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ATTN: Alan Abare

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Yavapai County
Patsy Jenney-Colon, Recorder
05/08/2000 11:45A PAGE 1 OF 35
WILLIAMSON VALLEY INVESTORS LLC
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**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
INSCRIPTION CANYON RANCH P.A.D., SOUTH
Unit Four- Phase One**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS is made and entered into as of May ____, 2000, by Williamson Valley Investors II, an Arizona limited liability company (the "Declarant"), Beneficiary under Yavapai-Coconino Title Agency, Inc. Trust No. 356.

WITNESSETH:

WHEREAS, Declarant is the owner of certain property in the County of Yavapai, State of Arizona, which is more particularly described as follows:

Lots 181 - 219, INSCRIPTION CANYON RANCH
P.A.D., SOUTH, UNIT FOUR - PHASE ONE, according to
the plat of record in the office of the County Recorder of
Yavapai, County, Arizona, recorded in Book 40 of
Maps, Pages 89-90.

WHEREAS, Declarant at this time includes in this Declaration and imposes these covenants, conditions and restrictions upon only the Lots and other areas situated within Inscription Canyon Ranch P.A.D., South, Unit Four, Phase One, but may, subsequent to the date of this Declaration desire to include or annex in this Declaration additional phases for Inscription Canyon Ranch P.A.D., South, Unit Four, as provided for in Section 9.5 below.

NOW, THEREFORE, Declarant hereby declares that all of the Property described herein, and that Additional Property which shall be annexed by the Declarant as set forth on future plats of Inscription Canyon Ranch P.A.D., South, Unit Four shall be held, sold and conveyed subject to the following easements, restrictions, covenants, conditions, and liens, which are for the purpose of protecting the value and desirability of, and which shall run with the Property and shall be binding on and inure to the benefit of all parties having or acquiring any right, title, or interest in the Property or any part thereof, their heirs, successors or assigns.

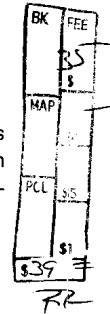


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ARTICLE 1

DEFINITIONS

- 1.1 "Additional Property" means any other real Property, together with the Improvements situated thereon, which is subsequently made subject to this Declaration by Amendment thereto.
- 1.2 "Architectural Rules" means the rules and guidelines adopted by the Board pursuant to Section 5.2 of this Declaration, as amended or supplemented from time to time.
- 1.3 "Articles" means the Articles of Incorporation of Quality Home Management, Inc. as amended from time to time.
- 1.4 "Assessable Property" means each Lot or Parcel.
- 1.5 "Assessment" means a charge as described in Section 4.2.
- 1.6 "Assessment Lien" means the lien created and imposed by Section 4.
- 1.7 "Board" means the Board of Directors of Quality Home Management, Inc.
- 1.8 "Bylaws" means the Bylaws of Quality Home Management, Inc. as amended from time to time.
- 1.9 "Common Area" means all land, and the improvements thereon, which the Declarant indicates on a recorded subdivision plat, Tract Declaration, or other recorded instrument is to be conveyed to Quality Home Management, Inc. for the benefit and use of the Members, or used for landscaping, drainage or water retention for the benefit of the Project or the general public.
- 1.10 "Declarant" means Williamson Valley Investors II, L.L.C., an Arizona limited liability company, and any Person to whom it may expressly assign any or all of its rights under this Declaration by a recorded instrument.
- 1.11 "Declaration" means this Master Declaration of Covenants, Conditions and Restrictions, as amended or supplemented from time to time.
- 1.12 "Development Plan" means the Development Plan for the Project as approved by Yavapai County, Arizona, as the plan may be amended from time to time.

1.13 "Equestrian Lot" means a Lot designated by the Declarant as a Lot where horses may be kept.

1.14 "Improvement" means any building, fence, wall, or other structure or any swimming pool, road, driveway, parking area or any trees, plants, shrubs, grass, or other landscaping of any type or kind.

1.15 "Lessee" means the Lessee or tenant under a lease, oral or written, of any Lot, including an assignee of a lease or a sublessee.

1.16 "Lot" means a portion of the Project intended for independent ownership and use, and designated as a Lot on a subdivision plat, and, where the context indicates or requires, shall include any building, structure, or other Improvements situated on the Lot.

1.17 "Member" means any Person who is a Member of Quality Home Management, Inc.

1.18 "Occupant" means any Person other than an Owner who occupies or is in possession of a Lot or Parcel, or any portion thereof or building or structure thereon, whether as a Lessee or otherwise, other than on a merely transient basis (and shall include, without limitation, a Resident).

1.19 "Owner" means the record Owner, including Declarant, whether one or more Persons, of beneficial or equitable title (and legal title if the same has merged with the beneficial or equitable title) to the fee simple interest of a Lot. Owner shall not include Persons having an interest in a Lot merely as security for the performance of an obligation or a Lessee. Owner shall include a Purchaser under a contract for the conveyance of real Property subject to the provisions of A.R.S. Section 33-741, *et. seq.* Owner shall not include a Purchaser under a purchase contract and receipt, escrow instructions, or similar executory contracts which are intended to control the rights and obligations of the parties to the executory contract pending the closing of a sale or purchase transaction. In the case of Lots the fee simple title to which is vested in a trustee pursuant to A.R.S. Section 33-801, *et. seq.*, the Trustor shall be deemed to be the Owner. In the case of Lots, the fee simple title to which is vested in a Trustee pursuant to a subdivision trust agreement or similar instrument, the beneficiary of such trust who is entitled to possession of the trust Property shall be deemed to be the Owner.

1.20 "Parcel" means any area of real Property in the Project, and all Improvements situated thereon, shown as a separate parcel of land on the Development Plan, provided, however, that in the event a Parcel is split in any manner into portions under separate ownership (other than by subdivision of the Parcel by recordation of a subdivision plat into Lots), then each portion under separate ownership shall

thereafter constitute a separate Parcel. If two or more contiguous parcels of land are owned by the same Person, they shall be considered one Parcel for purposes of this Declaration. A Parcel shall cease to be a Parcel when it has been fully subdivided into Lots.

1.21 "Person" means a natural person, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, government, governmental agency or subdivision, or other legal or commercial entity.

1.22 "Property" or "Project" means the real property described on Page One of this Declaration, together with all Improvements situated thereon, and all real Property and all Improvements situated thereon which are annexed and subjected to this Declaration pursuant to Section 2.2 of this Declaration.

1.23 "Project Documents" means this Declaration, the Articles, Bylaws, and Quality Home Management, Inc. Rules.

1.24 "Purchaser" means any Person, other than the Declarant, who by means of voluntary transfer becomes the Owner of a Lot, except for: a) a Person who purchases a Lot and then leases it to the Declarant for use as a model in conjunction with the sale or lease of other Lots; or b) a Person who, in addition to purchasing a Lot, is assigned any or all of the Declarant's rights under this Declaration.

1.25 "QHM" means Quality Home Management, Inc., a nonprofit Arizona corporation to be organized by Declarant to administer and enforce the Project Documents and to exercise the rights, powers and duties set forth therein, and its successors and assigns.

1.26 "QHM Rules" means the rules adopted by the Board pursuant to Section 3.3 of this Declaration, as amended or supplemented from time to time.

1.27 "Resident" means each natural person occupying or residing in any Lot.

1.28 "Single Family" means a group of one or more natural persons each related to the other by blood, marriage or legal adoption, or a group of not more than three (3) persons not all so related, who maintain a common household in a Lot.

1.29 "Visible From Neighboring Property" means, with respect to any given object, that such object is or would be visible to a Person six feet tall, standing at ground level on any part of any adjoining Lot.

ARTICLE 2

DEVELOPMENT PLAN

2.1 General Declaration. As the Property has been subdivided into various Lots, and it is intended that the Property so subdivided shall be sold and conveyed to Purchasers, Declarant hereby declares that all 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 the Property, and is established for the purpose of enhancing and perfecting the value, desirability, and attractiveness of the Property and every part thereof. All of this Declaration and any amendments hereto shall run with all of said Property for all purposes and shall be binding on and inure to the benefit of and be enforceable by the Declarant, Quality Home Management, all Owners and their successors in interest.

2.2 Annexation of Additional Property. The Declarant shall have the right to annex and subject to this Declaration any Additional Property without the consent of any other Owner or Person. Any such annexed lands shall comply with the provisions of this Declaration or any amendments hereto.

2.3 Withdrawal of Property. The Declarant shall have the right to withdraw Property from the Project without the consent of any other Owner or Person (other than the Owner of such property, if other than the Declarant). The withdrawal of all or any portion of the Project shall be effected by the Declarant recording with the County Recorder of Yavapai County, Arizona, a Declaration of Withdrawal setting forth the legal description of the Property being withdrawn. Upon the withdrawal of any Property from the Project pursuant to this Section, such Property shall no longer be subject to any of the covenants, conditions and restrictions set forth in this Declaration.

2.4 Disclaimer of Representations. Declarant makes no representations or warranties whatsoever that:

- (a) the Project will be completed in accordance with the plans for the Project as they exist on the date that this Declaration is recorded,
- (b) any Property subject to this Declaration will be committed to or developed for a particular use or for any use,
- (c) any Property not now subject to this Declaration will be subjected to the provisions hereof, or
- (d) the use of any Property subject to this Declaration will not be changed in the future.

Nothing contained in this Declaration and nothing which may be represented to a Purchaser by real estate brokers or agents representing the Declarant or any other party shall be deemed to create any implied covenants, servitudes or restrictions with respect to the use of any Property subject to this Declaration or any Additional Property.

2.5 Development Plan. Notwithstanding any other provision of this Declaration to the contrary, the Declarant, without obtaining the consent of any other Owner or Person, shall have the right to make changes or modifications to the Development Plan with respect to any Property owned by the Declarant in any way which the Declarant desires, including, but not limited to, changing the nature and extent of the uses to which the Property may be devoted. Inscription Canyon Ranch P.A.D., South, Unit Four is currently planned to be developed in four phases and will comprise approximately 143 Single Family Lots. Some of the Lots will be designated as Equestrian Lots by the Declarant on the plat which will be recorded in the Office of the Recorder of Yavapai County, Arizona for each phase. Phase One consists of thirty-nine (39) Single Family Lots with Lots 181 and 182 designated as Equestrian. Water service is provided by the I C R Water Users Association and sewer by the I C R Sanitation District. One or both of these entities may be privatized in the near future.

ARTICLE 3

QUALITY HOME MANAGEMENT, INC.

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

3.2 Board of Directors and Officers. The business of QHM shall be conducted by the Board and such officers as the Board may elect or appoint in accordance with the Articles or the Bylaws. Unless the Project Documents specifically require the vote or written consent of the Members, approvals or actions to be given or taken by QHM shall be valid if given or taken by the Board. The Board may appoint various committees at its discretion.

3.3 Rules. The Board may, from time to time, and subject to the provisions of this Declaration, adopt, amend and repeal rules and regulations pertaining to:

- (a) minimum standards for the maintenance of Lots,
- (b) the health, safety or welfare of the Owners, Lessees and Residents,
- (c) Architectural Rules as provided for in Section 5.2, or
- (d) any other subject within the jurisdiction of QHM.

In the event of any conflict between this Declaration and QHM Rules, this Declaration shall prevail.

3.4 Personal Liability. No Member of the Board or any committee of QHM, no officer of QHM, and no manager or other employee of QHM shall be personally liable to any Member, or to any other Person, including QHM, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error, or negligence of QHM, the Board, the manager, any representative or employee of QHM, or any committee, committee Member or officer of QHM, provided, however, that the limitations set forth in this Section shall not apply to any Person who has failed to act in good faith or has engaged in willful or intentional misconduct.

3.5 Membership. Membership in QHM shall be limited to Owners of Lots. An Owner of a Lot which is Assessable Property shall automatically, upon becoming an Owner thereof, be a Member of QHM and shall remain a Member of QHM until such time as his Ownership ceases for any reason, at which time his membership in QHM shall automatically cease. Membership in QHM shall be appurtenant to each Lot which is Assessable Property and may not be separately assigned, transferred or conveyed. Except as provided in Section 3.6(b), each such Owner shall have one membership for each Lot owned by the Member, and each membership shall entitle its Owner to one (1) vote in QHM.

3.6 Voting Classes. QHM shall have two classes of voting memberships:

(a) Class A. Class A memberships shall be all memberships, except the Class B membership held by Declarant, and each Owner shall be entitled to one vote for each Class A membership held by such Owner.

(b) Class B. There shall be one Class B membership which shall be held by Declarant. The Declarant, as the holder of the Class B membership, shall be entitled to four (4) votes for each Lot owned by the Declarant. The Class B membership shall cease and be converted to Class A memberships, on the happening of the first of the following events:

- (i) The first day of January, 2020, or
- (ii) At any time by written notice to QHM that Declarant wishes to convert all Class B memberships to Class A memberships.

3.7 Voting Procedure. A change in the ownership of a Lot or Parcel shall be effective for voting purposes from the time the deed or other instrument effecting such change is recorded. The new Owner of the Lot shall thereafter give written notice to the Board of such change and provide satisfactory evidence thereof. The vote for each such Lot must be cast as a unit, and fractional votes shall not be allowed. In the event that a Lot is owned by more than one Person and such 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 Member casts a vote representing a certain Lot, it will thereafter be conclusively be presumed for all purposes that he was acting with the authority and consent of all other Owners of the same Lot unless objection thereto is made at the time the vote is cast. In the event more than one vote is cast by a Class A Member for a particular Lot, none of the votes shall be counted and all of the votes shall be deemed void.

3.8 Transfer of Membership. The rights and obligations of any Member other than the Declarant shall not be assigned, transferred, pledged, conveyed or alienated in any way except upon transfer of ownership of an Owner's Lot, and then only to the transferee of ownership of said Lot. A transfer of Ownership to a Lot may be effected by deed, intestate succession, testamentary disposition, foreclosure, or such other legal process as is now in effect or as may hereafter be established under or pursuant to the applicable law. Any attempt to make a prohibited transfer shall be void. Any transfer of Ownership of a Lot shall operate to transfer the Membership appurtenant to said Lot to the new Owner thereof. Each Purchaser of a Lot shall give QHM written notice of his purchase of a Lot.

3.9 Suspension of Voting Rights. If any Owner fails to pay any Assessments or other amounts due to QHM under the Project Documents within fifteen (15) days after such payment is due, or if any Owner violates any other provision of the Project Documents and such violation is not cured within fifteen (15) days after QHM notifies the Owner of the violation, the Board of Directors shall have the right to suspend such Owner's right to vote until such time as all payments, including interest and attorney's fees, are brought current, and until any other infractions or violations of the Project Document are corrected.

3.10 Effect of Annexation of Additional Property. Throughout this Declaration, reference is made to the inclusion or annexation of additional Lots or phases at some future date. Declarant, in the spirit of full disclosure, fully intends to annex one or more additional phases to this Phase One of substantially the same character and construction as to be built in Phase One. This may delay the complete conversion of Class B memberships to Class A memberships, but should provide a larger quantity of Class A Members.

ARTICLE 4

COVENANT FOR ASSESSMENTS

4.1 Creation of the Lien and Personal Obligation for Assessments. The Declarant, for each Lot owned by it, hereby covenants and agrees, and each Owner, other than the Declarant, by becoming the Owner of a Lot, is deemed to covenant and agree, to pay Assessments to QHM in accordance with this Declaration. All Assessments shall be established and collected as provided in this Declaration. The Assessments, together with interest, late charges, and all costs, including but not

limited to reasonable attorney's fees incurred by QHM in collecting or attempting to collect delinquent Assessments, whether or not suit is filed, shall be a charge on the Lot and shall be a continuing lien upon the Lot against which the Assessment was made. Each Assessment, together with interest, late charges, and all costs, including but not limited to reasonable attorney's fees incurred by QHM in collecting or attempting to collect delinquent Assessments, 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 the Assessment became due. The personal obligation for delinquent Assessments shall not pass to the successors in interest of the Owner unless expressly assumed by them.

4.2 Purpose of Assessments. The Board shall have the right to establish Assessments to provide for the operation and management of QHM and to provide funds for QHM to pay all common expenses and to perform its duties and obligations under the Project Documents, including, but not limited to, promoting the recreation, health, safety and welfare of the residents of the Property, for the improvement and maintenance of the Common Area, and the establishment of reasonable reserves for replacements, maintenance and contingencies.

4.3 Notice of Assessments. The Board shall give notice of the Assessment to each Owner at least thirty (30) days prior to the due date of the Assessment, but the failure to give such notice shall not affect the validity of the Assessment, nor relieve any Owner from its obligation to pay the Assessment.

4.4 Rate of Assessment. Assessments shall be fixed by the Board at a uniform rate for all Lots which shall share them equally. Assessments may be collected on either a one time basis for a specific purpose or as determined by the Board.

(a) There shall be a one time Assessment against each Lot which shall be payable upon its initial sale by Declarant.

(b) The Board shall assess each lot as necessary to pay expenses, including attorneys' fees and cost of litigation, which may be incurred by QHM in performing its role in administering and enforcing the Project Documents.

(c) So long as there is a Class B Membership, Lots owned by Declarant shall not be subject to Assessment, but Declarant shall be required to pay to QHM the difference between the cost of operating and administering QHM and the income from Assessments. The subsidy required of Declarant under this Section may be in the form of cash or "in-kind" contributions of goods or services, or in any combination of the foregoing. Any such "in-kind" contributions shall be valued at their then fair market value. When the Class B Membership ceases in accordance with Section 3.6 of this Declaration, Declarant shall no longer be required to subsidize the costs of operating and administering QHM, but all Lots owned by Declarant shall be subject to Assessment in the same way as any other Lot.

4.5 Billing and Collection Procedures. Assessments shall be collected as specified by the Board. The Board shall have the right to adopt rules and regulations setting forth procedures for making Assessments and for the billing and the collection of Assessments, provided that the procedures are not inconsistent with the provisions of this Declaration. The failure of QHM to send a bill to a Member shall not relieve any Member of his liability for any Assessment or charge under this Declaration, but the Assessment Lien therefore shall not be foreclosed until the Member has been given not less than thirty (30) days written notice prior to such foreclosure that the Assessment or any portion thereof is or will be due and the amount owing. Such notice may be given at any time prior to or after delinquency of such payment.

4.6 Effect of Nonpayment of Assessments: Remedies of QHM.

4.6(a) Any Assessment, or any installment of an Assessment, not paid within thirty (30) days after the due date of the Assessment, shall bear interest at the rate established from time to time by the Board. In addition, the Board may establish a late fee to be charged to any owner who has not paid any Assessment within thirty (30) days after said Assessment was due.

4.6(b) QHM shall have a lien on each Lot for all Assessments levied against the Lot and for all other fees and charges payable to QHM by the Owner of the Lot pursuant to this Declaration. Recording of this Declaration constitutes record notice and perfection of the QHM lien. QHM may, at its option, record a Notice of Lien setting forth the name of the delinquent Owner as shown in the records of QHM, the legal description 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 interest, recording fees, and reasonable costs incurred in attempting to collect said lien, including but not limited to attorney's fees.

4.6(c) The Assessment Lien shall have priority over all liens or claims except for

- (i) tax liens for real property taxes,
- (ii) assessments in favor of any municipal or other governmental body, and
- (iii) the lien of any first deed of trust or first mortgage.

4.6(d) QHM shall not be obligated to release the Assessment Lien until all delinquent Assessments, interest, fines, reasonable attorney's fees court costs, collection costs, and all other sums payable to QHM have been paid in full.

4.6(e) QHM shall have the right, at its option, to enforce collection of any delinquent Assessments together with interest, fines, reasonable attorney's fees, court costs, collection costs, and any other sums due to QHM in any manner allowed by law, including, but not limited to:

- (i) bringing an action at law against the Owner personally obligated to pay the delinquent Assessments, and such action may be brought without waiving the Assessment Lien securing the delinquent Assessments; or
- (ii) bringing an action to foreclose the Assessment Lien against the Lot in the manner provided by law. QHM shall have the power to bid at any foreclosure sale and to purchase, acquire, hold, lease, encumber and convey any and all Lots purchased at such sale.

4.7 Evidence of Payment of Assessments. Upon receipt of a written request by a Member or any other Person, QHM, within a reasonable time thereafter, shall issue to such Member or other Person a written certificate stating that all Assessments, interest, and other fees or charges have been paid with respect to any specified Lot as of the date of such certificate, or if all Assessments have not been paid, the amount of such Assessments, interest, fees and charges due and payable as of such date. QHM may make a reasonable charge for the issuance of such certificates, which charge must be paid before the certificate will be issued. Any such certificate, when duly issued as herein provided, shall be conclusive and binding with respect to any matters stated therein as against any bona fide Purchaser of, or lender on, the Lot in question.

4.8 Surplus Funds. The Board shall not be obligated to spend in any year all the Assessments and other sums received by it in such year, and may carry forward as surplus any balances remaining. QHM may carry forward from year to year such surplus as the Board in its discretion may determine to be desirable for the greater financial security of QHM and the accomplishment of its purposes.

4.9 Additional Charges. The Board shall have the right to determine and levy reasonable fees for its administering of the Project Documents and fines for violations of Project Documents which shall be collected as specified by the Board.

(a) The Board shall have the right to levy reasonable fees for its review approval, inspections, and other duties associated with its oversight of Improvements to Owner's Lots under the Project Documents, which fee must be paid before the Board will perform such work.

(b) The Board shall have the right to require any contractor engaged by an Owner to make Improvements on the Owner's Lot to furnish to QHM prior to commencing construction a reasonable deposit or bond.

(c) The Board shall have the right to levy reasonable fines against an Owner for violations of Project Documents by the Owner, his family, tenants or guests, provided notice of the violation is given to the Owner and the Owner is given an opportunity for a hearing on the violation. Any fines levied by the Board

shall be secured by the Assessment Lien, and QHM may enforce collection of such fines in the same manner as provided in this Declaration for the collection of Assessments.

ARTICLE 5

ARCHITECTURAL CONTROL

5.1 **Architectural Rules.** The Board of Directors of QHM shall perform all QHM's duties under the Project Documents relating to architectural control. The Board may delegate such duties to one or more directors.

5.2 **Scope of Guidelines.** The Board shall promulgate architectural guidelines, standards, rules and procedures to be used in rendering its decisions. Such guidelines, standards, rules and procedures may include, without limitation, provisions regarding:

- (a) the size of residences,
- (b) architectural design, with particular regard to the consistency of the design with the theme of the development, surrounding structures, and the local topography,
- (c) placements of residences and other structures,
- (d) exterior color schemes, finishes, and materials,
- (e) general landscaping, content and conformance with the character of the Property and permitted and prohibited plants,
- (f) signage,
- (g) perimeter and screen wall or fence design and appearance, and
- (h) procedures to be followed in the review and approval process.

The decision of the Board shall be final on all matters submitted to it pursuant to this Declaration.

5.3 **Liability.** The Board may obtain liability insurance for its members. Neither the Board, nor any member thereof shall be liable to QHM, 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 or specifications, or
- (c) the development of the Property or of any Lot.

5.4 **Waiver.** The approval by the Board of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring the approval of the Board under this 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. The Board's interpretations may change as board members and local customs change, and the board may disapprove new applications for items previously approved, however, standards shall be applied to all Lots in a nondiscriminatory manner.

5.5 Prior Approval. No Improvement which would be Visible From Neighboring Property shall be constructed or installed on any Lot without the prior written approval of the Board. No addition, alteration, repair, change or other work which in any way alters the exterior appearance, including, but without limitation, the exterior color scheme of any part of a Lot or any Improvements located thereon, shall be made or done without the prior written approval of the Board. Any Owner desiring approval of the Board for the construction, installation, addition, alteration, repair, change or replacement of any Improvement on a Lot which would be Visible From Neighboring Property shall submit to the Board a written application for approval specifying in detail the nature and features of the proposed Improvement, along with plans, specifications, and any other information which the Board may request, together with any fee for review and/or inspection which may be established by the Board. An application is complete after an application and all supporting plans, information, documentation, or specifications required by the Board are submitted to it. In the event that the Board fails to approve or disapprove a complete application for approval and respond to the Owner in writing within fourteen (14) days after the complete application and fee were submitted, this section will be deemed to have been complied with and approval will not be required.

5.6 Grounds for Disapproval. The Board may disapprove plans and specifications for any construction, installation, addition, alteration, repair, change or other work which must be approved by the Board pursuant to this Section if the Board determines, in its sole discretion, that the proposed construction, installation, addition, alteration, repair, change or other work:

- (a) would violate any provision of this Declaration,
- (b) does not comply with any Board rule relating to architectural control,
- (c) is not in harmony with existing improvements in the Project or with Improvements previously approved by the Board but not yet completed,
- (d) is not aesthetically acceptable,
- (e) would be detrimental to or adversely affect the appearance or property values of the Project, or
- (f) is otherwise not in accord with the general plan of development for the Project.

5.7 Time for Completion. Upon receipt of approval from the Board for any construction, installation, addition, alteration, repair, change or other work, the Owner who had requested such approval shall begin to perform, construct, or make

the addition, alteration, repair, change or other work approved by the Board within six (6) months, and shall diligently pursue such work so that it is completed within twelve (12) months from beginning such work, or within such time as may be prescribed by the Board.

5.8 Changes to Plans. Any change, deletion or addition to the plans and specifications approved by the Board must be approved in writing by the Board.

5.9 Exception. The provisions of this Section do not apply to, and approval of the Board shall not be required for any Improvements made by the Declarant, provided, however, that the Declarant shall comply with all applicable laws, statutes, ordinances and regulations.

5.10 Other Approvals. The approval by the Board pursuant to this Section shall be in addition to, and not in lieu of, any approvals or permits which may be required under any federal, state, or local law, statute, ordinance, rule or regulation. The approval by the Board of any construction, installation, addition, alteration, repair, change or other work pursuant to this Section shall not be deemed a warranty or representation by the Board or QHM as to the quality of such construction, installation, addition, alteration, repair, change or other work, nor that said work complies with any applicable building codes, or any other federal, state, or local law, statute, ordinance, rule, or regulation.

ARTICLE 6

USE RESTRICTIONS

6.1 Land Use Classifications. The purposes for which property within the Project may be used shall be determined by the land use classification of the property as established by recorded subdivision plat covering the property. Accordingly, as portions of the additional Property are readied for development in accordance with the Development Plan, various land use classifications may be fixed by Declarant in the recorded subdivision plat. Until a subdivision plat is recorded against a Parcel designating a particular land use classification, Declarant may designate the Parcel with any land use classification which may be permitted under the Development Plan and the County Zoning ordinance, as either may then exist. Unless otherwise specified in the recorded subdivision plat, all Lots within the Project shall be deemed to be classified for "Single Family Residential Use."

6.2 Contemplated Land Use Classifications. The land use classifications contemplated as of the date of this Declaration are:

- (a) "Single Family Residential Use" and
- (b) "Equestrian Lots," and
- (c) "Common Areas" (if any).

6.3 Changes in Land Use Classifications. Once a Parcel has been designated as having a particular land use classification, that classification may be changed only if:

- (a) the change is permitted under the County zoning ordinances (including a rezoning, if necessary), and
- (b) the change is approved either by the Declarant or the Board.

No Member, other than the Declarant as provided above, is entitled to vote on a change in land use classification.

6.4 Residential Use. "Single Family Residential Use" shall consist of detached residential units designed for use and occupancy by a Single Family. No trade or business shall be conducted on any Lot classified for Single Family Residential Use except that an Owner or other Resident of a Lot may conduct a business activity on a Lot so long as:

- (a) the business activity conforms to all applicable zoning requirements for the Lot including Section 109(A)(1), Home Occupation, Yavapai County, Arizona Planning & Zoning Ordinance,
- (b) the business activity is consistent with the residential character of the Project and does not constitute a nuisance or a hazardous or offensive use or threaten the security or safety of other Residents in the Project, as may be determined from time to time in the sole discretion of the Board,
- (c) the business activity is not apparent or detectable by sight, sound or smell outside the Lot, and
- (d) the business activity does not involve Persons coming onto the Lot or the door-to-door solicitation of Owners or other Residents in the Project.

The terms "business" or "trade" as used in this Section shall be construed to have ordinary, generally accepted meanings, and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves the provision of goods or services to Persons other than the provider's family, and for which the provider receives a fee, compensation, other form of consideration, regardless of whether

- (a) such activity is engaged in full or part-time,
- (b) such activity is intended to or in fact does generate a profit, or,
- (c) a license is required for such activity.

The leasing of a Lot, along with its Improvements, shall not be considered a trade or business within the meaning of this Section.

6.5 Equestrian Lots. Horses shall be permitted to be kept only on Lots designated as Equestrian Lots on the plat recorded in the Office of the Recorder of Yavapai County, Arizona for each phase. Phase One consists of thirty-nine (39) Single Family Lots with Lots 181 and 182 designated as Equestrian. The Board shall establish the minimum standards for stable and corral construction; manure disposal; and odor, flies, and dust abatement.

6.6 Restriction on Further Changes. No Lot shall be further subdivided or separated into smaller Lots by any Owner other than the Declarant, and no portion or interest less than all of any such Lot shall be conveyed or transferred by any Owner other than the Declarant without the prior written approval of the Board. No further covenants, restrictions, conditions, or easements shall be recorded by any Person except Declarant against any Lot without prior written approval from the Board. No applications for rezoning, variances or use permits shall be filed with any governmental authority by any Person other than Declarant unless the application has been approved by the Board and the proposed use otherwise complies with this Declaration.

6.7 Variances. The Board may, in its sole discretion, grant variances from the restrictions set forth in this Article 6, if the Board determines that:

- (a) a restriction would create an unreasonable hardship or burden on an Owner, Lessee, or Resident,
- (b) a change of circumstances since the recordation of this Declaration has rendered such restriction obsolete, and
- (c) the activity permitted under the variance will not have any substantial adverse effect on the Owners, Lessees, and Residents of the Project, and is consistent with the high quality of life intended for Residents of the Project.

6.8 Temporary Occupancy. No trailer, basement of any incomplete building, tent, shack, garage or barn, and no temporary structure of any kind, shall be used for a residence, either permanent or temporary. Temporary buildings, trailers or other structures used during the construction of Improvements approved by the Board shall not be used for overnight occupancy and shall be removed immediately upon completion of construction; and in no event, shall such temporary structures remain on the Property longer than twelve months without the prior written approval of the Board.

6.9 Nuisances. No rubbish or debris of any kind shall be placed or allowed to accumulate upon or adjacent to any Lot, and no odors or loud noises shall be permitted to arise or emit therefrom, so as to render any such Property or any portion thereof, or activity thereon, unsanitary, unsightly, offensive or detrimental to any other Property in the vicinity thereof, or to the occupants of such other Property. No other nuisance shall be permitted to exist or operate upon any Lot so as to be offensive or detrimental to any other Property in the vicinity thereof or to

its occupants. Specifically, the discharge of fireworks, or sling devices shall be strictly prohibited within the Project. The Board in its sole discretion shall have the right to determine the existence of any such nuisance.

6.10 Construction Activities. Normal construction activities and parking in connection with the building of Improvements shall not be considered a nuisance or otherwise prohibited by this Declaration. Normal construction activities specifically do not include loud music or other non-construction noises which are audible from neighboring Lots. During normal construction activities and the building of Improvements, Lots shall be kept in a reasonably neat and tidy condition. Trash and debris shall not be permitted to accumulate. Damage and scarring to other Lots, open space, common areas, roads, driveways, and/or other Improvements during construction will not be permitted. The Owner of the Lot where the construction is taking place shall be obligated to ensure that the damage is repaired and/or restored within 60 days at the expense of the Owner or the person causing the damage. Construction work shall not commence prior to 6:00 a.m. and shall cease prior to 8:00 p.m. The provisions of Sections 6.8, 6.9, 6.10 and 6.11 shall not apply to the construction activities of the Declarant.

6.11 Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot, except:

- (a) such machinery or equipment as is usual and customary in connection with the use, maintenance, or construction (during the period of construction) of a building, appurtenant structures, or other Improvements,
- (b) lawn and garden equipment, provided they are housed in a building and not Visible From Neighboring Property when not in use, and
- (c) that which the Declarant or QHM may require for the operation or maintenance of the Project.

6.12 Motor Vehicles. Except for emergency vehicle repair, no automobile or other motor vehicle shall be constructed, reconstructed or repaired upon a Lot or other Property in the Project, and no inoperable vehicle may be stored or parked on a Lot, Common Area, street, or other Property in the Project, so as to be Visible From Neighboring Property or be visible from any Common Area or any street. Motorcycles, mopeds, mini-bikes, trail bikes, all-terrain vehicles, or other similar vehicles shall not be operated on the Property, except on paved streets if the vehicle is equipped and licensed to be street legal.

6.13 Trucks, Trailers, Campers and Boats. No semi-trailer or commercial truck, motor home, travel trailer, tent trailer, trailer, camper shell, detached camper, recreational vehicle, boat, boat trailer, or other similar equipment or vehicle may be parked, maintained, constructed, reconstructed or repaired on or adjacent to any Lot, Common Area, street, or other portion of the Property for more than seventy-two (72) hours during any seven (7) day period, except for:

- (a) temporary construction trailers, trucks, or facilities maintained during, and used exclusively in connection with construction of any Improvement approved by the Board, or
- (b) boats and vehicles parked in garages or on pads consisting of the same materials as permitted for driveways as set forth in Section 6.28 below, within fully fenced rear yards, behind the front line of the home, so long as such vehicles are in good operating condition and appearance, and not under repair.

6.14 Towing of Vehicles. The Board shall have the right to have any truck, motor home, travel trailer, tent trailer, trailer, camper shell, detached camper, recreational vehicle, boat, boat trailer, or similar equipment or vehicle or any automobile, motorcycle, motorbike, or other motor vehicle which is parked, kept, maintained, constructed, reconstructed or repaired in violation of the Project Documents towed away at the sole expense of the owner of the vehicle or equipment. Any expense incurred by QHM in connection with the towing of any vehicle or equipment shall be paid to QHM upon demand by the owner of the vehicle or equipment. If the vehicle or equipment is owned by an Owner or Lessee, then any amounts payable to QHM shall be secured by an Assessment Lien against the Owner's Lot, and QHM may enforce collection of such amounts in the same manner provided for in the Declaration for the collection of Assessments.

6.15 Architectural Styles. Colonial, New England, French Country, Normandy, Tudor, Victorian, and related traditional styles, "A"-Frame, Geodesic Domes, Octagons, Ultra Modern styles, and styles with extreme roof slopes are prohibited. The intent is to restrict architectural styles to those which are native to or generally associated with the Southwest to create a cohesive development where the buildings and improvements will complement the beauty of the natural environment.

6.16 Height and Size Limits. No Single Family structure on any Lot shall have an elevation greater than thirty (30) feet from the ground upon which it sits (or the natural elevation of the ground where the structure is located if the level of the ground has been raised by fill or other means from its natural state). No Single Family structure on any Lot shall contain fewer than eighteen hundred (1800) square feet of livable space on the ground floor, excluding the garage.

6.17 Exterior Walls. The exterior finishing materials of all buildings and structures shall be approved by the Board which may request sample panels. Vinyl or aluminum siding is prohibited.

6.18 Exterior Color and Light Reflective Value (LRV). The exterior colors of all buildings and structures shall be approved by the Board based upon submitted sample color panels of both principal and accent colors. A maximum allowable LRV may be established by the Board for exterior colors. Exterior colors which exceed the established LRV will not be allowed. In general, dominant colors such as black,

white, and red; extremely bright colors; or colors approaching the primary range will not be allowed. The intent is that exterior colors be harmonious and compatible with the surrounding neighborhood and of colors natural to the surrounding environment and of low light-reflectivity.

6.19 Roofs. All roofs shall be of a material, texture, and color approved by the Board based upon sample submitted during the review process. The color of roofs must conform to the color and light reflective value (LRV) standards set forth in Section 6.18 above.

6.20 Solar Applications. All solar applications shall be approved in advance by the Board. Solar panels must be of a low profile and screened so that they will not be Visible From Neighboring Property. Solar collectors can result in excessive glare and reflection, and can only be approved if they will not be Visible From Neighboring Property.

6.21 Climate Control Units. Rooftop climate control units will not be permitted unless they are screened on all four sides by a parapet so that they are not Visible From Neighboring Property. No window-mounted units shall be permitted. Ground units must be screened so that they are not Visible From Neighboring Property or from the street.

6.22 Utility Service. No lines, wires or other devices for the communication or transmission of electric current or power, including telephone, television, and radio signals, shall be erected, placed or maintained anywhere in or upon any Lot, 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 Board. No provision of this Declaration shall be deemed to prohibit the erection of temporary power or telephone structures incident to the construction of buildings or structures approved by the Board. Notwithstanding the foregoing, utility meters and similar equipment may be placed on outside building walls when necessary to comply with any requirements or regulations of any public or private utility or governmental agency, provided that reasonable efforts shall be made to avoid placing any such meter or equipment on the outside front wall of a residence or other building facing the street.

6.23 Garages. Each improved property must include a minimum of a double car garage. No Carports shall be allowed. No garage or other building shall be erected on any Lot prior to the construction of the home. Garages shall be used only for parking vehicles and storage, and shall not be used or converted for living or recreational activities. The interior of all garages shall be maintained in a neat, clean and sightly condition. Garage doors shall be kept closed at all times except to the limited extent reasonably necessary to permit the entry or exit of vehicles or persons.

6.24 Detached Garages and Other Free-Standing Structures. No detached structures, including but not limited to, garages, barns, stables, sheds, greenhouses, gazebos, and guesthouses shall be erected without prior approval by the Board. All such structures must meet the setback requirements of Yavapai County's zoning ordinance and be located behind and at the rear of the main dwelling house, and not closer to the front of the Lot than the side plane of the house on a corner Lot. In the event an owner acquires a portion of any adjoining Lot or Lots, the foregoing measurements shall be made from the side property lines of the acquired property rather than from the side lot lines indicated on the recorded plat for the Project. Detached garages and guest houses must be constructed of the same material and exterior color as the primary residence. The intent is that Lots not become cluttered with multiple structures incongruous with the surroundings and that the aggregate square footage of such free-standing structures shall not exceed three hundred (300) square feet per Lot.

6.25 Ancillary Structures and Improvements. No ancillary structure or improvement, including but not limited to patios, patio covers, awnings, window covers or wrought iron guards shall be constructed without prior approval by the Board. Awnings must be retractable.

6.26 Recreation Improvements. Structures or facilities relating to recreation, play, or leisure-time activities shall not be installed without prior approval by the Board. Particular attention will be given to the visual and acoustic privacy of adjacent Lots and its time of use; and the installation will be subject to any stipulations imposed by the Board. It is within the discretion of the Board to refuse the installation or use of any recreation facility if it is so determined to have a negative impact on the community.

6.27 Ornamental Objects. Exterior ornamental objects such as but not limited to sculptures, fountains, ponds, statutes and plastic characters require approval by the Board and must be compatible with the architectural character of the neighborhood.

6.28 Driveways. Each improved property shall include a driveway consisting of decomposed or crushed granite, pavers, or poured concrete from the street to the garage. The color of the driveway shall be compatible with the natural surroundings, however, industry standard gray concrete driveways will be permitted.

6.29 Landscaping and Care of Properties. Each Owner shall maintain all landscaping on his Lot, including but not limited to trees, shrubs, hedges, ground coverings and plantings of any kind, neatly trimmed, properly maintained, and free of trash, weeds, and other unsightly material. Based upon a philosophy of maintaining compatibility with the surrounding environment, the use of indigenous and drought-resistant, water-conserving plants ensuring minimal water usage is encouraged. Owners are limited to twenty (20) non-indigenous trees per acre and

nine thousand (9,000) square feet of irrigated grass per Lot. Large scale grading or clearing of the natural vegetation shall not be allowed. All introduced boulders, rock features, retaining walls, and ground coverings shall be of colors natural to the surrounding area and harmonious with the surrounding features. Artificially-colored rocks and stone are prohibited.

6.30 Overhead Encroachments. No tree, shrub or planting of any kind on any Lot, Parcel or other property shall be allowed to overhang or otherwise encroach upon any sidewalk, street, or pedestrian way from ground level to a height of eight (8) feet without the prior approval of the Board.

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

6.32 Fences. All fences or walls must be approved by the Board prior to construction. No fence or wall shall exceed six (6) feet in height. No front yard fencing shall be erected unless it is either decorative or retaining, and it must in any event be approved by the Board prior to its construction. The color of exterior walls and fences shall conform to the color and light reflective value (LRV) standards set forth in Section 6.18 above. Chain link fences will be allowed only if constructed of colored or low reflective galvanized metal. No barbed wire or slats in chain link will be allowed. Fences and/or corrals for horses and 4-H project animals must be of pipe, sucker rod, tan rail or chain link.

6.33 Trash Containers and Collection. No garbage or trash shall be placed or kept on any Lot, except in covered containers of a type, size and style which are approved by the Board. In no event shall such containers be maintained so as to be Visible From Neighboring Property except to make same available for collection and then only for the shortest time reasonably necessary to effect such collection. All rubbish, trash or garbage shall be removed from Lots and shall not be allowed to accumulate thereon. Disposal of any type of chemical, cleaner, fuels, oils or any toxic or environmentally harmful material or dumping, burying or burning of trash are absolutely prohibited. The burning of plant materials (branches, weeds, and leaves) collected from the Owner's Lot is permitted subject to the Owner's obtaining a permit for such burning from the Central Yavapai Fire District. No outdoor incinerators shall be kept or maintained on any Lot.

6.34 Storage Tanks. No above-ground fuel or water tanks will be allowed unless totally enclosed and approved by the Board. Propane tanks must be buried or commercially painted an earth tone color of low light-reflectivity and totally screened so that they are not Visible From Neighboring Property or from the street.

6.35 Clothes Drying Facilities. No outside clotheslines or other outside facilities for drying or airing clothes shall be erected, placed or maintained on any Lot so as to

be Visible From Neighboring Property.

6.36 Antennas and Satellite Dishes. Antennas or other device for the transmission or reception of television or radio signals or any other form of electromagnetic radiation, including, but not limited to direct television or conventional satellite or microwave dishes, shall not be erected, used or maintained on any Lot without the prior written approval of the Board. Ham radio towers will not be permitted unless telescoping.

6.37 Flags. Freestanding flag poles will be allowed with prior approval of the Board. No more than one flag of choice may be displayed per Lot. Notwithstanding the foregoing, but subject to reasonable regulation by the Board, Owners or Occupants of Lots may display additional flags and or banners over the Independence Day (July 4) holiday, provided that no such display shall be in place for longer than four (4) days.

6.38 Lights. All exterior lighting or illumination units or sources shall be shielded or partially shielded and shall not unreasonably direct light, either directly or through reflection, upon any adjacent property. Such exterior lighting shall be limited to that which is reasonably necessary to ensure the Occupant's safety and convenience, and subject to any other requirements which may be adopted by the Board. Notwithstanding the foregoing, but subject to reasonable regulation by the Board, Owners or Occupants of Lots may display temporary holiday lighting in November, December and January, provided that no such lighting shall be in place for longer than sixty (60) days. All exterior lighting shall conform to the Yavapai County Dark Sky Ordinance.

6.39 Windows and Coverings. No window in the front, sides, or rear of unfenced yard of any house shall at any time be covered with aluminum foil, bed sheets, newspapers, or any other like materials. Only proper drapes, blinds or shutters will be allowed. Prior to installation of any reflective materials for use on any building on the Property, approval and consent must be obtained from the Board.

6.40 Animals. No animals, birds, fowl, poultry, or livestock shall be kept, bred, or raised on any Lot, other than a reasonable number of dogs, cats, or other generally recognized household pets, and horses as permitted on Equestrian Lots; and then only if they are kept thereon solely as domestic pets and not for commercial purposes. The term "generally recognized household pets" specifically does not include exotic, feral, or non-domesticated animals; and wolves and wolf-hybrids. Notwithstanding the foregoing, 4-H project animals excluding poultry, fowl, or swine may be kept on any Lot as allowed by the Planning and Zoning Ordinances of Yavapai County, Arizona and with the approval of the Board. All pets shall be restrained within the boundaries of the Lot. Excessive barking and other animal noise and animal-related odors shall not be permitted to exist. Dogs shall be kept within structures or fences or on secured leashes. All dogs shall be leashed when on property not owned or occupied as tenant or guest by the dog's owner. Notwithstanding the foregoing, no

pets may be kept on or in any Lot which, in the opinion of the Board, result in an annoyance to other Owners or Occupants in the vicinity. Any decision rendered by the Board shall be enforceable in the same manner as other restrictions set forth in this Declaration.

6.41 Signs. The only signs permitted on any Lot shall be:

- (a) residential identification signs of width and length of (18) inches (18" x 18") or less for identification of the Occupant and/or its address,
- (b) one sign of customary size may be temporarily erected or posted on a Lot for the purpose of advertising the Lot for sale or construction, which shall be subject to limitations or restrictions as to such signs by the Board,
- (c) signs required by legal proceedings, and
- (d) yard sale or garage sale signs may be placed on the property and on appropriate corners on the day of the sale, but must be removed upon termination of the sale, and shall be subject to any additional limitations which may be adopted by the Board.

Notwithstanding the foregoing, the Declarant may erect any signs during construction and marketing of the subdivision, and this restriction shall not apply to QHM in furtherance of its powers and purposes herein set forth. All permitted signs must be professionally painted, lettered and constructed.

6.42 Violation of Law or Insurance. No Owner shall permit anything to be done on or kept on his Lot which will result in the cancellation of insurance maintained by any Owner, or which would be in violation of any law.

6.43 Fire/Building Repair. No Improvement on any Lot shall be permitted to fall into disrepair, and each such Improvement shall be at all times kept in good condition and repair and adequately painted or otherwise finished. In the event any Improvement is damaged or destroyed by a fire, act of God, or other event, then, subject to obtaining required approvals, the damage shall be immediately repaired or the Improvement shall be demolished.

6.44 Model Homes. Any provisions of this Declaration which prohibit non-residential use of Lots and regulate parking of vehicles shall not prohibit the construction and maintenance of model homes, including the use of same as sales offices, by Persons engaged in the construction of homes in the Project, or parking incidental to the visiting of such models, so long as the construction, operation and maintenance of the model homes otherwise comply with all provisions of this Declaration. Any homes or other structures constructed as models shall cease to be used as models at any time the Owner or Lessee thereof is not actively engaged in the construction and sale of homes in the Project, and no home or other structure shall be used as a model for the sale of homes or other properties not located in the Project. Neither the provisions of this Section nor any other Section of this

Declaration shall restrict or prohibit the right of the Declarant to construct, operate, and maintain model homes within the Project.

6.45 Declarant's Exemption. No provision in this Declaration shall be construed to limit or restrict Declarant's right to construct, develop and market Improvements on any and all Lots in the Project, in any manner deemed appropriate by Declarant.

ARTICLE 7

EASEMENTS

7.1 Owner's Easements of Enjoyment. Each Owner and each Occupant of such Owner's Lot, shall have a non-exclusive right and easement of enjoyment in, to, and over the Common Area, which right and easement shall be appurtenant to and shall pass with the title to each Lot. Said Owner's Easement of Enjoyment shall not be conveyed, transferred, alienated or encumbered separate and apart from an Owner's Lot, and such 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 or encumbrance may not refer to the Common Area.

7.2 Right of Entry. During reasonable hours and upon reasonable notice to the Owner or other Occupant of a Lot, any member of the Board, or its authorized representative, shall have the right to enter upon and inspect any Lot, and the Improvements thereon, except for the interior portions of any completed Single Family structure 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.

7.3 Declarant's Use for and Sales and Leasing Purposes. Declarant shall have the right and an easement to maintain sales or leasing offices, management offices and models throughout the Project and to maintain advertising, directional or identification signs on the Lots owned by Declarant in such number, of such size, and in such locations as Declarant deems appropriate. In the event of any conflict or inconsistency between this Section and any other provision of this Declaration, this Section shall control.

7.4 Declarant's Easements. Declarant shall have the right and an easement on and over the Lots owned by Declarant for construction or renovation related purposes including the storage of tools, machinery, equipment, building materials, appliances, supplies and fixtures, and the performance of work respecting the Project. The Declarant shall have the right and an easement upon, over and through the Lots as may be reasonably necessary for the purpose of discharging the obligations or exercising the rights granted to or reserved by the Declarant under this Declaration. In the event of any conflict or inconsistency between this Section and any other provision of this Declaration, this Section shall control.

7.5 Utility Easement. There is hereby created an easement upon, across, over and under the Lots for reasonable ingress, egress, installation, replacing, repairing, or maintaining of all utilities, including but not limited to, gas, water, sewer, telephone, cable television and electricity. By virtue of this easement, it shall be expressly permissible for the providing utility company to install and maintain facilities and equipment on the Property and to affix and maintain wires, circuits and conduits on, in and under roofs and exterior walls of the Property. Notwithstanding anything to the contrary contained in this Section, no sewers, electrical lines, water lines, or other utilities or service lines may be installed or relocated on the Property except as initially developed and approved by the Declarant or thereafter approved by the Board and by ICR Sanitation District and/or ICR Water Users Association. This easement shall in no way affect any other recorded easements on the Property.

7.6 Easement for Ingress and Egress. There are hereby created easements for ingress and egress for vehicular and pedestrian traffic over, through, and across any Common Areas and all private streets, roadways, driveways and parking areas. Such easements shall run in favor of and be for the benefit of the Owners and Occupants of the Lots and Parcels and their guests, families, tenants and invitees.

7.7 Equestrian Easement. All easements designated on the recorded plat for each phase of the Project as "Equestrian Easement" and/or "Bridle Path" shall be used exclusively for riding horses, mules, donkeys or such other animal that may be ridden, for riding non-motorized bicycles, and for human walking or hiking. Vehicular use, including but not limited to motorcycles, motor scooters, ATV's, and automobiles, is prohibited. The utility easement as shown on Tract C on the recorded plat for Phase One of the Project shall also be used as an "Equestrian Easement" and/or "Bridle Path" subject to the same conditions and uses as set forth in this section.

7.8 Drainage Easement Class II. Easements across and over Lots 209 through 215 inclusive are hereby granted to Yavapai County and the Owners of this Project for drainage purposes as shown on the final recorded plat for Phase One of the Project in the areas marked "Drainage Easement Class II." The Owner(s) of the particular Lot or parcel which includes such a drainage easement is responsible for maintaining the drainage easement's condition as it was when the subdivision was approved by Yavapai County. Drainage easements conform to the natural or man-made watercourses and shall not be removed from the location existing at the time of the approval of the subdivision (unless approved by Yavapai County). These watercourses will require periodic maintenance to convey on-site or off-site discharges. Periodic maintenance will consist of the removal of earth and/or vegetative material that has built up since the original approval of the final plat for the Project. If the drainage easements are not adequately maintained, Yavapai County will not be responsible or liable for any damage, however, it has the authority to enter onto the site and maintain the drainage easements. If the County has to do the maintenance, the Owner(s) will be billed. Should court action

be necessary to collect these bills, the Owner(s) shall be responsible for attorneys' fees and court costs.

7.9 Drainage Easement. In addition to the Drainage Easement Class II provided for in Section 7.8 above, there is hereby created an easement for drainage of ground and surface water on, over and across each Lot, right-of-way, any Common Area and the Property, which shall be appurtenant to, burden or benefit each Lot, right-of-way, Common Area, or Property. Each Owner shall, at its own expense, design and construct drainage ways and channels on its Lot, and, as needed maintain the same in proper condition and free from obstruction. QHM shall have the right, after ten (10) days notice to an Owner, except in the case of emergency (in which case QHM shall have immediate right of access), to repair and otherwise maintain the drainage way or channel on said Owner's Lot, which QHM, acting through its Board, determines has not been maintained by the Owner in compliance with this Section. All costs and expenses, including reasonable attorney's fees, shall be borne by the Owner, and shall be paid to QHM upon demand, plus interest at an annual rate of twelve percent (12%) 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 under this Declaration.

ARTICLE 8

MAINTENANCE

8.1 Lots. All Lots shall be kept free of rubbish, litter, and weeds, and maintained so as to present an attractive appearance. All landscaping shall be tended to and maintained in a neat and attractive condition. No yard equipment, wood piles or storage areas may be maintained so as to be Visible From Neighboring Property or streets. All buildings and structures on said Lots shall be kept in good condition and adequately painted or otherwise finished. In the event a building or structure is damaged or destroyed, then such building or structure shall be repaired or rebuilt or demolished to a presentable and safe condition in the time prescribed by the Board.

8.2 Improper Maintenance and Use of Lots. In the event any portion of any Lot is so maintained as to present a public or private nuisance, or as to substantially detract from the appearance or value of the surrounding Lots or other areas of the Property, or in the event any portion of a Lot is being used in a manner which violates this Declaration, or in the event that an Owner of a Lot is failing to perform any of its obligations under this Declaration, then the Board may make a finding to that effect, specifying the particular violation(s) which exist, and pursuant thereto give notice to the offending Owner that, unless corrective action is taken within thirty (30) days, the Board may cause such action to be taken at said Owner's cost. If at the expiration of said thirty (30) day period of time the requisite corrective action has not been taken, then the Board shall be authorized and empowered to cause such action to be taken and the cost thereof shall be paid by such Owner to QHM upon demand, or payments of such amounts shall be secured

by an Assessment lien.

8.3 Party Walls and Fences. Party fences shall consist of any fencing between contiguous Lots. The rights and duties of Owners with respect to party fences between Lots shall be as follows: The Owners of contiguous Lots who have a party fence shall both have an equal right to use such fence, providing that such use by one Owner does not interfere with the use and enjoyment of same by the other Owner. In the event that any party fence is damaged or destroyed through the act of any Owner, or any Occupant, agent, guest or family member of that Owner, then it shall be the obligation of such Owner to rebuild and repair the party fence in a timely manner, without cost to the Owner of the adjoining Lot. In the event any party fence is damaged or destroyed, other than through and act of an Owner, or his Occupant, agent, guest or family member, then the cost of repairing or replacing said fence shall be borne by all Owners whose Lots adjoin such party fence, such expense to be allocated among the Owners in accordance with the frontage of their Lots on the party fence.

8.4 Other Walls and Fences. Walls and fences located on a Lot shall be maintained, repaired and replaced by the Owner of the Lot.

ARTICLE 9

GENERAL PROVISIONS

9.1 Declaration. By acceptance of a deed or by acquiring any ownership interest in any of the real property included within this Declaration, each Person binds himself, his heirs, personal representatives, successors, transferees, and assigns, to all of the provisions, restrictions, affirmative and negative covenants, conditions, rules and regulations now or hereafter imposed by this Declaration and any amendments hereto. In addition, each such Person by so doing acknowledges that this Declaration sets forth a general scheme for the improvement and development of the real property covered hereby and thereby evidences its interest that all the restrictions, 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 Lot Owners.

9.2 Enforcement. QHM or any Owner shall have the right to enforce the Project Documents in any manner provided for in the Project Documents, or by a proceeding at law or in equity, and, in such proceeding, the prevailing party shall be entitled to recover from the other party all reasonable attorney's fees and court costs incurred by the prevailing party in the action. Failure of QHM or of any Owner to enforce any violation of the Project Documents shall not be deemed a waiver of the right of QHM or any Owner to do so in the future.

9.3 Term. This Declaration shall be effective upon the date of its recordation and, as amended from time to time, shall continue in full force and effect for a term of twenty (20) years from the date this Declaration is recorded. After said date, this Declaration, along with any amendments hereto, shall be automatically extended for successive periods often ten (10) years each.

9.4 Amendment or Termination. This Declaration may be amended or terminated at any time by recordation of the written consent of the Owners representing not less than seventy-five percent (75%) of the Member votes in each class of QHM. The Declarant, so long as it is a Member of QHM, and, thereafter, the Board, may amend this Declaration without the consent of any other Owner to correct any error or inconsistency in the Declaration. If the necessary votes and consents are obtained, then the Board shall cause any amendment to or termination of this Declaration to be recorded in proper form with the County Recorder of Yavapai County, Arizona, duly signed by the President or Vice President of QHM and attested by the Secretary of QHM, with their signatures acknowledged. Thereupon any amendment shall be given full force and effect; upon termination, this Declaration and the covenants contained herein shall be of no further force and effect, and QHM shall be dissolved pursuant to the terms set forth in its Articles.

9.5 Inclusion of Additional Phases. Additional phases of Lots and Common Area in Inscription Canyon Ranch P.A.D., South, Unit Four development may be annexed to and included under and made subject to this Declaration without the consent of Members by recording a Supplemental Declaration. When a phase has been included (annexed) under this Declaration, the Owners of the Lots in such additional included phase shall have the same rights and duties under this Declaration as the Owners of Lots in Phase One, the Lots initially covered by this Declaration. Any tract added as a Common Area shall be added for the benefit of the Lot Owners in Phase One.

9.6 Interpretation. Except for judicial construction, QHM shall have the exclusive right to construe and interpret the provisions of this Declaration. In the absence of any adjudication to the contrary by a court of competent jurisdiction, QHM's construction or interpretation of the provisions hereof shall be final, conclusive, and binding as to all Persons and Property benefited or bound by this Declaration. In the event of any conflict between this Declaration and the Articles, Bylaws, or QHM Rules, this Declaration shall control. In the event of any conflict between the Articles and the Bylaws, the Articles shall prevail. In the event of any conflict between the Bylaws and QHM Rules, the Bylaws shall prevail.

9.7 Severability. A determination by a court of competent jurisdiction that any provision of this Declaration or the Project Documents is invalid or unenforceable shall not affect the validity or enforceability of any of the other provisions hereof.

9.8 Rule Against Perpetuities. If any interest created by this Declaration shall be unlawful, void or voidable for violation of the Rule Against Perpetuities or other

related rule, then such provision shall continue until twenty-one (21) years after the death of the survivor of the survivor of the now living descendants of the Board of Directors on the date hereof.

9.9 Change of Circumstances. Except as otherwise expressly provided in this Declaration, no change of conditions or circumstances shall operate to extinguish, terminate or modify any of the provisions of this Declaration.

9.10 Notice of Violation. QHM shall have the right to record a written notice of a violation by any Owner, Lessee, or Resident of any restriction or other provision of the Project Documents. The notice shall be executed by an officer of QHM and shall contain substantially the following information:

- (a) the name of the Owner, Lessee, or Resident violating, or responsible for the violation of the Project Documents,
- (b) the legal description of the Lot against which the notice is being recorded,
- (c) a brief description of the nature of the violation,
- (d) a statement that the notice is being recorded pursuant to this Declaration, and
- (e) a statement of the specific steps which must be taken to cure the violation.

If, after the recordation of such notice, QHM should determine that the violation referenced in the Notice does not exist, or has been cured, then QHM shall record a notice of compliance which shall contain the legal description of the Lot against which the Notice of Violation was recorded, and the Recording data of said notice, and shall state that the violation referred to in the notice has been cured, or that it did not exist. Failure of QHM to record a notice of violation shall not be deemed a waiver of any violation, constitute evidence that no violation exists with respect to a particular Lot, or constitute a waiver of any right of QHM to enforce the Project Documents.

9.11 Laws, Ordinances and Regulations. The covenants, conditions and restrictions set forth in this Declaration are independent of the obligation of the Owners and other Persons to comply with all applicable laws, ordinances and regulations, and compliance with this Declaration shall not relieve any Owner or other Person from the obligation to also comply with all applicable laws, ordinances, and regulations. Any violation of an applicable law, ordinance or regulation pertaining to the Ownership, occupation or use of any property is hereby declared to be a violation of this Declaration and subject to any or all of the enforcement procedures set forth herein.

9.12 References to this Declaration in Deeds. Deeds to and instruments affecting any Lot may incorporate this Declaration by reference; but, regardless of whether any such reference is made in any deed or instrument, all of the provisions of this

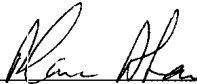
Declaration shall be binding upon the grantee-Owner or other Person claiming through any instrument and his heirs, personal representatives, successors and assigns.

9.13 Captions and Titles. All captions, titles or headings of the Articles and Sections in this Declaration are for the purpose of reference and convenience only, and are not to be deemed to limit, modify or otherwise affect any of the provisions hereof.

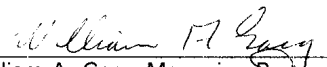
9.14 Gender and Number. Wherever the context of this Declaration so requires, any word used in the masculine, feminine or neuter genders shall include each of the other genders, words used in the singular shall include the plural, and words used in the plural shall include the singular.

9.15 Property Held in Trust. Except as otherwise expressly provided in this Declaration, any and all portions of the Property, including any annexed Property, which are now or hereafter held in a subdivision or similar trust or trusts, a beneficiary of which trust is Williamson Valley Investors II, L.L.C., an Arizona limited liability company, or an affiliate, successor or assign thereof, shall be deemed for all purposes under this Declaration to be owned in fee by Williamson Valley Investors II, L.L.C., an Arizona limited liability company, or its affiliate, successor, or assign, if applicable. No conveyance, assignment or other transfer of any right, title, or interest in or to any of the Property by Williamson Valley Investors II, L.L.C., an Arizona limited liability company, or its affiliate, successor or assign, to any such trust, or the trustee thereof, or to any affiliate, successor or assign Williamson Valley Investors II, L.L.C., an Arizona limited liability company, shall deemed for purposes of this Declaration to be a sale of such Property, or any right, title or interest therein.

YAVAPAI-COCONINO TITLE AGENCY, INC.
as Trustee under Trust No. 356.

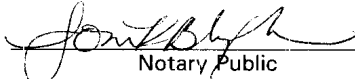
By: 
Alan C. Abare, Trust Officer

Williamson Valley Investors II, L.L.C., an
Arizona limited liability company, as
"Declarant"

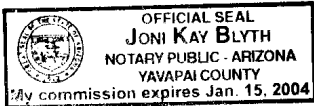
By: 
William A. Gary, Managing Partner

STATE OF ARIZONA)
) ss.
County of Yavapai)

The foregoing instrument was acknowledged before me this 1st day of May, 2000, by Alan C. Abare, as Trust Office of Yavapai-Coconino Title Agency, Inc., an Arizona corporation, on behalf of the Corporation as Trustee under its Trust No. 358.

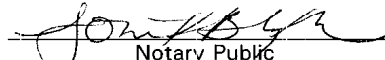

Notary Public

My Commission Expires: 1-15-2004

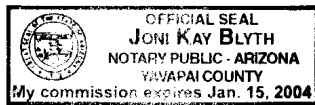


STATE OF ARIZONA)
) ss.
County of Yavapai)

The foregoing instrument was acknowledged before me this 1st day of May, 2000, by William A. Gary, Managing Partner of Williamson Valley Investors II, L.L.C., an Arizona limited liability company, on behalf of the Company.


Notary Public

My Commission Expires: 1-15-2004



3345806 BK 3828 PG 637
Yavapai County
Patsy Jenney-Colon, Recorder
05/01/2001 09:27A PAGE 1 OF 6
WILLIAMSON VALLEY INVESTORS II LLC
RECORDING FEE 6.00
SURCHARGE 4.00
POSTAGE 0.00

Recorded at the request of:

When Recorded, MAIL TO:

YTA - FOLDER

FEE
\$6
\$4
\$5
\$1
JDM

RESTRICTIONS

**SUPPLEMENTAL
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
INSCRIPTION CANYON RANCH P.A.D., SOUTH
Unit Four, Phase Two**

THIS SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS is made and entered into as of April 30, 2001, by Williamson Valley Investors II, an Arizona limited liability company (the "Declarant"), Beneficiary under Yavapai Title Agency, Inc. Trust No. 356.

WITNESSETH:

WHEREAS, Declarant is the owner of certain property in the County of Yavapai, State of Arizona, which is more particularly described as follows:

Lots 220-257, INSCRIPTION CANYON RANCH
P.A.D., SOUTH, UNIT FOUR, PHASE TWO, according to
the plat of record in the office of the County Recorder of
Yavapai, County, Arizona, recorded in Book 42 of
Maps, Pages 40.

WHEREAS, Declarant at this time includes in this Declaration and imposes these covenants, conditions and restrictions upon the Lots and other areas situated within Inscription Canyon Ranch P.A.D., South, Unit Four, Phase Two, as provided for in Section 9.5 of the Declaration of Covenants, Conditions and Restrictions recorded on May 8, 2000 in Book 3752, page 735 of the Official Records of Yavapai County, Arizona.

NOW, THEREFORE, Declarant hereby declares that all of the Property described herein, and that Additional Property which shall be annexed by the Declarant as set forth on future plats of Inscription Canyon Ranch P.A.D., South, Unit Four shall be held, sold and conveyed subject to the following easements, restrictions, covenants, conditions and liens, which are for the purpose of protecting the value and desirability of and which shall run with the Property and shall be binding on and inure to the benefit of all parties having or acquiring any right, title or interest in the Property or any part thereof, their heirs, successors or assigns.

NOW, THEREFORE, Declarant at this time adopts by reference and incorporates the original DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS recorded with the office of the County Recorder of Yavapai County, Arizona, recorded in Book 3752, Page 735 with the following modifications.

TABLE OF MODIFICATIONS

ARTICLE 2 DEVELOPMENT PLAN..... 2
2.5 Development Plan 2

ARTICLE 6 USE RESTRICTIONS 2
6.5 Equestrian Lots 2

ARTICLE 7 EASEMENTS..... 2
7.5 Utility Easement..... 2
7.7 Equestrian Easement..... 3
7.8 Drainage Easement Class II..... 3

ARTICLE 2

DEVELOPMENT PLAN

2.5 Development Plan. Notwithstanding any other provision of this Declaration to the contrary, the Declarant, without obtaining the consent of any other Owner or Person, shall have the right to make changes or modifications to the Development Plan with respect to any Property owned by the Declarant in any way which the Declarant desires, including, but not limited to, changing the nature and extent of the uses to which the Property may be devoted. Inscription Canyon Ranch P.A.D., South, Unit Four is currently planned to be developed in four phases and will comprise approximately 143 Single Family Lots. Some of the Lots will be designated as Equestrian Lots by the Declarant. Phase One consists of thirty-nine (39) Single Family Lots with Lots 181 and 182 designated as Equestrian. Phase Two consists of thirty-eight (38) Single Family Lots with Lots 220, 221, 222, 225, 226, 252 and 253 designated as Equestrian. Water service is provided by the I C R Water Users Association and sewer by the I C R Sanitation District. One or both of these entities may be privatized in the near future.

ARTICLE 6

USE RESTRICTIONS

6.5 Equestrian Lots. Horses shall be permitted to be kept only on Lots designated as Equestrian Lots. Phase Two consists of thirty-eight (38) Single Family Lots with Lots 220, 221, 222, 225, 226, 252, and 253 designated as Equestrian. The Board shall establish the minimum standards for stable and corral construction; manure disposal; and odor, flies and dust abatement.

ARTICLE 7

EASEMENTS

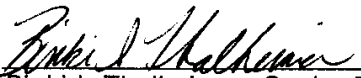
7.5 Utility Easement. There is hereby created an easement upon, across, over and under the Lots for reasonable ingress, egress, installation, replacing, repairing, or maintaining of all utilities, including but not limited to, gas, water, sewer, telephone, cable television and electricity. By virtue of this easement, it shall be expressly permissible for the providing utility company to install and maintain facilities and equipment on the Property and to affix and maintain wires, circuits and conduits on, in and under roofs and exterior walls of the Property. In addition, some lots also contain common lot line yard utility easements. Please refer to the

Plat map for all locations and dimensions. Notwithstanding anything to the contrary contained in this Section, no sewers, electrical lines, water lines or other utilities or service lines may be installed or relocated on the Property except as initially developed and approved by the Declarant or thereafter approved by the Board and by ICR Sanitation District and/or ICR Water Users Association. This easement shall in no way affect any other recorded easements on the Property.

7.7 Equestrian Easement. All easements designated on the recorded plat for each phase of the Project as "Equestrian Easement" and/or "Bridle Path" shall be used exclusively for riding horses, mules, donkeys or such other animal that may be ridden, for riding non-motorized bicycles and for human walking or hiking. Vehicular use, including but not limited to, motorcycles, motor scooters, ATV's and automobiles, is prohibited. The utility easement as shown on Tract C, Tract D and Tract E as well as a ten (10) foot public non-motorized equestrian/pedestrian easement on the east property line of Lot 220 on the recorded plats for Phase Two of the Project shall also be used as an "Equestrian/Pedestrian/Non-motorized Easement" subject to the same conditions and uses as set forth in this section.

7.8 Drainage Easement. The Owner(s) of the particular Lot or parcel which includes such a drainage easement is responsible for maintaining the drainage easement's condition as it was when the subdivision was approved by Yavapai County. Drainage easements conform to the natural or man-made watercourses and shall not be removed from the location existing at the time of the approval of the subdivision (unless approved by Yavapai County). These watercourses will require periodic maintenance to convey on-site or off-site discharges. Periodic maintenance will consist of the removal of earth and/or vegetative material that has built up since the original approval of the final plat for the Project. If the drainage easements are not adequately maintained, Yavapai County will not be responsible or liable for any damage, however, it has the authority to enter onto the site and maintain the drainage easements. If the County has to do the maintenance, the Owner(s) will be billed. Should court action be necessary to collect these bills, the Owner(s) shall be responsible for attorneys' fees and court costs.

YAVAPAI TITLE AGENCY, INC.
as Trustee under Trust No. 356.

By: 
Binki I. Thalheimer, Senior Trust Officer

Williamson Valley Investors II, L.L.C., an
Arizona limited liability company, as
"Declarant"

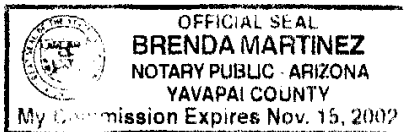
By: Swayze E. McCraine
Swayze E. McCraine, Managing Partner

STATE OF ARIZONA)
) ss.
County of Yavapai)

The foregoing instrument was acknowledged before me this 1st day of May, 2001, by Binki I. Thalheimer, as Senior Trust Officer of Yavapai Title Agency, Inc., an Arizona corporation, on behalf of the Corporation as Trustee under its Trust No. 356.

Brent Wal
Notary Public

My Commission Expires:



STATE OF ARIZONA)
) ss.
County of Yavapai)

The foregoing instrument was acknowledged before me this 30th day of April, 2001, by Swayze E. McCraine, Managing Partner of Williamson Valley Investors II, L.L.C., an Arizona limited liability company, on behalf of the Company.

Raylene M. Jenkins
Notary Public

My Commission Expires: 31 Oct 2004

B

