

1.31 “Mortgagee” means the mortgagee under a Mortgage, including the trustee and beneficiary under any deed of trust, or the vendor under a recorded agreement of sale or contract for the sale of real property.

1.32 “Mortgagor” means the mortgagor executing a mortgage, the trustor under a deed of trust, the maker of any similar instrument constituting a Mortgage, or the purchaser entitled to possession under a recorded agreement of sale or contract for the sale of real property.

1.33 “Occupant” means any Person, other than an Owner, in rightful possession of a Parcel or portion thereof, including possession of a Dwelling Unit, whether as a guest, tenant or otherwise.

1.34 “Owner” means the Record owner, whether one or more Persons, of fee simple title (except as otherwise provided herein), whether or not subject to any Mortgage, to any Parcel or portion thereof which is a part of the Property as evidenced by a Recorded instrument, but excluding those having such interest merely as security for the performance of an obligation. A contract purchaser under a Recorded agreement of sale or contract for the sale of real property wherein legal title to the property remains in the vendor shall be deemed to be Owner and the vendor thereunder shall be deemed to be a Mortgagee. If title to a Parcel or portion thereof is vested of Record in a trustee under a deed of trust pursuant to Arizona Revised Statutes, Section 33-801 et seq., then, for purposes hereof, such title shall be deemed to be in the trustor, who shall be deemed to be an Owner.

1.35 “Parcel” has the meaning set forth in Recital A above and, unless the context otherwise requires, shall include all Lots resulting from the subdivision of a Parcel and the land and any residential dwelling unit, garage, structure or other improvement or landscaping constructed or to be constructed thereon.

1.36 “Parcel Easements” has the meaning given that term in Section 2.2.

1.37 “Person” means any natural person, corporation, partnership, joint venture, limited liability company, organization, association, trustee, to governmental or political unit or agency, or other legal or commercial entity, and that Person’s respective heirs, successor and assigns.

1.38 “Plat” means any subdivision plat or survey Recorded against all or any part of the Project, and all amendments, supplements and corrections thereto.

1.39 “Private Underground Utility Easement” has the meaning given that term in Section 4.2.

1.40 “Project Documents” means this Declaration, any and all Additional CC&Rs, all Plats, the Articles, the Bylaws, the Rules and Regulations and the Development Standards.

1.41 “Property” or “Project” means the real property described on Exhibit A attached to this Declaration together with all Improvements.

1.42 “Purchaser” means any Person, other than the Declarant, who by means of a voluntary transfer becomes the Owner of a Parcel, except for a Person who, in addition to purchasing a Parcel, is assigned any or all of the Declarant’s rights under this Declaration.

1.43 “Record” or “Recording” or “Recorded” means an instrument of record in, or the act of recording an instrument with, the office of the County Recorder for Yavapai, Arizona.

1.44 “Rules and Regulations” means any and all rules adopted by the Board pursuant to this Declaration.

1.45 “Single Family” means a group of one or more persons each related to the other by blood, marriage or legal adoption, or a group of not more than four persons not all so related, together with their domestic servants, who maintain a common household in a dwelling.

1.46 “Special Assessment” means the assessments designated as such in this Declaration and computed and levied as provided in Section 8.9 of this Declaration.

1.47 “State of Arizona Right of Way Agreement” means the State Land Department State of Arizona Right of Way agreement for right of way No. 16-110969, recorded August 25, 2009, in Book 4690, at Page 732 of the official records of the Yavapai County Recorder’s Office.

1.48 “Visible From Neighboring Property” means, with respect to any given object, that such object is or would be visible to a person six (6) feet tall, standing at ground level on any part of any adjoining or nearby Parcel or portion thereof, or any adjoining or nearby Areas of Association Responsibility.

ARTICLE 2 LAND USE MATTERS AND RESTRICTIONS

2.1 Division of Properties. The Owner or Owners of a Parcel may hereafter divide such Owners’ Parcel into smaller portions (herein sometimes collectively called “Lots” and individually, a “Lot”); provided, however, that the Owner(s) divide such Parcels in a manner consistent with the applicable laws and regulations of Arizona and Yavapai County regarding such splits, including the minimum size allowed under the then existing zoning of the Property. The creation or establishment of easements and/or common areas, as herein provided, shall not be considered a further division of the Property or the creation of a Parcel for purposes hereof. Any division of Parcels shall provide for all necessary roadway and utility easements. In addition, any additional roadways created by an Owner on their Parcel shall meet the roadway development standards and naming

requirements provided for in this Declaration and the Development Standards and shall be constructed and maintained by the Owner of the Parcel and the Owner's successors and assigns at their sole cost.

2.2 Additional Easements and CC&Rs. The Owner or Owners of a Parcel may grant further easements ("Parcel Easements") and impose on such Parcel further conditions and restrictions ("Additional CC&Rs") with respect to the use and enjoyment of such Parcel and any Lots established therein, so long as such Parcel Easements and/or Additional CC&Rs are not less restrictive than, or otherwise in conflict with, this Declaration and are approved by the Association prior to Recording.

2.3 Residential Use. Upon the initial sale or transfer of each Parcel from the Declarant to a Purchaser, each Parcel, shall thereafter be used, improved and devoted exclusively to residential use. No trade or business may be conducted on any property or in or from any Dwelling Unit, except that an Owner or Occupant may conduct a business activity in a Dwelling Unit so long as: (a) the existence or operation of the business activity is not apparent or detectable by sight, sound, fumes or smell from outside the Dwelling Unit; (b) the business activity conforms to all applicable zoning ordinances or requirements; (c) the business activity does not involve the door-to-door solicitation of Owners or Occupants of other Dwelling Units; (d) the use of the Dwelling Unit for trade or business shall in no way destroy or be incompatible with the residential character of the Dwelling Unit or the surrounding neighborhood; (e) the trade or business shall be conducted only inside the Dwelling Unit or inside an accessory building or garage, and shall not involve the viewing, purchase or taking delivery of goods or merchandise at, to, from or in any Dwelling Unit; (f) the trade or business shall not require or consume water in excess of the water consumption required for normal residential purposes; (g) the trade or business shall be conducted by the Occupant of the Dwelling Unit with no more than one (1) employee working in or from such Dwelling Unit who is not an Occupant thereof; (h) no more than ten percent (10%) of the total floor area of the Dwelling Unit shall be used for trade or business; (i) the Dwelling Unit used for trade or business shall not be used as a storage facility for a business conducted elsewhere; (j) the volume of pedestrian traffic generated by such trade or business shall not result in congestion or be in excess of what is customary in a residential neighborhood; (k) no additional vehicular traffic or parking shall be generated by such trade or business; (l) the trade or business shall not utilize flammable liquids or hazardous materials in quantities not customary to a residential use; and (m) the trade or business shall not utilize large vehicles not customary to a residential use. The terms "business" and "trade" as used in this Section 2.3 shall be construed to have their ordinary, generally accepted meanings, and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation or other form of consideration, regardless of whether: (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 for such activity. The leasing of a Dwelling Unit by the Owner thereof in compliance with Section 2.24 hereof shall not be considered a trade or business within the meaning of this Section 2.3.

2.4 Architectural Control.

2.4.1 The Association shall have an Architectural Committee consisting of not less than one (1) nor more than five (5) persons, as specified from time to time by the Board. So long as the Declarant is the Owner of a Parcel, the Declarant shall have the sole right to appoint and remove all members of the Architectural Committee. At such time as the Declarant is no longer the Owner of a Parcel, the members of the Architectural Committee shall be appointed and removed by the Board. The Declarant may at any time voluntarily surrender its right to appoint and remove the members of the Architectural Committee, and in that event the Declarant may require, for so long as the Declarant is the Owner of a Parcel, that specified actions of the Architectural Committee, as described in a Recorded instrument, be approved by and executed by the Declarant before they become effective.

2.4.2 At the Board's direction and subject to the Board's approval thereof, the Architectural Committee shall prepare or cause to be prepared and furnish upon request to any Owner, written rules, regulations, restrictions, development and landscaping standards, architectural standards, and/or design guidelines, consistent with the terms and provisions of this Declaration, which shall set forth (i) the general

purposes of the Architectural Committee in reviewing proposed Modifications to any property or Improvements, (ii) basic building restrictions and requirements, (iii) architectural review procedures and requirements, (iv) regulations applicable with respect to construction, and (v) such other matters as the Architectural Committee deems appropriate to facilitate and preserve high-quality development within the Property (collectively, the "Development Standards"). The Board (after consultation with the Architectural Committee) may, from time to time, at the Board's sole discretion (consistent with the terms and provisions of this Declaration), amend or augment all or any portion of the Development Standards, including, without limitation, standards with respect to:

A. Time limitations for the completion of construction, within specified periods after the approval of the Improvements and/or Modifications by the Architectural Committee;

B. Designation of "building envelopes" and/or building footprint(s) for each Parcel, establishing the allowable location(s) of improvements on each Parcel or portion thereof;

C. Requirements for the conformity of the improvements with exterior plans and specifications approved by the Architectural Committee (provided, however, as to purchasers and lien holders of a Parcel or portion thereof in good faith and for value, unless notice of noncompletion or nonconformance identifying the violating Parcel or portion thereof and specifying the reason for the notice, executed by the Architectural Committee, shall be Recorded with the County Recorder of the County, and given to the Owner of such Parcel or portion thereof within one year of the expiration of the time limitation determined pursuant to Section 2.4.2(A) above, or, if later, within one year following completion of the improvement, or unless legal proceedings shall have been instituted to enforce compliance or completion within said one-year period, the completed Improvements shall be deemed to have been initially constructed in compliance with plans and specifications approved by the Architectural Committee and in compliance with the Development Standards);

D. Adoption of height restrictions for Improvements on the Parcels or portions thereof, and/or adoption of view sight lines to assure that offsite views are not unduly restricted and that the privacy of adjacent property is not lost;

E. Standards and specifications for roads constructed by a Parcel Owner on the Owner's Parcel, and

F. Such other limitations and restrictions as the Board (after consultation with the Architectural Committee), in the Board's discretion (consistent with the terms and provisions of this Declaration), shall adopt including, without limitation, the regulation of fencing and the regulation of the exterior appearance of all Improvements and other landscaping (including, without limitation, the absolute prohibition of certain types of landscaping, trees, and plants), and including, without limitation, the regulation of the nature, kind, shape, height, materials, exterior color, surface texture, and location of improvements.

Notwithstanding the foregoing, neither the Board nor the Architectural Committee shall have the right to adopt Development Standards that contravene or conflict with the express provisions and restrictions of this Declaration. Each Owner shall have the right to seek variances from the Development Standards, and the Board (after consultation with the Architectural Committee) shall have the right to grant such requests, at the Board's sole discretion; provided that no such variance shall be granted or effective in contravention of the express provisions of this Declaration.

2.4.3 Except as otherwise provided herein, no Improvement shall hereafter be constructed or installed on any property without the prior written approval of the Architectural Committee and in conformance with the Development Standards, and, except as otherwise provided herein, no Modification which in any way alters the exterior appearance of any Improvement on any Owner's property shall be made or done without the prior written approval of the Architectural Committee and in conformance with the Development Standards.

2.4.4 Any Owner required to obtain or desiring approval of the Architectural Committee for the construction, installation, addition, repair, replacement or other Modification of any Improvement shall submit to the Architectural Committee a written request for approval specifying in detail the nature and extent of the work which the Owner desires to perform. Any Owner requesting the approval of the Architectural Committee shall also submit to the Architectural Committee any additional information, plans and specifications, which the Architectural Committee may request. If the Architectural Committee fails to approve or disapprove an application for approval within forty-five (45) days after such application and any supporting information, plans and specifications requested by the Architectural Committee have been submitted to the Architectural Committee, the approval will not be required and this Section 2.4.4 will be deemed to have been complied with by the Owner requesting approval. The approval by the Architectural Committee of any Improvement or Modification pursuant to this Section 2.4.4 shall not be deemed a waiver of the Architectural Committee's right to withhold approval of any similar Improvement or Modification subsequently submitted for approval.

2.4.5 Upon actual or deemed receipt of approval from the Architectural Committee for any Improvement or Modification, the Owner requesting such approval shall proceed to perform, construct, or make the Improvement or Modification so approved by the Architectural Committee as soon as practicable and shall diligently pursue such work so that it is completed as soon as reasonably practicable and within such time, if any, as may be prescribed by the Architectural Committee or the Development Standards.

2.4.6 Any change, deletion, deviation, or addition to the plans and specifications approved by the Architectural Committee also must be approved in writing by the Architectural Committee.

2.4.7 The Architectural Committee shall have the right to charge construction deposits, impact fees and reasonable fees for reviewing requests for approval of any Improvement or Modification pursuant to this Section 2.4, which deposits and fees shall be payable at the time the application for approval is submitted to the Architectural Committee. The fee structure as established from time to time shall be set forth in the Development Standards.

2.4.8 Except as otherwise provided herein, all Improvements hereafter constructed on any property shall be of new construction and with new materials, and no buildings or other structures shall be removed from other locations and relocated to any property within the Property.

2.4.9 The approval required of the Architectural Committee pursuant to this Section 2.4 shall be in addition to, and not in lieu of, any approvals or permits which may be required under any federal, state or local law, statute, ordinance, rule or regulation.

2.4.10 The Architectural Committee's approval of plans and specifications shall not be deemed to be approval of the engineering design of any Improvement and shall not be deemed to be a representation or warranty, whether expressed or implied, that said plans or specifications comply with any applicable governmental ordinances or regulations, including without limitation, zoning ordinances and building codes. None of the Association, the Board, nor any members of the Architectural Committee, assumes any liability or responsibility for such compliance, or for any defect in any structure constructed from such plans and specifications, or for any other liability arising out of the construction or performance of any work, whether or not pursuant to approved plans, drawings, or specifications.

2.4.11 Notwithstanding anything to the contrary contained in this Declaration, the Architectural Committee shall be empowered to employ consultants and agents upon commercially reasonable terms at the expense of the Owner desiring the approval of the Architectural Committee as it may deem necessary to assist in the performance of its duties. The Architectural Committee may delegate its plan review responsibilities to the consultants or agents retained by the Architectural Committee; provided, however, that the Architectural Committee shall under no circumstances delegate to the consultants or agents its final review and approval responsibilities required by the Development Standards. Upon delegation, the approval or disapproval of plans

and specifications (except final review and approval) by such consultants or agents shall be equivalent to approval or disapproval by the entire Architectural Committee.

2.4.12 Any member or authorized consultant of the Architectural Committee may at any reasonable time enter, without being deemed guilty of trespass, upon any Parcel or portion thereof after reasonable notice to the Owner in order to inspect improvements constructed or being constructed on such Parcel or portion thereof to ascertain that such improvements have been or are being built in compliance with the Development Standards and this Declaration. The Architectural Committee shall cause such an inspection to be undertaken within thirty (30) days of a request therefor from any Owner as to his Parcel or portion thereof, and if such inspection reveals that the improvements located on such Parcel or portion thereof have been completed in compliance with this Section 2.4 and the Development Standards, the Architectural Committee shall provide to such Owner a notice of such approval in recordable form which, when recorded, shall be conclusive evidence of compliance with the provisions of this Section 2.4 and the Development Standards as to the Improvements described in such recorded notice, but as to such Improvements only.

2.4.13 With the Board's prior consent, the Architectural Committee may promulgate as a part of the Development Standards such additional architectural and landscape standards, rules and regulations as it deems to be appropriate and as are not in conflict with this Declaration.

2.5 Fencing. No Owner shall erect or construct any perimeter or other fencing on any portion of his Parcel except as set forth in the Development Standards and submitted to and approved by the Architectural Committee.

2.6 Signs. No emblem, poster, advertisement, logo, sign or billboard of any kind, including, but not limited to, "For Sale" or "For Rent" signs, shall be displayed on any Parcel without the prior written approval of the Architectural Committee; except for the following signs: (i) one "for sale" sign and one "for lease" sign may be posted on the Parcel, which conforms with industry standards: not to exceed 18" x 24" plus a "rider" not to exceed 6" x 24." All "for sale" signs and "for lease" signs must be commercially produced; (ii) temporary open house signs may be displayed on a Parcel as permitted by A.R.S. §33-1808, as amended, and by any successor statute thereto, provided, however, open houses shall not be held before 8:00 a.m. or after 6:00 p.m.; (iii) any signs as may be required by legal proceedings; (iv) such signs as are approved by the Architectural Committee; and (v) political signs may be displayed on a Parcel subject to the following: Political signs may be displayed not more than seventy-one (71) days prior to any election. Political signs must be removed within three (3) days after an election day. The total political sign area cannot exceed the maximum size limit established from time to time by applicable municipal or County ordinances. All political signs must be commercially produced. No signs may be displayed on Areas of Association Responsibility. However, nothing herein shall be deemed to prohibit installation and maintenance of directional signs, road signs, signs listing an Owner's name and/or address, or similar signs as set forth in the Development Standards and approved by the Architectural Committee.

2.7 Tanks. All tanks (including tanks for the storage of fuel) erected, placed or maintained on a Parcel that are used in connection with a Dwelling Unit shall be appropriately buried. All other tanks erected, placed or maintained on a Parcel shall be screened in accordance with the Development Standards. Notwithstanding the foregoing, an above-ground propane or similar fuel tank with a capacity of ten (10) gallons or less which is used in connection with a normal residential gas barbecue, grill or fireplace or a spa or "hot tub" shall not require screening. All tanks installed on an Owner's Parcel shall be installed in accordance with all applicable laws and regulations.

2.8 Animals. Animals, other than swine and pigs, shall be allowed in such numbers and under such conditions as are permitted under the Yavapai County Planning and Zoning Ordinances applicable to the Project ("Permitted Animals"); provided that no Permitted Animals may be kept on any property for commercial purposes, and provided such Permitted Animals are not a nuisance to any other Owner. No Permitted Animal shall be allowed to make an unreasonable amount of noise or become a nuisance. All structures for the care, housing or confinement of any Permitted Animals shall be subject to the approval thereof by the Architectural

Committee. Any Owner or other Person who brings or permits a Permitted Animal to be on any Area of Association Responsibility or other property shall be responsible for immediately removing any solid waste deposited by such Permitted Animal. Upon the written request of any Owner or Occupant, the Board shall conclusively determine, in its sole and absolute discretion, whether, for purposes of this Section 2.8 one or more Permitted Animals are creating a nuisance or making an unreasonable amount of noise; and any decision rendered by the Board shall be enforceable in the same manner as other restrictions set forth in this Declaration. Nothing in this Section 2.8 shall require an Owner to eliminate indigenous animals that naturally exist upon or naturally migrate onto a Parcel or any portion thereof.

2.9 Nuisances; Trespass. No Owner shall permit or suffer anything to be done or kept about or within his property, which will obstruct or interfere with the rights of other Owners or Occupants, or annoy them by unreasonable noises or otherwise, nor commit or permit any nuisance or commit or suffer any illegal act to be committed therein, nor commit or permit any trespass from such Owner's Parcel into the Parcel of others. Each Owner shall comply with the requirements of all health authorities and other governmental authorities having jurisdiction over the Owner's property. Upon the written request of any Owner or Occupant, the Board shall conclusively determine, in its sole and absolute discretion, whether, for purposes of this Section 2.9 an activity or condition is creating a nuisance or making an unreasonable amount of noise or constitutes a trespass; and any decision rendered by the Board shall be enforceable in the same manner as other restrictions set in this Declaration.

2.10 Boats and Motor Vehicles. Boats, trailers, recreational vehicles, buses, motor homes, campers or other vehicles of a similar type (herein called a "Recreational Vehicle") shall be parked or stored in or upon any property only within an enclosed garage or in such other locations as permitted by the Development Standard and as approved by the Architectural Committee. No Recreational Vehicle or any other vehicle shall be repaired or rebuilt on any Parcel, except in the confines of an enclosed garage. No unlicensed Recreational Vehicle or any other unlicensed vehicle shall be kept on any Parcel, except in the confines of an enclosed garage. Notwithstanding the foregoing, upon the prior written request of any Owner or Occupant, the Board may permit the parking or placement of a Recreational Vehicle or another vehicle upon any portion of a Parcel, subject to conditions imposed by the Board in the Board's sole and absolute discretion. The Association may remove, or cause to be removed, any unauthorized Recreational Vehicle and any other vehicle at the expense of the owner thereof in any manner consistent with law. Any expense incurred by the Association in connection with the towing or other removal of any unauthorized Vehicle shall be paid to the Association upon demand by the owner thereof. If the unauthorized Vehicle is owned by an Owner or a guest or invitee of an Owner, any amounts payable to the Association shall be secured by the Assessment Lien, and the Association may enforce collection of such amounts in the same manner provided for in this Declaration for the collection of Assessments.

2.11 Temporary Occupancy. No mobile home, trailer, camper, recreational vehicle, tent, shack, barn or similar thing and no temporary building or structure of any kind may be erected, placed or maintained on any Parcel or used at any time for a residence, whether temporarily or permanently, on any portion of any Parcel, except as expressly permitted by the Architectural Committee, and in compliance with the Rules and Regulations or Development Standards. Notwithstanding the above, for a period to time not to exceed twelve (12) months while the main Dwelling Unit on a Parcel is being constructed, a trailer, camper or recreational vehicle may be placed or maintained on the Parcel and used as a residence.

2.12 Reflective Materials. No reflective materials which would be Visible From Neighboring Property shall be used on any roof or for any window, door or for other purpose, except in compliance with the Development Standards.

2.13 Fires. Other than barbecues, in properly constructed barbecue pits or grills, and outdoor fireplaces or fire pits in compliance with the Development Standards, or as otherwise expressly permitted in the Rules and Regulations, no open fire shall be permitted on any Owner's property nor shall any other similar activity or condition be permitted which would tend to increase the insurance rates for the Areas of Association Responsibility or for other Owners.

2.14 Power Tools and Other Equipment. No power tool, communication equipment or other device shall be used on any Owner's Parcel which causes interference with TV reception and other electronic devices unless the prior written consent of the Architectural Committee has been obtained.

2.15 Lights. No spotlights, flood lights or other high intensity lighting shall be placed or utilized upon any Owner's Parcel which, in any manner, will allow light to be directed or reflected on any other Owner's Parcel, except as may be expressly permitted by the Development Standards.

2.16 Antennas. Except as must be permitted by applicable law or are permitted under the Development Standards, no antenna or other device for the transmission or reception of television or radio signals or any other form of electromagnetic radiation, including, but not limited to satellite or microwave dishes, shall be erected, used or maintained on any Parcel without the prior written approval of the Architectural Committee. Permanently erected ham radio towers shall not be permitted. All ham radio towers must be of the electrically or automatically raised type and must be lowered when not in use.

2.17 Garbage. No garbage or trash shall be placed or kept on any Owner's Parcel except in containers meeting applicable County sanitation requirements and otherwise approved by the Architectural Committee or permitted under the Development Standards. No incinerators shall be kept or maintained on any Owner's property. No refuse pile, garbage or unsightly objects shall be allowed to be placed, accumulated or suffered to remain anywhere on any Owner's Parcel and all rubbish, garbage or trash placed in containers as required herein shall be removed from each Owner's Parcel on a regular basis. No dumpsters or similar containers shall be allowed on a Parcel except during the construction of an Improvement on the Parcel. Any dumpster permitted on a Parcel pursuant to the previous sentence shall be removed within thirty (30) days after the completion of the related Improvement.

2.18 Mining. No portion of any Parcel shall be used in any manner to explore or remove any oil or other hydrocarbons, minerals of any kind, or earth substance of any kind.

2.19 Safe Condition. Without limiting any other provision in this Article 2, each Owner shall maintain and keep his Parcel at all times in a safe, sound and sanitary condition and repair and shall correct any condition or refrain from any activity which might interfere with the reasonable enjoyment by other Owners or Occupants or of their Parcel.

2.20 Sewage Systems. Prior to the construction of any Dwelling Unit thereon, each Owner shall design, construct and install upon his Parcel a septic or other sewage disposal system which complies in all respects with all applicable laws, rules and regulations and shall at all times operate, maintain, repair and replace said system in compliance with said laws, rules and regulations. The entire cost thereof shall be borne by the Owner of the particular Parcel. The size, location and type of systems shall be subject to the approval of Yavapai County.

2.21 Clothes Drying Area. No unenclosed portion of any Owner's Parcel shall be used as a drying or hanging area for laundry of any kind, it being the intention hereof that all such facilities shall be provided within the buildings permitted to be constructed on such Parcel.

2.22 Diseases and Insects. No Owner shall permit any thing or condition to exist upon such Owner's Parcel which shall induce, breed or harbor infectious plant diseases or noxious insects (including, but not limited to, the breeding or keeping of bees).

2.23 Building in a Flood Plain. Nothing herein shall prohibit an Owner from building in a flood plain so long as such building meets any and all applicable governmental requirements and so long as construction of such structures or improvements on the Property complies with the requirements set forth in Section 3.6 hereof.

2.24 Rental of Property. No Owner may lease less than his entire Parcel. An Owner who leases his Parcel to any Person shall be responsible for assuring compliance by his lessee with all of the provisions of this Declaration, the Rules and Regulations and the Development Standards, all as amended and supplemented from time to time, and shall be jointly, severally and personally responsible for any violations by his lessee thereof. Dwelling Units may be leased only to a Single Family. No leasing of a Dwelling Unit shall be for a period of less than six (6) months. Any such lease may not provide for early termination rights that would have the effect of permitting a tenancy of less than six (6) months to occur.

2.25 Camping. No portion of an Owner's Parcel shall at any time be used for camping (whether in tents, trailers or otherwise).

2.26 Utility Service. At such times as and when the Owner of a Parcel or any portion of a Parcel develops his property, such Owner, at his expense, shall install, in underground locations, the utility lines and connections necessary to serve the Improvements to be constructed on such Owner's Parcel. All such utility lines and connections installed within a Parcel necessary to serve the Improvements on such Owner's Parcel shall be installed underground. In the event an Owner is required by the design of their underground utility lines to cross or disturb an Association Maintained Road Easement, it shall be the sole responsibility of the Owner to immediately restore the Association Maintained Road Easement to the same condition as existed prior to the disturbance. If the Association Maintained Road Easement has been improved with pavement or chip seal, the Owner must trench under the Association Maintained Road Easement so as not to disturb or alter the pavement or chip seal. All utilities installed on an Owner's Parcel shall be installed in accordance with all applicable laws and regulations.

2.27 Minimum Dwelling Unit Size. No Dwelling Unit shall hereafter be constructed on any Owner's Parcel so as to contain less than 1,700 net livable square feet. Split level Dwelling Units shall contain not less than 800 net livable square feet on the main level thereof, and two-story Dwelling Units shall contain not less than 1,100 net livable square feet on the main level thereof. The term "net livable square feet" means the total square footage of the interior and enclosed living area of a Dwelling Unit, excluding any garages, covered patios, balconies, porches, or carports.

2.28 Set-Back Lines. No Owner shall erect, construct, maintain, permit or allow any fence or other Improvement within easements or setbacks as provided for on the Plat.

2.29 General Maintenance. All Improvements, structures and landscaping on any Owner's Parcel shall meet the Maintenance Standard, shall be kept in good condition and repair, and no unsightly conditions shall be permitted. Each Owner's Parcel shall be maintained free of weeds and debris, and all improvements and structures shall be free from peeling paint or other signs of disrepair or neglect. No lumber, grass, shrub, or tree clippings, or plant waste, compost, metals, bulk materials or scrap, refuse, or trash shall be kept, stored, or allowed to accumulate on any Owner's Parcel except within a structure approved in writing by the Architectural Committee for such purposes or in the sanitation containers contemplated under this Declaration.

2.30 Surface Water Rights. Notwithstanding anything to the contrary contained herein, nothing herein shall be construed to permit any Owner to utilize more surface water on such Owner's Parcel than the surface water entitlements allocated to such Owner's Parcel under the applicable water laws of the State of Arizona.

2.31 Wells. It shall be the responsibility of the Owner of each Parcel and Lot to provide their own source of water through the drilling of wells on their Parcel. Each water well shall be constructed on an Owner's Parcel in accordance with all applicable laws and regulations, only after an application to drill a well has been submitted to and approved by the Arizona Department of Water Resources. Each water well shall be drilled and installed by a qualified contractor. In addition, each Owner shall be responsible for obtaining whatever rights, licenses and permits may be necessary for the use of groundwater by such Owner and for taking appropriate safety precautions.

2.32 Road Names. Proposed road names for all secondary roads to be constructed by an Owner on the Owner's Parcel must be approved by the Architectural Committee prior to submittal to the County or other jurisdiction for the approval thereof. Upon request, the Architectural Committee will provide a list of approved road names.

2.33 Road Installation and Maintenance. The location of the intersection of all secondary roads intersecting the Association Maintained Road must be approved by the Architectural Committee prior to the commencement of the construction of the secondary road on the Owner's Parcel. The plans for and the construction of any secondary road that will intersect with an Association Maintained Road shall include the installation by the Owner submitting the plans of such culverts as the Architectural Committee shall determine appropriate. The Owner or Owners of the Parcel(s) served by such secondary road shall be solely responsible for the costs of the installation of, and the maintenance, repair and replacement of, the secondary road and said culverts. All secondary roads installed on an Owner's Parcel shall be installed in accordance with all applicable laws and regulations.

2.34 Withdrawal of Property. At any time on or before the date which is twenty (20) years after the date this Declaration is Recorded, the Declarant shall have the right to withdraw property owned by the Declarant from the Project without the consent of any other Owner or Person or the Association. The withdrawal of all or any portion of the Project shall be effected by the Declarant Recording a Declaration of Withdrawal setting forth the legal description of the property being withdrawn. Upon the withdrawal of any property from the Project pursuant to this Section, such property shall no longer be subject to any of the covenants, conditions and restrictions set forth in this Declaration.

2.35 Diminution of Restrictions. If any restriction set forth in this Article 2 is adjudged or deemed to be invalid or unenforceable as written by reason of any federal, state or local law, ordinance, rule or regulation, then a Court or the Board, as applicable, may interpret, construe, rewrite or revise such restriction to the fullest extent allowed by law, so as to make such restriction valid and enforceable. Such modification shall not serve to extinguish any restriction not adjudged or deemed to be unenforceable.

2.36 Enforcement. The Board and/or the Architectural Committee or its authorized agents may enter onto any Owner's Parcel in which a violation of these restrictions exists and may correct such violation at the expense of the Owner of such Parcel. All remedies described in Article 10 and Section 12.1 hereof and all other rights and remedies available at law or equity shall be available in the event of any breach by any Owner, Occupant or other Person of any provision of this Article 2.

2.37 Modification. In those instances expressly provided herein, the Board and/or the Architectural Committee may modify or waive the foregoing restrictions, or otherwise restrict and regulate the use and occupancy of the Property, by reasonable rules and regulations of general application adopted by the Board or the Architectural Committee from time to time, which shall be incorporated into the Development Standards.

2.38 Declarant's Exemption. No provision in this Declaration shall be construed to limit or restrict Declarant's right to improve, construct, operate and maintain the Areas of Association Responsibility or to construct, develop and market Improvements on any and all Parcels in the Project, in any manner deemed appropriate by Declarant.

ARTICLE 3 EASEMENTS

3.1 Association Maintained Road. Declarant hereby reserves, establishes and creates, and irrevocably assigns to the Association, a perpetual easement for a road over, upon, across and through the area(s) more particularly described in this Section 3.1, for ingress, egress and roadway purposes. The easement established in this Section 3.1 shall be as shown on the Plat as ingress, egress, public utility easements (such easement area

being herein called the "Association Maintained Road Easement"); provided, however, notwithstanding anything to the contrary contained herein, the ingress, egress, public utility easements located and running along the common boundary between Parcel 13 and Parcel 14 shall not constitute an Association Maintained Road Easement. The Association Maintained Road Easement shall be for the primary benefit of the Owners and Occupants and their respective agents, guests and licensees and is intended to provide pedestrian and vehicular access to and through the Property. It is anticipated that the Association Maintained Road Easement will be dedicated to the County, but that following such dedication the Association shall remain responsible for the maintenance, repair and replacement of the Association Maintained Road Easement until such time, if ever, that such obligations are assumed by the County. The Association Maintained Road Easement includes the right (but not the obligation) of the Association to pave or otherwise improve a private road thereon, install drainage culverts or other roadway drainage features and erect fencing alongside portions thereof. The Association Maintained Road Easement, together with any road or drainage improvements constructed thereon and any fencing erected alongside thereof, shall also be referred to as the "Association Maintained Road." The Association shall have the obligation to maintain, repair and replace, from time to time, the Association Maintained Road as an Area of Association Responsibility pursuant to Section 4.1 of this Declaration.

3.2 Underground Utility Easement in Association Maintained Road Area. Within the Association Maintained Road Easement, the Declarant hereby reserves, establishes and creates an easement for access to, installation and maintenance of, underground utility lines (water, telephone, cable television, electric, gas, and other public or quasi-public utilities) to be installed, constructed, maintained, repaired and replaced from time to time for the benefit of the Property (the "Private Underground Utility Easement").

3.3 Declarant's Use for Sales and Leasing Purposes. Declarant shall have the right and an easement to maintain sales or leasing offices, management offices, a design center, model homes, modular homes and parking areas throughout the Project and to maintain one or more advertising, identification or directional signs on the Parcels owned or leased by Declarant while the Declarant is selling Parcels. Declarant reserves the right for itself to place model homes, management offices, sales and leasing offices, modular homes and parking areas on any Parcels owned or leased by Declarant in such number, of such size and in such locations as Declarant deems appropriate. In the event of any conflict or inconsistency between this Section and any other provision of this Declaration, this Section shall control.

3.4 Declarant's Easements. Declarant shall have the right and an easement on and over the Areas of Association Responsibility to construct all Improvements that the Declarant may deem necessary and to use the Areas of Association Responsibility and any Parcels or other property within the Project owned or leased by Declarant for construction or renovation related purposes, including the storage of tools, machinery, equipment, building materials, appliances, supplies and fixtures, and the performance of work respecting the Project. In addition, the Declarant shall have the right and an easement on and over those parts of Parcels adjacent to Association Maintained Roads within the Project as may be required to complete construction of said Association Maintained Roads and related Areas of Association Responsibility. The Declarant shall have the right and an easement upon, over, and through the Areas of Association Responsibility as may be reasonably necessary for the purpose of discharging its obligations or exercising the rights granted to or reserved by the Declarant by this Declaration, including, without limitation, the reasonable use of any Area of Association Responsibility for marketing purposes. In the event of any conflict or inconsistency between this Section and any other provision of this Declaration, this Section shall control.

3.5 Special Access Easement. Declarant hereby reserves, establishes and creates and irrevocably assigns to the Association, the Architectural Committee, and their respective agents and employees, such easements over, under, upon, across and under the Property as reasonably necessary to perform the duties and obligations of the Association and the Architectural Committee as are set forth in this Declaration and/or the Development Standards or the Rules and Regulations promulgated by the Association or the Architectural Committee, including, but not limited to, performing inspections, maintenance, repairs or other work as provided in this Declaration and the right of access at all reasonable hours to any portion of such property (excluding the interior of any Dwelling Unit) and to any Improvements being built thereon for the purpose of inspecting and

verifying or causing compliance with this Declaration and the Development Standards.

3.6 Natural Drainage. Unless otherwise approved by the Association and not objected to by any potentially affected property owners, any Owner or other Person who constructs any structures or Improvements on the Property shall design and construct such Improvements to ensure that water flowing across any Parcel upon which Improvements are constructed exits the Parcel at substantially the same location(s) and in substantially the same form (e.g., sheet flow) after construction of any structures or other Improvements as was the case prior to such construction. Any Owner or other Person who fails to comply with this Section 3.6 shall be solely responsible for any resulting damage to that portion of the Property owned by other Owners, the Declarant or the Association.

3.7 Private Easements. The utility and other easements set forth in this Declaration are private easements, and nothing herein shall be construed as a public dedication of any kind. Notwithstanding the foregoing, the Association shall have the right to allow any public or private utility company and/or utility provider which provides or will provide utility service to the Property or any portion thereof, to use the utility easements established herein and to construct, install, maintain, repair and replace from time to time utility lines and facilities within the utility easements set forth herein to the extent consistent with the terms and provisions of such easements.

3.8 Covenants Running with the Land. Each of the easements provided for in this Declaration shall be deemed to be reserved, created and established upon the Recordation of this Declaration, and shall thenceforth be deemed to be covenants running with the land for the use and benefit of the Parcels and Lots which are subject to this Declaration and benefited by such easements, and all Owners and Occupants thereof, and superior to all other encumbrances applied against or in favor of any portion of such property. In furtherance of the easements provided for in this Declaration, subsequent deeds to any Parcels hereafter created may, but shall not be required to, set forth said easements.

ARTICLE 4 ASSOCIATION RIGHTS AND OBLIGATIONS

4.1 Areas of Association Responsibility. The Association, subject to the rights of the Owners set forth in this Declaration, shall be responsible for the management and control of the Areas of Association Responsibility and shall keep all such areas in good condition, order and repair, pursuant to the terms and conditions hereof. The Association shall maintain the Areas of Association Responsibility year-round in good condition and repair. The cost and expense of keeping the Areas of Association Responsibility in good condition, order and repair as herein contemplated, subject to any insurance proceeds, shall be part of the Common Expenses provided for herein. Without limiting the foregoing, the Association shall be responsible for the following:

4.1.1 Maintenance, repair and replacement of the Association Maintained Road and all Improvements associated therewith;

4.1.2 Maintenance, repair and replacement of any easements located outside of the Project that are necessary for ingress and egress to the Project, including, without limitation, the State of Arizona Right of Way and the 68-foot ingress, egress, utility easement over and across Parcel 1 of Coyote Crest depicted as Easement Notation B on the Record of Survey recorded in Book 57 of Maps at Page 63 of the official records of the Yavapai County Recorder.

4.2 State of Arizona Right of Way. The Declarant or its agent is the holder of the right, title and interest of the "Grantee" under the State of Arizona Right of Way Agreement. Within thirty (30) days of the Recording of this Declaration, the Declarant or its agent shall assign to the Association and the Association shall accept and assume all of the Declarant's or its agent's right, title and interest as the "Grantee" under the State of Arizona Right of Way Agreement. Such assignment and assumption shall be evidenced by a Right of Way Assignment to Homeowners Association in the form and substance acceptable to the State of Arizona Land

Department (the "Assignment and Assumption Agreement") and shall be contingent upon the consent thereto by the State of Arizona Land Department. Upon the execution and approval of the Assignment and Assumption Agreement, the Assignment and Assumption Agreement shall be recorded in the official records of the Yavapai County Recorder's Office. The costs of all obligations of the "Grantee" under the State of Arizona Right of Way Agreement are herein referred to as the "Right of Way Obligation Costs". The Right of Way Obligation Costs shall be part of the Common Expenses provided for herein, and management and collection of the Right of Way Obligation Costs shall be managed by the Association. The Association shall (a) accept an assignment of the State of Arizona Right of Way and assume the performance of all of the "Grantee's" obligations under the State of Arizona Right of Way Agreement; (b) require the Owners to pay Assessments to the Association for the performance by the Association of the obligations of the "Grantee" under the State of Arizona Right of Way Agreement; (c) have the power to lien the Owner's Parcels to collect all such Assessments; and (d) provide the Arizona State Land Association no later than March 1 of each year a certificate certified by the President of the Association setting forth the amount of the then applicable Annual Assessment allocated to the Association to perform the obligations under the State of Arizona Right of Way Agreement in that particular budget year as well as the aggregate amount of such assessments collected as of March 1 of such year. The Association shall procure and maintain all insurance required pursuant to the State of Arizona Right of Way Agreement.

4.3 Prescott Ridge Road Contributions. At the option of the Board, the Association shall be entitled to contribute from time to time to the costs of the maintenance and repair of Prescott Ridge Road (which is the primary road used for access to the Project) in such amounts and under such terms as determined from time to time by the Board in its sole discretion. All such contributions shall be part of the Common Expenses provided for herein.

4.4 Employment of Managers and Caretakers. All powers, duties and rights of the Association or the Board, as provided by law and herein, may be delegated to a managing agent under a management agreement; provided, however, that no such delegation shall relieve the Association of its obligations to perform any such delegated duty. Further, the Association may delegate the day-to-day care of maintenance, operation and repair of all or any of the Areas of Association Responsibility to one or more caretakers; provided, however, that no such delegation shall relieve the Association of its obligations to perform any such delegated duty. Any agreement for professional management or any contract providing for day-to-day services shall not exceed a term of three (3) years, which term may be renewed by the agreement of the parties for successive one (1) year periods, and shall further provide for termination by either party with or without cause and without payment of any termination fee upon ninety (90) days prior written notice. All fees and compensation under any such professional management or services contract shall be a Common Expense of the Association.

4.5 Rules, Regulations and Sanctions. The Association, through the Board, may make and enforce reasonable rules and regulations governing the use of the Areas of Association Responsibility or Parcels (including but not limited to speed, traffic, and directional controls and parking restrictions) and sanctions for violations thereof, provided, however that the rules and regulations shall be consistent with the rights and duties established by this Declaration. Sanctions for violation of the rules and regulations or of this Declaration shall be established by the Board and may include suspension of the right to vote at meetings of the Members of the Association. No suspension of an Owner's right to vote or due to a violation of the rules and regulations of the Association may be for a period longer than sixty (60) days (except where the Owner fails or refuses to cease or correct the violation and to reimburse the Association for any costs incurred as a result of the violation or commits the same or another violation, in which event such suspension may be extended for additional periods not to exceed sixty (60) days each until such violation ceases or is corrected and the Association is reimbursed for any costs incurred as a result of the violation).

4.6 Availability of Books, Records and Other Documents. The Association shall maintain complete and current copies of this Declaration, the Articles, the Bylaws, the Development Standards, and all rules and regulations of the Association (as well as any amendments to the foregoing) and of the books, records and financial statements of the Association, and, upon the written request to the Association by any Owner or by any holder, insurer or guarantor of a First Mortgage, shall, subject to applicable statutory exceptions, make the same

available for inspection at reasonable times and under reasonable circumstances, to the Owner or such holder, insurer or guarantor.

ARTICLE 5
THE ASSOCIATION MEMBERSHIP AND VOTING RIGHTS

5.1 Formation. The Association shall be a nonprofit Arizona corporation charged with the duties and vested with the powers prescribed by law and set forth in the Articles, the Bylaws and this Declaration. In the event of any conflict or inconsistency between this Declaration and the Articles, Bylaws, Rules and Regulations or Development Standards, this Declaration shall prevail.

5.2 Board of Directors and Officers. The business of the Association shall be conducted by the Board and such officers as the Board may elect or appoint in accordance with the Articles or the Bylaws. Unless the Project Documents specifically require the vote or written consent of the Members, approvals or actions to be given or taken by the Association shall be valid if given or taken by the Board. The Board may appoint various committees at its discretion. The Board has the power, but not the obligation, to contract with independent contractors or managing agents who have professional experience in the management of residential developments similar to the Project, to perform all or part of the duties and responsibilities of the Association. As long as there is any Class B membership, the Board members and officers will be appointed by the Declarant.

5.3 Personal Liability. No Member of the Board, the Architectural Committee, or any other committee of the Association, no officer of the Association, and no manager or other employee of the Association shall be personally liable to any Member, or to any other Person, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error, or negligence of the Association, the Board, the manager, any representative or employee of the Association, or any committee, committee member or officer of the Association; provided, however, that the limitations set forth in this Section shall not apply to any Person who has failed to act in good faith or has engaged in willful or intentional misconduct. The Association shall indemnify its committee members, directors and officers when acting on behalf of the Association to the full extent permitted by law, except for willful misconduct and bad faith acts or omissions.

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

5.5 Votes of Owners of Parcels.

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

A. Class A. The Class A members shall be all Owners, with the exception of the Declarant until the termination of the Class B membership, of Parcels. Each Class A Member shall be entitled to one (1) vote for each acre owned by such Member, rounded to the nearest whole acre.

B. Class B. The Class B member shall be the Declarant. The Declarant, as the sole Class B member, shall be entitled to fifteen (15) votes for each acre owned by the Declarant, rounded to the nearest whole acre. The Class B membership shall cease and be converted to Class A memberships, on the date of the happening of the first of the following events:

- (i) The date which is twenty (20) years after the date of the Recording of this Declaration, or
- (ii) When the Declarant notifies Association in writing that it relinquishes its Class B membership.

5.5.2 Every Owner of a Parcel automatically shall be a Member of the Association. Each Owner's membership in the Association shall be appurtenant to and may not be separated from ownership of the Parcel to which the membership is attributable. In the event any Parcel is owned by two or more Persons, whether by joint tenancy, tenancy in common, community property or otherwise, each such Person shall be considered a Member, but the membership as to such Parcel shall be joint, and such Persons shall jointly designate to the Association in writing one of their number who shall have the power to vote said membership. In the absence of such designation and until such designation is made, the Board shall make such designation and such designation shall be binding for all purposes.

5.5.3 Except as otherwise expressly provided in this Declaration or in the Articles or Bylaws, any issue put to a vote at a duly called meeting of Members at which a quorum is present shall be decided by a simple majority of all votes represented in person or by absentee ballot at such meeting.

5.6 Right to Vote. No change in the ownership of a Parcel shall be effective for voting purposes until the Board receives written notice of the change together with satisfactory evidence thereof. The vote for each Member must be cast as a single unit. If any Owner casts a vote representing a certain Parcel, that Owner will thereafter be conclusively presumed to be acting with the authority and consent of all other Owners of the Parcel unless and until objection thereto is made to the Board in writing. If an objection thereto is made to the Board in writing, the vote cast shall be considered null and void until such objection is resolved between the Owners of the Parcel; and if such objection is not resolved between such Owners within twenty (20) days from the date the Board first received the objection, the vote thereafter shall be considered completely null and void. Any Owner of a Parcel that is subject to a valid, outstanding and Recorded executory agreement of sale may, in the agreement of sale or other written instrument, assign the voting right appurtenant to the Parcel to the purchaser thereof under such agreement of sale, as applicable, provided that a copy of the written assignment of the voting right is furnished to the secretary of the Association before any meeting at which the purchaser seeks to exercise the voting right.

5.7 Members' Rights. Each Member shall have the rights, duties and obligations set forth in this Declaration, the Articles, the Bylaws, and any rules and regulations adopted pursuant to any of the foregoing.

5.8 Transfer of Membership. Except as otherwise provided in this Declaration, the rights, duties and obligations of a Member cannot and shall not be assigned, transferred, pledged, conveyed or alienated in any way except with a transfer of ownership of the Member's interest in the Parcel, and then only to the transferee thereof. An authorized transfer may be effected by deed, intestate succession, testamentary disposition, foreclosure or other legal process authorized under Arizona law, shall operate to transfer the membership appurtenant to a Parcel to the new Owner and any attempt to make any other form of transfer shall be void.

ARTICLE 6 INSURANCE AND CASUALTIES

6.1 Association's Responsibility.

6.1.1 Liability Insurance. The Board, acting on behalf of the Association, shall obtain and maintain at all times a comprehensive general liability policy insuring the Association, each member of the Board and each Owner (and, so long as the Declarant, or any Person with whom the Declarant contracts directly for the performance of all or a substantial portion of the Declarant's rights and obligations hereunder or for the construction of substantial improvements on the Declarant's property, retains an interest in such property or any Parcel, insuring the Declarant and such Person, if identified by the Declarant to the Association) against any liability to the public or to any Owner or Occupant (and such Owner's or Occupant's invitee, agents, employees, tenants, guests, servants and household members) for death, bodily injury and property damage arising out of or incident to the performance by the Association of its maintenance and other obligations hereunder. The Board, with the assistance of the insureds) providing such coverage, shall review annually the amounts of coverage

afforded by the comprehensive general liability policy or policies and adjust the amounts of coverage as the Board deems appropriate, but in no event shall the policy or policies provide coverage less than \$5,000,000.00 for death, bodily injury and property damage for any single occurrence. The policy or policies providing the insurance shall provide for a waiver of subrogation by the insurer as to any claims against the Declarant, the Association, the Board or the Owners and their respective tenants, servants, agents, employees, guests and household members, and by specific endorsement or otherwise, shall preclude denial by the insureds) providing the insurance of a claim under the policy or policies because of negligent acts or omissions of the Association or any Owner(s) (or of the Declarant or any other Person named as an insured or additional insured thereunder).

6.1.2 General Provisions Governing Insurance. The insurance required to be obtained under Section 6.1.1 shall be written in the name of the Association as trustee for each of the Owners and for each First Mortgagee (as their respective interests may appear) and shall be governed by the following provisions:

6.1.2.1 All policies shall be written with one or more companies authorized to provide the insurance in the State of Arizona;

6.1.2.2 Exclusive authority to adjust losses under policies in force on property owned or insured by the Association shall be vested in the Board;

6.1.2.3 In no event shall the insurance coverage obtained and maintained by the Board hereunder be brought into contribution with insurance purchased by individual Owners, Occupants or their Mortgagees or other lienholders and the insurance carried by the Association shall be primary;

6.1.2.4 Each policy shall require the applicable insurer to give not less than ten days prior written notice to the Association and to each First Mortgagee that has given such insurer written notice of such First Mortgagee's interest in a Parcel (which notice must include the name and address of the First Mortgagee), of any cancellation, refusal to renew or material modification of such policy.

6.1.3 Fidelity Bonds. The Board, acting on behalf of the Association, shall obtain and maintain at all times adequate fidelity bond coverage to protect against dishonest acts on the part of officers, directors and employees of the Association and all others who handle, or are responsible for handling, funds held or administered by the Association, whether or not such officers, directors, employees or others receive compensation for services they render to or on behalf of the Association. Any independent management agent that handles funds for the Association shall also obtain (and pay for) fidelity bond coverage with respect to its own activities (and those of its directors, officers and employees, whether or not such directors, officers or employees receive compensation for services rendered). The fidelity bonds shall: (a) name the Association as obligee; (b) be issued by one or more companies authorized to issue the bonds in the State of Arizona; and (c) be in an amount sufficient to cover the maximum total of funds reasonably expected by the Board to be in the custody of the Association or the agent at any time while the bond is in force, but in no event shall the amount of such fidelity bond coverage be less than the sum of three months Annual Assessments on the Property or all Parcels therein, if applicable, plus the total of funds held in the Association's reserves. Each such fidelity bond shall provide that the issuer thereof shall provide not less than ten (10) days prior written notice to the Association and to each First Mortgagee before the bond may be canceled or substantially modified for any reason.

6.1.4 Workers' Compensation Insurance. The Board, acting on behalf of the Association, shall obtain and maintain worker's compensation insurance if, and to the extent, necessary to meet the requirements of applicable laws.

6.1.5 Directors' and Officers' Liability Insurance. The Board, acting on behalf of the Association, shall obtain and maintain, to the extent reasonably available, liability insurance for directors, officers and committee members of the Association in an amount determined by the Board, but not less than \$2,000,000.00.

6.1.6 Cost of Insurance. All premiums for the insurance or bonds required to be obtained by the Board by this Section 6.1 shall be Common Expenses (except that, as provided in Section 6.1.3 above, the cost of the fidelity bond required to be furnished by any independent management agent shall be paid by such agent). The Board shall not be liable for failure to obtain or maintain any of the insurance coverage required by this Section 6.1, or for any loss or damage resulting from the failure, if the failure is due to the unavailability of the insurance coverage from reputable companies authorized to provide the insurance in the State of Arizona or if such insurance coverage is available only at an unreasonable cost.

6.2 Owner's Insurance Responsibility. It shall be each Owner's responsibility to provide insurance on such Owner's property or Parcel, additions and Improvements thereto, furnishings and personal property therein, and personal property, if any, as well as personal liability and such other insurance as the Owner desires.

6.3 Repair or Reconstruction of Dwelling Units or Other Structures. In the event of the destruction of a Dwelling Unit or other structure on an Owner's property, or of damage to the Dwelling Unit or other structure which, in the reasonable judgment of the Board, materially affects the exterior appearance thereof, the Board shall have the right, at its option, exercisable by written notice to the Owner of the property upon which the Dwelling Unit or other structure is situated, to require the Owner to repair or reconstruct (or cause to be repaired or reconstructed), at the Owner's expense (subject to any insurance proceeds as the Owner may then or thereafter receive in respect of the destruction or damage), such Dwelling Unit or other structure within such reasonable period of time as shall be specified by the Board in the notice (which period of time shall be not less than eight (8) months from the date of the destruction or damage); provided, however, that in the event an Owner provides notice to the Board that Owner elects not to repair or reconstruct the Dwelling Unit or other structure, the Board shall only have the right to require Owner to clean up and revegetate the property at Owner's expense. The Board may exercise such right and establish such time period notwithstanding the Owner's failure to maintain hazard or casualty insurance upon the Owner's property or any structures thereon and notwithstanding any unavailability or delay in receipt of proceeds of any insurance policy or policies, although the Board may take such matters into account in establishing or extending the time period within which the repair or reconstruction must be completed. Any such repair or reconstruction work shall be performed in compliance with all applicable provisions hereof, and the Owner of the property in question shall take such steps as are reasonably necessary to prevent damage to surrounding property and injury to persons as may result from or arise in connection with the destroyed or damaged Dwelling Unit or other structure or the repair or reconstruction activities with respect thereto. In the event Owner elects to clean up and revegetate the property, but fails to do so within four (4) months of the destruction or damage, the Association shall have the right to complete the clean up/revegetation and assess such costs to Owner.

ARTICLE 7 MAINTENANCE, REPAIRS AND REPLACEMENTS

7.1 Association's General Responsibilities. The Association shall maintain and keep in good repair the Areas of Association Responsibility as more expressly provided in Article 4 or elsewhere in this Declaration, and the costs of such maintenance, subject to insurance proceeds, and subject to the provisions of Section 4.1, shall be Common Expenses of the Association.

7.2 Maintenance of Owner's Structures. Each Owner shall be responsible for the maintenance, cleaning, painting, repair and general care of all structures, Improvements or drainage easements existing or constructed upon the Owner's Parcel and, in particular each Owner shall cause the exterior of said structures to be maintained in good condition and repair and in an attractive state consistent with the Development Standards and the Maintenance Standard. In the event that the Board shall determine that any Owner is in breach of the Owner's obligations under the preceding sentence, the Association shall promptly give the Owner written notice of the determination, including a reasonably detailed list or description of the repairs, maintenance or other work required to cure the Owner's breach. In the event the Owner does not cure the breach within thirty (30) days after the date of the written notice, the Association shall have the right but not the obligation to cause the repairs, maintenance or other work to be performed so as to cure the Owner's breach, and the Association's cost in doing

so, together with interest from the date of expenditure at a rate equal to eighteen percent (18%) per annum, shall constitute a lien on the Owner's Parcel including, if applicable, such Owner's Parcel, which lien shall have the priority and may be enforced in the manner described in Section 8.3 of this Declaration; and the Association shall also have standing and authority to request that a court of competent jurisdiction compel the Owner to correct the breach, and to the extent not inconsistent with an order of such court, the Association may pursue either or both of the courses of action described in this sentence. The Association shall be entitled to rely on the easement described in Section 3.5 to carry out its rights under this Article 7.

7.3 Damage or Destruction of Areas of Association Responsibility by Owners. No Owner shall in any way damage or destroy any Area of Association Responsibility or interfere with the activities of the Association in connection therewith. Any expenses incurred by the Association by reason of any such act of an Owner shall be paid by said Owner, upon demand to the Association, and such amounts shall be a lien on any Parcels owned by said Owner, and the Association may enforce collection of any such amounts in the same manner as provided elsewhere in this Declaration for the collection and enforcement of Assessments.

ARTICLE 8 ASSESSMENTS

8.1 Creation of Assessment Right. To provide funds to enable the Association to meet its financial and other obligations and to create and maintain appropriate reserves, there is hereby created a right of assessment exercisable on behalf of the Association by the Board. Except as otherwise provided herein, Annual Assessments and Special Assessments shall be for Common Expenses and shall be allocated among all Parcels as provided in this Article 8.

8.2 Covenants with Respect to Assessments. Each Owner, by acceptance of a deed with respect to a Parcel is deemed to covenant and agree to pay the Assessments levied pursuant to this Declaration with respect to the Owner's Parcel, interest thereon from the date due at a rate equal to eighteen percent (18%) per annum, late fees, collection costs and reasonable attorneys' fees and costs as may be incurred by the Association in seeking to collect Assessments. Each of the Assessments with respect to a Parcel together with interest, late fees, collection costs and reasonable attorneys' fees and costs as provided in this Section 8.2, shall be the personal obligation of the Person who was the Owner at the time the Assessment arose with respect to the Parcel, provided, however, that the personal obligation for delinquent Assessments shall not pass to a successor in title of the Owner unless expressly assumed by the successor. No Owner shall be relieved of his, her or its obligation to pay any of the Assessments by abandoning or not using his Parcel or any portion thereof. However, upon transfer by an Owner of fee title to the Owner's Parcel or any portion thereof, as evidenced by a Recorded document, the transferring Owner shall not be liable for any new Assessments thereafter levied against the Parcel or the transferred portion of the Parcel. The obligation to pay Assessments is a separate and independent covenant on the part of each Owner. No diminution is allowed by reason of the alleged failure of the Association or Board to take some action or perform some function required to be taken or performed by the Association or Board under this Declaration, the Articles or the Bylaws, or for inconvenience or discomfort arising from the making of repairs or improvements that are the responsibility of the Association, or from any action taken to comply with any law or ordinance or with any order or directive of any municipal or other governmental authority.

8.3 Lien for Assessments; Foreclosure. As security for the personal obligation created above, and not in lieu thereof, there is hereby created and established a lien against each Parcel that shall secure payment of all present and future Assessments assessed or levied against the Parcel or any portion thereof or the Owner or Occupant thereof (together with any present or future charges or other amounts levied against the Parcel or the Owner or Occupant thereof pursuant to this Declaration or the Articles, the Bylaws or the rules and regulations of the Association). The lien is and shall be prior and superior to all other liens affecting the Parcel(s) in question, except: (a) all taxes, bonds, assessments and other levies that, by law, would be superior thereto; and (b) the lien or charge of any First Mortgage made in good faith and for value. Such liens may be foreclosed in the manner provided by law for the foreclosure of mortgages. The sale and transfer of any Parcel or any portion thereof pursuant to a mortgage foreclosure or any proceeding in lieu thereof shall extinguish the lien of the Association as

to payments that became due before the sale or transfer of such Parcel or portion thereof, as the case may be, but no such sale or transfer shall relieve the Parcel from liability for any Assessments becoming due after the sale or transfer, or from the lien thereof. The Association shall have the power to bid for any Parcel or any portion thereof at any sale to foreclose the Association's lien on the Parcel or any portion thereof, and to acquire and hold, lease, mortgage and convey the same. During the period any portion of any Parcel is owned by the Association, no right to vote shall be exercised with respect to that portion of the Parcel and no Assessment (whether Annual, Special or otherwise) shall be assessed or levied on or with respect to that portion of the Parcel; provided, however, that the Association's acquisition and ownership of a portion of any Parcel under the circumstances shall not be deemed to convert the same into a common area. The Association may maintain a suit to recover a money judgment for unpaid Assessments, rent, interest and attorneys' fees without foreclosing or waiving the lien securing the same. Recording this Declaration constitutes record notice and perfection of the liens established hereby, and further Recording of any claim of a lien for Assessments or other amounts payable hereunder shall not be required, whether to establish or perfect the lien or to fix the priority thereof, or otherwise. The Board shall have the option to Record written notices of claims of lien in the circumstances the Board may deem appropriate.

8.4 Dates Assessments Commence. Each Parcel within the Property shall be subject to assessment upon the conveyance of each such Parcel to a Purchaser, except that any Parcel owned by the Declarant shall be subject to assessment on the first day following the termination of the Class B membership.

8.5 Computation of Assessments: Annual Budget.

8.5.1 Annual Budget. The Board shall prepare and adopt an estimated annual budget for each fiscal year of the Association, which annual budget shall serve as the basis for determining the Annual Assessments for the applicable fiscal year (subject to the limitations of Section 8.7). The budget shall take into account the estimated Common Expenses and cash requirements of the Association for the year. The annual budget shall also take into account the estimated net available cash income for the year, if any, from the operation or use of any of the Areas of Association Responsibility. The annual budget shall also provide for a reserve for contingencies for the year (and for subsequent fiscal years) and a reserve for replacements, all in such reasonably adequate amounts as shall be determined by the Board, taking into account the number and nature of replaceable assets, the expected life of each asset, and each asset's expected repair or replacement cost. Not later than sixty (60) days following the meeting of the Board at which the Board adopts the annual budget for the year in question, the Board shall cause to be delivered or mailed to each Owner a copy of the budget and a statement of the amount of the Annual Assessments to be levied against the Owner's Parcel for the fiscal year in question. In the event the Board fails to adopt a budget for any fiscal year before the beginning of the fiscal year, then until and unless a budget is adopted, the budget (and the amount of the Annual Assessments provided for therein) for the year immediately preceding shall remain in effect. Neither the annual budget (nor any amended budget) adopted by the Board, nor any Assessment levied pursuant thereto, shall be required to be ratified or approved by the Owners. If, at any time during a fiscal year of the Association, the Board adopts an amended budget for the fiscal year, it may levy an additional Annual Assessment for such year (subject to the limitations imposed by Section 8.7) or may call a meeting of the Members to request that the Members approve a Special Assessment pursuant to Section 8.9. Within sixty (60) days after adoption of an amended budget (if the Board elects to levy an additional Annual Assessment), the Board shall cause a copy of the amended budget and a statement of the additional Annual Assessments to be levied against the Parcels to be delivered or mailed to each Owner. If, instead of adopting an amended budget the Board elects to call a meeting of Members to seek approval of a Special Assessment, the Board shall cause a copy of the amended budget proposed by the Board to be delivered or mailed to each Owner with the notice of the meeting. If a Special Assessment is duly approved by the Members, the Board shall cause a statement of the Special Assessment to be levied against each Parcel to be promptly mailed or delivered to each Owner.

8.5.2 Annual Assessments. The Annual Assessments shall be assessed against each of the Parcels based upon (i) the number of acres (rounded to the nearest whole acre) contained in such Parcel and (ii) whether the Parcel is an Improved Parcel or an Unimproved Parcel. As used herein, the term "Improved Parcel" shall mean a Parcel as to which the Owner thereof has obtained a building permit from the County for the

construction of a Dwelling Unit thereon, and the term "Unimproved Parcel" shall mean a Parcel as to which the Owner thereof has not obtained a building permit from the County for the construction of a Dwelling Unit thereon. Each fiscal year, the Board shall establish the amount of the base Annual Assessment for such year (the "Base Annual Assessment") based upon the annual budget for such fiscal year. Except as otherwise provided in Sections 8.7 and 8.14, the Annual Assessment for an Unimproved Parcel shall be equal to the Base Annual Assessment times the number of acres (rounded to the nearest whole acre) contained in such Parcel, and the Annual Assessment for an Improved Parcel shall be equal to two (2) times the Base Annual Assessment times the number of acres (rounded to the nearest whole acre) contained in such Parcel. In the event an Unimproved Parcel becomes an Improved Parcel during a fiscal year, the Annual Assessment for such Parcel shall be increased to the amount applicable to Improved Parcels as of the date of the Parcel becoming an Improved Parcel.

8.6 Due Dates. Annual Assessments for each fiscal year shall be due and payable in equal periodic installments, payable not more frequently than monthly nor less frequently than annually, as determined for such fiscal year by the Board, with each such installment to be due and payable on or before the first day of the applicable period during that fiscal year. Special Assessments, if any, shall be paid in the manner and on the dates fixed by the Board. In addition to any other powers of collection or enforcement granted hereunder, in the event any Assessments with respect to a Parcel or any portion thereof are delinquent, the Board shall have the right, in its sole discretion, to suspend the voting rights of the Owner of the Parcel for which the Assessments are delinquent and to accelerate the date on which all Assessments with respect to the Parcel are due and payable. For purposes of this Declaration, Assessments shall be deemed "paid" when actually received by the Association or by its manager or agent designated by the Association to collect the same (provided, however, that if any Assessments are paid by check and the bank or other institution upon which the check is drawn thereafter dishonors and refuses to pay the check, those Assessments shall not be deemed "paid" and shall remain due and payable with interest accruing from the date the Assessments were originally due at a rate equal to eighteen percent (18%) per annum).

8.7 Maximum Annual Assessment. The Base Annual Assessments provided for herein shall not at any time exceed the Maximum Base Annual Assessment (the "Maximum Base Annual Assessment") for the entire Property, as determined in accordance with this Section 9.7 (provided, however, the limitations herein shall not apply to any Special Assessments). For the fiscal year ending December 31, 2016, the Maximum Base Annual Assessment shall be \$75.00 per acre per year. Thereafter, unless a greater increase is approved by the affirmative vote of a majority interest of the Members represented in person or by absentee ballot at a meeting of Members duly called for such purpose, the Maximum Base Annual Assessment for any fiscal year shall be equal to the Base Annual Assessment for the immediately preceding fiscal year increased at a rate equal to twenty percent (20%). Nothing herein shall obligate the Board to levy, in any fiscal year, Annual Assessments based upon the full amount of the Maximum Base Annual Assessment for the fiscal year, and the election by the Board not to levy Annual Assessments based upon the full amount of the Maximum Base Annual Assessments for any fiscal year shall not prevent the Board from levying Annual Assessments based upon the full amount of the Maximum Base Annual Assessments for a subsequent fiscal year (as determined in accordance with this Section 8.7). In the event that, for any fiscal year, the Board elects to levy an Annual Assessment based upon less than the full amount of the Maximum Base Annual Assessment for the fiscal year, the Board may, in its reasonable discretion circumstances so warrant, subsequently levy a supplemental Annual Assessment during the fiscal year so long as the total of all the Annual Assessments levied against a Parcel during the fiscal year does not exceed the maximum permissible amount determined using the Maximum Base Annual Assessment for such fiscal year.

8.8 Notice and Quorum for Meetings to Consider Special Assessments and Certain Increases in Annual Assessments. Notwithstanding any other provision hereof or of the Articles, Bylaws or Rules and Regulations of the Association, written notice of any meeting called for the purpose of (a) approving the establishment or any Special Assessment as required by Section 8.9 hereof; or (b) approving any increase in the Maximum Base Annual Assessment greater than that permitted by application of the formula as set forth in Section 8.7 hereof, shall be sent to all Members not less than thirty (30) days nor more than fifty (50) days before the date of the meeting. At the first meeting called to consider the particular Special Assessment or increase in the Maximum Base Annual Assessment, a quorum shall consist of a majority of the Members (whether represented in

person or by absentee ballot), provided, however, that if a quorum, as so determined, is not present at the first meeting, a second meeting may be called (subject to the same notice requirements as set forth above) to consider the same issue, and a quorum at the second meeting shall be one-half of the required quorum at the first meeting as described above. The second meeting may not be held more than sixty (60) days after the first meeting.

8.9 Special Assessments. In addition to the Annual Assessments authorized by this Article 8, the Association may levy Special Assessments from time to time, provided, however, that any Special Assessment shall be effective only with the approval of a majority of the Members represented in person or by absentee ballot at a meeting of Members duly called and convened to consider such Special Assessment. Special Assessments shall be assessed against all of the Parcels on a per acre basis. Each Parcel shall be assessed that portion of the total Special Assessment equal to the per acre Special Assessment amount times the number of acres (rounded to the nearest whole acre) contained in the Parcel. Special Assessments shall not be subject to the Maximum Base Annual Assessment limitation set forth in Section 8.7.

8.10 Certificates. The Association shall, upon the written request of any Owner or the holder, insurer or guarantor of any First Mortgage, or of any mortgage or deed of trust affecting any Parcel or any portion thereof, and upon payment of such reasonable charge as may be determined by the Board, furnish to the requesting party a certificate, signed by an officer of the Association, stating the date to which Assessments with respect to such Owner's Parcel (or the Parcel against which the First Mortgage or the mortgage or deed of trust, as applicable, is Recorded) have been paid and the amount, if any, of any Assessments that have been levied with respect to the Parcel and that remain unpaid as of the date of the certificate.

8.11 Surplus Monies. Unless otherwise expressly determined by the Board, any surplus monies of the Association shall be held by the Association and placed in one or more reserve accounts as determined by the Board, and shall not be paid to the Owners or credited against the Owners' respective liabilities for Assessments.

8.12 Common Expenses Resulting From Negligence or Misconduct. Notwithstanding any other provision of this Declaration, if any Common Expense is caused by the negligence or misconduct of any Owner (or of any Occupant, tenant, employee, servant, contractor, subcontractor, or any person working on behalf of Owner, agent, guest or invitee for whose actions the Owner is responsible under applicable law), the Association may assess that Common Expense exclusively against the Owner and the Owner's Parcel. The foregoing shall not apply to any alleged negligence or misconduct of the Declarant.

8.13 Homestead Waiver. Each Owner, to the extent permitted by law, hereby waives, to the extent of any liens created pursuant to this Declaration, whether such liens are now in existence or are created at any time in the future, the benefit of any homestead or exemption laws of the State of Arizona now in effect, or in effect from time to time hereafter.

8.14 Obligation of Declarant for Deficiencies. Until termination of the Class B membership, Declarant shall pay and contribute to the Association, within thirty (30) days after the end of each fiscal year of the Association, or at such other times as may be requested by the Board, such funds as may be necessary, when added to the Annual Assessments collected by the Association, to pay all Common Expenses of the Association as they become due. After termination of the Class B membership, Declarant shall pay an Annual Assessment for each Parcel owned by the Declarant in the same amount as the Annual Assessment paid by the Class A Members, whereupon Declarant shall no longer be obligated to pay any sums to the Association pursuant to this Section.

8.15 Working Capital Fund. To ensure that the Association shall have adequate funds to meet its expenses or to purchase necessary equipment or services, each Purchaser of a Parcel shall pay to the Association immediately upon becoming the Owner of the Parcel a sum equal to the greater of \$500.00 or one-sixth (1/6th) of the Annual Assessment attributable to the Parcel for the fiscal year in the Purchaser becomes the Owner of the Parcel. Funds paid to the Association pursuant to this Section may be used by the Association for payment of operating expenses or any other purpose permitted under the Project Documents. Payments made pursuant to this Section shall be nonrefundable and shall not be considered as an advance payment of any Assessments levied by

the Association pursuant to this Declaration. Fees charged pursuant hereto shall be secured by the Association lien established pursuant to Section 8.3.

8.16 Transfer and Disclosure Fees. Each Purchaser of a Parcel shall pay to the Association immediately upon becoming the Owner of the Parcel a transfer fee in such amount as is established from time to time by the Board. Any Owner of a Parcel who sells or refinances his or her Parcel and requires a status or disclosure statement from the Association in connection therewith shall pay to the Association a disclosure fee in such amount as is established from time to time by the Board. Fees charged pursuant hereto shall be secured by the Association lien established pursuant to Section 8.3.

8.17 Road Impact Fee. Any Owner submitting to the Architectural Committee for review plans for the construction of a Dwelling Unit on a Parcel shall be obligated to pay to the Association prior to the commencement of the construction of such Dwelling Unit a nonrefundable road impact fee in the amount of \$1,200.00 or such other amount as is established from time to time by the Board.

ARTICLE 9 RIGHTS OF FIRST MORTGAGEES

9.1 General Provisions. Notwithstanding and prevailing over any other provisions of this Declaration or Development Standards, the following provisions shall apply to and benefit each holder of a First Mortgage upon any portion of the Property, including any Parcel therein.

9.2 Liability for Charges. A First Mortgagee who comes into possession or becomes record Owner of a mortgaged Parcel by virtue of foreclosure of the Mortgage, or through any equivalent proceedings, such as but not limited to the taking of a deed or assignment in lieu of foreclosure or acquiring title at a trustee's sale under a first deed of trust, or any third-party Purchaser at a foreclosure sale or trustee's sale, will not be liable for such Parcel(s)' fees or charges which may accrue prior to the time such First Mortgagee or third-party Purchaser comes into possession of such Parcel or becomes record Owner of the Parcel, whichever occurs first, and shall acquire title free and clear of any lien authorized by or arising out of the provisions of this Declaration which secures the payment of any dues, charges or Assessments accrued prior to the time such First Mortgagee or third-party Purchaser either comes into possession of such Parcel or becomes record Owner of the Parcel. Nevertheless, in the event the Owner against whom the original Assessment was made is the Purchaser or redemptioner, the lien shall continue in effect and may be enforced by the Association for the respective Parcel's Assessment that was due prior to the final conclusion of any such foreclosure or equivalent proceedings. Further, any such unpaid charges shall continue to exist as the personal obligation of the defaulting Owner of the respective Parcel to the Association, and the Association may use reasonable efforts to collect the same from said Owner even after he is no longer the Owner of the Parcel.

9.3 No Personal Liability. A Mortgagee shall not in any case or manner be personally liable for the payment of any charge, except for those matters which are enforceable by injunctive or other equitable actions, not requiring the payment of money, except as specifically provided in this Article 9.

9.4 Enforcement After Foreclosure Sale. An action to abate the breach of any provision of this Declaration or Development Standards may be brought against the Purchasers who have acquired title through foreclosure or trustee's sale of a Mortgage (or through any equivalent proceedings), and the successors in interest to said Purchasers, even though the breach existed prior to the time said Purchaser acquired an interest in such Parcel.

9.5 Subject to Declaration. At such time as a Mortgagee, or any third-party Purchaser at a foreclosure sale or trustee's sale, shall come into possession of or become record Owner of a Parcel, such Person shall be subject to all of the terms and conditions of this Declaration in the same manner as any other Owner.

ARTICLE 10 REMEDIES

10.1 General Remedies. In the event of any default by any Owner, Occupant or other Person under the provisions of the Project Documents, the Declarant, the Association or any Owner, shall have each and all of the rights and remedies which may be provided for in the Project Documents, or which may be available at law or equity, and may suspend rights and privileges to vote and may prosecute any action or other proceedings against such defaulting Owner, Occupant or other Persons for an injunction, whether affirmative or negative, or for enforcement or foreclosure of the lien herein provided or for damages, or specific performance, or for judgment for payment of money and collection thereof, or for any combination of remedies or for any other relief.

10.2 Expenses of Enforcement. All expenses of the Declarant, the Association, any Owner or other Person granted rights of enforcement hereunder in connection with any action or proceeding described or permitted by this Article 10, including but not limited to court costs and all attorneys' fees and other fees and expenses, and all damages, liquidated or otherwise, together with interest thereon until paid at a rate equal to eighteen percent (18%) per annum, shall be charged to and assessed against such defaulting Owner, Occupant or other defaulting Person and shall be a special assessment against such Owner, Occupant or other defaulting Person and the Association shall have a lien therefor against the Owner's Parcel. In the event of any such default by any Owner, Occupant or other defaulting Person, the Declarant and/or the Association shall have the authority to correct such default and to do whatever may be necessary for such purpose, and all expenses in connection therewith shall be charged to and assessed against such defaulting Owner, Occupant or other defaulting Person as a special assessment, which shall constitute a lien against the defaulting Owner's Parcel. This lien may be foreclosed in any manner provided for or permitted for the foreclosure of realty mortgages or deeds of trust in the State of Arizona. Any and all such rights and remedies may be exercised at any time and from time to time, cumulatively, in the alternative or otherwise, by any Owner, the Declarant, the Association or the Board.

10.3 Legal Action. In addition to any other remedies available under this Article 10, if any Owner or Occupant (either by his conduct or by the conduct of any Occupant of his Parcel or family member, guest, invitee or agent) shall violate any of the provisions of the Project Documents, as then in effect, then the Declarant, the Association or any affected or aggrieved Owner shall have the power to file an action against the defaulting Owner or Occupant for a judgment or injunction against the Owner, Occupant or such other Person, requiring the defaulting Owner, Occupant or other defaulting Person to comply with the provisions of the Project Documents, and granting other appropriate relief, including money damages.

10.4 Effect on Mortgage. Anything to the contrary herein notwithstanding, any breach of any of the covenants, conditions, restrictions, reservations and servitudes provided for in this Declaration, or any right of re-entry by reason thereof, shall not defeat or adversely affect the lien of any Mortgage upon any Parcel but, except as herein specifically provided, each and all of said covenants, conditions, restrictions, reservations and servitudes shall be binding upon and effective against any lessee or Owner of a Parcel whose title thereto is acquired by foreclosure, trustee's sale, sale, deed in lieu of foreclosure or otherwise.

10.5 Limitation on Declarant's Liability. Notwithstanding anything to the contrary herein, it is expressly understood and agreed that neither the Declarant (including without limitation any assignee of the interest of a Declarant hereunder) nor any officer or employee of the Declarant shall have any personal liability to the Association, Architectural Committee, or to any Owner or other Person, arising under, in connection with, or resulting from (including without limitation resulting from action or failure to act with respect to) the Project Documents, and, in the event of a judgment against the Declarant (or any partners or assignee thereof), recourse shall be limited to the Declarant's interest, if any, in Parcel(s) owned by the judgment debtor (if any), and no execution or other action shall be sought or brought against any other assets, nor be a lien upon such other assets, of the judgment debtor. Notwithstanding anything to the contrary contained herein, in no event shall the Declarant (or any partner or assignee thereof) have any liability whatsoever with respect to any improvement assigned to and accepted by the Association as an Area of Association Responsibility pursuant to this Declaration.

10.6 Indemnification. The Association shall indemnify each and every officer and director of the Association (including, for purposes of this Section 10.6, former officers and directors of the Association) against any and all expenses, including attorneys' fees, reasonably incurred by or imposed upon any officer or director of the Association in connection with any action, suit or proceeding, if approved by the Board serving at the time of the settlement to which he or she may be a party by reason of being or having been an officer or director of the Association, except for their own individual willful misfeasance, malfeasance, misconduct or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except indirectly to the extent that such officers or directors may also be Members of the Association and therefore subject to Assessments hereunder to fund a liability of the Association), and the Association shall indemnify and forever hold each of its officers and directors free and harmless from and against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer or director, or former officer or director of the Association, may be entitled. If the Board deems it appropriate, in its sole discretion, the Association may advance funds to or for the benefit of any director or officer (or former director or officer) of the Association who may be entitled to indemnification hereunder to enable the Person to meet ongoing costs and expenses of defending himself or herself in any action or proceeding brought against such Person by reason of his or her being, or having been, an officer or director of the Association. In the event it is ultimately determined that a current or former officer or director to whom, or for whose benefit, funds were advanced pursuant to the preceding sentence does not qualify for indemnification pursuant to this Section 10.6 or otherwise under the Articles, Bylaws or applicable law, the current or former officer or director shall promptly upon demand repay to the Association the total of such funds advanced by the Association to him or her, or for his or her benefit, with interest (should the Board so elect) at a rate equal to eighteen percent (18%) per annum from the date(s) funds were advanced until the debt is repaid.

10.7 Restriction on Liability of the Association and the Declarant. Gates and/or controlled entryways may be constructed within or adjacent to the Property which is subject to this Declaration, in order to limit access and to provide more privacy for the Owners and Occupants. Each Owner and Occupant, and their families, guests and invitees, acknowledge that any such gate or controlled entry way may restrict or delay entry into, access within, or exit from the Property which is subject to this Declaration, by police, fire department, ambulances and other emergency vehicles or personnel. Each Owner and Occupant and their families, guests and invitees agree to assume the risk that any such gate or controlled entryway will restrict or delay entry into, access within, or exit from the Property by police, fire department, ambulances or other emergency vehicles or personnel. Neither Declarants, the Association nor any director, officer, agent or employee of the Declarants or the Association shall be liable to any Owner or Occupant or their families, guests or invitees for any claims or damages resulting, directly or indirectly, from the construction, existence or maintenance of any such gate or controlled entryways.

10.8 Dispute Notification and Resolution Procedure. All actions or claims (i) by the Association against the Declarant, (ii) by any Owner(s) against the Declarant, or (iii) by both the Association and any Owner(s) against the Declarant, relating to or arising out of the Project, including but not limited to, the Declaration or any other Project Documents, the use or condition of the Project or the design or construction of or any condition on or affecting the Project, including, but not limited to, construction defects, surveys, soils conditions, grading, specifications, installation of Improvements (including, but not limited to, Dwelling Units) or disputes which allege negligence or other tortious conduct, breach of contract or breach of implied or express warranties as to the condition of the Project or any Improvements (collectively, "Dispute(s)") shall be subject to the provisions of this Section 10.8. Declarant and each Owner acknowledge that the provisions set forth in this Section 10.8 shall be binding upon current and future Owners of the Project and upon the Association, whether acting for itself or on behalf of any Owner(s).

10.8.1 Notice. Any Person (including the Association) with a Dispute claim shall notify the Declarant in writing of the claim, which writing shall describe the nature of the claim and any proposed remedy (the "Claim Notice").

10.8.2 Right to Inspect and Right to Corrective Action. Within a reasonable period after receipt of the Claim Notice, which period shall not exceed sixty (60) days, Declarant and the claimant shall meet at a mutually acceptable place within the Project to discuss the claim. At such meeting or at such other mutually agreeable time, the Declarant and the Declarant's representatives shall have full access to the property that is the subject of the claim and shall have the right to conduct inspections, testing and/or destructive or invasive testing the same in a manner deemed appropriate by Declarant (provided Declarant shall repair or replace any property damaged or destroyed during such inspection or testing), which rights shall continue until such time as the Dispute is resolved as provided in this Subsection 10.8.2. The parties shall negotiate in good faith in an attempt to resolve the claim. If the Declarant elects to take any corrective action, Declarant and Declarant's representatives and agents shall be provided full access to the Project and the property which is the subject of the claim to take and complete corrective action.

10.8.3 No Additional Obligations; Irrevocability and Waiver of Right. Nothing set forth in Subsection 10.8.2 shall be construed to impose any obligation on Declarant to inspect, test, repair or replace any item of the Project for which Declarant is not otherwise obligated under applicable law or any limited warranty provided by Declarant in connection with the sale of the Project and/or the Improvements constructed thereon. The right of Declarant to enter, inspect, test, repair and/or replace reserved hereby shall be irrevocable and may not be waived or otherwise terminated except by a writing, in recordable form executed and recorded by Declarant in the Official Records of Yavapai County, Arizona.

10.8.4 Mediation. If the parties to the Dispute cannot resolve the claim pursuant to the procedures described in Subsection 10.8.2 above, the matter shall be submitted to mediation pursuant to the mediation procedures adopted by the American Arbitration Association (except as such procedures are modified by the provisions of this Subsection 10.8.4) or any successor thereto or to any other entity offering mediation services that is acceptable to the parties. No person shall serve as a mediator in any dispute in which the person has any financial or personal interest in the result of the mediation, except by the written consent of all parties. Prior to accepting any appointment, the prospective mediator shall disclose any circumstances likely to create a presumption of bias or to prevent a prompt commencement of the mediation process. No litigation or other action shall be commenced against the Declarant without complying with the procedures described in this Subsection 10.8.4.

A. **Position Memoranda; Pre-Mediation Conference.** Within ten (10) days of the selection of the mediator, each party shall submit a brief memorandum setting forth its position with regard to the issues that need to be resolved. The mediator shall have the right to schedule a pre-mediation conference and all parties shall attend unless otherwise agreed. The mediation shall be commenced within ten (10) days following the submittal of the memoranda and shall be concluded within fifteen (15) days from the commencement of the mediation unless the parties mutually agree to extend the mediation period. The mediation shall be held in the county in which the Project is located or such other place as is mutually acceptable by the parties.

B. **Conduct of Mediation.** The mediator has discretion to conduct the mediation in the manner in which the mediator believes is most appropriate for reaching a settlement of the dispute. The mediator is authorized to conduct joint and separate meetings with the parties and to make oral and written recommendations for settlement. Whenever necessary, the mediator may also obtain expert advice concerning technical aspects of the dispute, provided the parties agree and assume the expenses of obtaining such advice. The mediator does not have the authority to impose a settlement on the parties.

C. **Exclusion Agreement.** Any admissions, offers of compromise or settlement negotiations or communications at the mediation shall be excluded in any subsequent dispute resolution forum.

D. **Parties Permitted at Sessions.** Persons other than the parties, the representatives and the mediator may attend mediation sessions only with the permission of both parties and the consent of the mediator. Confidential information disclosed to a mediator by the parties or by witnesses in the course of the mediator while serving in such capacity shall be confidential. There shall be no stenographic record of the

mediation process.

E. Expenses. The expenses of witnesses for either side shall be paid by the party producing such witnesses. All other expenses of the mediation, including, but not limited to, the fees and costs charged by the mediator and the expenses of any witnesses or the cost of any proof or expert advice produced at the direct request of the mediator, shall be borne equally by the parties unless they agree otherwise. Each party to the mediation shall bear its own attorneys' fees and costs in connection with such mediation.

10.8.5 Arbitration. Should mediation pursuant to Subsection 10.8.4 above not be successful in resolving any Dispute, such claim or dispute shall be resolved by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association as modified or as otherwise provided in this Subsection 10.8.5. The parties shall cooperate in good faith to attempt to cause all necessary and appropriate parties to be included in the arbitration proceeding. Subject to the limitations imposed in this Subsection 10.8.5, the Arbitrator shall have the authority to try all issues, whether of fact or law.

A. Place. The proceedings shall be heard in the county in which the Project is located.

B. Arbitration. A single arbitrator (the "Arbitrator") shall be selected in accordance with the rules of the American Arbitration Association from panels maintained by the Association with experience in relevant real estate matters or construction. The Arbitrator shall not have any relationship to the parties or interest in the Project. The parties to the Dispute shall meet to select the Arbitrator within ten (10) days after service of the initial complaint on all defendants named therein.

C. Commencement and Timing of Proceeding. The Arbitrator shall promptly commence the proceeding at the earliest convenient date in light of all of the facts and circumstances and shall conduct the proceeding without undue delay.

D. Pre-hearing Conferences. The Arbitrator may require one or more pre-hearing conferences.

E. Discovery. The parties shall be entitled only to limited discovery, consisting of the exchange between the parties of only the following matters: (i) witness lists; (ii) expert witness designations; (iii) expert witness reports; (iv) exhibits; (v) reports of testing or inspections of the property subject to the Dispute, including but not limited to, destructive or invasive testing; and (vi) trial briefs. The parties shall also be entitled to conduct further tests and inspections as provided in Subsection 10.8.2 above. Any other discovery shall be permitted by the Arbitrator upon a showing of good cause or based on the mutual agreement of the parties. The Arbitrator shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

F. Limitation on Remedies/Prohibition on the Award of Punitive Damages. The Arbitrator shall not have the power to award punitive or consequential damages. As further provided below, the right to punitive and consequential damages is waived by the parties. The Arbitrator shall have the power to grant all other legal and equitable remedies and award compensatory damages in the proceeding.

G. Motions. The Arbitrator shall have the power to hear and dispose of motions, including motions to dismiss, motions for judgment on the pleadings and summary judgment motions, in the same manner as a trial court judge, except the Arbitrator shall also have the power to adjudicate summarily issues of fact or law including the availability of remedies, whether or not the issue adjudicated could dispose of an entire cause of action or defense.

H. Arbitration Award. The Arbitrator's award may be enforced as provided for in the Uniform Arbitration Act, A.R.S. § 12-1501, et seq., or such similar law governing enforcement of awards in a trial court as is applicable in the jurisdiction in which the arbitration is held.

10.8.6 WAIVERS.

NOTICE: BY ACCEPTANCE OF A DEED OR BY ACQUIRING ANY OWNERSHIP INTEREST IN ANY PORTION OF THE PROJECT, EACH PERSON, FOR HIMSELF, HIS HEIRS, PERSONAL REPRESENTATIVES, SUCCESSORS, TRANSFEREES AND ASSIGNS, AGREES TO HAVE ANY DISPUTE RESOLVED ACCORDING TO THE PROVISIONS OF THIS SECTION 10.8 AND WAIVES THE RIGHT TO PURSUE ANY DISPUTE IN ANY MANNER OTHER THAN AS PROVIDED IN THIS SECTION 10.8. THE ASSOCIATION, EACH OWNER AND DECLARANT ACKNOWLEDGE THAT BY AGREEING TO RESOLVE ALL DISPUTES AS PROVIDED IN THIS SECTION 10.8. THEY ARE GIVING UP THEIR RESPECTIVE RIGHTS TO HAVE SUCH DISPUTES TRIED BEFORE A JURY. THE ASSOCIATION, EACH OWNER AND DECLARANT FURTHER WAIVE THEIR RESPECTIVE RIGHTS TO AN AWARD OF PUNITIVE AND CONSEQUENTIAL DAMAGES RELATING TO A DISPUTE. BY ACCEPTANCE OF A DEED OR BY ACQUIRING ANY OWNERSHIP INTEREST IN ANY PORTION OF THE PROJECT, EACH OWNER HAS VOLUNTARILY ACKNOWLEDGED THAT HE IS GIVING UP ANY RIGHTS HE MAY POSSESS TO PUNITIVE AND CONSEQUENTIAL DAMAGES OR THE RIGHT TO A TRIAL BEFORE A JURY RELATING TO A DISPUTE.

10.8.7 Statutes of Limitation. Nothing in this Section 10.8 shall be considered to toll, stay, reduce or extend any applicable statute of limitations.

10.8.8 Required Consent of Declarant to Modify. Neither this Section 10.8 nor Section 10.9 below may be amended except in accordance with Subsection 11.1 of this Declaration and with the express written consent of the Declarant.

10.9 Required Consent of Owners for Legal Action. Notwithstanding anything to the contrary contained in this Declaration, any action or claim instituted by the Association against the Declarant, relating to or arising out of the Project, the Declaration or any other Project Documents, the use or condition of the Project or the design or construction of or any condition on or affecting the Project, including, but not limited to, construction defects, surveys, soils conditions, grading, specifications, installation of Improvements (including, but not limited to, Dwelling Units) or disputes which allege negligence or other tortious conduct, breach of contract or breach of implied or express warranties as to the condition of the Project or any Improvements, shall have first been approved by Owners representing seventy-five percent (75%) of the votes in the Association who are voting in person or by proxy at a meeting duly called for such purpose.

10.9.1 Notice of Owners. Prior to obtaining the consent of the Owners in accordance with Section 10.9, the Association must provide written notice to all Owners which notice shall (at a minimum) include (1) a description of the nature of any action or claim (the "Claim"), (2) a description of the attempts of Declarant to correct such Claim and the opportunities provided to Declarant to correct such Claim, (3) a certification from an engineer licensed in the State of Arizona that such Claim is valid along with a description of the scope of work necessary to cure such Claim and a resume of such engineer, (4) the estimated cost to repair such Claim, (5) the name and professional background of the attorney proposed to be retained by the Association to pursue the Claim against Declarant and a description of the relationship between such attorney and member(s) of the Board of Directors (if any), (6) a description of the fee arrangement between such attorney and the Association, (7) the estimated attorneys' fees and expert fees and costs necessary to pursue the Claim against Declarant and the source of the funds which will be used to pay such fees and expenses, (8) the estimated time necessary to conclude the action against Declarant, and (9) an affirmative statement from the Board that the action is in the best interest of the Association and its Members.

10.9.2 Notification to Prospective Purchasers. In the event that the Association commences any action or claim, all Owners must notify prospective Purchasers of such action or claim and must provide such prospective Purchasers with a copy of the notice received from the Association in accordance with Subsection 10.9.1.

ARTICLE 11 AMENDMENT

11.1 Amendment to Declaration. Amendments to this Declaration shall be made by an instrument in writing entitled "Amendment to Declaration" which sets forth the entire amendment. Any proposed amendment must be approved in writing by not less than seventy-five percent (75%) of all of the Owners, excluding, however, those Owners whose voting rights are duly suspended pursuant to this Declaration. In all events, the amendment when adopted shall state that the amendment was properly adopted, shall be acknowledged before a notary public, and shall be promptly Recorded with the County Recorder. Amendments once properly adopted shall be effective upon recording of the Amendment to Declaration. Notwithstanding the above, until termination of the Class B membership, the Declarant must approve any amendment to the Declaration in writing, and the Declarant may amend this Declaration for any reason without obtaining the approval or consent of any Owner or First Mortgagee.

11.2 Effect of Amendment. It is specifically covenanted and agreed that any amendment to this Declaration properly adopted will be completely effective to amend any and all of the covenants, conditions and restrictions, liens, assessments, easements, privileges and rights contained herein which may be affected and any or all clauses of this Declaration or the Plat, unless otherwise specifically provided in the amendment itself.

ARTICLE 12 GENERAL PROVISIONS

12.1 Enforcement. The Declarant, the Association or any Owner shall have the standing and power to enforce the provisions of the Project Documents and its costs in doing so, including, but not limited to, all attorneys' fees, together with interest thereon from the date the costs are expended at a rate equal to eighteen percent (18%) per annum, shall constitute a lien on all Parcels owned by the Owner or Owners against whom the action is taken, which lien shall have the priority and may be enforced in the manner described in Section 8.3. The failure of the Declarant, the Association or any Owner to take any such enforcement action shall in no event be deemed a waiver of the right to do so thereafter.

12.2 Notices. Notices provided for in this Declaration shall be in writing and shall be addressed to the Owners at their respective Parcels. Any Owner may designate a different address or addresses for notices by giving written notice of change of address to the Association. Notices addressed as above shall be deemed delivered when mailed by United States registered or certified mail, or when delivered in person with written acknowledgement of the receipt thereof.

12.3 Captions and Exhibits; Construction. Captions given to various Sections herein, and to the Exhibits attached to this Declaration, are for convenience only and are not intended to modify or affect the meaning of any of the substantive provisions hereof. The various exhibits referred to herein are incorporated as though fully set forth where such reference is made. The provisions of this Declaration shall be liberally construed to effectuate its purposes as hereinabove set forth.

12.4 Severability. If any provision of this Declaration or the Development Standards, or any section, clause, sentence, phrase or word, or the application thereof in any circumstance, is held invalid, the validity of the remainder of this Declaration or the Development Standards, and of the application of any such provision, section, sentence, clause, phrase or word in any other circumstances, shall not be affected thereby, and the remainder of this Declaration or the Development Standards shall be construed as if such invalid part were never included therein.

12.5 Rule Against Perpetuities. If any of the privileges, covenants or rights created by this Declaration shall be unlawful, void or voidable for violation of the rule against perpetuities, then such provision shall continue until 21 years after the death of the last survivor of the now living descendants of the Queen of England, Queen Elizabeth II.

12.6 Mortgage of Parcels. Each Owner shall have the right, subject to the provisions hereof, to make separate Mortgages for his respective Parcel. No Owner shall have the right or authority to make or create or cause to be made or created any Mortgage, or other lien or security interest, on or affecting the Property or any part thereof, except only to the extent of his Parcel.

12.7 No Third-Party Beneficiaries. Except as herein specifically provided, no rights, privileges or immunities set forth herein shall inure to the benefit of any guest, licensee, invitee, or permittee of any Owner or Occupant of any portion of the Property, nor shall any guest, licensee, invitee or permittee of such Owner or Occupant be deemed to be a third-party beneficiary of any of the provisions contained herein.

ARTICLE 13 RIGHTS AND OBLIGATIONS

Each grantee of Declarant, by the acceptance of a deed of conveyance, and each Purchaser under any contract for such deed of conveyance, and each Purchaser under any agreement of sale, and each Person acquiring any other interest in the Property which is subject to this Declaration, and the heirs, successors and assigns of the foregoing Persons, accepts the same subject to all covenants, conditions, restrictions, liens, easements, privileges and rights herein contained, and the jurisdiction, rights and powers created or reserved by this Declaration, and all rights, benefits and privileges of every character hereby granted, created, reserved or declared, and all impositions and obligations hereby imposed shall be deemed and taken to be covenants running with the land and equitable servitudes, and shall bind any Person having at any time any interest or estate in said land, and shall inure to the benefit of any such Person in like manner as though the provisions of this Declaration were recited and stipulated at length in each and every deed of conveyance, purchase contract or instrument evidencing or creating such interest.

[SIGNATURES ON THE FOLLOWING PAGE]

DECLARANT:

TMN Development, LLC,
an Arizona limited liability company

By: Todd Nesvig, Manager
Todd Nesvig, Manager

STATE OF ARIZONA)
County of Yavapai) ss.

Acknowledged before me this 29 day of November 2016, by Todd Nesvig, manager of TMN Development LLC, an Arizona limited liability company, on behalf of such company.

Alicia C. Lewis
Notary Public

My Commission Expires: 1/29/2017

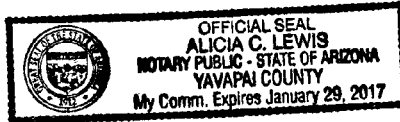


EXHIBIT A

The Property

Parcels 1 through 15 inclusive, SADDLE VIEW, according to Record of Survey recorded at instrument number 2016-0042561, Records of Yavapai County, Arizona.

22



When Recorded Return To:

TMN Development, LLC
143 Wells Fargo Road
Prescott, AZ 86303

FIRST AMENDMENT TO DECLARATION
OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS
FOR
SADDLE VIEW

THIS FIRST AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR SADDLE VIEW (the "First Amendment to Declaration") is made effective as of the date of the recording hereof in the Office of the Yavapai County Recorder.

WITNESSETH

WHEREAS, on November 29, 2016, TMN Development, LLC (the "Declarant") recorded the Declaration of Covenants, Conditions, Restrictions and Easements for Saddle View (the "Original Declaration") at instrument number 2016-0060305, in the Official Records of Yavapai County, Arizona, which imposed certain covenants, conditions and restrictions on the real property located in Yavapai County, Arizona described therein. Except as otherwise defined herein, capitalized terms used herein shall have the meanings as defined in the Original Declaration.

WHEREAS, pursuant to Article 11, Section 11.1 of the Original Declaration, until termination of the Class B membership, the Original Declaration may be amended by the Declarant for any reason without obtaining the approval or consent of any Owner or First Mortgagee.

WHEREAS, Class B membership has not been terminated and the Declarant desires to amend the Original Declaration as set forth in this First Amendment to Declaration.

NOW, THEREFORE, the Original Declaration is hereby amended as follows:

1. Article 2, Section 2.31 of the Original Declaration is hereby amended in its entirety to provide as follows:

2.31 Wells. It shall be the responsibility of the Owner of each Parcel and Lot to provide their own source of water to their Parcel. Owners may drill a water well on their Parcel or Lot or may enter into well sharing agreements with any other Owner or Owners. Any water well on an Owner's Parcel shall be installed and constructed in accordance with all applicable laws and regulations, and only after an application to drill a water well has been submitted to and approved by the



When Recorded Return To:

TMN Development, LLC
143 Wells Fargo Road
Prescott, AZ 86303

SECOND AMENDMENT TO DECLARATION
OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS
FOR
SADDLE VIEW

THIS SECOND AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR SADDLE VIEW (the "Second Amendment to Declaration") is made effective as of the date of the recording hereof in the Office of the Yavapai County Recorder.

WITNESSETH

WHEREAS, on November 29, 2016, TMN Development, LLC (the "Declarant") recorded the Declaration of Covenants, Conditions, Restrictions and Easements for Saddle View (the "Original Declaration") at instrument number 2016-0060305, in the Official Records of Yavapai County, Arizona, which imposed certain covenants, conditions and restrictions on the real property located in Yavapai County, Arizona described therein. Except as otherwise defined herein, capitalized terms used herein shall have the meanings as defined in the Original Declaration.

WHEREAS, on May 22, 2017 the Declarant recorded the First Amendment to Declaration of Covenants, Conditions, Restrictions and Easements for Saddle View at instrument number 2017-0025436, in the Official Records of Yavapai County, Arizona, which adopted certain amendments to the Original Declaration.

WHEREAS, pursuant to Article 11, Section 11.1 of the Original Declaration, until termination of the Class B membership, the Original Declaration may be amended by the Declarant for any reason without obtaining the approval or consent of any Owner or First Mortgagee.

WHEREAS, Class B membership has not been terminated and the Declarant desires to amend the Original Declaration as set forth in this Second Amendment to Declaration.

NOW, THEREFORE, the Original Declaration is hereby amended as follows:

1. Article 2 of the Original Declaration is hereby amended to add a new section numbered Section 2.39 titled "Prohibited Structures" which shall provide as follows:

2.39 Prohibited Structures. Only site-built Dwelling Units and outbuildings incidental to residential use shall be permitted on any Parcel. Modular homes, mobile homes, manufactured homes, prefabricated homes, trailer homes, geodesic domes, or other alternative, non-traditional style of homes or Dwelling Units shall not be permitted on any Parcel. For purposes of this provision, modular homes, mobile homes, manufactured homes, and prefabricated homes shall be defined as a movable or portable unit used for residential purposes that is constructed off-site and is towed or moved to the home site and designated to be installed or assembled with or without a foundation at the home site.

2. Article 2, Section 2.5 of the Original Declaration is hereby amended in its entirety to provide as follows:

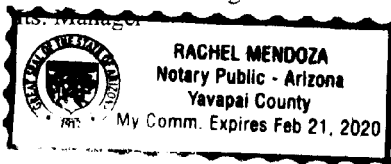
2.5 Fencing. All fencing shall be of pipe, pipe with wire mesh, vinyl, substantial wood or other aesthetically pleasing fencing as determined by the Architectural Committee in its sole discretion. Block, brick, rock, or other similar walls shall also be permitted. T-Post fencing and/or barbed wire or barbless wire shall be prohibited. Fencing must be sufficient to contain all domestic animals or livestock on an Owner's Parcel. All fencing must be submitted to and approved by the Architectural Committee prior to its erection or construction.

3. Except as specifically modified by this Second Amendment to Declaration, the Original Declaration shall remain in full force and effect in accordance with its terms. In the event of any conflict or inconsistency between the terms of this Second Amendment to Declaration and the Original Declaration, the terms of this Second Amendment to Declaration shall control.

IN WITNESS WHEREOF, Declarant has caused this Second Amendment to Declaration to be duly executed on the 12th day of June 2017.

TMN Development LLC, an Arizona limited liability company

By: Nathan Nesvig
Name: Nathan Nesvig



STATE OF ARIZONA)
) SS:
COUNTY OF YAVAPAI)

The foregoing instrument was acknowledged before me this 12th day of June 2017 by Nathan Nesvig, the Manager of TMN Development, LLC, an Arizona limited liability company, the person to me known as the person described in and who executed the foregoing instrument and acknowledged before me that he executed the same on behalf of said company.

Rachel Mendoza
NOTARY PUBLIC

My Commission will expire 21, 2020