

WHEN RECORDED RETURN TO:

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**AMENDED AND RESTATED DECLARATION
OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
PRESCOTT LAKES**

TABLE OF CONTENTS

PART ONE: INTRODUCTION TO THE COMMUNITY	2
ARTICLE I CREATION OF THE COMMUNITY	2
1.1. Purpose and Intent.....	2
1.2. Binding Effect	2
1.3. Governing Documents	3
ARTICLE II CONCEPTS AND DEFINITIONS	4
2.1. "Act"	4
2.2. "ARC"	4
2.3. "Architectural Guidelines"	4
2.4. "Area of Common Responsibility"	4
2.5. "Articles of Incorporation" or "Articles"	5
2.6. "Association"	5
2.7. "Board of Directors" or "Board"	5
2.8. "Builder"	5
2.9. "By-Laws"	5
2.10. "Common Area"	5
2.11. "Common Expenses"	5
2.12. "Community-Wide Standard"	5
2.13. "Declarant"	6
2.14. "Golf Course"	6
2.15. "Limited Common Area"	6
2.16. "Master"	6
2.17. "Master Assessment"	6
2.18. "Master Plan"	6
2.19. "Member"	6
2.20. "Mortgage"	6
2.21. "Neighborhood"	6
2.22. "Neighborhood Advisory Committee"	7
2.23. "Neighborhood Assessments"	7
2.24. "Neighborhood Condominium Association"	7
2.25. "Neighborhood Expenses"	7
2.26. "Owner"	7
2.27. "Perimeter Fencing"	7
2.28. "Person"	7
2.29. "Private Amenities"	7
2.30. "Property", "Properties" or "Prescott Lakes"	7
2.31. "Record," "Recording," or "Recorded"	8
2.32. "Rules"	8
2.33. "Special Assessment"	8
2.34. "Specific Assessment"	8
2.35. "Supplemental Declaration"	8
2.36. "Unit"	8
2.37. "Use Restrictions"	8
2.38. "Visible From Neighboring Property"	8
2.39. "Voting Member"	8
PART TWO: CREATION AND MAINTENANCE OF COMMUNITY STANDARDS.....	9
ARTICLE III USE AND CONDUCT.....	9
3.1. Rules	9
3.2. Use Restrictions	9

3.3.	<i>Owners' Acknowledgment and Notice to Purchasers</i>	10
3.4.	<i>Protection of Owners and Others</i>	10
(a)	<i>Similar Treatment</i>	10
(b)	<i>Displays</i>	10
(c)	<i>Household Composition</i>	10
(d)	<i>Activities Within Dwellings</i>	10
(e)	<i>Allocation of Burdens and Benefits</i>	11
(f)	<i>Alienation</i>	11
(g)	<i>Abridging Existing Rights</i>	11
(h)	<i>Reasonable Rights to Develop</i>	11
(i)	<i>Interference with the Golf Course</i>	11
ARTICLE IV	ARCHITECTURE AND LANDSCAPING	11
4.1.	<i>General</i>	11
4.2.	<i>Architectural Review</i>	12
4.3.	<i>Guidelines and Procedures</i>	12
(a)	<i>Architectural Guidelines</i>	12
(b)	<i>Procedures</i>	13
(c)	<i>Timeline for Review</i>	13
(d)	<i>Appeal</i>	13
(e)	<i>Commencement of Construction</i>	13
4.4.	<i>No Waiver of Future Approvals</i>	14
4.5.	<i>Variances</i>	14
4.6.	<i>Limitation of Liability</i>	14
ARTICLE V	MAINTENANCE AND REPAIR	15
5.1.	<i>Maintenance of Units</i>	15
5.2.	<i>Maintenance of Neighborhood Property</i>	15
(a)	<i>Neighborhood Condominium Property</i>	15
(b)	<i>Neighborhood Expenses</i>	16
5.3.	<i>Responsibility for Insurance, Repair, and Replacement</i>	16
PART THREE:	COMMUNITY GOVERNANCE AND ADMINISTRATION	17
ARTICLE VI	THE ASSOCIATION AND ITS MEMBERS	17
6.1.	<i>Function of Association</i>	17
6.2.	<i>Membership</i>	17
6.3.	<i>Voting</i>	17
(a)	<i>Exercise of Voting Rights</i>	17
6.4.	<i>Neighborhoods and Voting Members</i>	18
(a)	<i>Neighborhoods</i>	18
(b)	<i>Voting Member</i>	18
ARTICLE VII	ASSOCIATION POWERS AND RESPONSIBILITIES	19
7.1.	<i>Acceptance and Control of Association Property</i>	19
7.2.	<i>Maintenance of Area of Common Responsibility</i>	19
7.3.	<i>Insurance</i>	20
(a)	<i>Required Coverages</i>	20
(b)	<i>Policy Requirements</i>	21
(c)	<i>Restoring Damaged Improvements</i>	23
7.4.	<i>Compliance and Enforcement</i>	23
7.5.	<i>Implied Rights; Board Authority</i>	25
7.6.	<i>Indemnification of Officers, Directors and Others</i>	26
7.7.	<i>Safety and Security</i>	26
7.8.	<i>Powers of the Association Relating to Neighborhood Condominium Associations</i>	27
7.9.	<i>Provision of Services</i>	27
7.10.	<i>Relationships with Other Properties</i>	27
7.11.	<i>Facilities and Services Open to the Public</i>	28
ARTICLE VIII	ASSOCIATION FINANCES	28

8.1.	<i>Budgeting and Allocating Common Expenses</i>	28
8.2.	<i>Budgeting and Allocating Neighborhood Expenses</i>	29
8.3.	<i>Budgeting for Reserves</i>	30
8.4.	<i>Special Assessments</i>	31
8.5.	<i>Specific Assessments</i>	31
8.6.	<i>Authority to Assess Owners; Time of Payment</i>	31
8.7.	<i>Obligation for Assessments</i>	32
(a)	<i>Personal Obligation</i>	32
(b)	<i>No Exemptions</i>	32
(c)	<i>Statement of Payment of Assessments</i>	32
8.8.	<i>Lien for Assessments</i>	32
8.9.	<i>Exempt Property</i>	33
8.10.	<i>Working Capital Assessment</i>	33
PART FOUR: COMMUNITY DEVELOPMENT		34
ARTICLE IX EXPANSION OF THE COMMUNITY		34
9.1.	<i>Expansion by the Association</i>	34
9.2.	<i>Additional Covenants and Easements</i>	34
9.3.	<i>Effect of Filing Supplemental Declaration</i>	34
ARTICLE X ADDITIONAL RIGHTS RESERVED TO DECLARANT		35
10.1.	<i>Marketing and Sales Activities</i>	35
10.2.	<i>Right to Transfer or Assign Declarant Rights</i>	35
10.3.	<i>Exclusive Rights To Use Name of Development</i>	35
10.4.	<i>Easement to Inspect and Right to Correct</i>	35
10.5.	<i>Right to Notice of Design or Construction Claims</i>	36
10.6.	<i>Termination of Rights</i>	36
PART FIVE: PROPERTY RIGHTS WITHIN THE COMMUNITY		36
ARTICLE XI EASEMENTS		36
11.1.	<i>Easements in Common Area</i>	36
11.2.	<i>Easements of Encroachment</i>	37
11.3.	<i>Easements for Utilities, Etc</i>	37
(a)	<i>Installation and Maintenance</i>	37
(b)	<i>Specific Easements</i>	37
11.4.	<i>Easements for Maintenance, Emergency, and Enforcement</i>	38
11.5.	<i>Easements for Lake and Pond Maintenance and Flood Water</i>	38
11.6.	<i>Easements for Golf Course</i>	39
ARTICLE XII LIMITED COMMON AREAS		39
12.1.	<i>Purpose</i>	39
12.2.	<i>Designation</i>	40
12.3.	<i>Use by Others</i>	40
ARTICLE XIII PARTY WALLS AND OTHER SHARED STRUCTURES		40
13.1.	<i>General Rules of Law to Apply</i>	40
13.2.	<i>Damage Due to Negligence</i>	40
13.3.	<i>Destruction by Fire and Other Casualty</i>	40
13.4.	<i>Weatherproofing</i>	40
13.5.	<i>Changes to Party Walls</i>	40
13.6.	<i>Right to Contribution Runs with Land</i>	41
PART SIX: RELATIONSHIPS WITHIN AND OUTSIDE THE COMMUNITY		41
ARTICLE XIV DISPUTE RESOLUTION AND LIMITATION ON LITIGATION		41
14.1.	<i>Agreement to Encourage Resolution of Disputes Without Litigation</i>	41
14.2.	<i>Dispute Resolution Procedures</i>	42

(a) Notice	42
(b) Negotiation	42
(c) Mediation.....	42
(d) Settlement.....	43
14.3. <i>Initiation of Litigation by Association</i>	43
ARTICLE XV PRIVATE AMENITIES	43
15.1. <i>Prescott Lakes Athletic Club</i>	43
(a) Membership.....	43
(b) Conveyance of Athletic Club Facilities	44
(c) Rights of Access and Parking	45
(d) Limitations on Amendments.....	45
15.2. <i>Golf Course</i>	45
(a) Right to Use the Golf Course.....	45
(b) View Impairment.....	45
(c) Rights of Access and Parking	45
(d) Assumption of Risk and Indemnification	46
(e) Limitations on Amendments.....	46
(f) Jurisdiction and Cooperation	47
ARTICLE XVI MORTGAGEE PROVISIONS	47
16.1. <i>Amendments to Documents</i>	47
16.2. <i>No Priority</i>	48
16.3. <i>Notice to Association</i>	48
16.4. <i>Failure of Mortgagee to Respond</i>	48
16.5. <i>Construction of Article XVI</i>	48
PART SEVEN: CHANGES IN THE COMMUNITY	48
ARTICLE XVII CHANGES IN OWNERSHIP OF UNITS	48
ARTICLE XVIII CHANGES IN COMMON AREA	49
18.1. <i>Condemnation</i>	49
18.2. <i>Partition</i>	49
18.3. <i>Transfer or Dedication of Common Area</i>	49
ARTICLE XIX AMENDMENT OF DECLARATION AND SUPPLEMENTAL DECLARATIONS	49
19.1. <i>Declaration Amendments by the Board</i>	49
19.2. <i>Declaration Amendments by Members</i>	50
19.3. <i>Amendments to Supplemental Declarations</i>	50
19.4. <i>Amendments to Declarant's Rights</i>	50
19.5. <i>Validity and Effective Date</i>	50
19.6. <i>Exhibits</i>	50

**AMENDED AND RESTATED DECLARATION
OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
PRESCOTT LAKES**

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS is made as of the day hereinafter set forth by Prescott Lakes Community Association, Inc., an Arizona non-profit corporation (the “Association”).

WHEREAS, on February 25, 1999, PL Developer I.L.L.C., an Arizona limited liability company (“Declarant”) recorded the Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes in Book 3642, Page 161, Official Records of Yavapai County, Arizona Recorder;

WHEREAS, on May 3, 1999, Declarant recorded the First Amendment to the Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes in Book 3659, Page 633, Official Records of Yavapai County, Arizona Recorder;

WHEREAS, on May 25, 1999, Declarant recorded the Second Amendment to the Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes in Book 3666, Page 358, Official Records of Yavapai County, Arizona Recorder;

WHEREAS, on February 11, 2000, Declarant recorded the Third Amendment to the Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes in Book 3731, Page 523, Official Records of Yavapai County, Arizona Recorder;

WHEREAS, on March 1, 2000, Declarant recorded the Fourth Amendment to the Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes in Book 3735, Page 899, Official Records of Yavapai County, Arizona Recorder;

WHEREAS, on April 1, 2002, Declarant recorded the Fifth Amendment to the Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes in Book 3914, Page 465, Official Records of Yavapai County, Arizona Recorder;

WHEREAS, on November 12, 2002, Declarant recorded the Sixth Amendment to the Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes in Book 3975, Page 84, Official Records of Yavapai County, Arizona Recorder;

WHEREAS, on November 23, 2005, Declarant recorded the Seventh Amendment to the Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes in Book 4337, Page 629, Official Records of Yavapai County, Arizona Recorder;

WHEREAS, on May 7, 2010, Declarant recorded the Eighth Amendment to the Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes in Book 4739, Page 652, Official Records of Yavapai County, Arizona Recorder;

WHEREAS, the Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes and the First through Eighth amendments thereto, both inclusive, are herein referred to as the “Original Declaration”;

WHEREAS, the Original Declaration governs the real property described in Exhibit “A” attached hereto and incorporated by reference;

WHEREAS, Declarant recorded the Partial Assignment and Termination of Declarant’s Rights for Prescott Lakes on May 12, 2017, at Instrument No. 2017-0023738, Official Records of Yavapai County, Arizona Recorder;

WHEREAS, according to Section 19.2 of the Original Declaration, amendments must be approved by the affirmative vote or written consent, or any combination thereof, of Voting Members representing 75% of the total Class “A” votes in the Association;

WHEREAS, the Association, by and through the Voting Members, wishes to amend and restate the Original Declaration in its entirety as set forth herein.

PART ONE: INTRODUCTION TO THE COMMUNITY

Article I Creation of the Community

1.1. Purpose and Intent.

This Declaration sets forth a general plan of development for the planned community known as Prescott Lakes, provides a procedure for future expansion, and provides for its overall development, administration, maintenance, and preservation. Prescott Lakes Community Association, Inc., an association comprised of all owners of residential real property in Prescott Lakes, has been created to own, operate, and/or maintain various common areas and community improvements and to administer and enforce this Declaration and the other Governing Documents referenced in this Declaration.

This Declaration is prepared pursuant to the Arizona Planned Communities Act, A.R.S. § 33-1801, *et seq.*, and establishes a planned community as defined therein.

This document does not and is not intended to create a condominium within the meaning of A.R.S. § 33-1201, *et seq.*

1.2. Binding Effect.

All property described in Exhibit “A,” and any additional property which is made a part of Prescott Lakes in the future by Recording one or more Supplemental Declarations, shall be owned, conveyed and used subject to all of the provisions of this Declaration, which shall run with the title to such property. This Declaration shall be binding upon all Persons having any right, title, or interest in any portion of the Properties, their heirs, successors, successors-in-title, and assigns.

Unless otherwise provided by Arizona law, this Declaration shall run with the land and have perpetual duration. This Declaration may be terminated only by a Recorded instrument signed by Owners of at least 80% of the Units. This Declaration shall be enforceable by Declarant, the Association, any Owner, and their respective legal representatives, heirs, successors, and assigns, by any means available at law or in equity, subject the provisions of Article XIV, if applicable.

Nothing in this Section shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement.

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

1.3. Governing Documents.

Prescott Lakes' Governing Documents consist of:

- this Declaration and any Recorded Supplemental Declaration;
- Prescott Lakes' Articles of Incorporation and By-Laws;
- Use Restrictions described in Article III;
- Rules described in Article III;
- Architectural Guidelines described in Article IV; and
- Board of Directors' resolutions, policies, and procedures;

all as they may be amended (see diagram below).

Some Neighborhoods within Prescott Lakes may be subject to additional covenants, restrictions, and easements which a Neighborhood Condominium Association may administer. In such case, if there is a conflict between or among the Governing Documents and any such additional covenants or restrictions, or the governing documents or policies of any such Neighborhood Condominium Association, the Governing Documents shall control.

Nothing in this Section shall preclude any Supplemental Declaration or other Recorded covenants applicable to any portion of the Properties from containing additional restrictions or provisions which are more restrictive than the provisions of this Declaration and, in such case, the more restrictive shall control. The Association may, but shall not be required to, enforce any such covenants, restrictions or other instruments applicable to any Neighborhood.

The Governing Documents apply to all Owners and occupants of property within Prescott Lakes, as well as to their respective tenants, guests, and invitees. Any lease on a Unit shall provide that the tenant and all occupants of the leased Unit are bound by and obligated to comply with the terms of the Governing Documents.

Throughout the Governing Documents there are diagrams to illustrate the concepts discussed and aid in the reader's comprehension. Such diagrams are for illustrative purposes only. In the event of a conflict between any diagram and the text of the Governing Documents, the text shall control.

Diagram 1.1 identifies the various Governing Documents and their functions.

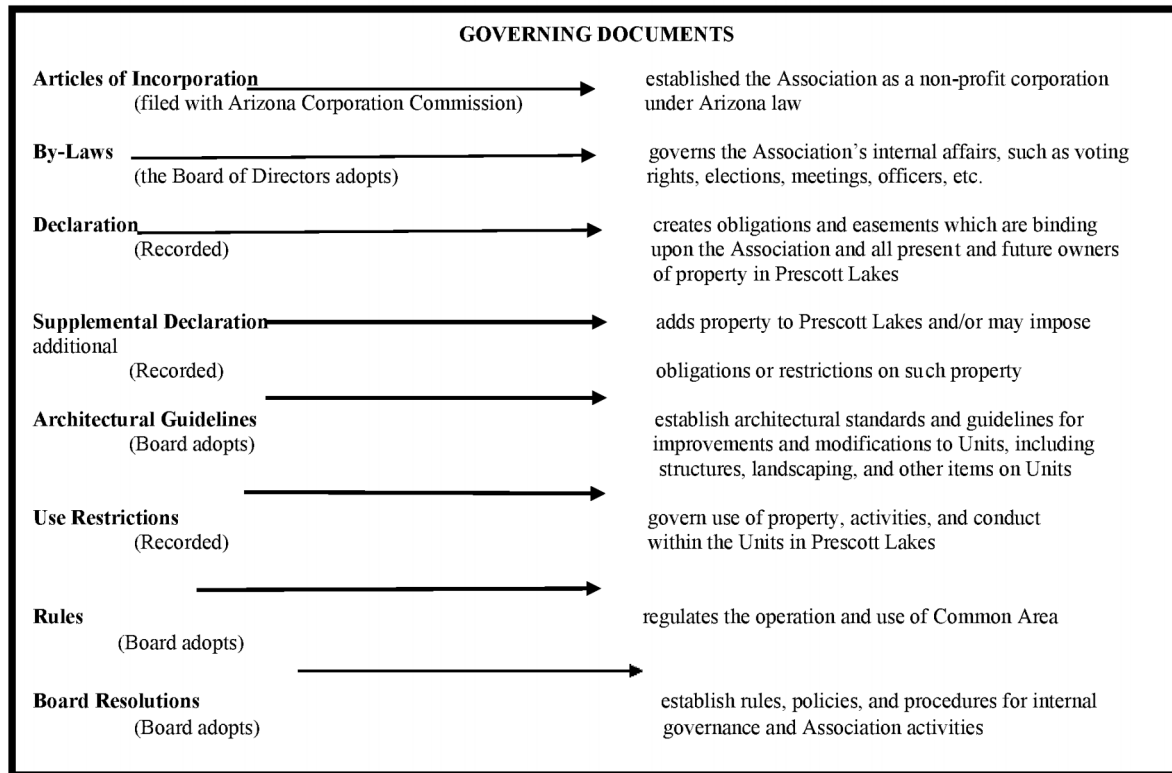


Diagram 1.1 – Governing Documents

Article II Concepts and Definitions

The terms used in the Governing Documents shall generally be given their natural, commonly accepted definitions unless otherwise specified. Capitalized terms shall be defined as set forth below.

2.1. “Act”: The Arizona Planned Communities Act, Arizona Revised Statutes, § 33-1801, *et seq.*, as it may be amended.

2.2. “ARC”: The architectural review committee appointed by the Board pursuant to Section 4.2.

2.3. “Architectural Guidelines”: The architectural, design, and construction guidelines and review procedures adopted pursuant to Article IV, as they may be amended.

2.4. “Area of Common Responsibility”: The Common Area, together with such other areas, if any, for which the Association has or assumes responsibility pursuant to the terms of this Declaration, any Supplemental Declaration, or other applicable covenants, contracts, or agreements.

2.5. “Articles of Incorporation” or “Articles”: The Articles of Incorporation of Prescott Lakes Community Association, Inc., filed with the Arizona Corporation Commission, as they may be amended.

2.6. “Association”: Prescott Lakes Community Association Inc., an Arizona nonprofit corporation, its successors or assigns.

2.7. “Board of Directors” or “Board”: The body responsible for administration of the Association, selected as provided in the By-Laws and serving the same role as the board of directors under Arizona corporate law.

2.8. “Builder”: Any Person who purchases one or more Units for the purpose of constructing improvements for later sale to consumers or who purchases one or more parcels of land within Prescott Lakes for further subdivision, development, and/or resale in the ordinary course of its business.

2.9. “By-Laws”: The By-Laws of Prescott Lakes Community Association, Inc., as they may be amended from time to time.

2.10. “Common Area”: All real and personal property, including easements, which the Association owns, leases, or otherwise holds possessory or use rights in for the common use and enjoyment of the Owners. The term shall include the Limited Common Area, as defined below.

2.11. “Common Expenses”: The actual and estimated expenses incurred, or anticipated to be incurred by the Association for the general benefit of all Owners, including any reasonable reserve, as the Board may find necessary and appropriate pursuant to the Governing Documents.

2.12. “Community-Wide Standard”: The standard of conduct, maintenance, or other activity generally prevailing throughout the Properties, or the minimum standards established pursuant to the Architectural Guidelines, Use Restrictions and Rules, and Board resolutions, whichever is a highest standard. Such standard may contain both objective and subjective elements. The Community-Wide Standard may evolve as development progresses and as the needs and desires within Prescott Lakes change.

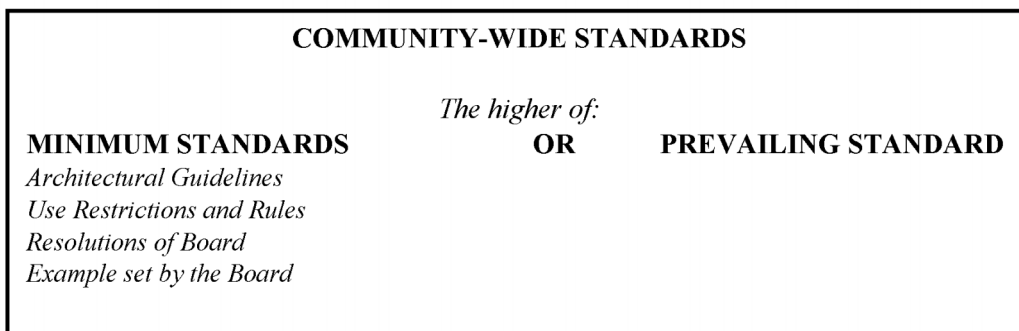


Diagram 1.2. Community-Wide Standard

2.13. “Declarant”: PL Developer I L.L.C., an Arizona limited liability company, or any successor or assign who takes title to any portion of the property described in Exhibits “A” or “B” for the purpose of development and/or sale and who is designated as Declarant in a Recorded instrument executed by the immediately preceding Declarant.

2.14. “Golf Course”: Certain real property and any improvements and facilities thereon located adjacent to, in the vicinity of, or within the Properties, which are privately owned and operated as a golf course by Persons other than the Association for recreational and related purposes, on a club membership basis or otherwise, and which shall include all related and supporting facilities and improvements operated and/or maintained in connection with or incidental to such golf course. The Golf Course is set forth on the Final Plat of Prescott Lakes Golf Course Boundary in Book 44 of Maps, Page 75, Official Records of Yavapai County Recorder.

2.15. “Limited Common Area”: A portion of the Common Area primarily benefitting one or more, but less than all, Neighborhoods, as more particularly described in Article XII.

2.16. “Master”: Items associated with all the Property, all the Units, and/or all the Members, regardless of Neighborhood.

2.17. “Master Assessment”: Assessments levied on all Units subject to assessment under Article VIII to fund Common Expenses for the general benefit of all Units, as determined in accordance with Section 8.1.

2.18. “Master Plan”: The Master Plan attached as Exhibit “A” to the Amended and Restated Development Agreement with the City of Prescott relating to the Property and recorded on September 21, 2004, in Book 4184, Page 338, in the Official Records of Yavapai County, Arizona (the “Development Agreement”) and the associated maximum residential densities of 3504 Units permitted by such Development Agreement, as may hereafter be amended from time to time, which includes all or a portion of the properties described in Exhibits “A” and “B” to this Declaration.

2.19. “Member”: A Person subject to membership in the Association pursuant to Section 6.2.

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

2.21. “Neighborhood”: A group of Units designated as a separate Neighborhood for purposes of sharing Limited Common Areas and/or receiving other benefits or services from the Association which are not provided to all Units, and/or for the purpose of electing Voting Members. A Neighborhood may be comprised of more than one housing type and may include noncontiguous parcels of property. If the Association provided benefits or services to less than all Units within a particular Neighborhood, then the benefited Units shall constitute a sub-Neighborhood for purposes of determining and levying Neighborhood Assessments for such benefits or services.

Where the context permits or requires, the term Neighborhood shall also refer to the Neighborhood Committee (established in accordance with the By-Laws) or Neighborhood Condominium Association, if any, having concurrent jurisdiction over the property within the Neighborhood. Neighborhood boundaries may be established and modified as provided in Section 6.4.

2.22. “Neighborhood Advisory Committee”: The committee of residents of a Neighborhood that may be appointed by the Voting Member of the Neighborhood, per Section 5.2 of By-Laws.

2.23. “Neighborhood Assessments”: Assessments levied against the Units in a particular Neighborhood or Neighborhoods to fund Neighborhood Expenses, as described in Section 8.2.

2.24. “Neighborhood Condominium Association”: A condominium association, if any, having jurisdiction over any Neighborhood concurrent with (but subject to) the jurisdiction of the Association. Nothing in this Declaration shall require the creation of any Neighborhood Condominium Associations.

2.25. “Neighborhood Expenses”: The actual and estimated expenses which the Association incurs or expects to incur for the benefit of Owners within a particular Neighborhood or Neighborhoods, which may include a reasonable reserve for capital repairs and replacements and a reasonable administrative charge, as may be authorized pursuant to this Declaration or in the Supplemental Declaration(s) applicable to such Neighborhood(s).

2.26. “Owner”: One or more Persons who hold the record title to any Unit but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Unit is sold under a Recorded contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner. If a Unit is held by a revocable trust, the trustor will be deemed to be the Owner. If a Unit is held by an irrevocable trust, the trustee will be deemed to be the Owner.

2.27. “Perimeter Fencing”: A structure composed of metal, concrete, stucco, wood or as defined by the ARC, that surrounds a group of units or a section of a Neighborhood, as identified by the Board. At the time of the recording of this Declaration, the Perimeter Fencing includes the white vinyl rail fencing.

2.28. “Person”: A human being, a corporation, a partnership, a trustee, or any other legal entity.

2.29. “Private Amenities”: Certain real property and any improvements and facilities thereon located adjacent to, in the vicinity of, or within Prescott Lakes, which are privately owned and operated by Persons other than the Association for recreational and related purposes, on a club membership basis or otherwise, and all related and supporting facilities and improvements.

2.30. “Property”, “Properties” or “Prescott Lakes”: The real property described in Exhibit “A,” together with such additional property as is subjected to this Declaration in accordance with Article IX.

2.31. “Record,” “Recording,” or “Recorded”: The filing of a legal instrument in the Official Records of Yavapai County, Arizona, or such other place as may be designated as the official location for recording deeds, plats, and similar documents affecting title to real estate.

2.32. “Rules”: The rules and regulations adopted by the Board pursuant to Section 3.1, as they may be amended from time to time.

2.33. “Special Assessment”: Assessments levied in accordance with Section 8.4.

2.34. “Specific Assessment”: Assessments levied in accordance with Section 8.5.

2.35. “Supplemental Declaration”: A Recorded instrument which subjects additional property to this Declaration pursuant to Article IX, designates Neighborhoods pursuant to Section 6.4, and/or imposes additional restrictions and obligations on the land described in such instrument.

2.36. “Unit”: A portion of the Properties, whether improved or unimproved, which may be independently owned and is intended for development, use, and occupancy as an attached or detached residence for a single family. The term shall refer to the land, if any, which is part of the Unit as well as any improvements thereon. In the case of a structure containing multiple dwellings, each dwelling shall be deemed to be a separate Unit.

Any parcel of land shall be deemed to be a single Unit until such time as a Recorded plat subdivides all or a portion of the parcel. Thereafter, the portion encompassed on such plat shall contain the number of Units determined as set forth in the preceding paragraph. Any portion not encompassed on such plat shall continue to be treated in accordance with this paragraph.

2.37. “Use Restrictions”: The use restrictions applicable to the Units, set forth in in a separate Recorded document, incorporated herein by reference, as they may be supplemented, modified, and repealed pursuant to Article III.

2.38. “Visible From Neighboring Property” means, with respect to any given object, that such object is or would be visible to a person six feet tall, standing on any part of such neighboring property, including all Units and Common Area, at an elevation no greater than the elevation of the base of the object being viewed.

2.39. “Voting Member”: The representative selected by the Members within each Neighborhood pursuant to Section 6.4(b) to cast the votes attributable to their Units on all matters requiring a vote of the membership (except as otherwise specifically provided in this Declaration and in the By-Laws). The term “Voting Member” shall also refer to alternate Voting Members acting in the absence of the Voting Member and any Owners authorized personally to cast the votes for their respective Units pursuant to Section 6.4(b).

PART TWO: CREATION AND MAINTENANCE OF COMMUNITY STANDARDS

Article III Use and Conduct

3.1. Rules.

The Board may, from time to time, and subject to the provisions of this Declaration, adopt, amend and repeal rules, and regulations. The Rules may restrict and govern the use of any Area of Common Responsibility by any Owner, by the family of such Owner, or by any guest, tenant, or contractor of such Owner, except that the Association Rules may not discriminate among Owners and shall not be inconsistent with this Declaration. Upon adoption, the Rules shall have the same force and effect as if they were set forth in, and were a part of, this Declaration.

3.2. Use Restrictions.

The affirmative and negative covenants, easements, and restrictions that govern the Units within the Properties (the "Use Restrictions") as of the date of recording this Amended and Restated Declaration are set forth in that document recorded on July 7, 2021, at Instrument No. 2021-0048738, Official Records, Yavapai County, Arizona Recorder. The Use Restrictions, as amended from time to time, are incorporated herein by reference and are considered a part of this Declaration. However, such Use Restrictions can be amended as set forth below. The procedures for modifying and expanding the Use Restrictions are set forth below:

(a) Subject to the terms of this Article and the Board's duty to exercise business judgment and reasonableness on behalf of the Association and its Members, the Board may modify, cancel, limit, create exceptions to, or expand the Use Restrictions. The Board shall send by mail, e-mail, or other reasonable electronic method, notice to all Owners concerning any proposed action at least ten (10) business days prior to the Board meeting at which such action is to be considered. Voting Members shall have a reasonable opportunity to be heard at a Board meeting prior to such action being taken.

(b) Such action shall become effective, after compliance with subsection (c) below, unless Voting Members representing more than 50% of the total votes in the Association disapprove. The Board shall have no obligation to call a meeting of the Voting Members to consider disapproval except upon receipt of a petition of the Voting Members as required for special meetings in the By-Laws prior to the effective date. Upon such petition of the Voting Members, the proposed action shall not become effective until after such meeting is held, and then subject to the outcome of such meeting.

(c) Prior to any action taken under this Section becoming effective, the Board shall send a copy of the new Use Restriction or explanation of any changes to the Use Restrictions to each Owner. The effective date shall be not less than thirty (30) days following distribution to Owners. The Association shall provide, without cost, a copy of the Use Restrictions then in effect to any requesting Member or Mortgagee.

(d) No action taken under this Article shall have the effect of modifying, repealing, or expanding the Architectural Guidelines or any provision of this Declaration

other than the Use Restrictions. In the event of a conflict between the Architectural Guidelines and the Use Restrictions, the Architectural Guidelines shall control.

(e) The procedures required under this Section 3.2 shall not apply to the enactment and enforcement of Rules adopted per Section 3.1.

3.3. Owners' Acknowledgment and Notice to Purchasers.

All Owners are given notice that use of their Units and the Common Area is limited by the Use Restrictions and the Rules. Each Owner, by acceptance of a deed, acknowledges and agrees that the use and enjoyment and marketability of his or her Unit can be affected thereby and that the Use Restrictions and the Rules may change from time to time and that such changes may not be reflected in a Recorded document. All purchasers of Units are on notice that the Association may have adopted changes. Copies of the current Use Restrictions and the current Rules may be obtained from the Association.

3.4. Protection of Owners and Others.

Except as may be set forth in this Declaration (either initially or by amendment) or in the initial use restrictions set forth in Exhibit "C" of the Original Declaration, all Use Restrictions shall comply with the following provisions:

(a) Similar Treatment. Similarly situated Owners shall be treated similarly; however, the Use Restrictions and Rules may vary by Neighborhood.

(b) Displays. The rights of Owners to display religious and holidays signs, symbols, and decorations inside structures on their Units of the kinds normally displayed in dwellings located in single-family residential neighborhoods shall not be abridged, except that the Association may adopt time, place, and manner restrictions with respect to displays visible from outside the dwelling.

No Use Restrictions shall regulate the content of political signs; however, Use Restrictions may regulate the number, size, time, place, and manner of posting such signs (including design criteria) in accordance with federal, state, and/or municipal laws and/or ordinances.

(c) Household Composition. No Use Restriction shall interfere with the freedom of Owners to determine the composition of their households, except that the Association shall have the power to require that all occupants be members of a single housekeeping unit and to limit the total number of occupants permitted in each Unit on the basis of the size and facilities of the Unit and its fair use of the Common Area.

(d) Activities Within Dwellings. No Use Restriction shall interfere with the activities carried on within the confines of dwellings, except that the Association may prohibit activities not normally associated with property restricted to residential use, and it may restrict or prohibit any activities that create monetary costs for the Association or other Owners, that create a danger to the health or safety of occupants of other Units, that generate excessive noise or traffic, that create unsightly conditions visible outside the dwelling, or that create an unreasonable source of annoyance, as determined by the Board.

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

(f) Alienation. No Use Restriction shall prohibit leasing or transfer of any Unit or require consent of the Association or Board for leasing or transfer of any Unit; provided, the Association or the Board may require a minimum lease term of up to 12 months. The Association may require that Owners use lease forms approved by the Association.

(g) Abridging Existing Rights. No Use Restriction shall require an Owner to dispose of personal property that was in or on a Unit prior to the adoption of such Use Restriction if such personal property was in compliance with all Use Restrictions previously in force. This exemption shall apply only during the period of such Owner's ownership of the Unit and shall not apply to subsequent Owners who take title to the Unit after adoption of the Use Restriction.

(h) Reasonable Rights to Develop. No Use Restriction or action by the Association or Board shall unreasonably impede Declarant's right to develop the Properties.

(i) Interference with the Golf Course. No rule or action by the Association shall interfere with the use or operation of the Golf Course.

The limitations in subsections (a) through (g) of this Section 3.4 shall only limit the Use Restrictions under Section 3.2; they shall not apply to amendments to this Declaration adopted in accordance with Article XIX.

Article IV Architecture and Landscaping

4.1. General.

No structure or thing shall be placed, erected, or installed upon any Unit and no improvements or other work (including staking, clearing, excavation, grading, and other site work, exterior alterations of existing improvements, or planting or removal of landscaping) shall take place within the Properties, except pursuant to approval in compliance with this Article and the Architectural Guidelines.

No approval shall be required to rebuild in accordance with originally approved plans and specifications. Approval shall be required, however, any time the exterior of a structure is painted or re-painted, regardless of color. An Owner may remodel, paint, or redecorate the interior of his or her Unit without approval. However, modifications to the interior of screened porches, patios, and similar portions of a Unit shall be subject to approval if Visible From Neighboring Property.

All dwellings constructed on any portion of the Properties shall be built in accordance with the plans and specifications approved by the Board in its sole discretion.

4.2. Architectural Review.

The Association, acting through an architectural review committee appointed by the Board (the "ARC"), shall exercise jurisdiction over architectural matters. It shall be the duty of the ARC has the responsibility to review and act on all architectural submissions presented to it, and to carry out any other duties assigned to it by the Board. The ARC shall consist of the number of Persons determined from time to time by the Board, who shall serve and may be removed and replaced in the Board's discretion. Except for the chairperson of the ARC, who must be a member of the Board of Directors, the members of the ARC need not be Members of the Association or representatives of Members, and may, but need not, include architects, engineers, or similar professionals, who may be compensated in such manner and such amount, if any, as the Board may establish. The Board may establish and charge reasonable fees for the Association's review of applications and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred in having any application reviewed by architects, engineers, or other professionals. The Association may employ architects, engineers, or other Persons as deemed necessary to perform the review. The Board may include the compensation of such persons in the Association's annual operating budget.

4.3. Guidelines and Procedures.

(a) Architectural Guidelines. The Architectural Guidelines may contain general provisions applicable to all of the Properties as well as specific provisions which vary from Neighborhood to Neighborhood. The Architectural Guidelines may consist of or include multiple sets of requirements, each of which applies to a different phase or Neighborhood of Prescott Lakes. The Architectural Guidelines are intended to provide guidance to Owners and Builders regarding matters of particular concern to the ARC in considering applications hereunder. The Architectural Guidelines are not the exclusive basis for decisions of the ARC and compliance with the Architectural Guidelines does not guarantee approval of any application.

The ARC shall have the authority to amend the Architectural Guidelines with the consent of the Board. Any amendments to the Architectural Guidelines shall be prospective only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Architectural Guidelines, and such amendments may remove requirements previously imposed or otherwise make the Architectural Guidelines less restrictive.

The Association shall make the Architectural Guidelines available to Owners and Builders who seek to engage in development or construction within Prescott Lakes. In the Association's discretion, such Architectural Guidelines may be Recorded, in which event the Recorded version, as it may unilaterally be amended, shall control in the event of any dispute as to which version of the Architectural Guidelines was in effect at any particular time.

(b) Procedures. Except as otherwise specifically provided in the Architectural Guidelines, no activities shall commence on any portion of the Properties until an application for approval has been submitted to and approved by the ARC. Such application shall include plans and specifications showing site layout, structural design, exterior elevations, exterior materials and colors, landscaping, drainage, exterior lighting, irrigation, and other features of proposed construction, as applicable. The Architectural Guidelines and the ARC may require the submission of such additional information, including, but not limited to, color and/or material samples, as may be reasonably necessary to consider any application.

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

(c) Timeline for Review.

After receipt of a completed application and all information required by the ARC, the ARC will review the application and will strive come to a decision on the application within 30 days. The ARC may (i) approve the application, with or without conditions; (ii) approve a portion of the application (with or without conditions) and disapprove other portions; (iii) request additional information, samples, or clarification; or (iv) disapprove the application. In the case of disapproval, the ARC may, but shall not be obligated to, specify the reasons for any objections and/or offer suggestions for curing any objections.

If the ARC has not notified the applicant in writing of the final determination on any application within 45 days after its receipt of a completed application and all requested information, the applicant may provide the ARC with written notice of the ARC's failure to respond and of the applicant's intent to proceed with the work if the ARC does not provide a final determination on the application within 10 days of receipt of such notice. If the ARC fails to respond within such 10-day period, approval shall be deemed to have been given; however, no approval, whether expressly granted or deemed granted, shall be inconsistent with this Declaration or shall be inconsistent with the Architectural Guidelines unless a written variance has been granted pursuant to Section 4.5.

Notice shall be deemed to have been given at the time the envelope containing the response is deposited with the U. S. Postal Service. Personal delivery or electronic transmission of such written notice shall, however, be sufficient and shall be deemed to have been given at the time of delivery to the applicant.

(d) Appeal. Any Owner whose submission has been denied may appeal the decision to the Board in accordance with procedures to be established by the Board. The Board may uphold, modify, or overturn the decision of the ARC, and such decision of the Board is final and binding.

(e) Commencement of Construction. If construction does not commence on a project for which plans have been approved within one year after the date of approval, such approval shall be deemed withdrawn and it shall be necessary for the Owner to reapply

for approval before commencing any activities. Once construction is commenced, it shall be diligently pursued to completion. All work, including, but not limited to landscaping, shall be completed within one year of commencement unless otherwise specified in the notice of approval or unless the ARC grants an extension in writing, which it shall not be obligated to do. If approved work is not completed within the required time, it shall be considered nonconforming and shall be subject to enforcement action by the Association or any aggrieved Owner.

4.4. No Waiver of Future Approvals.

Each Owner acknowledges that the Persons reviewing applications under this Article will change from time to time and that opinions on aesthetic matters, as well as interpretation and application of the Architectural Guidelines, may vary accordingly. In addition, each Owner acknowledges that it may not always be possible to identify objectionable features until work is completed, in which case it may be unreasonable to require changes to the improvements involved, but the ARC may refuse to approve similar proposals in the future. Approval of applications or plans, or in connection with any other matter requiring approval, shall not constitute a precedent that is binding in any other matter nor an estoppel or waiver of the right to withhold approval as to any similar applications, plans, or other matters subsequently or additionally submitted for approval.

4.5. Variances.

The ARC may recommend, and the Board may authorize, variances from compliance with any of the Architectural Guidelines when circumstances such as topography, natural obstruction, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. No variance shall (a) be effective unless in writing and approved by the Board; (b) be contrary to this Declaration; or (c) estop the Board from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any government agency, the issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance.

4.6. Limitation of Liability.

The standards and procedures established by this Article are intended as a mechanism for maintaining and enhancing the overall aesthetics of Prescott Lakes; they do not create any duty to any Person. Review and approval of any application pursuant to this Article is made on the basis of aesthetic considerations only and the ARC, the Board, and the Association shall not bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, or for ensuring compliance with building codes and other governmental requirements, or for ensuring that all dwellings are of comparable quality, value, or size, of similar design, aesthetically pleasing, or otherwise acceptable to neighboring property owners.

The Association, the Board, the ARC, any committee, or member of any of the foregoing shall not be held liable for soil conditions, drainage, or other general site work; any defects in plans revised or approved hereunder; any loss or damage arising out of the action, inaction, integrity, financial condition, or quality of work of any contractor or its subcontractors, employees, or agents; or any injury, damages, or loss arising out of the manner or quality or other circumstances of approved construction on or modifications to any

Unit. In all matters, the Board, the ARC, and the members of each shall be defended and indemnified by the Association as provided in Section 7.6.

Article V Maintenance and Repair

5.1. Maintenance of Units.

Each Owner shall maintain his or her Unit and all landscaping and improvements comprising the Unit in a manner consistent with the Governing Documents, the Community-Wide Standard, and all applicable covenants, unless such maintenance responsibility is otherwise assumed by or assigned to the Association or a Neighborhood Condominium Association pursuant to any Supplemental Declaration, plat, or other declaration of covenants applicable to such Unit.

Each Owner shall be responsible for maintaining and irrigating the landscaping within that portion of any adjacent Common Area or public right-of-way lying between the Unit boundary and any wall, fence or curb located on the Common Area or public right-of-way within 10 feet of the Unit boundary; provided, there shall be no right to remove trees, shrubs, or similar vegetation from this area without prior approval pursuant to Article IV. The portions of the Perimeter Fencing surrounding the Properties identified in policies adopted by the Board shall be the maintenance responsibility of the Association. No Owner shall alter or modify any such fencing, regardless of whether such fencing adjoins, encroaches, or rests upon the lot line of his or her Unit.

5.2. Maintenance of Neighborhood Property.

(a) Neighborhood Condominium Property.

Any Neighborhood Condominium Association shall maintain its common element property and any other property for which it has maintenance responsibility in a manner consistent with the Governing Documents, the Community-Wide Standard, and all applicable covenants. Any Neighborhood Condominium Association shall also be responsible for maintaining and irrigating the landscaping within that portion of any adjacent Common Area or public right-of-way lying between the boundary of the condominium property and any wall, fence, or curb located on the Common Area or public right-of-way within 10 feet of its boundary; provided, there shall be no right to remove trees, shrubs, or similar vegetation from this area without prior approval pursuant to Article IV.

The Association may assume maintenance responsibility for property within any Neighborhood Condominium Association, in addition to that designated by any Supplemental Declaration, either by agreement with the Neighborhood Condominium Association or because, in the opinion of the Board, the level and quality of service then being provided is not consistent with the Community-Wide Standard. All costs of maintenance pursuant to this paragraph shall be assessed as a Neighborhood Assessment only against the Units within the Neighborhood to which the services are provided. The provision of services in accordance with this Section shall not constitute discrimination within a class.

(b) Neighborhood Expenses.

Upon resolution of the Board, Owners within each Neighborhood shall be responsible for paying, through Neighborhood Assessments, the costs of operating, maintaining, and insuring certain portions of the Area of Common Responsibility within or adjacent to such Neighborhood. This may include, without limitation, the costs of maintaining any signage, entry features, right-of-way, gates, gatehouses, access control systems, and greenspace between the Neighborhood and adjacent public roads, private streets within the Neighborhood, and lakes or ponds within the Neighborhood, regardless of ownership and regardless of the fact that such maintenance may be performed by the Association; provided, however, all Neighborhoods which are similarly situated shall be treated the same.

Furthermore, the Owners within any Neighborhood may request that the Association provide a higher level of service in the Areas of Common Responsibility within or immediately adjacent to the Neighborhood, including the Limited Common Areas, than which the Association generally provides to all Neighborhoods or may request that the Association provide special services for the benefit of Units in such Neighborhood. Upon the request of a Neighborhood Advisory Committee established as provided in Section 5.3 of the By-Laws, if any, or a Neighborhood Condominium Association, if any, or upon the affirmative vote, written consent, or a combination thereof, of Owners of a majority of the Units within the Neighborhood, the Association may, with the approval of the Board, provide the requested services. The cost of such services, which may include a reasonable administrative charge in such amount as the Board deems appropriate (provide any such administrative charge shall apply at a uniform rate per Unit to all Neighborhoods receiving the same service), shall be assessed against the Units within such Neighborhood as a Neighborhood Assessment.

5.3. Responsibility for Insurance, Repair, and Replacement.

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

By virtue of taking title to a Unit, each Owner covenants and agrees with all other Owners and with the Association to carry property insurance for the full replacement cost of all insurable improvements on his or her Unit, less a reasonable deductible, unless either the Neighborhood Condominium Association (if any) or the Association carries such insurance (which they may, but are not obligated to do hereunder). If the Association assumes responsibility for obtaining any insurance coverage on behalf of Owners, the premiums for such insurance shall be levied as a Specific Assessment against the benefited Unit and the Owner.

Each Owner further covenants and agrees that in the event of damage to or destruction of structures on or comprising his or her Unit, the Owner shall proceed promptly to repair or to reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article IV. Alternatively, the Owner shall clear the Unit and maintain it in a neat and attractive, landscaped condition consistent with

the Community-Wide Standard. The Owner shall pay any costs not covered by insurance proceeds.

This Section shall apply to any Neighborhood Condominium Association responsible for common element property within the Neighborhood in the same manner as if the Neighborhood Condominium Association were an Owner and the common element property were a Unit. Additional Recorded covenants applicable to any Neighborhood may establish more stringent requirements for insurance and more stringent standards for rebuilding or reconstructing structures on the Units within such Neighborhood and for clearing and maintaining the Units in the event the structures are not rebuilt or reconstructed.

PART THREE: COMMUNITY GOVERNANCE AND ADMINISTRATION

Article VI The Association and its Members

6.1. Function of Association.

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

6.2. Membership.

Every Owner shall be a Member of the Association; however, there shall be only one membership per Unit. If a Unit is owned by more than one Person, all co-Owners shall share the privileges of such membership, and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights of an Owner that is not a natural person may be exercised by any officer, director, partner, or trustee, or by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

6.3. Voting.

The Association Members shall be all Owners. Members shall have one equal vote for each Unit they own, except that there shall be only one vote per Unit in the event there are multiple Owners/Members of a Unit. No vote shall be exercised for any property that is exempt from assessment under Section 8.9. All votes shall be cast as provided in Section 6.3(a) below and casting votes is also subject to reasonable Rules, the restrictions on voting set forth in this Article VI, and the restrictions set forth in the By-Laws.

(a) Exercise of Voting Rights. Except as otherwise specified in this Declaration or the By-Laws, the vote for each Unit owned by a Member shall be exercised by the Voting Member representing the Neighborhood, as provided in Section 6.4(b). In any situation where a Member is entitled personally to exercise the vote for their Unit, and there is more than one Owner of such Unit, the vote for such Unit shall be exercised as the co-Owners determine among themselves. In the event co-Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Owner or Owners casts a vote representing a certain Unit, it will thereafter be conclusively presumed for all purposes that they were acting with the authority

and consent of all other Owners of the same Unit. In the event more than one vote is cast for a particular Unit and there is a conflict among the votes, none of said votes shall be counted as said votes shall be deemed void.

6.4. Neighborhoods and Voting Members.

(a) Neighborhoods. Every Unit shall be located within a Neighborhood. The Units within a particular Neighborhood may be subject to covenants in addition to those set forth in this Declaration and, if required by law or otherwise approved by the Board, the Owners within the Neighborhood may be members of a Neighborhood Condominium Association in addition to the Association. In addition, the Owners within a Neighborhood may, but are not required to, elect a Neighborhood Advisory Committee to represent their interests. Neighborhood Advisory Committees may be elected as provided for in the By-Laws.

Exhibit "A" to this Declaration, and each Supplemental Declaration submitting additional property to this Declaration shall initially assign the submitted property to a specific Neighborhood (by name or other identifying designation), which Neighborhood may be then existing or newly created. However, two or more existing Neighborhoods shall not be combined without the consent of Owners of at least seventy-five percent (75%) of the Units in the affected Neighborhoods.

(b) Voting Member. Each Neighborhood shall elect a Voting Member who shall be responsible for casting all votes attributable to Units owned Members in the Neighborhood on all Association matters requiring a membership vote, except as otherwise specified in this Declaration or the By-Laws. The Voting Member shall poll the Units comprising the Neighborhood which he or she represents prior to any vote and shall cast the votes attributable to such Units in accordance with the poll results. The Voting Member shall cast the votes attributable to any Units not responding to the poll in his or her discretion. In addition, each Neighborhood shall elect an alternate Voting Member who shall be responsible for casting such votes in the absence of the Voting Member.

The Board shall call for the first election of a Voting Member from a Neighborhood not later than one year after the conveyance of a Unit in the Neighborhood to a Person other than a Builder. Each Member who owns a Unit within the Neighborhood shall be entitled to cast one vote per Unit owned. The candidate who receives the greatest number of votes shall be elected as Voting Member and the candidate receiving the next greatest number of votes shall be elected as the Alternate Voting Member. The Voting Member and the Alternate Voting Member shall serve a term of two years or until their successors are elected.

The Voting Member and alternate Voting Member from each Neighborhood shall be elected every two years by the Members within the Neighborhood. The Members will have an opportunity to vote in person at a meeting of the Neighborhood Members and by absentee ballot (which can include electronic ballot). Candidates for election as Voting Members may be nominated by any reasonable process adopted by the Board.

The presence, in person or by absentee ballots of Members representing at least 25% of the total votes attributable to Units in the Neighborhood shall constitute a quorum at any Neighborhood meeting or election. In the event of a failure to obtain a quorum

or vacancy in such positions for any Neighborhood, the Board may appoint a Voting Member or alternate Voting Member to represent such Neighborhood until a successor is elected.

Any Voting Member may be removed, with or without cause, upon the vote or written petition of Owners of a majority of the total number of Units owned by Members in the Neighborhood which the Voting Member represents.

In the absence of a Voting Member (and Alternate Voting Member) for any Neighborhood, the Owners within such Neighborhood shall be entitled personally to cast the votes attributable to their respective Units on any issue requiring a membership vote under the Governing Documents.

Article VII Association Powers and Responsibilities

7.1. Acceptance and Control of Association Property.

(a) The Association, through action of its Board, may acquire, hold, lease (as lessor or lessee), operate, and dispose of tangible and intangible personal property and real property. The Association may enter into leases, licenses, or operating agreements for portions of the Common Area, for such consideration or no consideration as the Board deems appropriate, to permit use of such portions of the Common Area by community organizations and by others, whether nonprofit or for profit, for the provision of goods or services for the general benefit or convenience of owners, occupants, and residents of Prescott Lakes.

(b) Declarant and its designees may convey to the Association, and the Association shall accept, personal property and fee title, leasehold, or other property interests in any real property, improved or unimproved, described in Exhibits "A" or "B."

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

7.2. Maintenance of Area of Common Responsibility.

The Association shall maintain, in accordance with the Community-Wide Standard, the Area of Common Responsibility, which shall include, but need not be limited to:

- (a) all portions of and structures situated on the Common Area;
- (b) landscaping within public rights-of-way within or abutting the Properties;
- (c) those portions of the Perimeter Fencing surrounding the Properties identified in policies adopted by the Board;
- (d) such portions of any additional property included within the Area of Common Responsibility as may be dictated by this Declaration, any Supplemental Declaration, or any contract, covenant, or agreement for maintenance thereof entered into by, or for the benefit of, the Association; and

(e) all ponds, streams, and/or wetlands located within the Properties which serve as part of the stormwater drainage system for the Properties, including improvements and equipment installed therein or used in connection therewith.

The Association may maintain other property which it does not own, including, without limitation, property dedicated to the public, if the Board of Directors determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard.

The Association shall not be liable for any damage or injury occurring on or arising out of the condition of property which it does not own except to the extent that it has been negligent in the performance of its maintenance responsibilities.

The Association shall maintain the facilities and equipment within the Area of Common Responsibility in continuous operation, except for any periods necessary, as determined in the Board's sole discretion, to perform required maintenance or repairs; except that, with respect to Area of Common Responsibility that is not Common Area, the Association may cease maintenance by obtaining the agreement of the Person who will be assuming or resuming maintenance of the Area of Common Responsibility once the Association no longer performs the maintenance.

The costs associated with maintenance, repair, and replacement of the Area of Common Responsibility shall be a Common Expense; provided, the Association may seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Declaration, or any other Recorded covenants or agreements with the owner(s) thereof. Maintenance, repair, and replacement of Limited Common Areas shall be a Neighborhood Expense assessed to the Neighborhood(s) to which the Limited Common Areas are assigned, notwithstanding that the Association may be responsible for performing such maintenance hereunder.

7.3. Insurance.

(a) Required Coverages. The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect the following types of insurance, if reasonably available, or if not reasonably available, the most nearly equivalent coverages as are reasonably available:

(i) Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for all insurable improvements within the Area of Common Responsibility and within any area maintained by the Association. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured improvements under current building and codes;

(ii) Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, such coverage (including

primary and any umbrella coverage) shall have a limit of at least \$2,000,000.00 per occurrence with respect to bodily injury, personal injury, and property damage; provided, should additional coverage and higher limits be available at reasonable cost which a reasonably prudent person would obtain, the Association shall obtain such additional coverages or limits;

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

(iv) Directors' and officers' liability coverage;

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

(vi) Such additional insurance as the Board, in the exercise of its business judgment, determines advisable.

In addition, the Association shall, if so specified in a Supplemental Declaration applicable to any Neighborhood, obtain and maintain property insurance on the insurable improvements within such Neighborhood which insurance shall comply with the requirements of Section 7.3(a)(i). Further, if the Association has the responsibility to maintain any portions of the Units pursuant to a Supplemental Declaration, the Association may obtain insurance on the portions it maintains, pursuant to Section 7.3(a)(i). Any such policies shall provide for a certificate of insurance to be furnished upon request to the Owner of each Unit insured.

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

(b) Policy Requirements. All Association policies shall provide for a certificate of insurance to be furnished to the Association and, upon request, to each Member insured.

The policies may contain a reasonable deductible and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 7.3 (a). In the event of an insured loss, the deductible shall be treated as a Common Expense or a Neighborhood Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the By-Laws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may assess the full amount of such deductible against such Owner(s) and their Units as a Specific Assessment.

All insurance coverage obtained by the Board shall:

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

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

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

(iv) contain an inflation guard endorsement;

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

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

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

(viii) include an endorsement precluding the insurer from denying a claim relating to insurance covering a Unit by the Owner of the Unit; and

(ix) include an endorsement precluding the insurer from conditioning recovery under the policy based upon or due to negligent acts or omissions of the Association or other Owners.

In addition, the Board shall use reasonable efforts to secure insurance policies which list the Owners (as a class) as additional insureds and provide:

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

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

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

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

(v) a cross liability provision; and

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

(c) Restoring Damaged Improvements. In the event of damage to or destruction of an Area of Common Responsibility or other property which the Association is obligated to insure, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repairing or restoring the property to substantially the condition in which it existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

Damaged improvements on the Common Area shall be repaired or reconstructed unless the Voting Members representing at least 75% of the votes in the Association decide otherwise within 30 days after the Association's receipt of the estimates of the loss from the insurer. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed.

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

Any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate, shall be retained by the Association for the benefit of its Members or the Owners of Units within the insured Neighborhood, as appropriate, and placed in a capital improvements account. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Unit.

If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board may, without a vote of the Voting Members, levy Special Assessments to cover the shortfall against those Owners responsible for the premiums for the applicable insurance coverage under Section 7.3(a).

7.4. Compliance and Enforcement.

(a) Every Owner and occupant of a Unit shall comply with the Governing Documents. The Board may impose sanctions for violation of the Governing Documents after notice and a hearing in accordance with any procedures set forth in the By-Laws. Such sanctions may include, without limitation:

(i) imposing reasonable monetary fines against the Owner responsible for the violation;

- (ii) suspending an Owner's right to vote;
- (iii) suspending any Person's right to use any recreational facilities within the Common Area; provided, however, nothing here shall authorize the Board to limit ingress or egress to or from a Unit;
- (iv) suspending any services provided by the Association to an Owner or the Owner's Unit if the Owner is more than 30 days delinquent in paying any Assessment or other charge owed to the Association;
- (v) exercising self-help or taking action to abate any violation of the Governing Documents in a non-emergency situation;
- (vi) requiring an Owner, at its own expense, to remove any structure or improvement on such Owner's Unit in violation of the Governing Documents and to restore the Unit to its previous condition and, upon failure of the Owner to do so, the Board or its designee shall have the right to enter the property, remove the violation and restore the property to substantially the same condition as previously existed and any such action shall not be deemed a trespass;
- (vii) without liability to any Person, precluding any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of Article IV and the Architectural Guidelines from continuing or performing any further activities in Prescott Lakes;
- (viii) recording a written notice of a violation by any Owner or resident of any covenant, condition, restriction or other provision of this Declaration or the other Governing Documents, which such notice of violation shall serve as notice to the Owner and resident(s) of the Unit, and any subsequent purchaser of the Unit, that such a violation exists; and
- (ix) levying Specific Assessments to cover costs incurred by the Association to bring a Unit into compliance with the Governing Documents.

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

- (i) exercising self-help in any emergency situation (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations); or
- (ii) bringing suit at law or in equity to enjoin any violation or to recover monetary damages or both.

In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Association may Record a notice of violation or perform such maintenance responsibilities and assess all costs incurred by the Association against the Unit and the Owner as a Specific Assessment. If a Neighborhood

Condominium Association fails to perform its maintenance responsibilities, the Association may perform such maintenance and assess the costs as a Specific Assessment against all Units within such Neighborhood. Except in an emergency situation, the Association shall provide the Owner or Neighborhood Condominium Association reasonable notice and an opportunity to cure the problem prior to taking such enforcement action.

All remedies set forth in the Governing Documents shall be cumulative of any remedies available at law or in equity. In any action to enforce the Governing Documents, if the Association is the prevailing party, it shall be entitled to recover all costs, including, without limitation, attorneys' fees and court costs, reasonably incurred in such action.

(b) The decision to pursue enforcement action in any particular case shall be left to the Board's discretion, except that the Board shall not be arbitrary or capricious in taking enforcement action. Without limiting the generality of the foregoing sentence, the Board may determine that, under the circumstances of a particular case:

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

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

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

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

Such a decision shall not be construed a waiver of the right of the Association to enforce such provision at a later time under other circumstances or preclude the Association from enforcing any other covenant, restriction, or rule.

The Association, by contract or other agreement, may enforce applicable city and county ordinances, if applicable, and permit Yavapai County or the City of Prescott to enforce ordinances within the Properties for the benefit of the Association and its Members.

7.5. Implied Rights; Board Authority.

The Association may exercise any right or privilege given to it expressly by the Governing Documents, or reasonably implied from or reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in the Governing Documents, or by law, all rights and powers of the Association may be exercised by the Board without a vote of the membership.

The Board may institute, defend, settle, or intervene on behalf of the Association in mediation, binding or non-binding arbitration, litigation, or administrative proceedings in matters pertaining to the Area of Common Responsibility, enforcement of the Governing Documents, or any other civil claim or action. However, the Governing Documents shall not be construed as creating any independent legal duty to institute litigation on behalf of or in

the name of the Association or its Members. In the event the Association brings one or more claims against an Owner(s), or is required to defend one or more claims brought by an Owner(s), in an administrative action or proceeding, including but not limited to proceedings before an Administrative Law Judge, the prevailing party shall be entitled to recover its attorney's fees and taxable court costs.

7.6. Indemnification of Officers, Directors and Others.

Subject to Arizona law, the Association shall indemnify every officer, director, committee member, employee, and management agent of the Association against all damages and expenses, including counsel fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer, director, committee member, employee, or management agent, provided that the Board shall determine, in good faith, that the person to be indemnified hereunder did not act, fail to act, or refuse to act with gross negligence or fraudulent or criminal intent in the performance of his duties. The foregoing rights of indemnification shall be in addition to and not exclusive of all other rights to which such persons may be entitled at law or otherwise.

To the fullest extent permitted by the Arizona nonprofit corporation act (set forth at A.R.S. § 10-3101 et seq., as may be amended from time to time), the directors, officers, and committee members shall not be liable to the Association or any Owner or Member for any mistake of judgment, course of action, act, inaction, omission, error, negligence or the like made in good faith and which the director, officer, or committee member, reasonably believed to be within the scope of their respective duties, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The directors, officers, and committee members shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association (except to the extent that such officers or directors may also be Members of the Association).

7.7. Safety and Security.

Each Owner and occupant of a Unit, and their respective guests and invitees, shall be responsible for their own personal safety and the security of their property in Prescott Lakes. The Association may, but shall not be obligated to, maintain or support certain activities within Prescott Lakes designed to enhance the level of safety or security which each Person provides for himself and his property. The Association and the Declarant shall not in any way be considered insurers or guarantors of safety or security within Prescott Lakes or be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

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

damage to property, including Units and the contents of Units, resulting from acts of third parties.

7.8. Powers of the Association Relating to Neighborhood Condominium Associations.

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

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

7.9. Provision of Services.

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

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

7.10. Relationships with Other Properties.

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

7.11. Facilities and Services Open to the Public.

Certain facilities and areas within the Properties may be open for use and enjoyment of the public. Such facilities and areas may include by way of example: greenbelts, trails and paths, parks, and other neighborhood spots conducive to gathering and interaction, roads, sidewalks, and medians. Any facilities or areas not designated as open to the public at the time of the Recording of this Declaration may be designated as open to the public by the Board.

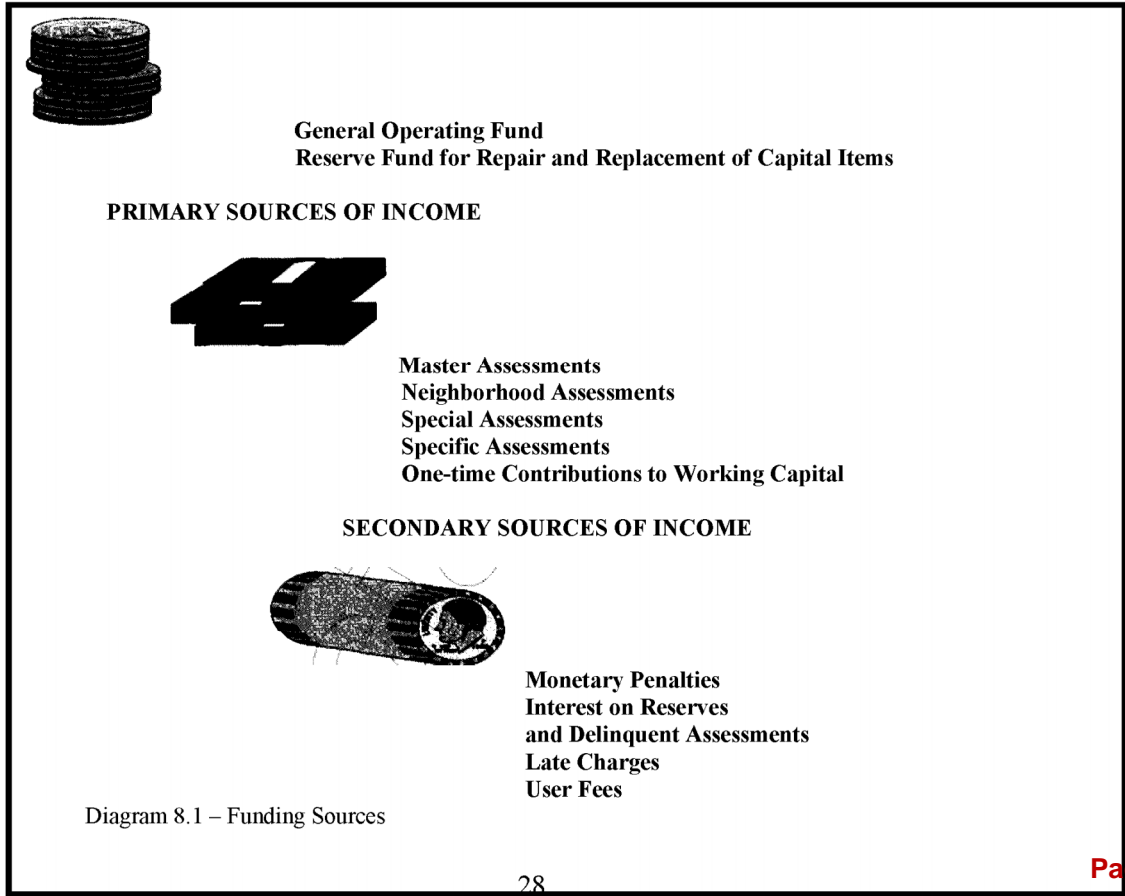
Article VIII Association Finances

8.1. Budgeting and Allocating Common Expenses.

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

Diagram 8.1 illustrates the various funding sources available to the Association:

ASSOCIATION FUNDS



The Association is authorized to levy Master Assessments equally against all Units subject to assessment under Section 8.6 to fund the Common Expenses. In determining the Master Assessment rate per Unit, the Board may consider any assessment income expected to be generated from any additional Units reasonably anticipated to become subject to assessment during the fiscal year.

The Board shall send a copy of the final budget, together with notice of the amount of the Master Assessment to be levied pursuant to such budget, to each Owner at least 30 days prior to the effective date of such budget. The budget shall automatically become effective unless disapproved at a meeting by Voting Members representing at least 75% of the total votes in the Association. There shall be no obligation to call a meeting for the purpose of considering the budget except on petition of the Members as provided for special meetings in the By-Laws. Any such petition must be presented to the Board within 10 days after delivery of the budget and notice of any assessment. Notwithstanding the foregoing, if the proposed budget would result in an increase in Master Assessments greater than the maximum increase permitted by the Act without approval of the Association membership, such budget and Master Assessment shall require the approval of a majority of the Members in the Association.

If any proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then the budget most recently in effect shall continue in effect until a new budget is determined. Failure of the Board to fix Master Assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Master Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfalls.

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

8.2. Budgeting and Allocating Neighborhood Expenses.

At least 60 days before the beginning of each fiscal year, the Board shall prepare a separate budget covering the estimated Neighborhood Expenses for each Neighborhood on whose behalf Neighborhood Expenses are expected to be incurred during the coming year. Each such budget shall include any costs for additional services or a higher level of services which the Owners in such Neighborhood have approved pursuant to Section 6.4(a) and any contribution to be made to a reserve fund pursuant to Section 8.3. The budget shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Units, and the amount required to be generated through the levy of Neighborhood and Special Assessments against the Units in such Neighborhood.

The Association is hereby authorized to levy Neighborhood Assessments equally against all Units in the Neighborhood which are subject to assessment under Section 8.6 to fund Neighborhood Expenses; provided, if so specified in the applicable Supplemental Declaration or if so directed by petition signed by a majority of the Owners within the

Neighborhood, any portion of the assessment intended for exterior maintenance of structures, insurance on structures, or replacement reserves which pertain to particular structures shall be levied on each of the benefited Units in the Neighborhood in proportion to the benefit received.

The Board shall cause a copy of the Neighborhood budget and notice of the amount of the Neighborhood Assessment for the coming year to be delivered to each Owner in the Neighborhood at least 30 days prior to the beginning of the fiscal year. Such budget and assessment shall become effective unless disapproved at a meeting of the Neighborhood by Owners of a majority of the Units in the Neighborhood to which the Neighborhood Assessment applies. However, there shall be no obligation to call a meeting for the purpose of considering the budget except on petition of Owners of at least 25% of the Units in such Neighborhood. This right to disapprove shall only apply to those line items in the Neighborhood budget which are attributable to services requested by the Neighborhood and shall not apply to any item which the Governing Documents require to be assessed as a Neighborhood Assessment. Notwithstanding the foregoing, if the proposed budget would result in an increase in Neighborhood Assessments greater than the maximum increase permitted by the Act without approval of the Association membership, such budget and Neighborhood Assessment shall require the approval of Members representing at least a majority of the total votes in the Neighborhood.

If the proposed budget for any Neighborhood is disapproved or if the Board fails for any reason to determine the budget for any year, then until such time as a budget is determined, the budget in effect for the immediately preceding year shall continue for the current year. Failure of the Board to fix Neighborhood Assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Neighborhood Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfalls.

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

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

8.3. Budgeting for Reserves.

The Board shall prepare and review at least annually a reserve budget for the Area of Common Responsibility and for each Neighborhood for which the Association maintains capital items as a Neighborhood Expense. The budgets shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall include in the Common Expense budget adopted pursuant to Section 8.1 or the Neighborhood Expense budgets adopted pursuant to Section 8.2, as appropriate, a capital contribution to fund reserves in an amount determined by the Board to

be sufficient to meet the projected need with respect both to amount and timing by annual contributions over the budget period.

8.4. Special Assessments.

In addition to other authorized assessments, the Association may levy Special Assessments for any proper Association purpose. Any such Special Assessment may be levied against the entire membership, if such Special Assessment is for Common Expenses, or against the Units within any Neighborhood if such Special Assessment is for Neighborhood Expenses. Except as otherwise specifically provided in this Declaration, any Special Assessment shall require the affirmative vote or written consent of Voting Members (if a Common Expense) or Owners (if a Neighborhood Expense) representing more than 50% of the total votes allocated to Units which will be subject to such Special Assessment. Special Assessments shall be payable in such manner and at such times as determined by the Board and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

8.5. Specific Assessments.

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

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

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

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

8.6. Authority to Assess Owners; Time of Payment.

The Association is hereby authorized to levy assessments as provided for in this Article and elsewhere in the Governing Documents. The obligation to pay assessments shall commence as to each Unit on the first day of the month following the month in which the Unit is made subject to this Declaration; provided, until all improvements required by the City of Prescott for the issuance of a building permit for the construction of a dwelling on the Unit have been completed, no assessment shall be levied on the Unit. The first annual Master

Assessment and Neighborhood Assessment, if any, levied on each Unit shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Unit.

Assessments shall be paid in such manner and on such dates as the Board may establish. The Board may require advance payment of assessments at closing of the transfer of title to a Unit and impose special requirements for Owners with a history of delinquent payment. If the Board so elects, assessments may be paid in two or more installments. Unless the Board otherwise provides, the Master Assessment and any Neighborhood Assessment shall be due and payable in advance on the first day of each fiscal year. If any Owner is delinquent in paying any assessments or other charges levied on his Unit, the Board may require the outstanding balance on all assessments to be paid in full immediately.

8.7. Obligation for Assessments.

(a) Personal Obligation. Each Owner, by accepting a deed or entering into a Recorded contract of sale for any portion of the Properties, is deemed to covenant and agree to pay all assessments authorized in the Governing Documents. All assessments, together with interest (computed from its due date at a rate of 10% per annum or such higher rate as the Board may establish, subject to the limitations of Arizona law), late charges as determined by Board resolution, costs, and reasonable attorneys' fees, shall be the personal obligation of each Owner and a lien upon each Unit until paid in full. Upon a transfer of title to a Unit, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance.

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

(c) Statement of Payment of Assessments. The Association shall, upon written request from an Owner, Mortgagee, lienholder, escrow agent, or other Person designated by the Owner, furnish a statement setting forth the amount of any unpaid assessment against such Owner's Unit. The statement shall be binding upon the Association, the Board, and the Owners to the extent mandated by Arizona law. The statement shall be provided within a reasonable time and within any time frame required by law. The Association may require the advance payment of a reasonable processing fee for the issuance of such statement.

8.8. Lien for Assessments.

All assessments and other charges of the Association authorized in this Article or elsewhere in this Declaration shall constitute a lien against the Unit against which they are levied from the time such assessments or charges become due until paid. The lien shall also secure payment of interest (at a rate of 10% per annum or such higher rate as the Board may establish, subject to the limitations of Arizona law), late charges determined by the Board (subject to the limitations of Arizona law), and costs of collection (including attorneys' fees,

lien fees and administrative costs). Such lien shall be superior to all other liens, except those deemed by Arizona law to be superior. The lien created by this Article shall have priority over any lien for assessments asserted by any other community or property owners association, including, without limitation, any Neighborhood Condominium Association. The Association may enforce such lien, when any assessment or other charge is delinquent, by suit, judgment, foreclosure and any other procedure provided by Arizona law. The Association may sue for unpaid assessments and other charges authorized hereunder without foreclosing or waiving the lien securing the same.

The Association may bid for the Unit at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Unit. While a Unit is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Unit shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such Unit had it not been acquired by the Association.

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

8.9. Exempt Property.

The following property shall be exempt from payment of Master Assessments, Neighborhood Assessments, and Special Assessments:

- (a) All Common Area;
- (b) Any property dedicated to and accepted by any governmental authority or public utility, except for Units designated and/or used for residential purposes; and
- (c) Property designated as common elements by the declaration governing a Neighborhood Condominium Association.

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

8.10. Working Capital Assessment. In addition to the aforementioned assessments, the first Owner of record title to a Unit other than Declarant or a Builder shall pay to the Association a Working Capital Assessment. Such payment shall become due at the close of escrow or immediately upon the transfer of title to the Lot, whichever occurs first. The amount of the Working Capital Assessment shall be an amount equivalent to one sixth (1/6) of the Master Assessments for the current fiscal year. Any Working Capital Assessment not paid as required under this section shall become a part of the assessment lien on the Unit and

collectible in the same manner as other assessments. Funds paid to the Association pursuant to this section shall be separately accounted for and may be used by the Association for payment of maintenance, repairs, replacements and additions to the Area of Common Responsibility, including the Common Area. Payments made pursuant to this section shall be nonrefundable and shall not be offset or credited against or considered as advance payment of the Master Assessment or any other Assessments levied by the Association pursuant to this Declaration.

PART FOUR: COMMUNITY DEVELOPMENT

Article IX Expansion of the Community

9.1. Expansion by the Association.

The Association may subject additional property to the provisions of this Declaration by Recording a Supplemental Declaration describing the additional property. Any such Supplemental Declaration shall require the affirmative vote of Voting Members representing more than 50% of the votes of the Association represented at a meeting duly called for such purpose and the consent of the owner of the property. The Supplemental Declaration shall be signed by the President and Secretary of the Association and by the owner of the property.

9.2. Additional Covenants and Easements.

The Association may subject any portion of the Properties to additional covenants and easements, including covenants obligating the Association to maintain and insure such property and authorizing the Association to recover its costs through Neighborhood Assessments. Such additional covenants and easements may be set forth either in a Supplemental Declaration subjecting such property to this Declaration or in a separate Supplemental Declaration referencing property previously subjected to this Declaration. The consent of the Owner(s) of the subject Properties shall be necessary and shall be evidenced by their execution of the Supplemental Declaration. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property; provided, however, no Supplemental Declaration may modify any of the Declarant's rights under this Declaration.

No Person shall Record any declaration of covenants, conditions and restrictions, or declaration of condominium or similar instrument affecting any portion of the Properties without the Board's review and written consent on behalf of the Association, evidenced by Association president or vice-president's notarized signature on the Recorded covenant, condition, or restriction. Any attempted Recordation without such consent shall result in such instrument being void and of no force and effect unless subsequently approved by written consent signed and Recorded by the Board on behalf of the Association.

9.3. Effect of Filing Supplemental Declaration.

A Supplemental Declaration shall be effective upon Recording unless otherwise specified in such Supplemental Declaration. On the effective date of the Supplemental Declaration, any additional property subjected to this Declaration shall be assigned voting

rights in the Association and assessment liability in accordance with the provisions of this Declaration.

Article X Additional Rights Reserved to Declarant

10.1. Marketing and Sales Activities.

Declarant, its assignees, and Builders authorized by Declarant may construct and maintain upon portions of the Common Area such facilities and activities as, in Declarant's sole opinion, may be reasonably required, convenient, or incidental to the construction or sale of Units, including, but not limited to, business offices, signs, model units, and sales offices. Declarant and authorized Builders shall have easements for access to and use of such facilities at no charge. Declarant and its employees, agents, and designees shall have a right of access and use and an easement over and upon all roads, trails, and walkways within the Properties as Declarant may, in its sole discretion, deem appropriate for its marketing and sales activities.

10.2. Right to Transfer or Assign Declarant Rights.

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

10.3. Exclusive Rights To Use Name of Development.

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

10.4. Easement to Inspect and Right to Correct.

Declarant reserves for itself and others it may designate the right, but not the obligation, to inspect, monitor, test, redesign, and correct any structure, improvement, or condition which may exist on any portion of the Properties, including Units, and a perpetual nonexclusive easement of access throughout the Properties to the extent reasonably necessary to exercise such right. Except in an emergency, entry onto a Unit shall be only after reasonable notice to the Owner and no entry into a dwelling shall be permitted without the consent of the Owner. The Person exercising this easement shall promptly repair, at such Person's own expense, any damage resulting from such exercise.

10.5. Right to Notice of Design or Construction Claims.

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

10.6. Termination of Rights.

The rights contained in this Article shall not terminate until the earlier of (a) 40 years from the date this Declaration is Recorded, or (b) Recording by Declarant of a written statement that all sales activity has ceased.

PART FIVE: PROPERTY RIGHTS WITHIN THE COMMUNITY

Article XI Easements

11.1. Easements in Common Area.

Each Owner has a nonexclusive right and easement of use, access, and enjoyment in and to the Common Area, subject to:

- (a) The Governing Documents and any other applicable covenants;
- (b) Any restrictions or limitations contained in any deed conveying such property to the Association;
- (c) The Board's right to:
 - (i) adopt rules regulating use and enjoyment of the Common Area, including rules limiting the number of guests who may use the Common Area;
 - (ii) suspend the right of an Owner to use recreational facilities within the Common Area (A) for any period during which any charge against such Owner's Unit remains delinquent, and (B) for a reasonable time period for a single violation, or for a longer period in the case of any continuing violation, of the Governing Documents after notice and a hearing pursuant to the By-Laws;
 - (iii) dedicate or transfer all or any part of the Common Area, subject to such approval requirements as may be set forth in this Declaration;
 - (iv) impose reasonable membership requirements and charge reasonable admission or other use fees for the use of any recreational facility situated upon the Common Area;
 - (v) permit use of any recreational facilities situated on the Common Area by Persons other than Owners, their families, lessees, and guests upon

payment of use fees established by the Board and designate other areas and facilities within the Area of Common Responsibility as open for the use and enjoyment of the public;

(vi) mortgage, pledge, or hypothecate any or all of the Association's real or personal property as security for money borrowed or debts incurred; and

(d) The rights of certain Owners to the exclusive use of those portions of the Common Area designated "Limited Common Areas," as described in Article XII.

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

11.2. Easements of Encroachment.

Reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, have been established between each Unit and any adjacent Common Area, between adjacent Units, and between any Unit and the Golf Course due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

11.3. Easements for Utilities, Etc.

(a) Installation and Maintenance. The Association and all utility providers have perpetual non-exclusive easements throughout the Properties (but not through a structure) to the extent reasonably necessary for the purposes of:

(i) installing utilities and infrastructure to serve the Properties, cable and other systems for sending and receiving data and/or other electronic signals, security and similar systems, walkways, pathways and trails, drainage systems, street lights, and signage on public rights-of-way or on easements reserved for such purpose on Recorded plats;

(ii) inspecting, maintaining, repairing, and replacing the utilities, infrastructure, and other improvements described in Section 11.3(a)(i); and

(iii) access to read utility meters.

(b) Specific Easements. The Association reserves for itself the non-exclusive right and power to grant and Record such specific easements as may be necessary, in the sole discretion of the Board, in connection with the orderly development and use of any property described in Exhibits "A" and "B." The Owner of any property to be burdened by any easement granted pursuant to this subsection (b) shall be given written notice in advance of the grant. The location of the easement shall be subject to the written approval of the

Owner of the burdened property, which approval shall not unreasonably be withheld, delayed, or conditioned.

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

11.4. Easements for Maintenance, Emergency, and Enforcement.

The Association has easements over the Properties as necessary to enable the Association to fulfill its maintenance responsibilities under Section 7.2, including any easements over Units (but not through a dwelling) as may be necessary for maintenance of the Perimeter Fencing surrounding the Properties. The Association shall also have the right, but not the obligation, to enter upon any Unit for emergency, security, and safety reasons, to perform maintenance and to inspect for the purpose of ensuring compliance with and enforce the Governing Documents. Such right may be exercised by any member of the Board and its duly authorized agents and assignees, and all emergency personnel in the performance of their duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner.

11.5. Easements for Lake and Pond Maintenance and Flood Water.

The Association reserves for itself, and its successors, assigns, and designees, the nonexclusive right and easement, but not the obligation, to enter upon bodies of water and wetlands located within the Area of Common Responsibility to (a) install, operate, maintain, and replace pumps to supply irrigation water to the Area of Common Responsibility; (b) construct, maintain, and repair structures and equipment used for retaining water; and (c) maintain such areas in a manner consistent with the Community-Wide Standard. The Association, and its successors, assigns, and designees shall have an access easement over and across any of the Properties abutting or containing bodies of water or wetlands to the extent reasonably necessary to exercise their rights under this Section.

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

11.6. Easements for Golf Course.

Every Unit and the Common Area and the common property of any Neighborhood Condominium Association are burdened with an easement permitting golf balls, golf clubs, and parts thereof, unintentionally to come upon such areas, and for golfers at reasonable times and in a reasonable manner to come upon the Common Area, common property of a Neighborhood, or the exterior portions of a Unit to retrieve errant golf balls, golf clubs, and parts thereof; provided, however, if any Unit is fenced or walled, the golfer shall seek the Owner's permission before entry. The existence of this easement shall not relieve golfers of liability for damage caused by errant golf balls, golf clubs, and parts thereof. Under no circumstances shall any of the following Persons be held liable for any damage or injury resulting from errant golf balls, golf clubs, or parts thereof, or the exercise of this easement: Declarant; the Association or its Members (in their capacities as such); the Golf Course owner, its successors, successors-in-title to the Golf Course, or assigns; any builder or contractor (in their capacities as such); any officer, director or partner of any of the foregoing, or any officer or director of any partner.

The Golf Course owner, its agents, successors and assigns shall at all times have a right and non-exclusive easement of access and use over those portions of the Common Areas reasonably necessary to the operation, maintenance, repair and replacement of the Golf Course.

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

The Golf Course owner, and its successors and assigns, shall have a perpetual, exclusive easement of access over the Properties for the purpose of retrieving golf balls from bodies of water within the Common Areas lying reasonably within range of golf balls hit from the Golf Course.

Article XII Limited Common Areas

12.1. Purpose.

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

12.2. Designation.

Initially, any Limited Common Area shall be designated as such in the deed conveying such area to the Association, on the subdivision plat relating to such Common Area, or in the Supplemental Declaration for the Neighborhood. Thereafter, a portion of the Common Area may be assigned as Limited Common Area and Limited Common Area may be reassigned upon approval of the Board and the vote of Voting Members representing a majority of the total votes in the Association, including a majority of the votes within the Neighborhood(s) affected by the proposed assignment or reassignment.

12.3. Use by Others.

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

Article XIII Party Walls and Other Shared Structures

13.1. General Rules of Law to Apply.

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

13.2. Damage Due to Negligence. If a party structure is damaged through the negligence or willful acts or omissions of one Owner of an adjoining Lot, that Owner shall bear the whole cost of repairing such wall to the extent necessary to put it in a condition substantially the same as it was before such negligence or willful acts or omissions occurred.

13.3. Destruction by Fire and Other Casualty. If a party structure is destroyed or damaged by fire or other casualty, and such fire or casualty was not caused by the negligence or willful acts or omissions of an Owner of an adjoining Lot, then the Owners of the Lots shall restore the wall to its original condition, and the expense of the restoration to the extent not covered by insurance shall be shared equally by the Owners of the affected Lots.

13.4. Weatherproofing. Any Owner of a Lot who, by his negligent or willful acts or omissions, causes the party structure to be exposed to the elements, shall bear the whole cost of furnishing the necessary protection against such elements.

13.5. Changes to Party Walls. In addition to meeting the requirements for Association approval in Article IV of this Declaration, and of any building code or similar regulations or ordinances, any Owner proposing to modify, make additions to, or rebuild any structure on their Unit in any manner which requires the extension or other alteration of any party structure shall first obtain the written consent of the adjoining Owner.

13.6. Right to Contribution Runs with Land. Except as provided herein, the right of any Owner of a part of a party wall to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

PART SIX: RELATIONSHIPS WITHIN AND OUTSIDE THE COMMUNITY

Article XIV Dispute Resolution and Limitation on Litigation

14.1. Agreement to Encourage Resolution of Disputes Without Litigation.

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

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

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

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

(iii) the design or construction of improvements within the Properties, other than matters of aesthetic judgment under Article IV, which shall not be subject to review.

Notwithstanding the above, the following shall not be considered "Claims" unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in Section 14.2:

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

(ii) any suit by the Association to obtain equitable relief (e.g., temporary restraining order, injunction, or specific performance) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of Part Two of this Declaration (relating to creation and maintenance of community standards);

(iii) any suit between Owners, which does not include Declarant or the Associations as a party, if such suit asserts a cause of action independent of the Governing Documents;

(iv) any suit in which any indispensable party is not a Bound Party;
and

(v) any suit as to which any applicable statute of limitations would expire within 180 days of giving the Notice required by Section 14.2(a), unless the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period as may reasonably be necessary to comply with this Article.

14.2. Dispute Resolution Procedures.

(a) Notice. The Bound Party asserting a Claim ("Claimant") against another Bound Party ("Respondent") shall give written notice to each Respondent and to the Board, stating that the notice is being sent in accordance with this Section 14.2 of the Declaration, and setting forth plainly and concisely:

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

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

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

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

(b) Negotiation. The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation.

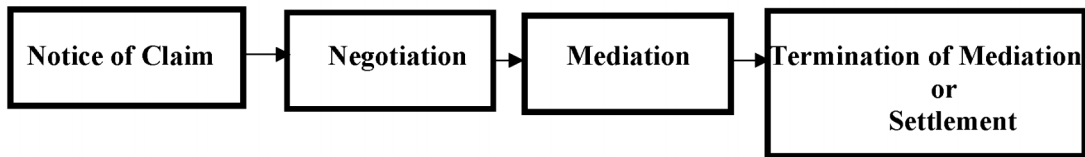
(c) Mediation. If the parties have not resolved the Claim through negotiation within 30 days of the date of the notice described in Section 14.2(a) (or within such other period as the parties may agree upon), the Claimant shall have 30 additional days to submit the Claim to mediation with an independent agency providing dispute resolution services in northern Arizona.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

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

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

Alternative Dispute Resolution Process



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

14.3. Initiation of Litigation by Association.

In addition to compliance with the foregoing alternative dispute resolution procedures, if applicable, the Association shall not initiate any judicial or administrative proceeding unless first approved by a vote of Voting Members entitled to cast 75% of the total votes in the Association, except that no such approval shall be required for actions or proceedings:

- (a) initiated to enforce the provisions of this Declaration, including collection of assessments, foreclosure of liens, use restrictions, and maintenance standards;
- (b) initiated to challenge ad valorem taxation or condemnation proceedings;
- (c) initiated against any contractor, vendor, or supplier of goods or services arising out of a contract for services or supplies; or
- (d) to defend claims filed against the Association or to assert counterclaims in proceedings instituted against it.

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

Article XV Private Amenities

15.1. Prescott Lakes Athletic Club.

(a) Membership. Every Owner shall be extended a membership in the Prescott Lakes Athletic Club ("Athletic Club"). The terms of, and rights afforded by, membership in the Athletic Club are subject to the Membership Plan for Prescott Lakes Athletic Club ("Membership Plan") including, without limitation, provisions regarding access and use rights to use the Golf Course for specified members of the Athletic Club, suspension

and expulsion from the Athletic Club, payment of membership initiation fees, dues, and other fees, and the Athletic Club's rules and policies. Other than the rights afforded by the membership in the Athletic Club, no additional rights or privileges are afforded any Owner by virtue of owning a Unit in Prescott Lakes.

By virtue of taking title to a Unit, each Owner agrees, on behalf of itself, its heirs, personal representatives, and successors-in-title to the Unit, to pay initiation fees (permitted by A.R.S. § 33-442(C)(6), as amended from time to time) and periodic dues to the Athletic Club regardless of such Owner's use or nonuse of the Athletic Club's facilities and to comply with the terms of the Membership Plan as long as such Owner owns property in Prescott Lakes. Each Owner's membership in the Athletic Club shall be effective immediately upon taking title to a Unit and shall continue so long as such Owner owns real property in Prescott Lakes, subject to all of the provisions of the Membership Plan. The right of any Person who is not an Owner to membership in the Athletic Club shall be subject to the requirements imposed by the Athletic Club's owner or operator. No such rights are granted to non-Owners through this Section.

No Owner or any other Person, by virtue of membership in the Athletic Club, acquires any ownership interest, beneficial interest, or other vested interest whatsoever in the Athletic Club, but only the privilege of using and enjoying the Athletic Club's facilities in accordance with the Membership Plan and any rules for the Athletic Club, which are subject to change from time to time.

Each Owner is obligated to pay initiation fees and periodic dues to the Athletic Club in such amount determined in accordance with the Membership Plan. The obligation to pay initiation fees and dues to the Athletic Club and the benefits of membership in the Athletic Club shall run with the title to the Unit and shall be binding on all subsequent owners of the Unit. In the event an Owner is 90 or more days delinquent in Athletic Club initiation fees or dues, upon written notification from the Athletic Club, the Association shall levy all such amounts owed by such Owner against the Owner as a Specific Assessment in accordance with Section 8.5, and pursue its collection remedies for such amounts in accordance with its established collection policy. Upon collection of any such amounts from Owner, the Association shall provide said amounts to the Athletic Club within 30 days of receipt (less any costs of collection). If the Athletic Club wishes to pursue collection of such amounts in a manner that is more aggressive than the manner taken by the Association, the Athletic Club may fund the collection fees associated with such action, and the Association shall cooperate with the Athletic Club in such collections efforts.

Notwithstanding the foregoing, no initiation fee to the Athletic Club will be due or payable upon any involuntary transfer of a Unit to a foreclosing lender or a lender's governmental guarantor via foreclosure sale, trustee's sale, deed in lieu of foreclosure or similar mechanism. Any other purchaser at a foreclosure or trustee's sale for value is not exempt and must pay the initiation fee to the Athletic Club in the same manner as any other new Owner. The Association's Board of Directors are hereby granted the authority to amend this paragraph with respect to the payment of initiation fees and/or periodic dues to the Athletic Club as necessary to satisfy the requirements of any governmental agency or guarantor relating to mortgages, reverse mortgages, or other residential real estate transaction.

(b) Conveyance of Athletic Club Facilities. The Athletic Club's owner, in its sole and absolute discretion, may, but shall not be obligated to, convey to the Association

the facilities of the Athletic Club, subject to such terms as the Athletic Club's owner may determine. In the event of such conveyance, the Association shall accept the facilities of the Athletic Club, and all Owners are required to pay initiation fees and dues to the Association, as set forth herein and in the Membership Plan, as if the Association were the Athletic Club. Additionally, the Association shall have the right to immediately charge any amounts due by the Owners under this Declaration and the terms of the Membership Plan for Athletic Club membership, as a Specific Assessment in accordance with Section 8.5, and pursue its collection remedies for such amounts.

(c) Rights of Access and Parking. There is hereby established for the benefit of the Athletic Club and its members (regardless of whether such members are Owners hereunder), guests, invitees, employees, agents, contractors, and designees, a right and nonexclusive easement of access and use over all roadways located within the Properties reasonably necessary to travel between an entrance to the Properties and the Athletic Club and over those portions of the Properties (whether Common Area or otherwise) reasonably necessary to the operation, maintenance, repair, and replacement of the Athletic Club.

(d) Limitations on Amendments. In recognition of the fact that the provisions of this Section are for the benefit of the Athletic Club, no amendment to this Section, and no amendment in derogation of any other provisions of this declaration benefiting the Athletic Club, may be made without the written approval of the Athletic Club owner. The foregoing shall not apply, however, to amendments made by Declarant.

15.2. Golf Course.

(a) Right to Use the Golf Course. Neither membership in the Association nor ownership or occupancy of a Unit shall automatically confer any right to use the Golf Course except for those rights set forth in the Membership Plan. Rights to use the Golf Course will be granted only to such Persons, and on such terms and conditions, as may be determined from time to time by the owner of the Golf Course. The owner of the Golf Course shall have the right, from time to time in its sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of the Golf Course, including, without limitation, eligibility for and duration of use rights, categories of use and extent of use privileges, and number of users, and shall also have the right to reserve use rights and to terminate use rights altogether, subject to the terms and conditions set forth in the Membership Plan and in any other written membership agreements or documents.

(b) View Impairment. Neither Declarant, the Association, nor the owner or operator of the Golf Course guarantees or represents that any view over and across the Golf Course from Units adjacent to the Golf Course will be preserved without impairment. The owner of the Golf Course shall have no obligation to prune or thin trees or other landscaping, and shall have the right, in its sole and absolute discretion, to add trees and other landscaping to the Golf Course from time to time. In addition, the owner of the Golf Course may, in its sole and absolute discretion, change the location, configuration, size, and elevation of the tees, bunkers, fairways, and greens from time to time. Any such additions or changes may diminish or obstruct any view from the Units and any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

(c) Rights of Access and Parking. There is hereby established for the benefit of the Golf Course and its members (regardless of whether such members are Owners

hereunder), guests, invitees, employees, agents, contractors, and designees, a right and nonexclusive easement of access and use over all roadways located within the Properties reasonably necessary to travel between an entrance to the Properties and the Golf Course and over those portions of the Properties (whether Common Area or otherwise) reasonably necessary to the operation, maintenance, repair, and replacement of the Golf Course. Without limiting the generality of the foregoing, members of the Golf Course and guests and invitees of the Golf Course shall have the right to park their vehicles on the roadways located within the Properties at reasonable times before, during, and after tournaments and other similar functions held by or at the Golf Course to the extent that the Golf Course has insufficient parking to accommodate such vehicles.

(d) Assumption of Risk and Indemnification. Each Owner, by its purchase of a parcel or Unit in the vicinity of the Golf Course, acknowledges the inherent dangers associated with living in proximity to the Golf Course and hereby expressly assumes the risk of personal injury, property damage, or other loss caused by maintenance, operation, and general use of the Golf Course, including, without limitation: (i) noise from maintenance equipment (it being specifically understood that such maintenance typically takes place around or before sunrise or after sunset); (ii) noise caused by golfers; (iii) use of pesticides, herbicides, and fertilizers; (iv) view restrictions caused by maturation of trees and shrubbery; (v) use of effluent in the irrigation of the Golf Course; (vi) reduction in privacy caused by constant golf traffic on the Golf Course or the removal or pruning of shrubbery or trees on the Golf Course; (vii) errant golf balls and golf clubs and parts thereof; and (viii) design of the Golf Course.

Each such Owner agrees that neither Declarant; any successor Declarant; any Builder; the Association; the owner(s) of the Golf Course or their successors, successors-in-title, or assigns; any entity managing the Golf Course, any officer, director or partner of any of the foregoing, or any officer or director of any partner; or any organizer or sponsor of any tournament or special event (collectively, for purposes of this Subsection (d), the "Released Parties") shall be liable to any Owner claiming any loss, injury, or damage based upon, due to, arising from, directly or indirectly, or otherwise related to the proximity of such Owner's Unit to the Golf course, the management of the Golf Course, or the exercise of the easement rights set forth in this Section, even if such loss, damage, or injury is caused in whole or in part by the negligence of any of the Released Parties. Each Owner hereby agrees to indemnify, defend, and hold harmless the Released Parties from and against any and all such claims as set forth in the preceding sentence by Owner or Owner's lessees, licensees, invitees, and employees with respect to tenants such Owner's Unit for injury, loss, or damage, whether known or unknown, foreseen, or unforeseen, arising from or resulting from, directly or indirectly, acts or omissions of the Released Parties, even if caused in whole or in part by the negligence of the Released Parties. **THE FOREGOING RELEASE AND INDEMNITY IS INTENDED TO RELEASE AND INDEMNIFY THE RELEASED PARTIES FROM AND AGAINST THEIR OWN NEGLIGENCE.**

(e) Limitations on Amendments. In recognition of the fact that the provisions of this Section are for the benefit of the Golf Course, no amendment to this Section, and no amendment in derogation of any other provisions of this Declaration benefiting the Golf Course, may be made without the written approval of the Golf Course owner. The foregoing shall not apply, however, to amendments made by Declarant.

(f) Jurisdiction and Cooperation. It is Declarant's intention that the Association and the Golf Course shall cooperate to the maximum extent possible in the operation of the Properties and the Golf Course. Each shall reasonably assist the other in upholding the Community-Wide Standard as it pertains to maintenance and the Architectural Guidelines. The Association shall have no power to promulgate restrictions or rules other than those set forth in Exhibit "C" of the Original Declaration affecting activities on or use of the Golf Course without the prior written consent of the Golf Course owner.

Article XVI Mortgage Provisions

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

16.1. Amendments to Documents.

The following provisions do not apply to amendments to the constituent documents or termination of the Association as a result of destruction, damage, or condemnation, or to the addition of land in accordance with Article IX.

(a) The consent of Voting Members representing at least 67% of the votes and of Declarant, so long as it owns any land subject to this Declaration, shall be required to terminate the Association.

(b) The consent of Voting Members representing at least 67% of the votes and of Declarant, so long as it owns any land subject to this Declaration, shall be required materially to amend any provisions of the Declaration, By-Laws, or Articles of Incorporation, or to add any material provisions thereto which establish, provide for, govern, or regulate any of the following:

- (i) voting;
- (ii) assessments, assessment liens, or subordination of such liens;
- (iii) reserves for maintenance, repair, and replacement of the
Common Area;
- (iv) insurance or fidelity bonds;
- (v) rights to use the Common Area;
- (vi) responsibility for maintenance and repair of the Properties;
- (vii) expansion or contraction of the Properties or the addition,
annexation, or withdrawal of Properties to or from the Association;
- (viii) boundaries of any Unit;
- (ix) leasing of Units;

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

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

16.2. No Priority.

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

16.3. Notice to Association.

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

16.4. Failure of Mortgagee to Respond.

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

16.5. Construction of Article XVI.

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

PART SEVEN: CHANGES IN THE COMMUNITY

Article XVII Changes in Ownership of Units

Any Owner intending to sell or otherwise transfer title to his or her Unit shall give the Board written notice at least fourteen (14) days prior to the pending sale or transfer. The written notice shall include the name and address of the purchaser or transferee, the intended date of such transfer of title, and such other information as the Board may reasonably require to comply with the Act's notice and statement requirements. The Association may charge the Owner a reasonable fee to pay for the costs incurred in preparing the statement pursuant to the Act.

Article XVIII Changes in Common Area

18.1. Condemnation.

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

If the taking or conveyance involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent available, unless, within 60 days after such taking, Voting Members representing at least 75% of the total vote of the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board. The provisions of Section 7.3(c) regarding funds for restoring improvements shall apply.

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

18.2. Partition.

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

18.3. Transfer or Dedication of Common Area.

The Association may dedicate portions of the Common Area to Yavapai County, Arizona, the City of Prescott, or to any other local, state, or federal governmental or quasi-governmental entity.

Article XIX Amendment of Declaration and Supplemental Declarations

19.1. Declaration Amendments by the Board.

The Board may unilaterally amend this Declaration if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Units; (c) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee mortgage loans on the Units; or (d) to satisfy the requirements

of any local, state or federal governmental agency. In addition, the Board may unilaterally amend provisions of this Declaration regarding rights of the Declarant. However, any such amendment by the Board shall not adversely affect the title to any Unit unless the Owner shall consent in writing.

19.2. Declaration Amendments by Members.

Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Voting Members representing 75% of the total votes in the Association. In addition, the approval requirements set forth in Article XVI shall be met, if applicable. Notwithstanding the foregoing, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. If an Owner consents to any amendment to this Declaration or the By-Laws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

19.3. Amendments to Supplemental Declarations.

A Supplemental Declaration may be amended with the approval of the Board, the approval of the number of Owners or Members provided in the Supplemental Declaration, and with the approval or consent of any third parties as may be required in the Supplemental Declaration. Neither Recordation nor amendment of such Supplemental Declaration shall constitute an amendment to this Declaration, and no consent or approval of any Person shall be required except as stated in this paragraph.

19.4. Amendments to Declarant's Rights.

No amendment may remove, revoke, or modify any right or privilege of Declarant without Declarant's written consent (or the assignee of such right or privilege).

19.5. Validity and Effective Date.

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

19.6. Exhibits.

Exhibits "A" and "B" attached to this Declaration are incorporated by this reference and amendment of such exhibits shall be governed by this Article. All other exhibits are attached for informational purposes and may be amended as provided therein or in the provisions of this Declaration which refer to such exhibits.

[SIGNATURES BEGIN ON NEXT PAGE]

ACKNOWLEDGEMENT

The Board of Directors of the Association certifies that this Amended and Restated Declaration was approved Voting Members representing at least seventy-five percent (75%) of the total Class "A" votes in the Association, as required by the Original Declaration.

PRESCOTT LAKES COMMUNITY ASSOCIATION, INC.,
an Arizona non-profit corporation

By: [Signature]

STATE OF ARIZONA)
) ss.
County of Chavapai)

The foregoing instrument was acknowledged before me this 2nd day of July, 2021, by Robert Whaley, whose identity was proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to this document, and who acknowledged that he/she signed this document.

Notary Public

Notary Seal:

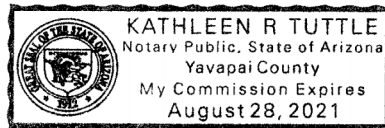


EXHIBIT "A"
LEGAL DESCRIPTION
PRESCOTT LAKES
SUBDIVIDED PROPERTY

Lots 1-118, both inclusive, and Tracts A-G, both inclusive, Falcon Point at Prescott Lakes, recorded in Book 59 Page 5 of the office of the Yavapai County, Arizona Recorder, as modified by the Affidavit of Scriveners Error recorded at Instrument No. 2014-0028354 of the office of the Yavapai County, Arizona Recorder.

Lots 136-201, both inclusive, and Tracts H, I, J, and K, Brookside at Prescott Lakes, recorded in Book 54 Page 34 of the office of the Yavapai County, Arizona Recorder.

Lots 1-9, both inclusive, and Tract A, Pinnacle at Prescott Lakes Unit 2 Phase 1 Replat #1, recorded in Book 58 Page 27 of the office of the Yavapai County, Arizona Recorder, as modified by the Affidavit of Scriveners Error recorded in Book 4451, Page 617 of the office of the Yavapai County, Arizona Recorder.

Lots 1-11, both inclusive, Lot 13, Lot 20, Lot 21, Lots 26-49, both inclusive, Lot 54-80, both inclusive, Lots 87-93, both inclusive, Lot 98, Lot 99, Lot 104-108, both inclusive, and Tracts A-N, both inclusive, Pines at Prescott Lakes Phase 1, recorded in Book 39 Page 53 of the office of the Yavapai County, Arizona Recorder.

Lots 12, Lots 14-19, both inclusive, Lots 22-25, both inclusive, and Lot 50, A Replat of The Pines at Prescott Lakes Phase 1, recorded in Book 41, Page 65 of the office of the Yavapai County, Arizona Recorder.

Lots 51R-53R, both inclusive, Lots 81R-86R, both inclusive, Lot 94R-97R, both inclusive, and Lots 100R-103R, both inclusive, Pines at Prescott Lakes Phase 1 Replat #2 Lots 51-53, 81-86, 94-97 & 100-103, recorded in Book 42 Page 44, of the office of the Yavapai County, Arizona Recorder.

Lots 109-181, both inclusive, and Tracts A, E, O, P, and Q, Pines at Prescott Lakes Phases 2 & 3, recorded in Book 45 Page 5 of the office of the Yavapai County, Arizona Recorder.

Lots 182-216, both inclusive, and Tracts A, E, K, and R, Pines at Prescott Lakes Phase 4, recorded in Book 45 Page 8 of the office of the Yavapai County, Arizona Recorder.

Lots 1-37, both inclusive, Lots 42-46, both inclusive, Lots 51-77, both inclusive, and Tracts A-J, both inclusive, Creekside at Prescott Lakes Book, recorded in 47 Page 69 of the office of the Yavapai County, Arizona Recorder.

Lots 38-41, both inclusive, Replat of Lots 38, 39, 40, and 41, Creekside at Prescott Lakes, recorded in Book 51 Page 52 of the office of the Yavapai County, Arizona Recorder.

Lots 48-50, both inclusive, The First Replat of Lots 47, 48, 49 and 50, Creekside at Prescott Lakes, recorded in Book 57 Page 62 of the office of the Yavapai County, Arizona Recorder.

Lots 1-118, both inclusive, Lots 120-166, both inclusive, and Tracts A-H, both inclusive, and Tracts J-P, both inclusive, Estates Unit 1 at Prescott Lakes recorded in Book 38 Page 18 of the office of the Yavapai County, Arizona Recorder.

Tract I of the Estates Unit 1 at Prescott Lakes recorded in Book 38 Page 18 of the office of the Yavapai County, Arizona Recorder, as amended by the plat for Creekside at Prescott Lakes Book, recorded in 47 Page 69 of the office of the Yavapai County, Arizona Recorder, and as further amended by the plat for Willow Park Estates at Prescott Lakes, recorded in Book 48 Page 21 of the office of the Yavapai County, Arizona Recorder.

Lot 119, First Replat of The Estates Unit 1 at Prescott Lakes Lot 119, recorded at Instrument No. #2015-0015009 of the office of the Yavapai County, Arizona Recorder.

Lots 1-35, both inclusive, and Tracts A-D, both inclusive, Lakeside Phase 1A at Prescott Lakes, recorded in Book 51 Page 58 of the office of the Yavapai County, Arizona Recorder.

Lots 36-135, both inclusive, Tracts C, E, F, and G, Lakeside Phase 1B at Prescott Lakes, recorded in Book 53 Page 1 of the office of the Yavapai County, Arizona Recorder.

Certificate of Correction To the Final Plat of the subdivision entitled "Lakeside Phase 1B at Prescott Lakes", recorded at Reception No. 3855182, in Book 4262, Page 143 of the office of the Yavapai County, Arizona Recorder.

Certificate of Correction To the Final Plat of the subdivision entitled "Lakeside Phase 1B at Prescott Lakes", recorded at Reception No. 3859440, in Book 4265, Page 677 of the office of the Yavapai County, Arizona Recorder.

Lots 1-101, both inclusive, and Tracts A-D, both inclusive, Dells at Prescott Lakes, recorded in Book 39 Page 79 of the office of the Yavapai County, Arizona Recorder.

Lots 202-294, both inclusive, Lot 390, Lot 391, and Tracts L1, L2, M, N, and O, Pinnacle 3 at Prescott Lakes, recorded in Book 56 Page 17 of the office of the Yavapai County, Arizona Recorder.

Pinnacle 3 at Prescott Lakes Replat Trail Easement, recorded in Book 62 Page 7 of the office of the Yavapai County, Arizona Recorder.

Lots 295-389, both inclusive, and Tracts P-Y, both inclusive, Pinnacle 4 at Prescott Lakes, recorded in Book 57 Page 35 of the office of the Yavapai County, Arizona Recorder.

Lots 1-27, both inclusive, and Tracts A and B, First Replat of Canyon Meadows Estates, recorded in Book 64 Page 29 of the office of the Yavapai County, Arizona Recorder.

Lots 1-18, both inclusive, and Tracts D1, D2, E, F, and G, Solstice Ridge at Prescott Lakes (Replat of Lots 1-18 And Tracts A, D, E, F & G), recorded in Book 64 Page 32 of the office of the Yavapai County, Arizona Recorder.

Lots 1-71, both inclusive, and Tracts A, B, and C, a Replat of Stoney Creek at Prescott Lakes Unit 1, recorded in Book 34 Pages 99-101 of the office of the Yavapai County, Arizona Recorder.

Lot 72, a Replat of Lot 72 of "A Replat of Stoney Creek at Prescott Lakes Unit 1", recorded in Book 39 Page 84 of the office of the Yavapai County, Arizona Recorder.

Lots 74-94, both inclusive, and Tract A, Stoney Creek at Prescott Lakes Unit II Phases 1 & 2, recorded in Book 38 Page 11 of the office of the Yavapai County, Arizona Recorder.

Lots 1-63, both inclusive, and Tracts A-B, both inclusive, The Summit Unit 1, recorded in Book 34 Page 18 and 19 of the office of the Yavapai County, Arizona Recorder.

Tract C, The Summit Unit 1, recorded in Book 34 Page 18 and 19 of the office of the Yavapai County, Arizona Recorder, as amended by the plat of The Summit Unit III, recorded in Book 41 Page 82 of the office of the Yavapai County, Arizona Recorder.

Tract D, The Summit Unit 1, recorded in Book 34 Page 18 and 19 of the office of the Yavapai County, Arizona Recorder, as amended by the Final Plat of The Pinnacle at Prescott Lakes, Unit 1, Phase 1 and a Re-Plat of Portion of Tract "D" of The Summit Unit I, recorded in Book 34 Page 87 of the office of the Yavapai County, Arizona Recorder, as amended by the plat of The Summit Unit II, recorded in Book 39 Page 82 of the office of the Yavapai County, Arizona Recorder, as amended by the plat of The Summit Unit III, recorded in Book 41 Page 82 of the office of the Yavapai County, Arizona Recorder.

Lots 64-106, both inclusive, The Summit Unit II, recorded in Book 39 Page 82 of the office of the Yavapai County, Arizona Recorder.

Tract A, The Summit Unit II, recorded in Book 39 Page 82 of the office of the Yavapai County, Arizona Recorder, as amended by the plat of The Summit Unit III, recorded in Book 41 Page 82 of the office of the Yavapai County, Arizona Recorder.

Lots 1-5, both inclusive, Lots 7-90, both inclusive, and Tract A, The Summit Unit III, recorded in Book 41 Page 82 of the office of the Yavapai County, Arizona Recorder.

Lot 6, a Replat of The Summit Unit III, Lot 6, recorded in Book 54 Page 91 of the office of the Yavapai County, Arizona Recorder.

Lots 1, 2, and 3, The Pinnacle at Prescott Lakes Unit 1, Phase 1 and a Re-Plat of Portion of Tract "D" of The Summit Unit I, recorded in Book 34 Page 87 of the office of the Yavapai County, Arizona Recorder.

Units 101-120, both inclusive, and Units 201-220, both inclusive, and all Common Elements, The Villages at Prescott Lakes Condominiums, recorded in Book 42 Page 45 of the office of the Yavapai County, Arizona Recorder.

Lots 1-32, both inclusive, Lots 36-46, both inclusive, Tracts A-E, both inclusive, and Tracts G-K, both inclusive, Willow Park Estates at Prescott Lakes, recorded in Book 48 Page 21 of the office of the Yavapai County, Arizona Recorder.

Lot 35 and Tract L, First Replat of Lot 35 and Tract L Willow Park Estates at Prescott Lakes, recorded in Book 50, Page 86 of the office of the Yavapai County, Arizona Recorder.

Lot 33, Lot 34, Tract F, and Tract M, of the First Replat of Lots 33-34 & Tract F, Willow Park Estates at Prescott Lakes, recorded in Book 54 Page 3 of the office of the Yavapai County, Arizona Recorder.

EXHIBIT "A"
LEGAL DESCRIPTION
PRESCOTT LAKES
RESIDENTIAL

That portion of Sections 14, 15, 22, and 23 (as shown on the "Results of Survey" recorded in Book 43 of Land surveys, Pages 3-9 on file in the office of the Yavapai County Recorder), located in Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

Commencing at a found $\frac{3}{4}$ " pipe at the East quarter corner of said Section 14;

Thence, South $85^{\circ}08'28''$ West, along the East-West mid-section line as shown on said Results of Survey, 1291.03 feet to the TRUE POINT OF BEGINNING;

Thence, South $00^{\circ}54'07''$ West, 851.06 feet;

Thence, South $89^{\circ}05'55''$ East, 485.62 feet to a point on the Westerly right-of-way of Prescott Lakes Parkway as shown on the Map of Dedication of Prescott Lakes Parkway recorded in Book 37 of Maps and Plats, Pages 11-12 on file in the office of the Yavapai County Recorder;

Thence, South $01^{\circ}07'53''$ West, 156.79 feet to the beginning of a tangent curve of 25.00 foot radius, concave Northwesterly;

Thence, Southwesterly, along said curve, through a central angle of $90^{\circ}00'00''$, a distance of 39.27 feet;

Thence, North $88^{\circ}52'07''$ West, 22.00 feet;

Thence, South $01^{\circ}07'53''$ West, 50.00 feet;

Thence, South $88^{\circ}52'07''$ East, 22.00 feet to the beginning of a tangent curve of 25.00 foot radius, concave Southwesterly;

Thence, Southeasterly, along said curve, through a central angle of $90^{\circ}00'00''$, a distance of 39.27 feet;

Thence, South $01^{\circ}07'53''$ West, 304.13 feet to the beginning of a tangent curve of 447.00 foot radius, concave Northwesterly;

Thence, Southwesterly, along said curve, through a central angle of $44^{\circ}18'55''$, a distance of 345.73 feet;

Thence, South $45^{\circ}26'48''$ West, 151.54 feet to the beginning of a tangent curve of 753.00 foot radius, concave Southeasterly;

Thence, Southwesterly, along said curve, through a central angle of $52^{\circ}19'32''$, a distance of 687.68 feet;

Thence, South $06^{\circ}52'44''$ East, 160.90 feet to the beginning of a tangent curve of 70.00 foot radius, concave Northwesterly;

Thence, Southwesterly, along said curve, through a central angle of $98^{\circ}26'45''$, a distance of 120.27 feet;

Thence, South $01^{\circ}34'01''$ West, 80.00 feet to the beginning of a 440.00 foot radius non-tangent curve, whose center bears North $01^{\circ}34'01''$ East;

Thence, Easterly, along said curve, through a central angle of $07^{\circ}00'19''$, a distance of 53.80 feet to the beginning of a tangent reverse curve of 70.00 foot radius, concave Southwesterly;

Thence, Southeasterly, along said curve, through a central angle of $70^{\circ}46'30''$, a distance of 86.47 feet to the beginning of a tangent reverse curve of 553.00 foot radius, concave Northeasterly;

Thence, Southeasterly, along said curve, through a central angle of $10^{\circ}52'35''$, a distance of 104.98 feet to the beginning of a tangent reverse curve of 447.00 foot radius, concave Westerly;

Thence, Southerly, along said curve, through a central angle of $73^{\circ}52'32''$, a distance of 576.35 feet to the beginning of a tangent reverse curve of 853.00 foot radius, concave Southeasterly;

Thence, Southwesterly, along said curve, through a central angle of $06^{\circ}01'42''$, a distance of 89.75 feet to the most Southerly corner of Tract "H" as shown on the "Survey Exhibit of PRESCOTT LAKES GOLF COURSE, PRESCOTT LAKES PARKWAY and SMOKE TREE LANE" recorded in Book 37 of Maps and Plats, Page 10, on file in the office of the Yavapai County Recorder;

Thence, North $48^{\circ}32'30''$ West, along the South line of said Tract "H", 554.29 feet;

Thence, South $45^{\circ}10'48''$ West, 400.29 feet;

Thence, South $54^{\circ}58'57''$ West, 161.23 feet;

Thence, South $04^{\circ}48'43''$ West, 146.02 feet;

Thence, South $25^{\circ}45'22''$ West, 266.02 feet;

Thence, South $45^{\circ}02'35''$ East, 163.23 feet;

Thence, South $25^{\circ}23'48''$ East, 118.44 feet to an angle point on the North right-of-way of the proposed "Blooming Hills Road";

Thence, South $02^{\circ}50'59''$ East, 90.00 feet to a point on the South right-of-way of said proposed "Blooming Hills Road", said point also being the beginning of a 460.00 foot radius non-tangent curve, whose center bears South $02^{\circ}50'59''$ East;

Thence, Southwesterly, along said curve, through a central angle of $59^{\circ}45'23''$, a distance of 479.76 feet to the beginning of a tangent reverse curve of 540.00 foot radius, concave Northwesterly;

Thence, Southwesterly, along said curve, through a central angle of $40^{\circ}52'26''$, a distance of 385.23 feet to the beginning of a tangent reverse curve of 25.00 foot radius, concave Southeasterly;

Thence, Southwesterly, along said curve, through a central angle of $69^{\circ}44'56''$, a distance of 30.43 feet;

Thence, South $01^{\circ}28'53''$ East, 4.40 feet to a point on the South line of Parcel 55 as shown on the "Results of Survey" recorded in Book 43 of Land surveys, Pages 3-9 on file in the office of the Yavapai County Recorder, (all remaining courses follow the boundary of PRESCOTT LAKES as shown on said "Results of Survey");

Thence, South $82^{\circ}11'59''$ West, 1180.29 feet to a found rebar with cap #16558;

Thence, North $89^{\circ}59'11''$ West, 646.82 feet;

Thence, South $01^{\circ}29'09''$ East, 801.47 feet to a point on the East-West mid-section line of said Section 23;

Thence, South $81^{\circ}29'14''$ West, along said East-West mid-section line, 651.51 feet to a found 1" pipe with cap #12005 at the quarter corner common to said Sections 22 and 23;

Thence, North $88^{\circ}12'04''$ West, along the East-West mid-section line of said Section 22, a distance of 2631.53 feet to a found rebar;

Thence, North $88^{\circ}12'08''$ West, along said East-West mid-section line, 1362.45 feet;

Thence, North $00^{\circ}59'48''$ West, 1364.58 feet to a found rebar with tag #5362 at the Southwest corner of "A replat of Stoney Creek at Prescott Lakes Unit I" recorded in Book 34 of Maps and Plats, Pages 99-101, on file in the office of the Yavapai County Recorder;

Thence, North $00^{\circ}58'56''$ West, 1364.54 feet to a found rebar at the Northwest corner of said "A replat of Stoney Creek at Prescott Lakes Unit I";

Thence, North $89^{\circ}13'10''$ East, 1324.50 feet to a found 5/8" rebar;

Thence, North $89^{\circ}44'55''$ East, 648.65 feet;

Thence, North 01°57'23" East, 461.40 feet;
Thence, North 89°33'48" East, 225.07 feet to a found rebar with cap #16921;
Thence, North 01°57'26" East, 186.62 feet to a found rebar with cap #16921;
Thence, North 89°48'31" East, 424.21 feet;
Thence, North 00°00'21" West, 10.71 feet to a found rebar with cap #13941;
Thence, North 00°00'16" West, 658.59 feet;
Thence, North 00°00'19" West, 2.77 feet;
Thence, North 89°57'44" West, 626.14 feet;
Thence, North 01°57'23" East, 267.95 feet;
Thence, North 88°52'22" West, 196.59 feet;
Thence, North 85°58'45" West, 390.87 feet;
Thence, North 01°34'25" West, 260.90 feet;
Thence, North 11°39'29" East, 241.65 feet;
Thence, North 22°03'34" East, 143.96 feet;
Thence, North 17°55'00" East, 161.61 feet;
Thence, North 10°40'42" East, 162.34 feet;
Thence, North 07°33'26" East, 363.20 feet;
Thence, North 27°45'06" East, 186.41 feet;
Thence, North 38°51'13" East, 83.00 feet;
Thence, North 34°44'00" East, 130.21 feet;
Thence, North 26°11'34" East, 130.20 feet;
Thence, North 17°46'03" East, 154.00 feet;
Thence, North 08°40'41" East, 90.39 feet to a found rebar;

Thence, North $30^{\circ}15'48''$ East, 99.96 feet to a found rebar with cap #12734;

Thence, North $04^{\circ}42'19''$ West, 200.83 feet to a found rebar with cap #12734;

Thence, North $89^{\circ}29'09''$ East, 276.27 feet;

Thence, North $23^{\circ}53'46''$ East, 220.03 feet;

Thence, North $89^{\circ}28'31''$ East, 89.75 feet to the beginning of a tangent curve of 275.00 foot radius, concave Northwesterly;

Thence, Northeasterly, along said curve, through a central angle of $39^{\circ}50'13''$, a distance of 191.20 feet;

Thence, North $49^{\circ}38'18''$ East, 234.18 feet to the beginning of a tangent curve of 225.00 foot radius, concave Southeasterly;

Thence, Northeasterly, along said curve, through a central angle of $19^{\circ}48'32''$, a distance of 77.79 feet;

Thence, South $15^{\circ}21'32''$ East, 176.89 feet to the beginning of a tangent curve of 225.00 foot radius, concave Northeasterly;

Thence, Southeasterly, along said curve, through a central angle of $08^{\circ}04'49''$, a distance of 31.73 feet;

Thence, South $23^{\circ}26'21''$ East, 273.55 feet to a found rebar with cap #13941;

Thence South $00^{\circ}05'42''$ West, 1324.45 feet;

Thence, North $89^{\circ}20'20''$ East, 1347.86 feet;

Thence, South $00^{\circ}00'19''$ East, 0.61 feet to a point on the East-West mid-Section line of said Section 15;

Thence, North $89^{\circ}25'57''$ East, along said East-West mid-section line, 1331.09 feet to a found rebar with tag #5362 at the quarter corner common to said Sections 14 and 15;

Thence, North $00^{\circ}38'02''$ West, along the section line common to said Sections 14 and 15, a distance of 662.43 feet to a found rebar;

Thence, North $86^{\circ}53'05''$ East, 1307.86 feet;

Thence, South $00^{\circ}04'22''$ East, 646.19 feet to a point on the East-West mid-section line of said Section 14;

Thence, North 86°09'26" East, along said East-West mid-section line, 1302.35 feet to a found 1" drill steel at the center corner of said Section 14;

Thence, North 85°08'28" East, along said East-West mid-section line, 1320.90 feet to the TRUE POINT OF BEGINNING.

EXCEPTING THEREFROM Tracts "A", "B", "C", "D", "E", "F", "H", "I", "J" and "K" as shown on the "Survey Exhibit of PRESCOTT LAKES GOLF COURSE, PRESCOTT LAKES PARKWAY and SMOKE TREE LANE" recorded in Book 37 of Maps and Plats, Page 10, on file in the office of the Yavapai County Recorder;

EXCEPTING THEREFROM "SMOKE TREE LANE" as shown on the "MAP OF DEDICATION SMOKE TREE LANE" recorded in Book 37 of Maps and Plats, Pages 13-14, on file in the office of the Yavapai County Recorder;

EXCEPTING THEREFROM that portion of the Northeast quarter of Section 22 and that portion of the Northwest quarter of Section 23, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

Commencing at a found 1" pipe with cap #12005 at the quarter corner common to said Sections 22 and 23 (as shown on the "Results of Survey", recorded in Book 43 of Land Surveys, Pages 3-9, on file in the office of the Yavapai County Recorder);

Thence, North 88°12'04" West, along the East-West mid-section line of said Section 22, a distance of 888.20 feet;

Thence, North 13°43'37" West, 236.36 feet;

Thence, North 09°16'19" East, 28.00 feet to the TRUE POINT OF BEGINNING;

Thence, North 42°18'05" West, 240.98 feet to a point on the Southerly boundary line of "Tract A" as shown on the "Survey Exhibit of PRESCOTT LAKES GOLF COURSE, PRESCOTT LAKES PARKWAY and SMOKE TREE LANE" recorded in Book 37 of Maps and Plats, Page 10, on file in the office of the Yavapai County Recorder;

Thence, North 79°41'01" East, along said Southerly boundary line, 75.00 feet;

Thence, North 39°09'53" East, along said Southerly boundary line, 290.64 feet;

Thence, North 44°01'57" East, along said Southerly boundary line, 574.13 feet;

Thence, North 38°08'25" East, along said Southerly boundary line, 228.89 feet;

Thence, North 02°02'00" East, 65.84 feet;

Thence, North 45°04'22" West, 121.49 feet to a point on the South line of "Tract K" of said "Survey Exhibit";

Thence, South 89°13'49" East, along said South line, 211.33 feet to intersect the West line of "Tract J" of said "Survey Exhibit";

Thence, South 09°50'11" West, along said West line 133.63 feet;

Thence, South 34°49'44" East, along said West line, 229.34 feet;

Thence, North 88°39'20" East, 129.88 feet;

Thence, South 44°46'35" West 118.53 feet;

Thence, South 01°22'08" East, 200.00 feet;

Thence, South 56°57'03" East, 107.85 feet;

Thence, South 32°17'47" West, 47.22 feet to the beginning of a tangent curve of 321.00 foot radius, concave Southeasterly;

Thence, Southwesterly, along said curve, through a central angle of 38°58'24", a distance of 349.63 feet to the beginning of a tangent reverse curve of 321.00 foot radius, concave Northwesterly;

Thence, Southwesterly, along said curve, through a central angle of 123°26'28", a distance of 691.58 feet;

Thence, North 63°14'12" West, 335.58 feet to the beginning of a tangent curve of 514.00 foot radius, concave Southwesterly;

Thence, Northwesterly, along said curve, through a central angle of 17°29'31", a distance of 156.92 feet and to the TRUE POINT OF BEGINNING.

EXCEPTING THEREFROM that portion of the Northwest quarter of Section 14, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

Commencing at a found ½" rebar tag #5362 at the West one-quarter corner of said Section 14;

Thence, North 00°38'02" West, along the West line of the Northwest quarter of said Section 14, a distance of 266.49 feet to the TRUE POINT OF BEGINNING;

Thence, continuing North 00°38'02" West, along said West line, 395.94 feet to a found ½" rebar at the Northwest corner of the South half of the Southwest quarter of the Northwest quarter of said Section 14;

Thence, North $86^{\circ}53'05''$ East, along the North line of said South half, 1307.86 feet to the Northeast corner of said South half;

Thence, South $00^{\circ}04'22''$ East, along the East line of said South half, 646.19 feet to the Southeast corner of said South half;

Thence, South $86^{\circ}09'26''$ West, along the East-West mid-section line of said Section 14, a distance of 175.45 feet to a point on the Northerly line of a 125 foot electric transmission line easement as recorded in Book 193 of Deeds, Pages 312-313 on file in the office of the Yavapai County Recorder;

Thence, North $44^{\circ}59'02''$ West, along the North line of said 125 foot electric transmission line easement, 204.47 feet;

Thence, North $44^{\circ}58'16''$ West, along the North line of said 125 foot electric transmission line easement, 444.05 feet;

Thence, South $86^{\circ}53'05''$ West, 414.80 feet;

Thence, South $46^{\circ}05'06''$ West, 353.64 feet to the TRUE POINT OF BEGINNING.

Containing 644.76 acres, more or less.

EXHIBIT "A"
LEGAL DESCRIPTION
PARCEL 3

That portion of the Northeast quarter of Section 23, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona more particularly described as follows:

COMMENCING at a found "X" on a rock at the Northeast corner of said Section 23 as shown on the Results of Survey recorded in Book 43 of Land Surveys, pages 3-9 on file in the office of the Yavapai County Recorder, Yavapai County, Arizona;

Thence South $1^{\circ}30'56''$ East, along the East line of said Section 23, a distance of 1311.56 feet to an angle point in the boundary line of Prescott Lakes as shown on said Results of Survey;

Thence South $39^{\circ}49'12''$ West, along said boundary line, 450.18 feet;

Thence North $44^{\circ}56'17''$ West, 813.97 feet;

Thence North $44^{\circ}57'57''$ West, 191.42 feet to a point on the Easterly right of way of Prescott Lakes Parkway, as shown on the Map of Dedication of Prescott Lakes Parkway, recorded in Book 37 of Maps and Plats, pages 11-12 on file in the office of the Yavapai County Recorder, said point also being the beginning of a non-tangent curve, concave Westerly, having a radius of 547.00 feet, the radius point of which bears North $69^{\circ}16'46''$ West,

Thence Northerly along said Easterly right of way and said curve, through a central angle of $56^{\circ}15'38''$, an arc distance of 537.12 feet to the beginning of a tangent reverse curve, concave Northeasterly, having a radius of 453.00 feet, the radius point of which bears North $54^{\circ}27'36''$ East,

Thence Northwesterly, along said Easterly right of way and said curve, through a central angle of $25^{\circ}25'32''$, an arc distance of 201.02 feet;

Thence North $74^{\circ}49'10''$ East, 84.76 feet to the beginning of a tangent curve, concave Northwesterly, having a radius of 210.00 feet, the radius point of which bears North $15^{\circ}10'50''$ West;

Thence Northeasterly along said curve through a central angle of $34^{\circ}23'11''$, an arc distance of 126.03 feet to the beginning of a tangent reverse curve, concave Southeasterly, having a radius of 290.00 feet, the radius point of which bears South $49^{\circ}34'01''$ East;

Thence Northeasterly, along said curve, through a central angle of $27^{\circ}56'55''$, an arc distance of 141.46 feet to a point on the North line of said Section 23;

Thence North $84^{\circ}21'11''$ East, along said North line, 811.06 feet to the POINT OF BEGINNING.

EXHIBIT "A"
LEGAL DESCRIPTION
PARCEL 4

PARCEL I:

A parcel of land lying within a portion of the Southwest quarter of Section 13 and a portion of the Southeast quarter of Section 14, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona more particularly described as follows:

BEGINNING at a found "X" on a rock at the Section corner common to said Sections 13, 14, 23 and 24 as shown on the Results of Survey recorded in Book 43 of Land Surveys, pages 3-9 on file in the office of the Yavapai County Recorder, Yavapai County, Arizona;

Thence South 84°21'11" West, along the South line of said Section 14, a distance of 811.06 feet to a point on the boundary line of Tract G as shown on the Survey Exhibit of Prescott Lakes Golf Course, Prescott Lakes Parkway and Smoke Tree Lane, recorded in Book 37 of Maps and Plats, page 10 on file in the office of the Yavapai County Recorder;

Thence North 68°22'54" East, along the boundary line of said Tract G, 266.56 feet;

Thence North 56°41'43" East, along the boundary line of said Tract G, 678.86 feet to a point on the East line of said Section 14;

Thence continuing North 56°41'43" East, along the boundary line of said Tract G, 166.28 feet;

Thence deviating from said boundary line, North 2°12'15" East, 91.50 feet;

Thence North 19°26'01" East, 53.01 feet;

Thence North 0°38'54" West, 27.13 feet;

Thence North 15°34'13" West, 47.01 feet;

Thence North 2°12'15" East, 73.22 feet to an angle point in the boundary line of said Tract G;

Thence North 74°10'35" East, along the boundary line of said Tract G, 215.16 feet;

Thence South 78°25'21" East, 63.71 feet;

Thence North 82°26'23" East, 736.00 feet to a point on the Easterly boundary line of Parcel 13 as shown on said Results of Survey;

Thence South 14°27'54" East, along said Easterly boundary line, 501.89 feet to the beginning of spiral curve to the right;

Thence Southerly along said Easterly boundary line and said spiral curve, on a chord bearing of South $12^{\circ}13'29''$ East, a distance of 348.76 feet to the point of spiral to curve, the radius point of which bears South $83^{\circ}19'10''$ West, said curve having a radius of 1057.40 feet;

Thence Southerly along said Easterly boundary line and said curve, through a central angle of $4^{\circ}10'13''$, an arc distance of 76.96 feet to the Southeast corner of said Parcel 13;

Thence South $89^{\circ}38'12''$ West, along the South line of said Parcel 13, a distance of 1362.50 feet to the TRUE POINT OF BEGINNING.

PARCEL II:

An 80.00 foot wide ingress, egress and public utility easement, lying 40.00 feet on each side of the following described centerline, said easement lying with in a portion of the Northeast quarter of Section 23, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

COMMENCING at a found "X" on a rock at the Northeast corner of said Section 23 as shown on Results of Survey recorded in Book 43 of Land Surveys, pages 3-9 on file in the office of the Yavapai County Recorder, Yavapai County, Arizona;

Thence South $84^{\circ}21'11''$ West, along the North line of said Section 23 as shown on said Results of Survey, a distance of 665.69 feet to the centerline of said easement, said point being to the TRUE POINT OF BEGINNING;

Thence South $68^{\circ}22'54''$ West, along said centerline 139.76 feet to the beginning of a tangent curve, concave Southeasterly, having a radius of 250.00 feet, the radius point of which bears South $21^{\circ}37'06''$ East;

Thence Southwesterly, along said centerline and said curve, through a central angle of $27^{\circ}56'55''$, an arc distance of 121.95 feet to the beginning of a tangent reverse curve, concave Northwesterly, having a radius of 250.00 feet, the radius point of which bears North $49^{\circ}34'01''$ West;

Thence Southwesterly, along said centerline and said curve, through a central angle of $34^{\circ}23'11''$ an arc distance of 150.04 feet;

Thence South $74^{\circ}49'10''$ West, along said centerline 86.53 feet to a point on the Easterly right of way of Prescott Lakes Parkway, as shown on the Map of Dedication Prescott Lakes Parkway, recorded in Book 37 of Maps and Plats, pages 11-12 on file in the office of the Yavapai County Recorder, Yavapai County, Arizona, said point being the POINT OF TERMINATION of this easement description and from whence the intersection of Prescott Lakes Parkway and Smoke Tree Lane bears South $74^{\circ}49'10''$ West, 47.00 feet.

The sidelines of said easement are to be lengthened or shortened at the Northerly end so as to terminate at their intersection with the North line of said Section 23, and at the Westerly end so

as to terminate at their intersection with the Easterly right of way of said Prescott Lakes Parkway.

EXHIBIT "A"
LEGAL DESCRIPTION

That portion of the Northeast quarter of Section 23, and a portion of the Northwest Quarter of Section 24 Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona more particularly described as follows:

COMMENCING at a found "X" on a rock at the Section corner common to Sections 13, 14, 23 and 24, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona as shown on the Results of Survey recorded in Book 43 of Land Surveys, pages 3-9 on file in the office of the Yavapai County Recorder, Yavapai County, Arizona;

Thence South $1^{\circ}30'56''$ East, along the Section line common to said Sections 23 and 24, a distance of 1311.56 feet to an angle point in the boundary line of Prescott Lakes as shown on said Results of Survey;

Thence South $39^{\circ}49'12''$ West, along said boundary line, 450.18 feet to the TRUE POINT OF BEGINNING;

Thence South $44^{\circ}56'17''$ East, along said boundary line, 144.72 feet to an angle point in said boundary line;

Thence South $68^{\circ}22'12''$ East, along said boundary line, 215.17 feet to a point on the Section line common to said Sections 23 and 24;

Thence continuing South $68^{\circ}22'12''$ East, along said boundary line 20.95 feet;

Thence South $39^{\circ}49'12''$ West 29.17 feet to a point on the Section line common to said Sections 23 and 24;

Thence North $82^{\circ}32'41''$ West, along said Easterly right of way 2.74 feet to the beginning of a tangent curve, concave Northeasterly, having a radius of 70.00 feet, the radius point of which bears North $7^{\circ}27'19''$ East,

Thence Northwesterly, along said Easterly right of way and said curve, through a central angle of $94^{\circ}59'51''$, an arc distance of 116.06 feet;

Thence North $12^{\circ}27'11''$ East, along said Easterly right of way, 336.21 feet to the beginning of a tangent curve, concave Southeasterly, having a radius of 753.00 feet, the radius point of which bears South $77^{\circ}32'49''$ East,

Thence Northeasterly, along said Easterly right of way and said curve, through a central angle of $25^{\circ}52'58''$ an arc distance of 340.16 feet to the beginning of a tangent reverse curve, concave Northwesterly, having a radius of 547.00 feet, the radius point of which bears North $51^{\circ}39'51''$ West;

Thence Northeasterly, along said Easterly right of way and said curve, through a central angle of $17^{\circ}36'55''$, an arc distance of 168.17 feet;

Thence South $44^{\circ}57'57''$ East, 191.42 feet;

Thence South $44^{\circ}56'17''$ East, 813.97 feet to the TRUE POINT OF BEGINNING.

EXHIBIT "B"

Any real property located within a 20-mile radius of any point within the property described in Exhibit "A" of the Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes recorded on February 25, 1999 in Book 3642, Page 161, Official Records of Yavapai County, Arizona Recorder.