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Pasadena Corporation
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Prescott, AZ 86301

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DOCUMENT TO BE RECORDED:

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

CLOUDSTONE VILLAS, INC.

THIS DECLARATION, made on the date hereinafter set forth by
Pasadena Corporation, an Arizona Corporation (hereinafter referred to as "Declarant").

WITNESSETH:

WHEREAS, Declarant is the owner of certain property in the County of Yavapai, State of Arizona, which is more particularly described on Exhibit "A" attached hereto and incorporated herein by this reference.

NOW, THEREFORE, Declarant hereby declares that all of the properties described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and shall run with, the real property and be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner thereof.

ARTICLE I DEFINITIONS

Section 1. "Architectural Committee" shall mean the committee created pursuant to Article VIII hereof.

Section 2. "Architectural Committee Rules" shall mean the rules adopted by the Architectural Committee.

Section 3. "Articles" shall mean the Articles of Incorporation of the Association which are, or shall be filed in the Office of the Corporation Commission of the State of Arizona, as said Articles may be amended from time to time.

Section 4. "Association" shall mean and refer to **Cloudstone Villas, Inc.**, an Arizona non-profit corporation, its successors and assigns.

Section 5. "Association Rules" shall mean the rules adopted by the Board, as they may be amended from time to time.

Section 6. "Board" shall mean the Board of Directors of this Association.

Section 7. "Builder" shall mean any entity that acquires more than one Lot from Declarant or Declarant's successor or assigns for the purpose of constructing improvements

thereon and resale to a Public Purchaser. Declarant may elect to be the builder on one or all Lots.

Section 8. **"Bylaws"** shall mean the Bylaws of the Association, as such Bylaws may be amended from time to time.

Section 9. **"Common Area(s)"** shall mean all real property owned by the Association for the common use and enjoyment of the Owners.

Section 10. **"Declarant"** shall mean Pasadena Corporation, an Arizona Corporation, or any trustee or escrowee which may be designated by Declarant.

Section 11. **"Declaration"** shall mean the covenants, conditions and restrictions herein set forth in this entire document, as same may from time to time be amended.

Section 12. **"Improvement"** shall mean the buildings, roads, roadways, parking areas, lighting fixtures, fences, walls, hedges, plantings, planted trees and shrubs, and all other structures or landscaping of every type and kind.

Section 13. **"Lot"** shall mean and refer to any separate parcel of real property shown upon any recorded subdivision map of the Property, with the exception of the Common Area.

Section 14. **"Member"** shall mean any person, corporation, partnership, joint venture or other legal entity who is a member of the Association.

Section 15. **"Owner(s)"** shall mean and refer to the record owner, whether one or more persons or entities, of equitable or beneficial title (or legal title if same has merged) of any Lot. "Owner" shall include the purchaser under an executory contract for the sale of property but shall not include an optionee under an option to purchase a Lot or Lots. The foregoing does not persons or entities who hold an interest in any Lot merely as security for the performance of an obligation. Except as stated otherwise herein, "Owner" shall not include a lessee or tenant of a Lot. For the purposes of ARTICLE IV only, unless the context otherwise requires, "Owner" shall also include the family, guests, invitees, licensees, and lessees of any Owner, together with any other person or parties holding any possessory interest granted by such Owner in any Lot.

"Owner" shall include Declarant and Builder so long as either owns any Lot within the Property.

Section 16. **"Property"** or **"Properties"** shall mean and refer to that certain real, personal, or mixed property hereinbefore described which is subject to this Declaration, and such additions hereto as may hereafter be brought within the jurisdiction of the Association.

Section 17. "Public Purchaser" shall mean any person or other legal entity who becomes an Owner of any Lot within the Property, except Declarant and Builder.

Section 18. "Visible From Neighboring Property" shall mean, with respect to any given object, that such object is or would be visible to a person six feet, standing on any part of such neighboring property at an elevation no greater than the elevation of the base of the object being viewed.

ARTICLE II PROPERTY RIGHTS

Section 1. Owners' Easements of Enjoyment. Every Owner except Declarant shall have a right and easement of enjoyment in and to the Common Area, for the purposes for which the Common Area is intended, which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) The right of the Association to charge reasonable fees for the use of any facility situated upon the Common Area;

(b) The right of the Association to suspend the voting rights and right to use of the facilities by an Owner for any period during which any assessment against his Lot remains unpaid or for any infraction of this Declaration or the rules or regulations duly promulgated by the Association, the Board or any duly constituted committee of the Association or Board.

(c) The right of the Association to dedicate, transfer or convey, all of any part of any Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members as hereinafter provided. No such dedication, transfer, or conveyance shall be effective unless an instrument, signed by Owners representing two-thirds (2/3) of the Lots and Declarant and agreeing to such dedication, transfer, or conveyance, has been recorded.

(d) The right of Builder and its agents and representatives, in addition to the rights set forth elsewhere in this Declaration, to non-exclusive use, without charge, of the Common Area for maintenance of sales facilities, and for reasonable display and exhibit purposes.

Section 2. Delegation of Use. Any Owner may delegate, in accordance with this Declaration, his right of enjoyment to the Common Area to the members of his family, his tenants, lessees, guests, and invitees, provided such delegation is for a reasonable number of persons and at reasonable times. The Board shall at all times have the right and authority to adopt and promulgate rules and regulations governing or restricting the usage of the Common

Area, including hours of usage, number of members or guests using common facilities at one time, reservations, advance notice, etc.

Section 3. Owner's Easement of Enjoyment Limitations.

(a) An Owner's right and easement of enjoyment in and to the Common Area shall not be conveyed, transferred, alienated or encumbered separate and apart from an Owner's Lot and such right and easement of enjoyment in and to the Common Area shall be deemed to be conveyed, transferred, alienated or encumbered upon the sale of any Owner's Lot, notwithstanding the description in the instrument of conveyance, transfer, alienation or encumbrance may not refer to the Common Area.

(b) Any Common Area shall remain undivided and no action for partition or division of any part hereof shall be permitted.

(c) Each Owner, tenant and occupant of a Lot, and the invitees, tenants, agents and employees of such Owner, may, subject to rules and regulations adopted by the Board, use the Common Area in common with the Owners' invitees, tenants, agents and employees of the other Lots in accordance with the purposes for which it is intended without hindering or encroaching upon the lawful right of such others.

(d) No Owner will be exempted from liability for assessments with respect to any Common Area by waiver of the enjoyment of the right to use the Common Area or by abandonment of his Lot or otherwise.

Section 4. Title to Common Area. Declarant and Builder shall convey title to the Common Area and all improvements thereon to the Association, free of all encumbrances except current real property taxes and other easements, conditions, reservations and restrictions then of record. The conveyance shall be made to the Association not later than thirty (30) days following the completion of the improvements on the Common Area.

Section 5. Specific Uses of Common Area. Tract A is not dedicated to the public, but is reserved for the use by Owners as an ingress and egress easement. Tract C shall be maintained as a landscaped and disturbed slope area. Tract C, and D shall be maintained as public utility easements and landscape and drainage areas. Tract D shall be preserved undisturbed, in its natural state, to the extent deemed practical by the Architectural Committee maintained as approved by the Board. Tract H shall be maintained for emergency vehicle access.

ARTICLE III GENERAL DECLARATION

Declarant has developed the Property into various Lots. Declarant intends to sell and convey to Builder, who in turn intends to sell and convey to Public Purchasers, Lots within the Property so developed subject to this Declaration. Declarant hereby declares that all of the Property subject hereto is and shall be held, conveyed, hypothecated, encumbered, leased, occupied, built upon or otherwise used, improved or transferred in whole or in part, subject to this Declaration, as amended or modified from time to time. This Declaration is declared and agreed to be in furtherance of a general plan for the subdivision, improvement and sale of said Property and is established for the purpose of enhancing and perfecting the value, desirability and attractiveness of said Property and every part thereof. All of this Declaration shall run with all of said Property for all purposes and shall be binding upon and inure to the benefit of Declarant, the Association, all Owners and their successors in interest.

ARTICLE IV LAND USE CLASSIFICATIONS, PERMITTED USES AND RESTRICTIONS

Section 1. Permitted Uses and Restrictions – ALL Property. The permitted uses, easements, and restrictions for all Property covered by this Declaration, shall be as follows:

(a) Single Family Residential Use. All Lots shall be used, improved and devoted exclusively to single family residential use. No gainful occupation, profession, trade or other non-residential use shall be conducted on any Lot. Nothing herein shall be deemed to prevent the leasing of any Lot to a single family from time to time by the Owner thereof, subject to all of the provisions of this Declaration. No structure whatever, other than one private single family residence, together with a private garage for automobiles, shall be erected, placed or permitted to remain on any Lot. Notwithstanding any contrary provisions hereof, Lots owned or which may become owned by Builder may be used as model homes, and for sales and construction offices for the purpose of enabling Builder to sell Lots within the Property, until such time as all of the Lots have been sold to Public Purchasers.

(b) Antennas. No antenna or other device for the transmission or reception of television or radio signals or any other form of electromagnetic radiation shall be erected, used or maintained outdoors on any Property whether attached to a building or structure or otherwise, unless approved by the Board and in no event shall any such antenna or device be Visible From Neighboring Property.

(c) Utility Service. No lines, wires, or other devices for the communication or transmission of electric current or power, including telephone, televisions, and radio signals, shall be erected, placed or maintained anywhere in or upon any Property unless the same shall

be contained in conduits or cables installed and maintained underground or concealed in, under or on buildings or other structures approved by the Architectural Committee. No provision hereof shall be deemed to forbid the erection of temporary power or telephone structures incident to the construction of buildings or structures approved by the Architectural Committee, nor shall any provision hereof prohibit the erection of service pedestals and above-ground switch cabinets and transformers where required.

(d) Improvements and Alterations. No improvements, alterations, repairs, excavation or other work which in any way alters the exterior appearance of any Property or the Improvements located thereon from its natural or improved state existing on the date such Property was first conveyed or transferred to a Public Purchaser shall be made or done without the prior approval of the Architectural Committee, except as otherwise expressly provided in this Declaration. No building, fence, wall, or other structure shall be commenced, erected, maintained, improved, altered, made or done without the prior written approval of the Architectural Committee or any committee established by the Architectural Committee for that purpose. Pursuant to its rulemaking power, the Architectural Committee shall establish a procedure for the preparation, submission and determination of applications for any such alteration or improvement. The Architectural Committee shall have the right to refuse to approve any plans or specifications or grading plans, and without any limitation of the foregoing, it shall have the right to take into consideration the suitability of the proposed building or other structure, and of 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 building or other structure or improvement as planned, on the outlook from the adjacent or neighboring Property. All subsequent additions to or changes or alterations in any building, fence, wall or other structure, including exterior color scheme and building materials, shall be subject to the prior approval of the Architectural Committee. No changes or deviations in or from such plans and specifications once approved shall be made without the prior written approval of the Architectural Committee. All decisions of the Architectural Committee shall be final and no Lot Owner or other parties shall have recourse against the Architectural Committee or any of its members, for and with respect to any decisions made in good faith.

(e) Maintenance of Lawns and Plantings. In addition to the maintenance which the Association shall perform pursuant to Article IX below, the Association shall maintain the lawns and plantings on all Common Areas, and for this purpose, Builder and the Association shall have the right, at any time, to plant, replace, maintain and cultivate landscaping, shrubs,

trees, grass and plantings on any Common Area and on such easements over an Owner's Lot as may have been granted to Declarant, Builder or the Association, regardless of whether any Owner or the Association is responsible hereunder for maintenance of such areas. No Owner shall remove, alter injure or interfere in any way with any landscaping, shrubs, trees, grass or plantings placed upon any Common Area by Builder or the Association without the written consent of the Association having first been obtained. The Association or its authorized agents shall have the right to enter upon any Lot, at any reasonable time, for the purpose of planting, replacing, maintaining or cultivating such landscaping, shrubs, trees, grass or plantings in the Common Area, and shall not be liable for trespass for so doing.

(f) Repair of Buildings. No improvement upon any Property shall be permitted to fall into disrepair, and each such building and structure shall at all times be kept in good condition and repair and adequately painted or other finished. The Association shall have the right, after thirty (30) days' notice to an Owner, to repair, paint, or otherwise maintain the exterior of any Improvement (and without notice in the event of an emergency) which the Association, acting through its Board, determines in its discretion is in violation of this provision. All costs and expenses, including reasonable attorneys' fees, incurred by the Association shall be borne by the Owner, and shall be paid to the Association on demand plus interest at the maximum lawful rate for contracting parties from ten (10) days after said demand until paid in full. Any sum not paid by an Owner may be treated as an assessment and collected in a like manner as assessments levied pursuant to Article VII. Carports and garages must be kept in a neat and tidy manner at all times when the interior of the same is visible from the street or from adjoining property.

(g) Trash Containers and Collection. No garbage or trash shall be placed or kept on any Property except in covered containers of a type, size and style which are approved by the Architectural Committee. In no event shall such containers be maintained so as to be Visible From Neighboring Property except to make the same available for collection and, then, only for the shortest time reasonably necessary to effect such collection. The Board shall have the right, in its sole discretion, to require all Owners to subscribe to a trash service. All rubbish, trash, or garbage shall be removed from the Lots and shall not be allowed to accumulate thereon. No incinerators shall be kept or maintained on any Lot.

(h) Overhangs. No tree, shrub, or planting of any kind on any Property shall be allowed to overhang or otherwise to encroach upon any Common Area from ground level to a height of twelve (12) feet, without the prior approval of the Architectural Committee.

(i) Right of Way. During reasonable hours, Declarant, Builder, any member of the Architectural Committee, any member of the Board, or any authorized representative of any of them, shall have the right to enter upon and inspect any Property and the Improvements thereon, except for the interior portions of any buildings, for the purpose of ascertaining whether or not the provisions of this Declaration have been or are being complied with, and such persons shall not be deemed guilty of trespass by reason of such entry.

(j) Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Property except such machinery or equipment as is usual and customary in connection with the use, maintenance or construction of buildings, improvements, or structures which are within the permitted uses of such property, and except that which Declarant, Builder or the Association may require for the operation and maintenance of the Common Area. No elevated tanks or large containers of any kind shall be erected, placed or permitted upon any Lot, except for use in connection with any residence thereon, and except as shall have first been approved by the Architectural Committee. All such approved tanks or containers shall be buried or kept screened by adequate plantings or fence work, and shall not be Visible From Neighboring Property. Without the approval of the Architectural Committee, no machinery or equipment of any kind shall be placed, operated or maintained upon the roof of any structure.

(k) Restriction on Further Subdivision. No Lot shall be further subdivided or separated into smaller lots or parcels by any Owner, and on portion less than all of any such Lot, nor any easement or other interest therein, shall be conveyed or transferred by any Owner. No Lot may be converted into a condominium or cooperative or other similar type of entity. No portion of a Lot, but for the entire Lot, together with the Improvements thereon, may be rented or leased.

(l) Signs. No signs whatsoever which are Visible From Neighboring Property shall be erected or maintained on any Lot except such signs the nature, number and location of which have been approved in advance by the Architectural Committee.

(m) Utility Easements. There is hereby created a blanket easement upon, across, over and under the above described Property for ingress, egress, installation, replacing, repairing and maintaining all utility and service lines and systems, including, but not limited to, water, sewers, gas, telephones, electricity, television cable or communication lines and systems, etc. By virtue of this easement, it shall be expressly permissible for the providing utility or service company to install and maintain facilities and equipment on said Property and to affix

and maintain wires, circuits and conduits on, in and under the roofs and exterior walls of said Property. Notwithstanding anything to the contrary contained in this paragraph, no sewers, electrical lines, water lines, or other utilities or service lines may be installed or relocated on said Property except as initially developed and approved by the Declarant or the Builder or thereafter approved by the Board. This easement shall in no way affect any other recorded easements on said Property.

(n) Animals. Other than one dog or cat, no dogs, cats or service animals, birds shall be maintained on any portion of any Property covered by this Declaration without securing the prior written consent of the Board for each such animal to be so maintained. In ruling upon such applications for consent, the Board shall have the right to consider the effect of such animal or animals on neighbors and on surrounding properties and Common Area and shall have the right to condition any approval of such application upon the agreement of the applicant to provide such animal facilities and care as the Board shall require. All decisions of the Board regarding pets and animals shall be final and binding. The board shall at all times have the right to adopt and promulgate rules and regulations regarding pets and animals. No Owner shall permit any pet or animal to defecate or urinate except on the Lot owned by the Owner of the pet or animal. Decisions rendered and rules and regulations adopted by the Board shall be enforceable as other restrictions contained herein.

(o) Encroachments. Each Improvement shall be subject to an easement for encroachments created by construction, settling and overhangs as designed or constructed by the original builder. A valid easement for said encroachments and for the maintenance of same, so long as it stands, shall and does exist. In the event the same is partially or totally destroyed, and then rebuilt, the Owners agree that minor encroachments of parts of the adjacent Improvements due to construction shall be permitted and that a valid easement for said encroachments and the maintenance thereof shall exist. Anything herein to the contrary notwithstanding, any such encroachment shall not exceed such size as is approved by the Board.

(p) Temporary Occupancy. No trailer, basement or any incomplete Improvement, building, tent, shack, garage or barn, and no temporary Improvement of any kind shall be used at any time for a residence on any Property either temporary or permanent. Temporary buildings or structures used during the construction of a dwelling on any such Property shall be removed immediately after the completion of construction. Notwithstanding any contrary provision hereof, Builder shall have the right until the Property is completely

developed to maintain temporary construction, sales and storage facilities incident to the development and sale of the Lots to Public Purchasers.

(q) Trailers and Motor Vehicles. No mobile home, motor home, boat, recreational vehicle, trailer of any kind, truck, camper, permanent tent, or similar structure shall be kept, placed, maintained, constructed, reconstructed or repaired, nor shall any motor vehicle be constructed, reconstructed or repaired, upon any portion of any Property or street (public or private) within the Property, in such a manner as will be Visible From Neighboring Property for more than twenty-four (24) consecutive hours or for more than forty-eight (48) hours, in the aggregate during any consecutive seven (7) day period; provided, however, that the provisions of this paragraph shall not apply to emergency vehicle repairs or temporary construction shelters or facilities maintained during, and used exclusively in connection with, the construction of any Improvement approved by the Architectural Committee. Garages shall be used for parking vehicles and storage purposes only, and shall not be converted for living or recreational activities without the written consent of the Architectural Committee. Except as provided above, only automobiles in operating condition shall be parked in uncovered parking areas. Automobiles and other motor vehicles owned by Lot Owners shall not be parked in or on the streets or private drives constituting part of the Common Area without the prior approval of the Board.

(r) Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Property, and no odors shall be permitted to arise therefrom, so as to render any such Property or any portion thereof unsanitary, unsightly, offensive or detrimental to any other Property in the vicinity thereof or to its occupants. No nuisance shall be permitted to exist or operate upon any such Property as to be offensive or detrimental to any other Property in the vicinity thereof or to its occupants. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, bells or other sound devices, except security devices used exclusively for security purposes, shall be located, used or placed on any such Property. The Board in its sole discretion shall have the right to determine the existence of any such nuisance. No motorcycles or motor driven vehicles (except lawn maintenance equipment and golf carts) shall be operated on any walkways or sidewalks within the Property.

(s) Clothes Drying Facilities. Outside clotheslines or other outside facilities for

drying or airing clothes shall not be erected, placed or maintained on any Property unless they are erected, placed and maintained exclusively within a fenced service yard or otherwise concealed and shall not be Visible From Neighboring Property.

(t) Mineral Exploration. No Property shall be used in any manner to explore for or to remove any water, oil or other hydrocarbons, minerals of any kind, gravel, earth, or any earth substance of any kind.

(u) Diseases and Insects. No Owner shall permit any thing or condition to exist upon any Property which shall induce, breed or harbor infectious plant diseases or noxious insects.

(v) Party Walls and Fences. The rights and duties of owners with respect to Party Walls or Party Fences shall be as follows:

(1) The Owners of contiguous Lots who have a Party Wall or Party Fence shall both equally have the right to use such wall or fence, provided that such use by one Owner does not interfere with the use and enjoyment of same by the other Owner.

(2) In the event that any Party Wall or Party Fence is damaged or destroyed through the act of an Owner or any of his agents or guests or members of his family (whether or not such act is negligent or otherwise culpable), it shall be the obligation of such Owner to rebuild and repair the Party Wall or Party Fence without cost to the other adjoining Lot Owner or owners.

(3) In the event any such Party Wall or Party Fence is destroyed or damaged (including deterioration from ordinary wear and tear and lapse of time), other than by the act of an adjoining Owner, his agents, guests or family, it shall be the obligation of all Owners whose Lots adjoin such wall or fence to repair such wall or fence at their joint and equal expense.

(4) Notwithstanding anything to the contrary herein contained, there shall be no impairment of the structural integrity of any Party Wall or Party Fence without the prior consent of all Owners of any interest therein, whether by way of easement or in fee.

(5) In the event of a dispute between Owners with respect to the construction, repair or rebuilding of a Party Wall or Party Fence, or with respect to the sharing of the cost thereof, such adjoining Owners shall submit the dispute to the Board, the decision of which shall be binding.

(6) Each Owner shall permit the Owners of adjoining Lots, or their representative, when reasonably required, to enter his Lot for the purpose of repairing or maintaining a Party Wall or Party Fence or for the purpose of performing installations,

alterations or repairs to the Property of such adjoining Owners, providing that requests for entry are made in advance and that such entry is at a time reasonably convenient to the Owner. In case of an emergency, such right of entry shall be immediate. An adjoining Owner making entry pursuant to the terms of this paragraph shall not be deemed guilty of trespass by reason of such entry.

(7) Surfaces of Party Walls or Party Fences which are viewable from only the adjoining Lots may be planted against, painted, maintained and used as may be agreed by the adjoining Lot Owners. If such surfaces are visible from public streets or the Common Area, the color scheme shall not be changed without the written consent of the Architectural Committee.

(w) Drainage Easement. There is hereby created a blanket easement for drainage of groundwater on, over and across the Property. No Owner shall obstruct, divert, alter or interfere in any way with the drainage of groundwater upon, across or over any portion of the Property. Each Owner shall at his own expense maintain the drainage ways and channels on his Lot in proper condition free from obstruction. The Association shall have the right, after thirty (30) days' notice to an Owner, to repair or otherwise maintain the drainage way or channel on said Owner's Lot, which the Association, acting through its Board, determines has not been maintained by the Owner in compliance with this provision. All costs and expenses, including reasonable attorney's fees incurred by the Association shall be borne by the Owner, and shall be paid to the Association on demand, plus interest at the maximum lawful rate for contracting parties from ten (10) days after said demand until paid in full. Any sum not paid by an Owner may be treated as an assessment and collected in like manner as assessments levied pursuant to Article VII. Nothing in this paragraph shall be deemed to excuse compliance by each Owner with the provisions of the Prior Restrictions dealing with storm water retention.

(x) Builder's Exemption. Nothing contained in this Declaration shall be construed to prevent the erection or maintenance by Builder or its duly authorized agents, of structures, improvements or signs reasonably necessary or convenient to the development, sale, operation or other disposition of the Property. Builder will be undertaking the work of constructing residential dwellings and incidental improvements upon the Lots. The completion of that work and the sale, rental or other disposal of said residential units is essential to the establishment and welfare of the Properties as a residential community. In order that the work may be completed and the Properties established as a fully occupied residential community as rapidly as possible, nothing in this Declaration shall be understood or construed to:

(1) Prevent Builder, its contractors or subcontractors from going on the

Properties or any Lot thereof, whatever is reasonably necessary or advisable in connection with the completion of said work; or

(2) Prevent Builder, or its representatives, from erecting, constructing and maintaining on the Properties, such structures as may be reasonably necessary for the conduct of its business of completing the work and disposing of the same by sale, lease or otherwise;

(3) Prevent Builder at any time prior to acquisition of title by a Purchaser, from amending this Declaration to establish on the Properties additional easements, reservations of rights of way to itself, to utility companies or to others as may from time to time be reasonably necessary to the proper development and disposal of the Properties or any Lots therein. Builder shall have the right, following the acquisition of title by a Public Purchaser from Builder, to grant easements and rights of way to utility companies for the purpose of serving properties affected by this Declaration. Builder, or the organization for whose benefits said easements, reservations and rights of way have been established, shall have the right at any time to cut and remove any trees or branches or any other unauthorized object from such easements, reservations and rights of way.

(y) Solar Heating. Upon obtaining the prior approval of the Architectural Committee in accordance with the provisions of Article IV, Section 1, Paragraph D of this Declaration, the Owner of any Lot may, subject to the terms, covenants, provisions and conditions of Article IV, Section 1, Paragraph D of this Declaration, install, replace, repair, maintain, use modify and change a solar heating system on such Lot. No Owner shall plant trees, or make changes, alterations or improvements to any Lot, or do any act or thing, which will obstruct the rays of sun from the collectors of any then existing solar heating system, or otherwise interfere with the normal use and operation of any then existing solar hearing system. The Architectural Committee shall have the right and power to promulgate reasonable and non-discriminatory rules relating to the use, operation, repair, replacement, maintenance and modification of any solar heating system, and each and every Owner shall be bound thereby.

(z) Prior Restrictions. Each Owner shall at all times abide by, comply with and perform all of the covenants, conditions, restrictions and obligations set forth in the Prior Restrictions. It is the intention of Declarant that both this Declaration and the Prior Restrictions be binding upon the Property and the Owners to the extent that they may be consistently applied and construed, and that to the extent the provisions of this Declaration are more restrictive than the provisions of the Prior Restrictions or to the extent that the provisions of this

Declaration conflict with the provisions of the Prior Restrictions, the provisions of this Declaration shall govern and control.

Section 2. Permitted Uses and Restrictions – Common Areas. The permitted uses and restriction for Common Area shall be as follows:

A. Permitted Uses.

(1) Parking in designated parking spaces and parking areas for the purposes of parking vehicles of the Owner, his guests and invitees; limited, however, for purposes connected with or incidental to any use being made of any portion of any Owner's Lot.

(2) Access for vehicles (including golf carts) and pedestrians between public streets and any parking areas situated on the Property and any Owner's Lot; limited, however, for purposes connected with or incidental to any use being made of any portion of any Owner's Lot.

(3) Access for pedestrians and golf carts on any sidewalks or walkways, limited, however, for purposes connected with or incidental to any use being made of any portion of any Owner's Lot.

(4) Access for persons engaged in maintaining any portion of the Common Area or any Owner's Lot.

(5) Such other uses as may be adopted from time to time by the Board and set forth in the Association's Rules and Regulations.

(6) In general, the Common Area shall be used for the benefit of the owners, for the furnishing of services and facilities for which the same are reasonably intended and for the enjoyment to be derived from such reasonable and proper use, without hindering the exercise of or encroaching upon the right of any other Owner to utilize the Common Area, provided that no unlawful shall be permitted.

B. Restricted Uses.

(1) The Common Area shall not be used by Owners for storage of supplies, materials or personal property of any kind.

(2) Such other restrictions as may be adopted by the Board and set forth in the Association's Rules and Regulations.

(3) In general, no activity shall be carried on nor condition maintained by any Owner upon the Common Area which spoils the appearance of the Property or hinders or encroaches upon the right of any other Owner to utilize the Common Area as reasonably intended.

(4) No Owner shall permit any pet or animal to defecate or urinate upon any portion of the Common Area and each Owner of a pet or animal so doing shall be responsible for the immediate removal from the Common Area of animal waste.

(C) Maintenance by Association. The Association shall, as to any Common Area, conveyed, leased or transferred to it, or otherwise placed under its jurisdiction and commencing at such time as such Common Area is placed under the jurisdiction of the Association:

(1) Maintain, reconstruct, repair, replace or refinish any improvement or portion thereof upon any such area (to the extent that such work is not done by a governmental entity, if any, responsible for the maintenance and upkeep of such area) in accordance with (a) the last plans thereof approved by the Board, (b) the original plans for the improvement, or (c) if neither of the foregoing is applicable and if such improvement was previously in existence, then in accordance with the original design, finish or standard of construction of such improvement as same existed;

(2) Reconstruct, maintain, repair, replace or refinish any road improvement or surface upon any portion of such area used as a road, street, walk, and parking area;

(3) Maintain the landscaping and replace injured and diseased trees or other vegetation in any such area, and plant trees, shrubs and ground cover to the extent that the Board deems necessary for the conservation of water and soil and for aesthetic purposes;

(4) Place and maintain upon any such area such signs, markers and lights as the Board may deem appropriate for the proper identification, use and regulation thereof, subject to the approval of the Architectural Committee;

(5) Remove all papers, debris, filth and refuse from the Common Area and wash or sweep paved areas as required; clean and replace lamp bulbs in lighting fixtures as needed;

(6) Repaint striping, markers, directional signs, etc., as necessary;

(7) Pay all real estate taxes and assessments on the Common Area;

(8) Pay all electrical, water, gas and other utility charges or fees for services furnished to the Common Area;

(9) Pay for and keep in force at the Association's expense fire and extended coverage insurance insuring the improvements in the Common Area to their full replacement value and public liability insurance in companies acceptable to the Association in amounts and with limits of liability desired by the Owners or required of the Owners pursuant to any other

recorded document affecting the Property, such insurance to name the Association or the Owners or both as named insureds;

(10) Do all such and further acts which the Board deems necessary to preserve, maintain and protect the Common Area and the beauty thereof, in accordance with the general purposes specified in this Declaration;

(11) The Board shall be the sole judge as to the appropriate maintenance of all grounds with the Common Area; and

(12) Nothing herein shall be construed so as to preclude the Association from delegating its powers set forth above to a manager or agent or to other persons, firm, entity or corporation; provided, however, that the Association shall remain liable for the obligations imposed on the Association pursuant to this Declaration.

(D) Damage or Destruction of Common Area by Owners. In the event any Common Area is damaged or destroyed by an Owner or any of his guests, tenants, licensees, or agents, such Owner does hereby authorize the Association to repair said damaged area, and the Association shall so repair said damaged area in a good workmanlike manner in conformance with the original plans and specifications of the area involved, or as the area may have been modified or altered subsequently by the Association, in the discretion of the Association. The amount necessary for such repairs shall be paid by said Owner, upon demand, to the Association and the Association may enforce collection of same in the same manner as provided elsewhere in this Declaration for collection and enforcement of assessments.

ARTICLE V THE ASSOCIATION

Section 1. Organization.

(a) The Association. The Association is an Arizona corporation charged with the duties and invested with the powers prescribed by law and set forth in the Articles, Bylaws, and this Declaration. Neither the Articles nor Bylaws shall for any reason, be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration. The Association shall be incorporated prior to the conveyance of any Lot to a Public Purchaser.

(b) Board of Directors and Officers. The affairs of the Association shall be conducted by a Board of Directors and such Officers as the Directors may elect or appoint, in accordance with the Articles and Bylaws, as same may be amended from time to time.

Section 2. Powers and Duties of the Association. The Association shall have such rights, duties and powers as set forth in the Articles and Bylaws, as same may be amended from time to time.

Section 3. 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 known as the "Rules". The Rules may restrict and govern the use of any area by any Owner, or by any invitee, licensee or lessee of such Owner' provided, however, that the Rules may not discriminate among Owners and shall not be inconsistent with this Declaration, the Articles or Bylaws or the Prior Restrictions. A copy of the Rules as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each Owner and may be recorded. Said Rules shall have the same force and effect as if they were set forth in and were a part of the Declaration.

Section 4. Personal Liability. No member of the Board or any Committee of the Association, or any officer of the Association, or any Manager, shall be personally liable to any Owner, or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error, or negligence of the Association, the Board, any Manager, or any other representative or employee of the Association, or the Architectural Committee, of any other Committee, or any officer of the Association, provided that such person has, upon the basis of such information as may be possessed by him, acted in good faith, without willful or intentional misconduct.

ARTICLE VI MEMBERSHIP AND VOTING RIGHTS

Section 1. Members. Every Owner of a Lot shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot.

Section 2. Class of Members. The Association shall have two (2) classes of voting membership:

Class A. Class A Members shall be all Owners with the exception of the Declarant and Builder and shall be entitled to one vote for each Lot owned.

Class B. Class B Members shall be the Declarant who shall be entitled to twelve (12) votes for each Lot owned. The Class B Membership shall cease and be converted to Class A membership when the total votes outstanding in the Class A membership equal or exceed the total votes outstanding in the Class B membership.

Section 3. Members Entitled to Vote. When more than one person holds any interest in any Lot, only one (1) person shall be the voting Member. Such persons holding an interest shall designate the person to be the voting Member and given written notice thereof to the Association. The vote for such Lot may be exercised as the Owners among themselves determine, but in no event shall more than one (1) ballot be cast with respect to any Lot. The vote 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 or Owners casts a vote representing a certain Lot, it will thereafter be conclusively presumed for all purposes that he or they were acting with the authority and consent of all other Owners of the same Lot. In the event more than one vote is cast for a particular Lot, none of said votes shall be counted as said votes shall be deemed void.

Section 4. Cumulative Voting. In any election of the members of the Board, every Owner entitled to vote at such an election shall have the right to cumulate his votes and give one candidate, or divide among any number of the candidates, a number of votes equal to the number of Lots owned by the Owner multiplied by the number of votes per Lot which the Owner is entitled to cast pursuant to Section 2 above multiplied by the number of directors to be elected. The candidates receiving the highest number of votes, up to the number of the Board members to be elected, shall be deemed elected.

Section 5. Other Rights. Each member shall have such other rights, duties, and obligations as set forth in the Articles and Bylaws, as same may be amended from time to time.

Section 6. Membership Transfers with Lot. The Association membership of each Owner of a Lot shall be appurtenant to said Lot. Except with respect to any proxy granted by Declarant, or proxies granted by Owners pursuant to the Bylaws, the rights and obligations of an Owner and membership in the Association shall not be assigned, transferred, pledged, conveyed, or alienated in any way except upon transfer of ownership to Owner's Lot and then only to the transferee of ownership to such Lot, or by intestate succession, testamentary disposition, foreclosure of a mortgage of record, exercise of a power of sale under the provisions of a deed of trust, or such other legal process as now in effect or as may hereafter be established under or pursuant to the laws of the State of Arizona. Any attempt to make a prohibited transfer shall be void. Any transfer of ownership to said Lot shall operate to transfer said membership to the new owner thereof.

ARTICLE VII COVENANTS FOR ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Builder, for each Lot owned hereby covenants, and each Owner of any Lot (other than Declarant) by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The assessments, together with interest, costs, and reasonable attorneys' fees, shall be a charge on the Property 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 person who was the Owner of such Lot at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successor in title unless expressly assumed by them. No Lot shall be sold, transferred or conveyed by any Owner without all assessments having been paid in full, whether or not a lien has been filed or recorded.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the Owner of the Property and for the improvement and maintenance of any Common Area. Without limiting the generality of the foregoing, such purposes may include the payment for the following:

- (a) Telephone, gas and other necessary utility services for the Common Area;
- (b) Maintenance and repair of storm drains, sanitary sewers and private streets lying within the Common Area;
- (c) Fire and casualty insurance covering the Common Area and at the election of the Board of Directors, a blanket fire and casualty insurance policy or policies covering the improvements on the Lots.
- (d) Public liability insurance insuring the Association against any liability to the public or to any Owner, their invitees or tenants, incident to their occupation and/or use of the Common Area with such limits of coverage as may be determined by the Board;
- (e) Workmen's Compensation Insurance to the extent necessary to comply with any applicable laws, and any other insurance deemed necessary by the Board of Directors of the Association;
- (f) Standard fidelity bonds covering those certain members of the Board, the

officers, and those certain employees of the Association who are authorized to sign checks on behalf of the Association, in such amounts as the Board may determine from time to time;

- (g) Painting, maintenance, repair, and replacement of any Common Area;
- (h) Exterior maintenance of Lots;
- (i) Reserves for repair and replacement of improvements on the Common Area and for exterior maintenance;
- (j) Reimbursement for reasonable expenses incurred by members of the Board and officers in the discharge of their duties;
- (k) Real estate taxes and assessments of any property of the Association; and
- (l) Such other and further items as may be necessary or required by the Association to carry out its intent, duties and purposes as set forth in this Declaration.

Section 3. Maximum Annual Assessment. Until January 1 of the year immediately following the conveyance of the first Lot to a Public Purchaser, the maximum annual assessment for each Lot owned by a Public Purchaser shall be \$35.00/Month. Prior to the conveyance of the Common Areas to the Association, Builder and Declarant as they agree, shall pay and discharge all costs and expenses necessary to keep the Common Areas and the improvements located thereon in first class condition and repair and insured to their full replacement value. Other than as set forth above, Declarant shall at all times be exempt from the duty to pay assessments.

(a) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased by the Board each year not more than twenty-five percent (25%) above the maximum assessment for the previous year without a vote of the membership.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to a Public Purchaser, the maximum annual assessment may be increased above twenty-five percent (25%) by a vote of the Owners representing two-thirds (2/3) of the Lots within the Property, at a meeting duly called for this purpose.

(c) The Board may increase or decrease the annual assessments and shall fix the assessments annually, but not in an amount in excess of the maximum.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year for a period not extending beyond ten years, a special assessment for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital

improvement of the Common Area; including fixtures and personal property related thereto, provided that any such assessment shall have the assent of Owners representing two-thirds (2/3) of the Lots within the Property, at a meeting duly called for this purpose.

Section 5. Notice Requirement for any Action Authorized Under Sections 3 and 4.

Written notice of any meeting called for the purpose of taking any action authorized under Section 3 or 4 shall be sent to all Members not less than ten (10) days nor more than sixty (60) days in advance of the meeting.

Section 6. Uniform Rate of Assessment. Except as provided in Section 3 above, both annual and special assessments must be fixed at a uniform rate for all Lots of the same class and may be collected on a monthly, quarterly, or annual basis.

Section 7. Date of Commencement of Annual Assessments. The annual assessments provided for herein shall commence on the first day of the month following the conveyance of the Common Area to the Association. The first annual assessment shall be adjusted according to the number of months remaining in the Calendar Year as of the date of commencement of the applicable assessment. 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 due dates shall be established by the Board of Directors. 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 8. Effect of Nonpayment of Assessments; Remedies of the Association. Each Owner of any Lot (except Declarant, which is exempt pursuant to Section 3 above) shall be deemed to covenant and agree to pay to the Association the assessments provided for herein, and agrees to the enforcement of the assessments in the manner herein specified. In the event the Association employs an attorney or attorneys for collection of any assessment, whether by suit or otherwise, or to enforce compliance with or specific performance of the terms and conditions of this Declaration, or for any other purpose in connection with the breach of this Declaration, each Owner and Member agrees to pay reasonable attorneys' fees and costs thereby incurred in addition to any other amounts due or any other relief or remedy obtained against said Owner or Member. In the event of a default in payment of any such assessment when due, in which case the assessment shall be deemed delinquent, and in addition to any other remedies herein or by law provided, the Association may enforce each such obligation in

any manner provided by law or in equity, or without any limitation of the foregoing, by either or both of the following procedures.

(a) Enforcement by Suit. The Board may cause a suit at law to be commenced and maintained in the name of the Association against an Owner or Member to enforce each such assessment obligation. Any judgment rendered in any such action shall include the amount of the delinquency, together with interest thereon at the rate of ten percent (10%) per annum from the date of delinquency, court costs, and reasonable attorneys' fees in such amount as the Court may adjudge against the delinquent Owner or Member.

(b) Enforcement By Lien. There is hereby created a claim of lien, with power of sale, on each and every Lot within the Property to secure payment to the Association of any and all assessments levied against any and all Owners of such Lots covered by the Declaration, together with interest thereon at the rate of ten percent (10%) per annum from the date of delinquency, and all costs of collection which may be paid or incurred by the Association in connection therewith, including reasonable attorneys' fees. At any time after the occurrence of any default in the payment of any such assessment, the Association, or any authorized representative may, but shall not be required to, make a written demand for payment to the defaulting Owner, on behalf of the Association. 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 or a 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, or even without such a written demand being made, the Association may elect to file such a claim of lien on behalf of the Association against the Lot of the defaulting Owner. Such a claim of lien shall be executed and acknowledged by any officer of the Association, and shall contain substantially the following information:

- (1) The name of the delinquent Owner;
- (2) The legal description and street address of the Lot against which claim of lien is made;
- (3) The total amount claimed to be due and owing for the amount of the delinquency, interest thereon, collection costs and reasonable attorneys' fees (with any proper offset allowed);
- (4) That the claim of lien is made by the Association pursuant to the Declaration; and

(5) That a lien is claimed against said Lot in the amount equal to the amount stated.

Upon recordation of a duly executed original or copy of such a claim of lien, and mailing a copy thereof to said Owner, the lien claimed therein shall immediately attach and become effective in favor of the Association as a lien upon the Lot against which such Assessment was levied. Such a lien shall have priority over all liens or claims created subsequent to the recordation of the claim of lien thereof, except only tax liens for real property taxes on any Lot, assessments on any Lot in favor of any municipal or other governmental assessing unit, and the liens which are specifically described in Section 9 hereinafter. Any such lien may be foreclosed by appropriate action in Court in the manner provided by law for the foreclosure of a realty mortgage or by the exercise of a power of sale in the manner provided by law under a trust deed, as set forth by the laws of the State of Arizona, as the same may be changed or amended. The lien provided for herein shall be in favor of the Association and shall be for the benefit of all other Lot Owners. The Association shall have the power to bid in at any foreclosure sale and to purchase, acquire, hold, lease, mortgage, and convey any Lot. In the event of such foreclosure, reasonable attorneys' fees, court costs, title search fees, interest and all other costs and expenses shall be allowed to the extent permitted by law. Each Owner, by becoming an Owner of a Lot hereby expressly waives any objection to the enforcement and foreclosure of this lien in this matter.

Section 9. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage or deed of trust. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage 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. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

ARTICLE VIII ARCHITECTURAL CONTROL

Section 1. Organization, Power of Appointment and Removal of Members. There shall be an Architectural Committee, organized as follows:

(a) Committee Composition. The Architectural Committee shall consist of three regular members and in the exercise of the sole discretion of the Board, two alternate members. None of such members shall be required to be an architect or to meet any other particular

qualifications for membership. A member need not be, but may be, a member of the Board or an officer of the Association.

(b) Alternate Members. If alternate members are appointed by the Board, in the event of the absence or disability of one or two regular members of said Committee, the remaining regular member or members, even though less than a quorum, may designate either or both of the alternate members to act as substitutes for the absent or disabled regular member or members for the duration of such absence or disability.

(c) Initial Members. The following persons are hereby designated as the initial members of the Architectural Committee:

Office No. 1: Virgil Doerfler - Regular Member
Office No. 2: Ken Mohn - Regular Member
Office No. 3: Clay Sundell - Regular Member

(d) Terms of Office. Unless the initial members of the Architectural Committee have resigned or been removed, their term of office shall be for a period of one year, or until the appointment of their respective successors. Thereafter, the terms of each Architectural Committee member appointed shall be for a period of one year and until the appointment of his successor. Any new member appointed to replace a member who has resigned or been removed shall serve such member's unexpired term. Members who have resigned, been removed or whose terms have expired may be reappointed.

(e) Appointment and Removal. The right to appoint and remove all regular and alternate members of the Architectural Committee at any time, shall be and is hereby vested solely in the Board, provided, however, that no regular or alternate member may be removed from the Architectural Committee by the Board except by the vote or written consent of fifty-one (51%) of all of the members of the Board. Exercise of the right of appointment and removal, as set forth herein, shall be evidenced by the recordation of a declaration identifying each new regular or alternate member appointed to the Committee and each regular or alternate member replaced or removed therefrom.

(f) Resignations. Any regular or alternate member of the Architectural Committee may at any time resign from the Committee by giving written notice thereof to the Board.

(g) Vacancies. Vacancies on the Architectural Committee however caused, shall be filled by the Board. A vacancy or vacancies on the Architectural Committee shall be deemed to exist in case of the death, resignation or removal of any regular or alternate member.

Section 2. Duties. It shall be the duty of the Architectural Committee to consider and

act upon any and all proposals or plans submitted to it pursuant to the terms hereof, to adopt Architectural Committee Rules, to perform other duties delegated to it by the Board, and to carry out all other duties imposed upon it by this Declaration.

Section 3. Meetings and Compensation. The Architectural Committee shall meet from time to time as necessary to perform its duties hereunder. Subject to the provisions of Paragraph B of Section 1 above, the vote or written consent of any two regular members, at a meeting or otherwise, shall constitute the act of the Committee unless the unanimous decision of the Committee is required by any other provision of this Declaration. The Committee shall keep and maintain a written record of all actions taken by it at such meetings or otherwise. Member s of the Architectural Committee shall not be entitled to compensation for their services.

Section 4. Architectural Committee Rules. The Architectural Committee may, from time to time and in its sole and absolute discretion, adopt, amend and repeal, by unanimous vote or written consent, rules and regulations, to be known as "Architectural Committee Rules". The Architectural Committee Rules shall interpret and implement the Declaration by setting forth the standards and procedures for Architectural Committee review and the guidelines for architectural design, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features which are recommended for use within the Property. Said Rules shall be subject to and shall not conflict with this Declaration or the Prior Restrictions.

Section 5. Waiver. The approval of the Architectural Committee of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring the approval of the Architectural Committee under the Declaration, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing specification or matter subsequently submitted for approval.

Section 6. Liability. Neither the Architectural Committee nor any member thereof shall be liable to the Association, any Owner, or to any other party, for any damage, loss or prejudice suffered or claimed on account of (a) the approval or disapproval of any plans, drawings, or specifications, whether or not defective, (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications, (c) the development of any Property, or (d) the execution and filing of any estoppel certificate, whether or not the facts therein are correct; provided, however, that with respect to the liability of a member, such member has acted in good faith on the basis of such information as may be possessed by him. Without in any way limiting the generality of any of the foregoing provisions of this Section, the Architectural Committee, or any member thereof, may, but is not required to,

consult with or hear the views of the Association or any Owner with respect to any plans, drawings, specifications, or any other proposal submitted to the Architectural Committee.

Section 7. Time for Approval. In the event said Board, or its designated committee fails to approve or disapprove such design and location within sixty (60) days after said plans and specifications submitted to it, approval will not be required and this Article will be deemed to have been fully complied with.

ARTICLE IX EXTERIOR MAINTENANCE

Section 1. The Association shall care for and maintain all landscaping on the Exterior Yards of all Lots, and shall keep all shrubs, trees, grass and plantings of every kind thereon neatly trimmed, properly cultivated, and free of trash, weeds, and other unsightly material. No Owner shall remove, alter, injure, or interfere, in any way, with any shrubs, trees, grass, or plantings placed upon any such Property by Builder, or the Association, without the written consent of the Architectural Committee having been first obtained. Builder, and the Association, and their authorized agents, shall have the right to enter upon such Exterior Yards at all reasonable times, for such purposes, and they shall not be liable for trespass for so doing. As used herein, the term "Exterior Yard" shall mean the portion of a Lot which lies outside a fence or other enclosure.

Section 2. The Association shall have the right, but not the duty, at any time and from time to time, to undertake the care and maintenance of the following items:

- (a) All or any portion of the landscaping on any part of the Lots not covered by Section 1 above;
- (b) Exterior of the Improvements located on Lots of Owners; and,
- (c) Roofs of all Improvements located on Lots of Owners.

ARTICLE X RIGHTS OF FIRST MORTGAGEES

Notwithstanding any language to the contrary contained in this Declaration, and in addition to the rights granted elsewhere in this Declaration, the rights of all First Mortgagees of Lots in the Project shall be as follows:

Section 1. Rights of First Mortgagee. Any "right of first refusal" contained in this Declaration, the Articles of Incorporation or the Bylaws of the Association (said documents being hereinafter referred to as the "PUD Constituent Documents") shall not impair the rights of the First Mortgagee to:

- (a) Foreclose or take title to a Lot (which as used in this Article X shall mean a Lot together with the improvements thereon) pursuant to the remedies provided in the mortgage; or
- (b) Accept a deed (or assignment) in lieu of foreclosure in the event of default by a mortgagor; or
- (c) Sell or lease the Lot acquired by the mortgagee.

Section 2. No Liability for Unpaid Assessments. Any First Mortgagee who obtains a title to a unit pursuant to the remedies provided in the mortgage or foreclosure of the mortgage will not be liable for such unit's unpaid dues or charges which accrue prior to the acquisition of title to such unit by the Mortgagee.

Section 3. Limitation on Association. Unless at least two-thirds (2/3) of the First Mortgagees (based upon one vote for each mortgage owned) or Owners (other than Builder or Declarant) of the individual units in the Properties have given their prior written approval, the Association shall not be entitled to:

- (a) By act or omission seek to abandon, partition, sub-divide, encumber, sell or transfer any portion of the Common Area, directly or indirectly, by the Association. (The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Area by the Association or the members thereof shall not be deemed a transfer within the meaning of this subparagraph.)
- (b) Change the method of determining the obligations, assessments, dues or other charges which may be levied against a unit Owner.
- (c) By act or omission, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or exterior appearance of the units, the exterior maintenance of the units, the maintenance of the Common Area walks or common fences and driveways, or the upkeep of lawns and plantings upon the Property;
- (d) Fail to maintain fire and extended coverage on any insurable Common Area property on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value based upon current replacement cost;
- (e) Use hazard insurance proceeds for loss to any common property for other than the repair, replacement or construction of such common property.

Section 4. Taxes & Insurance. First Mortgagees of units may, jointly or singularly, pay taxes or other charges which are in default and which may or have become a charge against any property constituting any Common Area and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy for such Common Area and First Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association.

Section 5. Priorities. No provision of the PUD Constituent Documents gives a unit owner, or any other party, priority over any rights of the First Mortgagee of a unit pursuant to its mortgage in the case of a distribution to such owner of insurance proceeds or condemnation awards for losses to or a taking of all or any portion of any Common Areas.

Section 6. Reserve Fund. Annual assessments by the Association shall include an adequate reserve fund for maintenance, repairs and replacement of those elements of the Common Area that must be replaced on a periodic basis and are payable in regular monthly installments.

Section 7. Notice of Default. Any First Mortgagee, upon request, shall be entitled to written notification from the Association of any default in the performance by an individual unit owner of any obligations under the PUD Constituent Documents which is not cured within sixty (60) days.

Section 8. Management Agreements. Any agreement for professional management of the Association and any other contract providing for such services of the Developer or Builder, may not exceed three (3) years. Any such agreement must provide for termination by either party without cause and without payment of a termination fee upon ninety (90) days or less written notice.

Section 9. Definitions. As used in this Article, the term "First Mortgagee" shall mean and refer to the holder of any mortgage or deed of trust with first priority over the holder of any other mortgage or deed of trust.

ARTICLE XI GENERAL PROVISIONS

Section 1. Enforcement. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first twenty (20) year period and thereafter by an instrument signed by Owners representing fifty-one (51%) percent of the votes entitled to be cast by Members of the Association; provided, however, that during the first twenty (20) years no amendment shall be effective unless it is also executed by Declarant. Any amendment must be recorded.

Section 4. Violations and Nuisance. Every act or omission whereby any provision of this Declaration is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated, whether or not relief sought is for negative or affirmative action, by Declarant, the Association or any Owner or Owners of Lots within the Property. However, any other provision to the contrary notwithstanding, the Declarant, the Association, the Builder, the Board, or the duly authorized agents of any of them, may enforce by self-help any of the provisions of this Declaration.

Section 5. Violation of Law. Any violation of any state, municipal, or local law, ordinance or regulation, pertaining to the ownership, occupation or use of any property within the Property is hereby declared to be a violation of the Declaration and subject to any or all of the enforcement procedures set forth in said Declaration.

Section 6. Remedies Cumulative. Each remedy provided by the Declaration is cumulative and not exclusive.

Section 7. Delivery of Notices and Documents. Any written notice or other documents relating to or required by this Declaration may be delivered either personally or by mail. If by mail, it shall be deemed to have been delivered twenty-four (24) hours after a copy of same has been deposited in the United States mail, postage prepaid, addressed as follows:

If to the Association:

Cloudstone Villas, Inc.
1812 Peaceful Mesa Dr.
Prescott, AZ

If to the Architectural Committee:

Cloudstone Villas' Homeowner's Association

1812 Peaceful Mesa Dr.
Prescott, AZ

If to an Owner, to the address of any Lot within the Property owned, in whole or in part, by him or to any other address last furnished by an Owner to the Association;

And, if to Declarant:

Pasadena Corporation
1812 Peaceful Mesa
Prescott, AZ

provided, however, that any such address may be changed at any time by the party concerned by recording a written notice of change of address and delivering a copy thereof to the Association. Each Owner of a Lot shall file the correct mailing address of such Owner with the Association, and shall promptly notify the Association in writing of any subsequent change of address.

Section 8. Captions. All captions or titles used in this Declaration are included solely for convenience of reference and shall not affect the meaning or interpretation of that which is set forth in any of the terms or provisions of this Declaration.

Section 9. The Declaration. By acceptance of a deed or by the acquiring any ownership interest in any of the real property included within this Declaration, each person or entity, for himself or itself, his heirs, personal representatives, successors, transferees and assigns, binds himself, his heirs, personal representatives, successors, transferees and assigns, to all of the provisions, restrictions, covenants, conditions, rules, and regulations now or hereafter imposed by this Declaration and any amendments hereto. In addition, each such person by so doing thereby acknowledges that this Declaration sets forth a general scheme for the improvement and development of the real property covered thereby and hereby evidences his interest that all the restrictions, conditions, covenants, rules and regulations contained herein shall run with the land and be binding on all subsequent and future Owners, grantees, purchasers, assignees, and transferees thereof. Furthermore, each such person fully understands and acknowledges that this Declaration shall be mutually beneficial, prohibitive and enforceable by the various subsequent and future Owners.



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IN WITNESS WHEREOF, the undersigned, being the Declarant herein, and the Owner of the Property, has hereunto set its hand and seal this 5th day of July, 2005.

Pasadena Corporation, an Arizona corporation

By: Virgil Doerfler
Virgil Doerfler, President

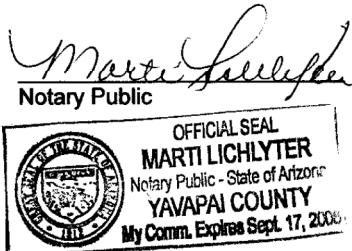
VERIFICATION

STATE OF ARIZONA)
)
County of Yavapai) ss.

On this 5th day of July 2005, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Virgil Doerfler, who proved on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same.

My commission expires:

9-17-06





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Page: 33 of 33
RES 3971112

EXHIBIT "A"

Lots 1 through 95, inclusive, CLOUDSTONE - UNIT 1, according to the plat of record in Book 53 of Maps, pages 67, 68 and 69, records of Yavapai County, Arizona.

legal rev. (010698)

Recorded at the request of:
James D. Atkinson

When recorded mail to:

James D. Atkinson
1550 Plaza West Drive
Prescott, AZ 86303

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B-4647 P-437
Page: 1 of 7
ARES 4291418

SECOND AMENDMENT TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
CLOUDSTONE VILLAS, INC.

THIS SECOND AMENDMENT to the Declaration of Covenants, Conditions and Restrictions for Cloudstone Villas, Inc. is made effective as of the date of its recording in the Official Records of Yavapai County, Arizona.

RECITALS:

A. On January 30, 2006, the Declaration of Covenants, Conditions and Restrictions for Cloudstone Villas, Inc. (the "Original Declaration") was filed in Book 4359, Page 634 of the Official Records of Yavapai County, Arizona, by Pasadena Corporation, an Arizona corporation (the "Declarant") for real property legally described in Exhibit "A" thereto as "Lots 1 through 95, CLOUDSTONE – UNIT 1, according to the plat of record in Book 53 of Maps, pages 67, 68 and 69, records of Yavapai County, Arizona."

B. On September 26, 2007, an Amendment to Declaration of Covenants, Conditions and Restrictions for Cloudstone Villas, Inc. was recorded in Book 4537, Page 722, of the Official Records of Yavapai County, Arizona (the "First Amendment"). The Original Declaration, as amended by the First Amendment is referred to herein as the Declaration.

C. As of the date of the recording of this Second Amendment, the Declarant is the owner of the following real property tracts set forth on the Plat:

"Tracts "A", "B", "C" and "D", CLOUDSTONE – UNIT 1, according to the plat of record in Book 53 of Maps, pages 67, 68 and 69, records of Yavapai County, Arizona."

D. Pursuant to Section 3 of Article XI of the Declaration, during the first twenty (20) year period after the date of the recording of the Declaration and thereafter, the Declaration may be amended by an instrument executed by Owners representing at least fifty-one percent (51%) of the votes entitled to be cast by the Members of the Association; provided, however, that during the first twenty (20) years, no amendment shall be effective unless it is also executed by the Declarant.

E. As of the date of the recording of this Second Amendment, the Declarant is entitled to cast in excess of fifty-one percent (51%) of the votes entitled to be cast by the Members of the Association.

F. By executing this Second Amendment to the Declaration, the Declarant intends to amend the Declaration as hereinafter set forth.

NOW THEREFORE, the Declaration is hereby amended as follows:

1. Article I of the Declaration is amended to add a new section numbered "Section 19" which shall provide as follows:

"19. **“Plat”** shall mean the Plat of the Property recorded in Book 53, at Page 68, of the official records of the Yavapai County Recorder’s Office, as amended."

2. Article I of the Declaration is amended to add a new section numbered "Section 20" which shall provide as follows:

"20. **“Slope Easement Area”** shall mean the area located within the area designated as the "Existing 30' Slope Easement" on the Plat.

3. The first introductory sentence of Section 1 of Article II of the Declaration is amended in its entirety to provide as follows:

"Owner' Easements of Enjoyment. Every Owner shall have a right and easement of enjoyment in and to the Common Area, for the purposes for which the Common Area is intended, which shall be appurtenant to and shall pass with title to every Lot, subject to the following provisions."

4. The final sentence of Section 4 of Article II of the Declaration is amended in its entirety to provide as follows:

"The conveyance shall be made to the Association not later than the date of the termination of the Class B Membership pursuant to Section 2 of Article VI of this Declaration."

5. The final sentence of Section 5 of Article II is deleted in its entirety.

6. The fourth sentence of Section 1(a) of Article IV of the Declaration is amended in its entirety to provide as follows:

"No structure whatever, other than one single family residence, together with a private garage for automobiles and a guest house or servants quarters, as approved by the Architectural Committee and as are in compliance with applicable zoning, shall be erected, placed or permitted to remain on any Lot."

7. Section 1(e) of Article IV of the Declaration is amended in its entirety to provide as follows:

Maintenance of Lawns, Walls and Plantings. The Association shall maintain the landscaping, retaining walls, lawns and plantings on all Common Areas and on the Slope Easement Area (except any improvements made by a Lot Owner to the Slope Easement Area), and for this purpose Declarant, Builder and the Association shall have the right, at any time, to install, plant, replace, maintain and cultivate landscaping, shrubs, trees, grass and plantings and retaining walls on any Common Area, on the Slope Easement Area and on such easements over an Owner's Lot as may have been granted to Declarant, Builder or the Association. No Owner shall remove, alter, injure or interfere in any way with any landscaping, shrubs, trees, grass, plantings or retaining walls placed upon any Common Area or the Slope Easement Area by Declarant, Builder or the Association without the written consent of the Association. Declarant, Builder and the Association and their authorized agents shall have the right to enter upon any Lot, at any reasonable time, for the purpose of installing, planting, replacing, maintaining or cultivating such retaining walls, landscaping, shrubs, trees, grass or plantings in the Common Area or in the Slope Easement Area, and shall not be liable for trespass for so doing.

8. The final sentence of Section 1(k) of Article IV of the Declaration is amended in its entirety to provide as follows:

“Without the prior consent of the Architectural Committee, no Owner may rent or lease less than the entire Lot together with all of the improvements thereon.”

9. Section 1(z) of Article IV of the Declaration is deleted in its entirety.

10. Section 2(A)(2) of Article IV of the Declaration is amended to delete the following phrase therefrom:

“(including golf carts)”

11. Section 2(A)(3) of Article IV of the Declaration is amended to delete the following phrase therefrom:

“and golf carts”

12. The first introductory sentence to Section 2(C) of Article IV of the Declaration is amended in its entirety to provide as follows:

“The Association shall, as to the Common Area, the Slope Easement Area and any other property conveyed, leased or transferred to it, or placed under its jurisdiction.”

13. Section 2(C)(8) of Article IV of the Declaration is amended in its entirety to provide as follows:

“Pay all electrical, water, gas and other utility charges or fees for services furnished to the Common Area and/or the Slope Easement Area;”

14. Section 2(C)(10) of Article IV of the Declaration is amended in its entirety to provide as follows:

“Do all such and further acts which the Board deems necessary to preserve maintain and protect the Common Area and the Slope Easement Area and the beauty thereof, in accordance with the general purposes specified in this Declaration;”

15. Section 2(h) of Article VII of the Declaration is amended in its entirety to provide as follows:

“(h) Maintenance of the Common Area and the Slope Easement Area and the improvements thereon (other than improvements, if any, placed on the Slope Easement Area by a Lot Owner);

16. Section 2(i) of Article VII of the Declaration is amended in its entirety to provide as follows:

“(i) Reserves for repairs and replacement of improvements on the Common Area and on the Slope Easement Area;”

17. The second and third sentences in the introductory paragraph to Section 3 of Article VII of the Declaration are amended in their entirety to provide as follows:

“Prior to the conveyance of the Common Areas to the Association, Declarant shall each year be responsible for the payment to the Association of the amount by which (i) the aggregate amount of all of the costs and expenses actually incurred by the Association in such year to meet the Association’s obligations under this Declaration exceeds (ii) the aggregate amount of the assessments payable by the Owners for such year; provided, however, the obligation of the Declarant and Builder to pay such amounts shall not exceed the amounts that otherwise would have been assessed for such year against Lots owned by the Declarant if the Declarant had been a Class A Member. Declarant shall at all times be exempt from the duty to pay assessments of any kind.”

18. The first sentence of Section 7 of Article VII of the Declaration is amended in its entirety to provide as follows:

“The annual assessments provided for herein shall commence on the first day of the first month following the conveyance of any Lot to a Public Purchaser.”

19. Section 8(b) of Article VII of the Declaration is amended in its entirety to provide as follows:

“Creation of Association Lien for Assessments, Fees, Charges, Fines and Penalties. The Declarant, for each Lot owned by it, and each Owner, by becoming the Owner of a Lot, is deemed to covenant and agree, to pay assessments, fees, charges, fines and penalties to the Association in accordance with this Declaration. All assessments, fees, charges, fines and penalties shall be established and collected as provided in this Declaration. The assessments, fees, charges, together with interest, late charges and all costs, including but not limited

to reasonable attorneys' fees, incurred by the Association in collecting or attempting to collect delinquent assessments, fees or charges, whether or not suit is filed, shall be a charge on the Lot and shall be a continuing lien upon the Lot against which each such assessment, fee or charge is levied or made. Recording of this Declaration constitutes record notice and perfection of the lien established hereby. Each assessment, fee, charge, fine and penalty, together with interest and all costs, including but not limited to reasonable attorneys' fees, incurred by the Association in enforcing this Declaration and the governing documents of the Association and collecting or attempting to collect delinquent assessments, fees, charges, fines or penalties, whether or not suit is filed, shall also be the personal obligation of the person who was the Owner of the Lot at the time when the assessment, fee, charge, fine or penalty became due. The personal obligation for delinquent assessments, fees, charges, fines or penalties shall not pass to the successors in title of the Owner unless expressly assumed by them. Any assessment, fee, charge, fine or penalty, or any installment of an assessment, fee, charge, fine or penalty not paid within fifteen (15) days after the assessment, fee, charge, or the installment thereof, first became due shall bear interest from the due date at the rate of ten percent (10%) per annum. In addition, the Board of Directors may establish a late fee and interest to be charged to any Owner who has not paid any Assessment, fee, charge, fine or penalty, or any installment thereof, within fifteen (15) days after such payment was due.

As set forth in this Section, the Association shall have a lien on each Lot for all assessments, fees, charges, fines and penalties, together with interest and late charges, costs of collecting and reasonable attorneys' fees levied against or charged to such Lot or the Owner thereof. The Association may, at its option, record a Notice of Lien setting forth the name of the delinquent owner as shown in the records of the Association, the legal description or street address of the Lot against which the Notice of Lien is recorded and the amount claimed to be past due as of the date of the recording of the Notice, including late charges, interest, costs of collection, lien recording fees, lien release fees, reasonable attorneys' fees and the costs of preparing the Notice of Lien.

Subject to applicable statutes, the Lien created by this Section 8(b) shall have priority over all liens or claims except for (i) tax liens for real property taxes, and (ii) assessments in favor of any municipal or other governmental body.

The Board may, without notice or demand, enforce the lien established pursuant to this Section 8(b). The Board may, without notice or demand, institute an action at law for a money judgment to recover the amount of the delinquent assessment together with all fees, charges, fines and penalties, together with interest and late charges, costs of collecting and reasonable attorneys' fees."

20. Section 1 of Article IX of the Declaration is amended in its entirety to provide as follows:

"Subject only to the Association's responsibility to maintain the Slope Easement Area, each Owner shall be responsible for maintaining his or her Lot and for maintaining, repairing or replacing any and all buildings, residential units,

landscaping or other improvements situated on his or her Lot. All buildings, residential units, landscaping and other improvements shall at all times be kept in good condition and repair. All grass, hedges, shrubs, vines and plants of any type on a Lot that are the responsibility of the Owner thereof shall be irrigated, mowed, trimmed and cut at regular intervals so as to be maintained in a neat and attractive manner. Trees, shrubs, vines, plants and grass which die shall be promptly removed and replaced with living foliage of like kind, unless different foliage is approved in writing by the Architectural Committee."

21. Section 2 of Article IX of the Declaration is deleted in its entirety.
22. In order to clarify that the Property includes all of the property included in the Plat of the Property, Exhibit "A" to the Declaration is hereby amended in its entirety to provide as follows:

"Lots 1 through 95, inclusive, and Tracts "A", "B", "C" and "D", CLOUDSTONE - UNIT 1, according to the plat of record in Book 53 of Maps, pages 67, 68 and 69, records of Yavapai County, Arizona."
23. Each Owner consenting to this Second Amendment is conclusively presumed to have 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 consent or of this Second Amendment.
24. This Second Amendment shall become effective upon recording of the same in the Official Records of Yavapai County, Arizona.
25. Except as specifically modified by this Second Amendment, the Declaration shall remain in full force and effect in accordance with its terms. In the event of any conflict or inconsistency between the terms of this Second Amendment and the Declaration, the terms of this Second Amendment shall control. Capitalized terms used but not specifically defined in this Second Amendment shall have the meaning prescribed in the Declaration.

IN WITNESS WHEREOF, the undersigned Declarant being entitled to cast in excess of fifty-one percent (51%) of the votes entitled to be cast by all of the Members of the Association has set its hand intending to amend the Declaration as hereinabove set forth.

Pasadena Corporation, an Arizona corporation

By: Virgil Doerfler
Virgil Doerfler
Its: President



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Page: 7 of 7
ARES 429141B

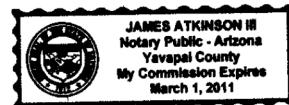
STATE OF ARIZONA)
) ss:
COUNTY OF YAVAPAI)

The foregoing instrument was acknowledged before me this 28 day of January 2009 by Virgil Doerfler, the president of Pasadena Corporation, an Arizona corporation, the person to me known as the person described in and who executed the foregoing instrument and acknowledged before me that he or they executed the same on behalf of said corporation.

Witness my hand and official seal

My Commission will expire 3/11, 2011

~~NOTARY PUBLIC~~



Second Amendment

7

Recorded at the request of:
James D. Atkinson



B-4690 P-490
Page: 1 of 3
ARES 4337985

When recorded mail to:
James D. Atkinson
1550 Plaza West Drive
Prescott, AZ 86303

Fee
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MB

THIRD AMENDMENT TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
CLOUDSTONE VILLAS, INC.

THIS THIRD AMENDMENT to the Declaration of Covenants, Conditions and Restrictions for Cloudstone Villas, Inc. (the "Third Amendment") is made effective as of the date of its recording in the Official Records of Yavapai County, Arizona.

RECITALS:

A. On January 30, 2006, the Declaration of Covenants, Conditions and Restrictions for Cloudstone Villas, Inc. (the "Original Declaration") was filed in Book 4359, Page 634 of the Official Records of Yavapai County, Arizona, by Pasadena Corporation, an Arizona corporation (the "Declarant") for real property legally described in Exhibit "A" thereto as "Lots 1 through 95, CLOUDSTONE – UNIT 1, according to the plat of record in Book 53 of Maps, pages 67, 68 and 69, records of Yavapai County, Arizona."

B. On September 6, 2007, an Amendment to Declaration of Covenants, Conditions and Restrictions for Cloudstone Villas, Inc. was recorded in Book 4537, Page 722, of the Official Records of Yavapai County, Arizona (the "First Amendment").

C. On February 5, 2009, a Second Amendment to Declaration of Covenants, Conditions and Restrictions for Cloudstone Villas, Inc. was recorded in Book 4647, Page 437, of the Official Records of Yavapai County, Arizona (the "Second Amendment"). The Original Declaration, as amended by the First Amendment and the Second Amendment, is referred to herein as the Declaration.

D. Pursuant to Section 3 of Article XI of the Declaration, during the first twenty (20) year period after the date of the recording of the Declaration and thereafter, the Declaration may be amended by an instrument executed by Owners representing at least fifty-one percent (51%) of the votes entitled to be cast by the Members of the Association; provided, however, that during the first twenty (20) years, no amendment shall be effective unless it is also executed by the Declarant.

E. As of the date of the recording of this Third Amendment, the Declarant is entitled to cast in excess of fifty-one percent (51%) of the votes entitled to be cast by the Members of the Association.

F. By executing this Third Amendment to the Declaration, the Declarant intends to amend the Declaration as hereinafter set forth.

NOW THEREFORE, the Declaration is hereby amended as follows:

1. Section 1(n) of Article IV of the Declaration is amended in its entirety to provide as follows:

“Animals/Pets. No animals, including, without limitation, birds, fowl, livestock or poultry of any kind, shall be raised, bred or kept on any Lot, other than a reasonable number of dogs, cats, or other generally recognized household pets, and then only if such dogs, cats, or other generally recognized household pets are kept, bred or maintained thereon solely as domestic pets and not for any commercial purposes. All household pets must be in compliance with local ordinances regarding inoculations, licensing and leashing. Household pets shall be kept within structures or fences on the Lot or on leashes. No structure for the care, housing or confinement of any household pet shall be maintained so as to be visible from Neighboring Property without the prior written consent of the Architectural Committee. Owners of household pets are responsible for cleaning up after their pets. Household pets, which are permitted to roam free, make noise, endanger the health or safety of any person, or constitute an unreasonable inconvenience to the occupants of other Lots, shall be removed upon the request of the Board. Upon the written request of any Owner, the Board shall determine, in its sole discretion, whether for the purposes of this Section, a particular animal is a generally recognized household pet or is a nuisance or whether the number of animals on any Lot is unreasonable. Any such decision rendered by the Board shall be final and shall be enforceable in the same manner as other restrictions contained in this Declaration.

2. Each Owner consenting to this Third Amendment is conclusively presumed to have 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 consent or of this Third Amendment.

3. This Third Amendment shall become effective upon recording of the same in the Official Records of Yavapai County, Arizona.

4. Except as specifically modified by this Third Amendment, the Declaration shall remain in full force and effect in accordance with its terms. In the event of any conflict or inconsistency between the terms of this Third Amendment and the Declaration, the terms of this Third Amendment shall control. Capitalized terms used but not specifically defined in this Third Amendment shall have the meaning prescribed in the Declaration.

IN WITNESS WHEREOF, the undersigned Declarant being entitled to cast in excess of fifty-one percent (51%) of the votes entitled to be cast by all of the Members of the Association has set its hand intending to amend the Declaration as hereinabove set forth.

Pasadena Corporation, an Arizona corporation

By: Virgil Doerfler
Virgil Doerfler
Its: President

STATE OF ARIZONA)
) ss:
COUNTY OF YAVAPAI)

The foregoing instrument was acknowledged before me this 25th day of August 2009 by Virgil Doerfler, the president of Pasadena Corporation, an Arizona corporation, the person to me known as the person described in and who executed the foregoing instrument and acknowledged before me that he or they executed the same on behalf of said corporation.

Witness my hand and official seal

Robin G. Couch
NOTARY PUBLIC

My Commission will expire 12/28, 2009

