



DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS,
FOR RESIDENTIAL LOTS

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THE RANCH at Prescott
UNIT ONE

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DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR RESIDENTIAL LOTS

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, Declarant is the developer of the following described premises, situated within the County of Yavapai, State of Arizona, to-wit:

Lots 1 thru 79, inclusive, in THE RANCH at Prescott,
Unit One.

RULES OF CONSTRUCTION:

1. For the purpose of this Declaration, and when not inconsistent with the context:

- 1.1 Word used in the present tense include the future
- 1.2 Words in the singular include the plural.
- 1.3 Words in the plural include the singular.
- 1.4 The masculine includes the feminine.
- 1.5 The word "shall" is mandatory and not directory.
- 1.6 The word "may" is directory.
- 1.7 The particular controls the general.
- 1.8 Enumeration is not limited.

DEFINITIONS:

2. Unless the context otherwise requires, the following terms, phrases and words shall have the meaning hereinafter given for purposes of this Declaration.

2.1 "Declaration" means this Declaration of Covenants, Conditions and Restrictions for Residential Lots as now constituted or as the same may from time to time be amended in accordance with the provisions hereof.

2.2 "Articles" means the Articles of Incorporation of the Association which are, or will be, filed in the office of the Corporation Commission of the State of Arizona, and

as the same may be amended from time to time.

2.3 "Association" means The Ranch at Prescott Unit One Home Owners Association, a non-profit corporation, its successors and assigns, incorporated or that will be incorporated under the laws of the State of Arizona for the purpose of performing the functions and duties enumerated in this Declaration and for such other purposes as set forth in Articles of Incorporation.

2.4 "Board" means the Board of Directors of the Association.

2.5 "By-Laws" means the by-laws adopted by the Association and as the same may be amended from time to time.

2.6 "Committee" means the Architectural Committee or Committees appointed or that will be appointed as hereinafter provided, and as the same may from time to time be appointed.

2.7 "Lot" means a residential lot.

2.8 "Lot Owner" means the owner or owners of a residential lot.

2.9 "Member" means any person, corporation, partnership, joint venture or any other legal entity who is a member of the Association.

2.10 "Residential Lot" means Lots 1 through 79, inclusive, THE RANCH at Prescott Unit One, a subdivision in Yavapai County, Arizona.

2.11 "Rules and Regulations" means the Rules and Regulations adopted by the Association for the regulation of Common Areas and Facilities and as the same may from time to time be amended.

2.12 "Declarant" means Bullwhacker Associates, a limited partnership, its successors and any person or entity to whom it may expressly assign its rights under this Declaration; provided, however State Savings Mortgage Company, an Ohio corporation shall become the Declarant if it succeeds to the ownership of all or any part of the Property.

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ASSOCIATION:

Section 3.1. Rights, Powers and Duties. The Association shall be a nonprofit Arizona corporation charged with the duties and invested with the powers prescribed by law and set forth in the Articles, Bylaws, and this Declaration together with such rights, powers and duties as may be reasonably necessary to effectuate the objectives and purposes of the Association as set forth in this Declaration.

Section 3.2. Board of Directors and Officers. The affairs of the Association shall be conducted by a board of directors and such officers and committees as the Board may elect or appoint, in accordance with the Articles and the Bylaws.

Section 3.3. Association Rules. By a majority vote of the Board, the Association may, from time to time and subject to the provisions of this Declaration, adopt, amend and repeal rules and regulations. A copy of the Association Rules as they may, from time to time be adopted, amended or repealed, shall be available for inspection by the Members at reasonable times. Upon adoption by the Board, the Association Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration.

Section 3.4. Architectural Committee. The Board shall establish an Architectural Committee consisting of not less than three (3) members appointed by the Board to regulate the external design, appearance and use of the Property and to perform such other functions and duties as may be imposed upon it by this Declaration, the Bylaws or the Board.

Section 3.5. Master Association. The Project is a part of a master planned community known as THE RANCH at Prescott. The Project shall be subject to the future restrictions, easements, and all other conditions of THE RANCH at Prescott Master Plan as approved or amended by the Yavapai County Board of Supervisors, and the future Master Declaration, Articles of Incorporation, and Bylaws, (Master Association Documents) of THE RANCH at Prescott.

MEMBERSHIP:

Section 4.1. Identity of Members. Membership in the Association shall be limited to Owners of Lots. An Owner of a Lot shall automatically, upon becoming the Owner thereof, be a member of the Association and shall remain a member of the Association until such time as his ownership ceases for any reason, at which time his membership in the Association shall automatically cease.

Section 4.2. Transfer of Membership. Membership in the Association shall be appurtenant to each Lot and a membership in the Association shall not be transferred, pledged or alienated in any way, except upon the sale of a Lot and then only to such

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Purchaser, or by intestate succession, testamentary disposition, foreclosure of mortgage of record or other legal process. Any attempt to make a prohibited transfer shall be void and shall not be reflected upon the books and records of the Association.

VOTING RIGHTS:

Section 5.1. Classes of Members. The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners, with the exception of the Declarant, of Lots. Each Class A member shall be entitled to one (1) vote for each Lot owned.

Class B. The Class B member shall be the Declarant. The Class B member shall be entitled to twelve (12) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the earlier of (a) when the votes entitled to be cast by Class A members exceeds the votes entitled to be cast by the Class B member, or (b) when the Declarant notifies the Association in writing that it relinquishes its Class B membership.

Section 5.2. Joint Ownership. When more than one person is the Owner of any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one ballot be cast with respect to any Lot. The vote or votes for each such Lot must be cast as a unit, and fractional votes shall not be allowed. In the event that joint 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 casts a ballot representing a certain Lot, it will thereafter be conclusively presumed for all purposes that he was acting with the authority and consent of all other Owners of the same Lot. In the event more than one ballot is cast for a particular Lot, none of said votes shall be counted and said votes shall be deemed void.

Section 5.3. Corporate Ownership. In the event any Lot is owned by a corporation, partnership or other association, the corporation, partnership or association shall designate in writing at the time of acquisition of the Lot an individual who shall have the power to vote said membership, and in the absence of such designation and until such designation is made, the chief executive officer, if any, of such corporation, partnership or association shall have the power to vote the membership, and if there is no chief executive officer, then the board of directors or general partner of such corporation, partnership or association shall designate who shall have the power to vote the membership.

Section 5.4. Suspension of Voting Rights. In the event any Owner is in arrears in the payment of any assessments or other amounts due under any of the provisions of the Project Documents

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for a period of fifteen (15) days, said Owner's right to vote as a Member of the Association shall be suspended and shall remain suspended until all payments, including accrued interest and attorneys' fees, are brought current, and for a period not to exceed sixty (60) days for any infractions of the Project Documents.

COVENANT FOR MAINTENACE ASSESSMENTS:

Section 6.1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned by it, hereby covenants, and each Owner of a Lot, by becoming the Owner thereof, whether or not it is expressed in the deed or other instrument by which the Owner acquired ownership of the Lot, is deemed to covenant and agree to pay to the Association: (1) annual assessments, (2) supplemental assessments. The annual supplemental, special and extraordinary assessments, together with interest, costs and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with interest, costs, and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such Lot at the time when the assessment became due. The personal obligation for delinquent assessments shall not pass to the Owner's successors in title unless expressly assumed by them.

Section 6.2. Purpose of the Assessments. The assessments levied by the Association shall be used exclusively for the upkeep, maintenance and improvement of THE RANCH at Prescott Unit One.

Section 6.3. Maximum Annual Assessment.

(a) Until July 1 of the year immediately following the conveyance of the first Lot to a Purchaser, the maximum annual assessment for each Lot shall be One Thousand Eight Hundred Dollars (\$1,800.00).

(b) From and after July 1 of the year immediately following the conveyance of the first Lot to a Purchaser, the Board may, without a vote of the membership, increase the maximum annual assessment during each fiscal year of the Association by an amount proportional to the amount of increase during the prior fiscal year in the Consumer Price Index for All Urban Consumers (All Items), U.S. City Average, published by the United States Department of Labor, Bureau of Labor Statistics (1967 = 100), or in the event said Index ceases to be published, by any index designated by the Board as a substitute therefore.

(c) From and after July 1 of the year immediately following the conveyance of the first Lot to a Purchaser, the maximum annual assessment may be increased by an amount greater than the maximum increase allowed pursuant to 5.3(b) above, only by a vote of Members entitled to cast at least two-thirds (2/3) of the votes entitled to be cast by Members who are voting in

person or by proxy at a meeting duly called for such purpose. Written notice of any meeting called for such purpose shall be sent to all Members not less than thirty (30) days not more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of members shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. Not such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

(d) The Board may fix the annual assessment in any amount not in excess of the maximum annual assessment.

Section 6.4. Supplemental Assessments. In the event the Board shall determine that its funds budgeted or available in any fiscal year are, or will, become inadequate to meet all expenses of the Association for any reason, including, without limitations nonpayment of assessments by the members, it shall immediately determine the approximate amount of such inadequacies for such fiscal year and prepare a supplemental budget and levy a supplemental assessment against each Lot in such amount as the Board deems necessary in order to obtain the amount of such inadequacies. Notice of any such supplemental assessment shall be given to each Owner. The supplemental assessment shall be paid on such dates and in such installments as may be determined by the Board.

Section 6.5. Date of Commencement of Annual Assessmental Due Dates. The annual assessments provided for herein shall commence as to each Lot on the first day of the month following the conveyance of the first Lot to a Purchaser. The first annual assessment shall be adjusted according to the number of months remaining in the fiscal year of the Association. The Board shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The Board may require that the annual assessment be paid in installments and in such event the Board shall establish the due dates for each installment. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid.

Section 6.6. Effect of Nonpayment of Assessmental Remedies of the Association. Any assessment, or any installment of an assessment, not paid within thirty (30) days after the assessment, or the installment of the assessment, first became due shall bear interest from the due date at such rate as may be fixed from time to time by the Board. In addition, if any assessment, or any installment of an assessment, is not paid within ten (10) days after it becomes due and payable, the Owner who has failed to pay such assessment shall be obligated to pay a late

charge in such amount as may be established from time to time by the Board. Any assessment, or any installment of an assessment, which is delinquent shall become a continuing lien on the Lot against which such assessment was made. The lien shall be perfected by the recordation of a "Notice of Claim of Lien" which shall set forth (1) the name of the delinquent Owner as shown on the records of the Association, (2) the legal description, street address and number of the Lot against which the claim of lien is made, (3) the amount claimed as of the date of the recording of the notice including interest, lien recording fees and reasonable attorneys' fees, (4) the name and address of the Association. In the event the Association records a Notice of Claim of Lien against a Lot, the Owner of such Lot shall be obligated to pay to the Association a lien fee in such amount as may be established from time to time by the Board. The Association's lien shall have priority over all liens or claims created subsequent to the recordation of the Notice of Claim of Lien except for tax liens for real property taxes on the Lot, and assessments on any Lot in favor of any municipal or other governmental body.

Before recording a lien against any Lot the Association shall make a written demand to the defaulting Owner for payment of the delinquent assessments together with interest and reasonable attorneys' fees, if any. Said demand shall state the date and amount of the delinquency. Each default shall constitute a separate basis for a demand or claim of lien, but any number of defaults may be included within a single demand or claim of lien. If such delinquency is not paid within ten (10) days after delivery of such demand, the Association may proceed with recording a Notice of Claim of Lien against the Lot of the defaulting Owner. The Association shall not be obligated to release any lien recorded pursuant to this Section 6.8 until all delinquent assessments, interest, lien fees and reasonable attorneys' fees have been paid in full whether or not all of such accounts are set forth in the Notice of Claim of Lien.

The Association shall have the right, at its option, to enforce collection of any delinquent assessments together with interest, lien fees, reasonable attorneys' fees and any other sums due to the Association in any manner allowed by law including, but not limited to, (a) bringing an action at law against the Owner personally obligated to pay the delinquent assessments and such action may be brought without waiving any lien securing any such delinquent assessments or (b) bringing an action to foreclose its lien against the Lot in the manner provided by law for the foreclosure of a realty mortgage. The Association shall have the power to bid in at any foreclosure sale and to purchase, acquire, hold, lease, mortgage and convey any and all Lots purchased at such sale.

Section 6.7. Subordination of the Lien to Mortgages. The lien of the Association for delinquent assessments, interest and reasonable attorneys' fees provided for on this Declaration shall be subordinate to the lien of any First Mortgage. Any sale or transfer of Lot shall not affect the assessment lien. However,

the sale or transfer of any Lot pursuant to judicial or nonjudicial foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessment as to payments which become due prior to such sale or transfer, but any assessments or charges against the Lot which accrued prior to such sale or transfer shall remain the obligation of the Owner of the Lot at the time when such assessments and charges became due and payable. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 6.8. Exemption of Owner. No Owner of a Lot may exempt himself from liability for annual, special, supplemental, or extraordinary special assessments levied against his Lot or for other amounts which he may owe to the Association under the Project Documents by the abandonment of his Lot.

Section 6.9. No Offsets. All annual and special assessments shall be payable in accordance with the provisions of this Declaration, and no offsets against such assessments shall be permitted for any reason, including, without limitation, a claim that the Association is not properly exercising its duties and powers as provided in the Project Documents.

Section 6.10. Homestead Waiver. Each Owner, to the extent permitted by law, does hereby waive, to the extent of any liens created pursuant to this Declaration, whether such liens are now in existence or are created at any time in the future, the benefit of any homestead or exemption laws of the State of Arizona now in effect, or in effect from time to time hereafter.

SINGLE FAMILY DWELLING:

7. No buildings or structures shall be erected, altered, placed or permitted to remain on any lot other than a single family dwelling, a garage, and any other accessory building customarily found on residential property in a subdivision (but in no event shall there be any barns, mobile homes, trailers, sheds, or shacks). Except Lot 48 and Lots 55 thru 65 shall be allowed to construct a building on the rear set back line to accommodate trailers and tack for equestrian purposes, however no animals other than those specified in paragraph 10 may be kept. There shall not exist on any lot at any time, more than one single family residence.

ARCHITECTURAL COMMITTEE:

8. One or more Committees shall be appointed to function as hereinafter provided.

8.1 Appointment of Committee or Committeees shall be appointed to function as hereinafter provided.

Each Committee shall consist of three (3) persons, two of whom shall be appointed by the Declarant, and one of whom

shall be appointed by the Board. The person, and his successors, appointed to a Committee by the Declarant, shall serve at the discretion of the Declarant, and in the event such an appointee is removed, resigns, refuses to serve, dies, or is unable to serve for any reason, the Declarant shall appoint his successor. The person, and his successors, appointed to each Committee by the Board shall serve at the discretion of the Board, and in the event such appointee is removed, resigns, refuses to serve, dies or is unable to serve for any reason, the Board shall appoint his successor. At such time as shall be designated by the Declarant the foregoing power of appointment of the Declarant shall be relinquished in favor of the Board, and thereafter the power of appointment for all persons on each Committee shall be exercised by the Board, and all powers, rights and authorities of each such Committee shall be exercised and vested in such Committee as an Association Committee. The Declarant may delegate to another corporation, association, or person, its right to appoint persons to each Committee. Until such time as the Declarant has relinquished its power of appointment as aforesaid, the number of Committees and the area of authority of each Committee shall be determined by the Declarant, and thereafter by the Board.

8.2 Approval of Plans

No dwelling, building or other structure shall be commenced, erected, or maintained, until the plans and specifications and plot plan, showing the nature, kind, shape, height, materials, floor plans, exterior color scheme, location and approximate cost of such dwelling, building or other structure and the grading of the lot to be built upon, shall have been submitted to and approved by the Committee, and a copy thereof, as finally approved, lodged permanently with the Committee. The Committee shall have the right to reject specifications or grading plans, which are not suitable or desirable, in its opinion, for aesthetic or other reasons, and in so passing upon such plans, specifications and grading plans, it shall have the right to take into consideration the suitability of the proposed dwelling or other structure, the materials of which it is to be built, the site upon which it is proposed to erect the same, the harmony thereof with the surroundings and the effect of the dwelling, building or other structures as planned on the outlook from adjacent or neighboring property. All subsequent additions to or changes or alterations in any dwelling, building or other structure, including exterior color scheme, shall be subject to the prior approval of the Committee. No lot owner or other parties shall have recourse against the Committee for its refusal to approve any such plans and specifications or plot plans, including lawn area and landscaping. The Committee shall not be liable for any structural defects in such plans or specifications, or in any dwelling, building or other structures erected according to such plans and specifications.

8.3 Request for Approval

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Request for the Committee's approval of such plans and specifications, together with a copy of such plans and specifications and any other information which the Committee may reasonably request, shall be submitted in writing to the Committee at least thirty days prior to the date on which construction is to commence. Within thirty days from receipt of such written request, the Committee shall notify in writing the lot owner making the request of its decision either approving or rejecting the plans and specifications. In the event the Committee rejects the plans and specifications, then and in that event the Committee shall set forth in its notification the reason for rejection thereof. The decision of the Committee shall be final if such lot owner fails to request a hearing in accordance with the procedures outlined in provision 8.5.

8.4 Failure to Act

In the event the Committee shall fail to approve or disapprove plans or specifications within thirty days after receipt of the written request, the plans specifications, and other information requested by the Committee, approval thereof shall be deemed to have been given; provided however, any dwelling, building or structure embraced by such plans and specifications shall be of masonry or frame construction and the location and size of the dwelling, building or structure shall not be violative of any of the restrictions contained in this Declaration or any applicable law, rule or regulation of any governmental body or agency having jurisdiction thereof.

8.5 Right of Hearing

Should the Committee reject or disapprove the plans and specifications as submitted, the lot owner, within fifteen days from the date of written notice of rejection or disapproval, may request in writing a hearing before the Committee. The Committee, upon receipt of such written request, shall fix the date, time and place of the hearing and shall notify the lot owner in writing of the date, time and place of the hearing at least seven days prior to the hearing date. The date of the hearing shall be fixed no later than thirty days after receipt of the written request for hearing. At the hearing the lot owner shall be afforded the opportunity to be heard and to present evidence, both oral and documentary, concerning the rejection of the plans and specification. Upon conclusion of the hearing the Committee shall then determine, by majority vote of the persons appointed by the Committee, whether its prior decision concerning the plans and specifications shall be affirmed or reversed. Notice in writing of the Committee's decision shall be mailed to the lot owner within seven days from the date of the hearing. The decision of the Committee shall be final if such lot owner fails to exercise the right of appeal in accordance with the procedures set forth in provision 8.6.

8.6 Right of Appeal

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In the event the lot owner is dissatisfied with the decision of the Committee rendered in accordance with provision 8.5, then and in that event the lot owner may appeal such decision to the Board. The right of appeal shall be exercised by the lot owner within fifteen days from the date the Committee mails notice of its decision to the lot owner. The notice of appeal shall be in writing addressed to both the Committee and the Board. The Board, upon receipt of a notice of appeal, shall fix the date, time and place of the hearing on appeal and shall notify in writing the Committee and the lot owner of the date, time and place of the hearing at least seven days prior to the hearing date. The date of the hearing shall be fixed no later than thirty days after receipt of the notice of appeal. At the hearing on appeal both the Committee and the lot owner shall be afforded the opportunity to be heard and to present evidence, both oral and documentary, concerning the rejection of the plans and specifications. Upon conclusion of the hearing on appeal the Board shall then determine, by majority vote of all Directors, whether the decision of the Committee shall be affirmed or reversed. Notice in writing of the Board's decision shall be mailed to the Committee and the lot owner within seven days from the date of the hearing on appeal. The decision of the Board shall be final.

TIME OF CONSTRUCTION AND TEMPORARY STRUCTURES:

9. Construction on a lot shall be governed by the following:

9.1 Time of Construction

All construction on a lot must be commenced within three months from the date of approval by the Committee of the plans and specifications and all dwellings, buildings or structures shall be completed within six months from commencement of construction; provided, however, the Committee may extend such time when in its opinion conditions warrant such extension. It shall be the responsibility of the lot owner to notify the Committee in writing of the starting and completion dates of construction.

9.2 Temporary Structures

No trailer, mobile home, basement, tent, shack, garage, barn or other outbuilding or any structure of a temporary character on any lot shall at any time be used as a residence, either temporarily or permanently. No temporary dwellings, buildings or structures of any type shall be placed on any lot, except as may be required for storage or watchmen during the period of construction of the dwelling on such lot. Debris resulting from construction of the dwelling unit must be disposed of daily.

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SIZE AND HEIGHT:

10. The size and height of dwellings, buildings or other structures shall be limited as follows:

10.1 Size

No dwelling having less than twelve hundred(1,200) square feet of heated living area on at least one floor shall be permitted on any lot.

10.2 Height

No dwelling, building or structure on any lot shall be higher than two stories or exceed thirty feet in height.

RESERVATION OF EASEMENTS:

11. With respect to each lot, easements and rights-of-way, as set forth in recorded plats of THE RANCH at Prescott are hereby reserved unto the Declarant and its assigns, for construction, installation, and maintenance of water supply lines, sewers, utility lines and drains.

OCCUPANCY OF DWELLING:

12. No lot shall be used for residential purposes prior to the time the dwelling is serviced by water, sewer and electric utilities.

DIVISION OF LOTS:

13. No lot shall be subdivided into smaller lots, nor conveyed or encumbered in less than the full original dimensions of such lot, except for purposes of the installation or maintenance of public utilities. Nothing herein contained shall prevent the dedication or conveyance of portions of lots for public utilities; in which event the remaining portion of any such lot shall, for the purpose of this provision, be treated as a whole lot. This restriction or any others contained herein shall not prevent the utilization of two or more contiguous lots having common ownership as a single building site.

PETS:

14. No animals, birds or poultry shall be kept or maintained on any lot, except recognized household pets which may be kept thereon in reasonable numbers as pets for the pleasure and use of the occupants, and not for any commercial use or purpose. Upon the written request of any owner, the Board shall conclusively determine, in its sole and absolute discretion, whether, for the purposes of this paragraph, a particular animal,

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bird, or poultry is a generally recognized house or yard pet, or a nuisance, or whether the number of animals or birds on any such property is reasonable. Any pets permitted out of doors or off any lot must be contained in an enclosure approved by the Architectural Committee or secured on a leash.

OBSTRUCTION OF EASEMENTS, DITCHES OR CULVERTS:

15. No dwelling, building or structure of any kind or nature shall be erected, permitted or maintained on, over or across the easements for utilities or drainage as shown or recorded plat of THE RANCH at Prescott Unit One. No lot owner, nor anyone acting under his direction, shall cover, bridge or otherwise interfere with drainage or irrigation ditches or culverts now existing or hereafter installed without the prior express written approval of the Committee.

WEEDS, GARBAGE AND TRASH:

16. No weeds, underbrush or other unsightly growths shall be permitted to grow upon any lot. Waste, rubbish and garbage must be kept in suitable containers and must not be allowed to accumulate on any lot and must be removed from each lot in accordance with applicable sanitation regulations. Trash containers are to be stored in such manner that they are invisible from adjoining properties, with the provision that they may be placed near the street the morning of collection and must be removed by evening of the same day. No waste, rubbish or other garbage shall be burned or dumped on any lots or any part of THE RANCH at Prescott, except in such places as may be specifically designated and approved for such purposes by the governmental authorities having jurisdiction thereof. Until such time as a garbage refuse collection service is inaugurated, all waste, refuse and garbage shall be deposited in a place designated by the Committee, and when garbage and refuse collection service is inaugurated, each lot owner must use such service. Failure to comply with either this provision 16 or provision 9.2 pertaining to the removal of building debris, automatically grants a right to the Declarant, its designee, or the Association, to enter upon any lot for purposes of removing waste, rubbish garbage or clearing weeds, underbrush or unsightly growth, and all expenses so incurred shall be a charge against the lot, and, until paid, shall constitute a lien upon the lot which may be foreclosed pursuant to the procedures outlined in provision 25.

LANDS RETAINED BY THE DECLARANT:

17. Neither the purchaser of a lot nor any successor in interest thereof shall be deemed to have acquired any proprietary or riparian rights in lands that are retained by the Declarant, in any improvements on such lands or in any of the lakes, irrigation ditches, or other waterways on such lands.

BUSINESS PROHIBITION AND NUISANCES:

18. No residential lot shall be used in whole or in part for any trade, business or commercial purpose. Except that the declarant shall not be restricted in the use of any unsold lot for the purpose of marketing the Ranch at Prescott. No residential lot shall be used in whole or in part for the storage of any property or object that will cause such lot to appear in an unclean or untidy condition or that will be obnoxious to the eye; nor shall any lot be used in such manner that it will emit foul or obnoxious odors, will cause unreasonable noise, or will cause a nuisance.

FENCES AND HEDGES:

19. Except as may be otherwise required by law, no lot boundary fences or screens of any kind shall be erected or maintained on any residential lot. Fences for private patios, swimming pools, tennis courts or pet runs must be first submitted to the Architectural Committee for approval but in no case may they project beyond the property line setback for structures. No hedge shall be maintained on any lot which shall unreasonably restrict or block the view from an adjoining lot, or which shall materially impair the continuity of the general landscaping plan of THE RANCH at Prescott Unit One. In no event shall any hedge be maintained which shall exceed four feet in height without the prior approval of the Committee.

SIGNS:

20. No sign or other advertising device of any nature shall be displayed on the property or on any vehicle parked on any lot or roadway without the approval of the Committee. The Committee may approve the placement of one "For Sale" or "For Rent" sign on the lot offered for sale or for rent and placement of directional "Open House" signs. Such signs shall be removed within seven days of the execution of a purchase or rental agreement..

RESERVATION AND RIGHT OF ACCESS:

21. Right of access to each lot is hereby reserved to the Declarant, for general improvements of any person's premises or premises of the Declarant or assignee, but such right of access to any lot shall terminate upon commencement of construction on the lot by the owner.

Lots 60 thru 65 are restricted from entering or exiting property from Walker Road, a one foot non-vehicular access easement is shown on the East side of said lots on the recorded plat.

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SET BACK REQUIREMENTS:

22. All set back requirements for front, back and side yards, and any and all other set back requirements as are now in effect under the provisions of the Planning and Zoning Ordinance of the County of Yavapai.

LAUNDRY AREAS:

23. Each exterior laundry drying area shall be screened so as to not be visible from any other lot, common area or roadway. Such screening may be trees, bushes, shrubbery or lattice work fencing approved by the Committee.

RECREATIONAL VEHICLES:

24. Boats, campers, motor homes, travel trailers and other recreational vehicles shall be kept in a garage and out of view of neighboring lots or streets.

RIGHTS OF FIRST MORTGAGES:

Section 25.1. Limitation on Right of First Refusal. If the Project Documents are amended to include a right of first refusal, such right of first refusal shall not impair the rights of a First Mortgagor to:

(a) Foreclose or take title to a Lot pursuant to the remedies provided in the mortgage;

(b) Accept a deed (or assignment) in lieu of foreclosure in the event of default by a mortgagor; or

(c) Sell or lease a Lot acquired by the mortgagor.

Section 25.2. First Mortgagor Not Liable for Prior Assessments. Any First Mortgagor or any other party acquiring title or coming into possession of a Lot through foreclosure of the First Mortgage, purchase at a foreclosure sale or trustee sale, or through any equivalent proceedings, such as, but not limited to, the taking of a deed in lieu of foreclosure shall acquire title free and clear of any claims of unpaid assessment and charges against the Lot which become payable prior to the acquisition of such Lot by the First Mortgagor or other party. Any assessments and charges against the Lot which accrue prior to such sale or transfer shall remain the obligation of the defaulting owner of the Lot.

Section 25.3. First Mortgagor's Right of Inspection of Records. Any First Mortgagor will, upon written request, be entitled to (a) inspect the books and records of the Association during normal business hours, (b) receive within ninety (90) days following the end of any fiscal year of the Association, a

financial statement of the Association for the immediately preceding fiscal year of the Association, free of charge to the requesting party, and (c) receive written notice of all meetings of the Members of the Association and be permitted to designate a representative to attend all such meetings.

Section 25.4. Limitation on Partition and Subdivision. No Lot shall be partitioned or subdivided without the prior written approval of the holder of any First Mortgage on such Lot.

Section 25.5. Implied Approval of First Mortgagee. With respect to any provision of the Project Documents which requires the approval of First Mortgagees, a First Mortgagee shall be deemed to have approved a proposed action if such First Mortgagee fails to submit a response to any written request for approval of the proposed action within thirty (30) days after the request is made.

Section 25.6. Notification to First Mortgagee of Default by Owner. A First Mortgagee, upon request, shall be entitled to written notification from the Association of any default in the performance by an Owner of the Lot subject to the mortgage of any obligation under the Project Documents which is not cured within sixty (60) days.

Section 25.7. Conflicting Provisions. In the event of any conflict or inconsistency between the provisions of this Article and any other provision of the Project Documents, the provisions of this Article shall prevail, provided, however, that in the event of any conflict or inconsistency between the different Sections of this Article or between the provisions of this Article and any other provision of the Project Documents with respect to the number or percentage of Owners or First Mortgagees that must consent to (i) an amendment of the Declaration, Articles or Bylaws, or (ii) a termination of the project.

ENFORCEMENT OF COVENANTS:

26. Failure to enforce any of the covenants, conditions and restrictions contained herein shall not, in any event, be construed or held to be a waiver thereof or consent to any further or succeeding breach or violation. Upon breach or threatened breach of such covenants, stipulations or restrictions, or any of them, anyone owning or having an interest in THE RANCH at Prescott Unit One, or any other subdivision to which this Declaration has been extended, including the Association, may bring an appropriate action in the proper court to enjoin or restrain such violation or to compel compliance with such covenants, conditions or restrictions herein contained, or to collect damages or other dues on account thereof. A violation of the covenants, conditions or restrictions shall not affect the lien of any mortgage now of record or hereafter placed of record on any lot or part thereof.

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INVALIDATION:

27. The invalidation of any one of these restrictions by judgment or court order shall in no way affect any of the other provisions which shall remain in full force and effect.

DURATION OF DECLARATION OF RESTRICTIONS:

28. The aforesaid provisions, covenants, conditions and restrictions, and each and all thereof, shall run with the land and every part thereof, and shall be binding on the owner or owners of any lot until twenty (20) years from the date of recordation of this Declaration, after which they shall be automatically extended for successive periods of ten (10) years each, unless an instrument signed by a majority of the then owners of the lots has been recorded, agreeing to amend, or terminate the same in whole or in part.

DEEDS OF CONVEYANCE:

29. Deeds of conveyance of a lot or lots, or any part of lot, may contain the above covenants, conditions and restrictions by reference to this Declaration, but whether or not such reference is made in such deeds, or any thereof, each and all of such covenants, conditions and restrictions shall be binding upon the respective grantees, their heirs, successors and assigns.

Dated this 30th day of July 1985.

BULLWHACKER ASSOCIATES, an
Arizona limited partnership

By: LEE-MURPHY LIMITED, an
Arizona corporation

STATE OF ARIZONA)
) ss.
County of Yavapai)

By _____
Its P/escrow

The foregoing instrument was acknowledged before
me this 30 day of July, 1985, by Jim Lee,
the general partner of Bullwhacker Ranch, an Arizona partnership,
on behalf of the partnership.

SEAL Lisa M. Handel, Notary Public

My Commission Expires:

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My Commission Expires May 29, 1988