

**SADDLE VIEW COMMUNITY ASSOCIATION
RULES, REGULATIONS, AND
DEVELOPMENT STANDARDS**

INTRODUCTION

The Declaration of Covenants, Conditions, Restrictions and Easements (the "Declaration"), which is applicable to all of the property administered by Saddle View Community Association (the "Association") and Arizona law empowers the Board of Directors (the "Board") to adopt reasonable rules and regulations aimed at restricting and governing activities *in* our Development and to enforce those rules and regulations.

The Board of Directors may retain a management company to assist in operating the Association. This company will be an agent of the Association (Saddle View Agent). At any times that the Board has not retained a Saddle View Agent, all references herein to the Saddle View Agent shall be deemed to be to the Board of Directors.

These rules are not intended to control the lives of the Association members in an unreasonable manner. Rather, they were created to prevent any individual homeowner from creating conditions on his or her lot which could adversely affect the value of other homes in our Development or could negatively impact the safety of our neighborhood. In fact, many of the rules set forth herein are merely restatements of limitations contained in the Declaration. Those rules are included here to make it easier for the homeowners by enabling them to look primarily to one document to determine what activities are restricted.

Part I of this document sets forth specific restrictions that are applicable to the use of all of the properties in Saddle View (the "Development"). These restrictions either arise directly from the Declaration or constitute rules and regulations that the Board of Directors has adopted.

Part II of this document sets forth the Association's monetary penalty categories and the monetary penalties applicable to the violation of the Association's Rules and Regulations.

Part III of this document summarizes the sanctions and remedies which the Association may impose against homeowners in the event they violate any of these rules and regulations or any of the other Association's governing documents and sets forth the complaint and violation process followed by the Association. It also sets forth an appeal process to ensure that homeowners are given an opportunity to be heard prior to the imposition of certain sanctions.

Part IV of this document summarizes the complaint and violation notification processes to be followed by the Association.

You should carefully read this entire document and be aware of your rights and obligations as a member of the Development.

In the event of a conflict between a provision hereof and a provision of the Declaration, the provision of the Declaration shall prevail. Nothing contained herein shall be deemed to limit the

applicability of the provisions of the Declaration. Capitalized terms used herein and not otherwise defined shall have the meaning given those terms in the Declaration.

The Board may from time to time in its sole discretion amend, repeal, or augment these Rules and Regulations as it deems appropriate, subject, of course, to the terms of the Governing Documents of the Association and applicable law. It is the responsibility of each Owner to obtain and adhere to the stipulations of the most recent copy of these Rules and Regulations. The Board retains the right to grant variances from these Rules and Regulations as determined appropriate in its sole discretion.

PART I – RULES, REGULATIONS, AND DEVELOPMENT STANDARDS

A. CATEGORY A RULES.

1 - Holiday Decorations

Holiday decorations are permitted to be installed without approval of the Architectural Committee. Such decorations shall be installed no earlier than thirty (30) days prior to the subject holiday and shall be removed no later than twenty (20) days after such holiday. All lighting associated with holiday decorations should be turned off by 11:00 p.m. each evening.

2 - Lot Maintenance and Diseases and Insects

Each lot owner shall at all times maintain the yard and landscaping thereon and the exterior of the structures thereon in neat and clean condition and repair. Any damage or destruction to the lot or structures thereon, which damage or destruction is visible from neighboring property, shall be promptly repaired. Driveways shall be maintained in suitable condition for passenger car travel and have dust free, hard surfaces. Be Firewise, grass and weeds to be no taller than 6” on improved lots.

3 - Lawn and Roof Ornaments

No lawn or roof ornaments or other decorative items over 36” tall visible from neighboring properties are permitted without the prior written consent of the Saddle View Agent.

B. CATEGORY B RULES

1 - Glass & Glass Treatments

The installation of non-reflective metallic film (designed to reduce sun and heat) on the inside of windows or doors shall be subject to the approval in writing of the Architectural Committee and shall not have an obtrusive appearance or reflective glare visible on any neighboring lot. Reflective glass, reflective foil or aluminum foil is not allowed on windows. Only drapes, blinds or shutters will be allowed.

2 - Exterior Lights

The ordinances of the City of Prescott commonly known as the Outdoor Light Control Regulations (Regulations §§3-12-1 through 3-12-8), as amended from time to time by the City of Prescott, are hereby incorporated in this document as though fully set forth herein. Notwithstanding the foregoing, all exterior light fixtures shall be subject to the approval of the Architectural Committee,

which shall not approve any lighting that has an obtrusive appearance or casts a glare visible on any other property.

3 - Solar Energy and Air Conditioners

All plans for external placement of solar energy and air conditioning equipment shall require the approval in writing of the Association's Architectural Committee. The Architectural Committee shall not approve such plans unless they provide for such equipment to be reasonably blended with other improvements so as not to have an obtrusive appearance from any neighboring properties or from the street. Free-standing solar panel arrays must be screened from view with an Architectural Committee approved fence or structure. Solar heating and/or solar water heating systems panels or collectors shall be constructed to integrate with the architecture of the structure (i.e. follow the slope of the roof area where they are placed) or be built into the surface to be reasonably flush with the adjacent materials. Tanks and any other auxiliary solar equipment shall be located within the structure or enclosed to screen them from view from adjacent properties or from the street. Notwithstanding the foregoing, such rules will not be enforced by the Association in a manner that will effectively prohibit the use of solar devices.

4- Flagpole

Installation of a permanent free-standing flagpole will be allowed upon the proper application and approval for a site improvement change, or when submitted and approved with the initial structure application, subject to the following limitations:

A) The maximum height of a permanent, removable or free-standing flagpole shall be no higher than the height of the rooftop of the Owners residence.

B) The flagpole must be located within the building envelope and may be placed no closer than fifteen feet (15') from the front property line; and

C) Flagpoles shall have a matte finish of bronze, dark bronze or another earth tone color with a maximum light reflective value of fifteen (15).

5 - Outside Storage

Personal property other than barbeques, lawn and/or deck furniture may not be stored outside of a residence or garage unless totally screened from view from neighboring properties. Any additional screening shall be attached to an existing home or garage. The Architectural Committee must approve such screened enclosures.

6 - Garbage Pick-up

All garbage and trash must be stored in covered containers in a location not visible from neighboring properties except when placed at the curbside for collection. Garbage containers may not be placed outside before noon on the day prior to the day of pick-up, and containers should be removed by midnight of the day of pick-up. All garbage must be bagged, so it cannot blow about or be scattered by birds or animals.

7 - Obtrusive Materials

Repair materials, tools, lawn equipment, and other temporary or permanent equipment must be screened or stored completely so as not to be visible from your street of address, or any other lot. Ham radio towers must be of the electrically or automatically raised type when in use and lowered from view when not in use.

8 - Nuisances

No obnoxious or offensive activity shall be carried out upon any lot, nor shall anything be done thereon which may be or become an annoyance or nuisance to the neighborhood. No rubbish or debris of any kind shall be placed or permitted to accumulate upon any lot so as to render any such property in the vicinity thereof unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. No motor vehicles shall be operated on the property so as to create a loud or annoying noise, which is hereby deemed a nuisance. Without limiting the generality of the foregoing provisions, no exterior horns, whistles, bells or other sound devices, except security devices used exclusively for security purposes, shall be located, use or placed on any such property within the Subdivision. The Board in its sole discretion shall have the right to determine the existence of any such nuisance. Quiet hours are from 10pm – 7am. Any decision rendered by the Board shall be enforceable as other restrictions contained herein.

9 • Rental of Home

When an owner decides to rent or lease his or her home, the owner shall notify the proposed lessee, tenant or occupant that the use of the premises is subject to these rules and regulations and to the provisions of the Declaration and shall secure a written agreement to abide by all of the covenants and restrictions contained in the Declaration and these rules and regulations. Failure to abide by the Declaration or these rules and regulations, shall entitle the Association to initiate appropriate legal action in the name of the Association. The term of any lease or rental agreement must be for a period of not less than 6 months.

10 - Wildlife Feeding

Arizona State law makes it illegal to feed wildlife in higher populated urban areas due to the resulting dangers of doing so. These dangers would include human familiarity of predatory animals as well as diseases such as rabies. No ground feeding of any wildlife will be allowed. This includes "quail blocks" and the like. Aboveground hanging bird feeders are allowed as long as all feed is placed in a container or feeder designed for the specific purpose of feeding birds. No water tanks for wildlife or cows as stagnant water encourages disease.

CATEGORYCRULES

1 - Repair of Buildings and Painting

Buildings and structures on any lot shall at all times be kept in good condition and repair and adequately painted or otherwise finished. No homes and other structures, including fences, may be painted or stained

without the prior approval in writing by the Architectural Committee or may be repainted or re-stained a color different than the color previously approved by the Architectural Committee. The HOA requires members who intend to repaint or re-stain their homes to consult the approval of the Architectural Committee.

2 - Machinery & Equipment

No machinery or equipment of any kind shall be placed or operated or maintained upon any lot in the Development except such machinery or equipment as is usual or customary in connection with the use or maintenance of a residence, appurtenant structures or other. Any such permitted machinery or equipment shall be acoustically screened so as not to create an unreasonable or unnecessary noise or vibration audible to neighboring properties.

3 - Auto Maintenance

No repair or maintenance work shall be performed on any Motor Vehicle or other equipment except wholly within an enclosed garage. Motor Vehicles shall not be left standing anywhere on the property in an inoperative condition. All Motor Vehicles other than those stored in the homeowner's garage must have current license tags. A maximum of one vehicle with business advertising may be visible on your property.

4 - Alteration of Drainages

No lot owner shall alter in any way the drainage areas along the Association roadway, the drainage easements located on the owner's property or the natural drainage to adjacent properties without the prior consent of the Architectural Committee.

5 - Garage Sales

Each homeowner may have a maximum of two garage sales each calendar year at their home. Any garage sale permitted by this rule shall be held between the hours of 8:00 a.m. and 4:00 p.m. and shall not be held for more than two consecutive days. Individuals holding any such permitted sale must insure that all sign and parking regulations of the Association and the City of Prescott are followed.

6 - Single Family Residential Use

No lot shall be used except for residential purposes. No building shall be erected, altered, placed, or permitted to remain on any lot other than one single family dwelling which may include patio walls, swimming pool, garages, carports, servants' quarters, guest houses, ramadas, or other similar residential structures. Rental of guesthouses and/or servant's quarters are not permitted. No business, commercial use, trade, or manufacturing of any nature or description shall be carried on or transacted on any portion of the property without Board approval. Except as required by applicable statute, no part of the property shall be used as a hospital or sanitarium or other place for hire for the care or entertainment of persons suffering from any disease or disability whatsoever.

7 - Compliance with Law

No immoral, improper, offensive, or unlawful use may be made of any property within the Development. Members will comply with and conform to all applicable laws and regulations of the United States and state and local ordinances, rules and regulations. Members will save the Association or other members harmless from fines, penalties, cost, and prosecution for the violation thereof or noncompliance therewith.

8 - Alteration of Lot or Residence

No building, structure, fence or wall shall be erected, placed or altered on any lot within the Development until the construction plans and specifications and a plan showing the location of the structure upon the site have been approved by the Architectural Committee. A member shall not alter the topographic conditions of his lot or create visible scarring of the hills and rocks without the prior consent of the Architectural Committee. No structure or object on a lot visible from neighboring properties, shall be painted or re-painted a color different than the color approved by the Architectural Committee. Roof flashing and other material that reflect light on to neighboring properties are not permitted.

9 - Storage Sheds, Barns, Shelters, Outbuildings, Greenhouses

All storage sheds, barns, shelters and outbuildings (collectively "Outbuildings") must be submitted for Architectural Committee approval before construction. Outbuildings must be constructed in accordance with the following guidelines:

A) Outbuildings must be constructed of the same materials, colors and elevations of the existing Dwelling Unit on the Lot, and shall be constructed only after or while the dwelling is being built. Outbuildings are buildings such as garages that are over 250 square feet in size, and must be of the same exterior color and finish of your existing dwelling. One outbuilding is allowed per parcel.

B) No air conditioning, evaporative cooling units or similar equipment may be mounted, installed or maintained on the roof of an Outbuilding.

C) All Outbuildings and other buildings must be setback a minimum of 25 feet from any property line and within the building envelope.

D) The installation of an Outbuilding or other building shall not interfere with the grading and drainage of the lot.

E) Any propane tanks associated with Outbuildings must be buried underground pursuant to any applicable codes.

F) Sheds, shelters, greenhouses, and other buildings under 250 square feet shall have walls 8 feet tall or less, and be designed and colored to match the existing dwelling. 2 such buildings are allowed per parcel. Architectural Committee review required.

10-ATV/UTV Use

All ATV/UTV users shall comply with Title 28 of the Arizona Revised Statutes relating to licensing, registration and vehicle safety guidelines. Those statutes may be viewed by visiting the Arizona State Legislature's website at: <http://www.azleg.gov>. No Person under the legal age requirement is permitted to operate an ATV/UTV or similar motorized vehicle on the Private Roads or Areas of Association Responsibility. No Person shall operate an ATV/UTV on the Private Roads or Areas of Association Responsibility in a manner that may endanger any other Person within the Association or damage any Dwelling Unit or Improvement within the Association.

PART II - MONETARY PENALTY POLICIES AND MONETARY PENALTIES

Pursuant to the Association's Declaration, Bylaws, the Board is given the power to impose reasonable monetary penalties against a member for a violation of any provision of the Association's governing documents, including without limitation, the Declaration and these rules and regulations. In adopting the above stated rules and regulations, the Board has determined that certain of the rules and regulations are similar in nature and has categorized them as set forth above. At the same time the Board has adopted penalties applicable to the violation of rules and regulations in each of those categories. The Board has concluded that the monetary penalties indicated as to each category are reasonable and are reasonably related to the specific violations of the rules and regulations in each category.

CATEGORY A RULES The monetary penalty for violations of Category A rules and regulations is \$10.00 per day.

CATEGORY B RULES The monetary penalty for violations of Category B rules and regulations is \$25.00 per day.

CATEGORY C RULES The monetary penalty for violations of Category C rules and regulations is \$50.00 per day.

In the event a homeowner violates the same rule within any category within 365 days of a prior violation of the same rule, the monetary penalty for the violation of such rule will be double the monetary penalty as set forth above as to each day the second violation continues.

PART ID - SANCTIONS AND REMEDIES

Each owner and occupant of a home is governed by and must comply with the provisions of these Rules and Regulations, the By-Laws, the Declaration and the Articles of Incorporation of the Association (collectively the "Governing Documents") and such amendments thereto as may be made from time to time. Upon failure by a member to comply with the Governing Documents, the Association's remedies are not limited to the imposition of monetary penalties. In addition, the Association may be entitled to avail itself all the remedies available to it at law, including without limitation, the following:

1 - Entitlement to Relief. The Association may commence legal action to recover sums due for damages, injunctive relief, lien foreclosure or any combination thereof, or any action for any other relief authorized by the Governing Documents or available at law or in equity. In no case may any owner withhold any assessment due and payable to the Association, or take (or omit) other action in violation of the Governing Documents, as a measure to enforce such owner's position, or for any other reason. These rights and remedies do not limit in any way any other rights or remedies granted to the Association in the Governing Rules and Regulations

Documents or by law.

2 - Sanctions and Remedies. In addition to any other remedies or sanctions, express or implied, administrative or legal, the Association shall have the right, but not the obligation, to implement any one or more of the following actions against owners and occupants who violate (or whose families, guests or lessees violate) the provisions of the Governing Documents. The Association shall comply with all applicable notice statutes prior to taking any such actions.

A) Impose a reasonable monetary penalty for each day a violation of the Governing Documents continues, other than for delinquent assessment payments.

B) Impose interest charges from the date due of the lesser of fourteen percent (14%) per annum and the highest rate permitted by law on any delinquent monetary penalty assessed and any costs (including reasonable attorneys' fees) incurred by or on behalf of the Association in collecting the same (which shall be paid by the lot owner). Monetary penalties shall be deemed to be delinquent if not paid within fifteen (15) days after the due date.

C) Impose a late fee penalty (in addition to interest) for delinquent monetary penalty payments of Fifteen Dollars (\$15.00) or 10% of the unpaid amount, whichever is higher. A collection fee of Fifteen Dollars (\$15) will be assessed for the Saddle View Agent.

D) Enter any lot, upon 24 hours' notice, and between the hours of 8:00 a.m. and 5:00 p.m., and remedy any condition which the owner or occupant has caused or allowed to exist in violation of the Governing Documents, and assess the cost thereof against the owner and the lot. Such right of entry shall be limited to any exterior area of a lot subject to the Governing Documents. Any such entry upon a lot pursuant to this section shall not be deemed a trespass.

E) Foreclose any lien arising under the provisions of the Governing Documents or under law, in the manner provided by the Declaration and by applicable law.

3 • Rights to Hearing. In the case of imposition of any monetary penalty, the Board must cause to be mailed or delivered to the owner against whom the monetary penalty is sought to be imposed written notice specifying the general nature of the violation, the monetary penalty to be imposed and the effective date of such imposition. This notice must be delivered at least ten (10) days prior to such effective date. The owner has the right, upon written request delivered to the Board within the foregoing ten (10) day period, to a hearing before the Board. The Board will set the hearing at a reasonable time and place, with reasonable notice to the parties involved. The Board has established uniform and fair rules for the conduct of such hearing, including without limitation the right of interested parties to appear and be heard. If a hearing is requested, the monetary penalty imposed will not take effect until the hearing is completed or the matter is otherwise resolved by mutual agreement of the Board and the persons against whom the monetary penalty is sought, whichever event occurs first. If the person or persons against whom the monetary penalty is sought do not appear at their duly notified hearing, the monetary penalty imposed may be enforced forthwith. The decision of the Board and the rules for the conduct of hearings established by the Board shall be final and binding on all parties. The rights bestowed upon owners by this Section 3 shall be the sole and exclusive monetary penalty of such owners with respect to the matters covered

by this rule, except as may be otherwise specifically authorized by the Governing Documents and applicable law.

4 - Costs of Proceedings and Attorneys' Fees. The Association is entitled to recover all of its costs, expenses, and reasonable attorneys' fees, if any, in the collection of any and all monetary penalties.

5 • Personal Obligation. Any charges, penalties, interest costs, collection costs, court costs or attorneys' fees imposed or incurred by the Association under these Rule and Regulations and the other Association governing documents will be assessed against the lot of the owner against whom the same are imposed and will also be a personal obligation of such owner.

PART IV - COMPLAINT AND VIOLATION NOTIFICATION PROCESS

The formal procedure for dealing with violations of the Association's Governing Documents is as follows:

1 - Complaints. Any member, Board member or agent of the Association may file a complaint against another member for violation of any provision of the Association's Governing Documents by the member, his family, tenants or guest. A complaint must be in writing, must be signed (unless submitted via e-mail) dated and must include a description of the alleged violation and the identity of the alleged violator, if known. A complaint from a member is considered filed when a Board member or the Saddle View Agent receives the written complaint. A copy or record of all complaints shall be provided to the Saddle View Agent. A copy or record of all complaints shall be provided to the Board. The Association will not accept anonymous complaints.

2 - Investigation and Letters. Upon receipt of a complaint, the Board or the Saddle View Agent shall take the following action:

A) Conduct an investigation of the complaint to confirm that there is reason to believe that the conditions complained about actually exist.

B) A member of the Board or the Saddle View Agent shall immediately attempt to contact the member and try to resolve the complaint informally. If the alleged violation is resolved informally, a copy of the associated documentation will be provided to the Saddle View Agent and no further action will be required.

C) If the complaint is not resolved informally, the Saddle View Agent shall cause a letter to be sent to the member formally notifying the member of the violation. The letter shall request that violation be ceased or cured within such period as determined appropriate by the Board and include a date when the property will be inspected for compliance with such request. The Saddle View Agent shall conduct the follow-up inspection on the date indicated in the letter. If that inspection discloses that the violation has ceased or has been cured, the Saddle View Agent shall send the member a letter confirming such satisfactory resolution of the Complaint and shall document in writing for the related lot file what the alleged violation was and how the issue was resolved.

D) If the violation specified in the letter sent pursuant to Section 2(C) above is not timely cleared, then the Saddle View Agent will send a written Notice of Violation (NOV) to the offending member. The NOV will (i) notify the member that the monetary penalty has been assessed and (ii) request the member to show evidence either visually or in writing that the violation has been cleared.

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The NOV shall contain at least the following (i) the provision of the community documents that has allegedly been violated, (ii) the date which the violation was observed, (iii) the first and last name of the person who observed the violation, (iv) the amount of the monetary penalty to be paid by the member for such violation, or if the NOV is a warning that a monetary penalty will be imposed if the member does not cease the subject violation, then the amount of the monetary penalty that may be imposed, and (v) a statement advising the member of the member's right to an appeal. The Saddle View Agent will keep a copy of the notice on file.

3 - Monetary Penalties. In the event the Board imposes a monetary penalty on the member in regard to the violation, and by its terms such monetary penalty will continue to accrue on a daily or other periodic basis, that accrual shall continue to accrue until the later of (i) the date the member notifies the Board that the violation has ceased or been cured or (ii) the date the violation is actually ceased or cured. Upon its receipt of notice from the member that the violation has ceased or been cured, the Board shall conduct a timely follow-up inspection to confirm that the violation has ceased or been cured. If that inspection discloses that the violation has ceased or been cured, the Board shall (i) stop accrual of the monetary penalty as of the date it received the notice, (ii) send the member a letter confirming such satisfactory resolution of the complaint and (iii) document in writing for the related lot file how the violation was resolved. If that inspection discloses that the violation has not ceased or been cured, the Board shall send the member a letter notifying the member of the continuing violation and that the monetary penalty will continue to accrue.

4 - Enforcement and General. Any monetary penalties imposed by the Board upon a member hereunder shall be payable by the member and shall be enforceable by the Association in accordance with the Association Governing Documents and applicable Arizona law. This Complaint Process and the actions of the officers, directors and agents of the Association in compliance herewith are governed by, and subject to, the terms of the Governing Documents of the Association. In the event of any conflict between the terms hereof and the terms of the Governing Documents of the Association, the terms of the Governing Documents of the Association shall govern. The Board retains the right to amend this policy from time to time as it deems appropriate subject, of course, to the terms of the Governing Documents of the Association and applicable law. Further, this process is intended only as guidelines for the Board. The Board may vary from this process as determined appropriate by the Board in its sole discretion.