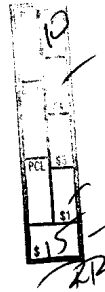


After recording, please return to:
Gregory W. Huber
The M3 Companies
110 E. Gurley St., Suite 200
Prescott, AZ 86301



3220722 BK 3723 PG 697
Yavapai County
Patsy Jenney-Colon, Recorder
01/07/2000 01:20P PAGE 1 OF 10
FIRST AMERICAN TITLE INS CO
RECORDING FEE 10.00
SURCHARGE 4.00
POSTAGE 1.00

Cross-References: Declaration: Book 3642
Page 161

318290 **SUPPLEMENTAL DECLARATION**

TO THE

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

(THE DELLS AT PRESCOTT LAKES NEIGHBORHOOD)

THIS SUPPLEMENTAL DECLARATION is made this 29th day of DECEMBER 1999,
by PL DEVELOPER I L.L.C., an Arizona limited liability company ("Declarant");

WITNESSETH

WHEREAS, on February 25, 1999, Declarant filed that certain Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes, recorded in Book 3642, Page 161, *et seq.*, of the Office of the County Recorder of Yavapai County, Arizona, as thereafter amended from time to time (the "Declaration"); and

WHEREAS, pursuant to Section 6.4(a) of the Declaration, Declarant, so long as it has the right to subject additional property to the Declaration pursuant to Section 9.1 of the Declaration, may designate or redesignate Neighborhood boundaries, and

WHEREAS, pursuant to the terms of Section 9.3 of the Declaration, Declarant may subject any portion of the Prescott Lakes community to additional covenants and easement, subject only to the consent of the Owner if someone other than the Declarant, including covenants obligating the Prescott Lakes Community Association, Inc. ("Association"), to maintain and insure portions of such property and to recover its costs through Neighborhood Assessments; and

WHEREAS, in accordance with Article XII of the Declaration, portions of the Common Area within the Prescott Lakes community may be designated as Limited Common Area and reserved for the exclusive use or primary benefit of Owners and occupants within a particular Neighborhood; and

WHEREAS, Declarant has the right to subject additional property to the Declaration pursuant to Section 9.1; and

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WHEREAS, Declarant desires to designate the below described Property as a separate Neighborhood, to impose upon the Property certain covenants and easements in addition to those contained in the Declaration, and designate Common Area within the Property as Limited Common Area for the use and benefit of the Owners and occupants of Units within the Property;

NOW, THEREFORE, Declarant hereby subjects the real property described on Exhibit "A" hereof (the "Property") to the Declaration and to the provisions of this Supplemental Declaration, which shall apply to such property in addition to the provisions of the Declaration and designates the Property as a separate Neighborhood under the Declaration. Such real property shall be sold, transferred, used, conveyed, occupied, and mortgaged or otherwise encumbered pursuant to the provisions of this Supplemental Declaration and shall run with the title to such property and shall be binding upon all persons having any right, title, or any interest in such property, their respective heirs, legal representatives, successors, successors-in-title, and assigns. The provisions of this Supplemental Declaration shall be binding upon the Association in accordance with the terms of the Declaration.

Article I
Definitions

The definitions set forth in the Declaration are incorporated herein by reference.

Article II
Neighborhood Designation

The Property is designated as The Dells at Prescott Lakes Neighborhood.

Article III
Additional Covenants, Maintenance Responsibilities, and Easements

3.1. Limited Common Area. All of the Common Area located within or exclusively serving the Property, including the entry gate, other entry features, perimeter walls or fences, signs, private roads, and landscaping shall be owned and maintained by the Association as the Limited Common Area for the use and benefit of the Owners of Units within the Property.

All maintenance of the Limited Common Area shall be performed in a manner and on a schedule consistent with the Community-Wide Standard.

3.2. Costs. The cost of all maintenance, repairs, and replacements performed by the Association hereunder shall be allocated among the Units within the Property as a Neighborhood Assessment pursuant to the Declaration.

3.3 Maintenance Easement. The Association shall have a perpetual, non-exclusive easement over the Limited Common Area as reasonably necessary to perform its maintenance responsibilities hereunder and under the Declaration, which easement may be exercised by the Association, its officers, directors, employees, agents, and contractors.

ARTICLE IV **Amendments**

4.1. By Declarant. Declarant may unilaterally amend this Supplemental Declaration for any purpose prior to the conveyance of the first Unit within the Property to any Person. Thereafter, Declarant may unilaterally amend this Supplemental Declaration if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Units; (c) to enable any institutional or governmental lender or purchaser of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make or purchase mortgage loans on the Units; (d) to enable any governmental agency or reputable private insurance company to insure mortgage loans on the Units; or (e) to satisfy the requirements of any governmental agency, provided such amendment does not adversely affect the title to any Unit without the Owner's written consent.

4.2. By Owners. Except as provided above and otherwise specifically provided herein, this Supplemental Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of 75% percent of the Owners of Units subject to this Supplemental Declaration and the written consent of the Association acting upon resolution of its Board of Directors. No amendment shall be inconsistent with the Declaration. To be effective, any amendment must be recorded in the Official Records of Yavapai County, Arizona.

If an Owner consents to any amendment to this Supplemental Declaration, it will be conclusively presumed that such Owner has the authority so to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

4.3. Declarant's Consent. No amendment may remove, revoke, or modify any right or privilege of Declarant without the written consent of Declarant or the assignee of such right or privilege, provided, further, pursuant to Section 9.3 of the Declaration, the consent of both (i) the Declarant and (ii) the owner(s) and developer(s) of lots within the Neighborhood is required to record additional covenants and easements affecting the Neighborhood and/or further supplement, create exceptions to, or otherwise modify the Declaration as it applies to the Neighborhood.

[SIGNATURES BEGIN ON NEXT PAGE]

P:\Gregh\Prescott Lakes\supp declaration dells.doc

IN WITNESS WHEREOF, the undersigned Declarant has executed this Supplemental Declaration the date and year first written above.

DECLARANT: PL DEVELOPER I, L.L.C., an Arizona limited liability company,

RATIFIED AND APPROVED BY: By: M3 BUILDERS, L.L.C., an Arizona Limited liability company, its Co-Manager

FIRST AMERICAN TITLE INSURANCE AGENCY OF YAVAPAI, INC., an Arizona corporation, as Trustee under Trust No. 4653. By: The M3 COMPANIES, L.L.C., Its Sole member

By: [Signature] Member

By: [Signature] Member

By: [Signature] Member

By: FP REAL ESTATE THREE, L.L.C., an Arizona limited liability company, its Co-Manager

By: [Signature] Member

ROGER A. YEDINAK, Trust Officer

(See notary acknowledgement attached)

STATE OF ARIZONA)
) ss.
COUNTY OF YAVAPAI)

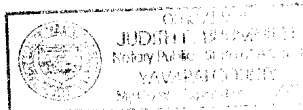
The foregoing instrument was acknowledged before me this 29th day of DECEMBER, 1999, by GREGORY W. HUBER, as Member of The M₃ Companies, L.L.C., an Arizona limited liability company, the sole member of M3 Builders, L.L.C., Co-Manager of PL Developer I L.L.C., an Arizona limited liability company.

[Signature]
Notary Public

[Notary Seal]

My Commission Expires: 2/28/2003

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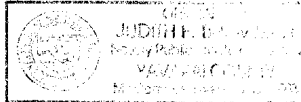
STATE OF ARIZONA)
) ss.
COUNTY OF YAVAPAI)

The foregoing instrument was acknowledged before me this 29th day of DECEMBER, 1999, by WILLIAM I BROWLEE, as Member of The M₃ Companies, L.L.C., an Arizona limited liability company, the sole member of M3 Builders, L.L.C., Co-Manager of PL Developer I L.L.C., an Arizona limited liability company.

Judith E Brummett
Notary Public

My Commission Expires: 2/22/2003

[Notary Seal]



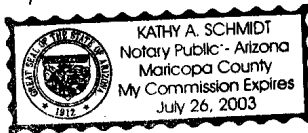
STATE OF ARIZONA)
) ss.
COUNTY OF Maricopa)

The foregoing instrument was acknowledged before me this 30th day of December, 1999, by Folger D. Lamerson as Member of FP Real Estate Three L.L.C., an Arizona limited liability company, a member of PL Developer I L.L.C., an Arizona limited liability company.

Kathy A Schmidt
Notary Public

My Commission Expires: July 26, 2003

[Notary Seal]



IN WITNESS WHEREOF, the undersigned Owner has executed this Supplemental Declaration the date and year first written above.

PL CUSTOM INVESTORS L.L.C., an
Arizona limited liability company

By: M3 BUILDERS L.L.C., an Arizona
limited liability company,
Its Co-Manager

By: THE M₃ COMPANIES, L.L.C.
an Arizona limited liability company
Its Sole Member

By: [Signature]
Its Member

By: [Signature]
Its Member

By: FP REAL ESTATE THREE, L.L.C.
an Arizona limited liability company,
Its Co-Manager

By: [Signature]
Its Member

STATE OF ARIZONA)
) ss.
COUNTY OF YAVAPAI)

The foregoing instrument was acknowledged before me this 29th day of December, 1999, by GREGORY W. HUBER, as Member of The M₃ Companies, L.L.C., an Arizona limited liability company, the sole member of M3 Builders, L.L.C., Co-Manager of PL Custom Investors L.L.C., an Arizona limited liability company.

[Signature]
Notary Public

My Commission Expires: 7/27/2003

P:\Gregh\Prescott Lakes\supp declaration dels.doc

6



[Notary Seal]

STATE OF ARIZONA)
) ss.
COUNTY OF YAVAPAI)

The foregoing instrument was acknowledged before me this 29th day of DECEMBER, 1999, by WILLIAM I BROWNLEE, as Member of The M₃ Companies, L.L.C., an Arizona limited liability company, the sole member of M3 Builders, L.L.C., Co-Manager of PL Custom Investors L.L.C., an Arizona limited liability company.

Judith E Brummett
Notary Public

[Notary Seal]

My Commission Expires: 2/28/2003



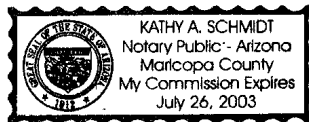
STATE OF ARIZONA)
) ss.
COUNTY OF Maricopa)

The foregoing instrument was acknowledged before me this 30th day of December, 1999, by Ben B. Dameron, as Member of FP Real Estate Three L.L.C., an Arizona limited liability company, a member of PL Custom Investors L.L.C., an Arizona limited liability company.

Kathy A. Schmidt
Notary Public

[Notary Seal]

My Commission Expires: July 26, 2003



CONSENT OF BENEFICIARY TO ANNEXATION

The undersigned, being the Beneficiary under a Deed of Trust encumbering the Lots (SEE ATTACHED) as shown on the Final Plat of The Dells at Prescott Lakes, recorded in the Office of the County Recorder of Yavapai County, Arizona, on December 21, 1999 in Maps and Plats Book 39, Pages 79, 80 and 81, as it may be amended (the "Property"), such Property having the street address of Yavapai County, Arizona, hereby approves and consents to Declarant's subjection of the Property to the provisions of the Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes (the "Declaration"), recorded in the Office of the County Recorder of Yavapai County, Arizona, on February 25, 1999, in Book 3642, Page 161 *et seq.*, as it may be amended. The undersigned Beneficiary agrees that the Property shall be subject to and bound by all terms of the Declaration which shall run with the title to the Property and shall be binding upon all persons having any right, title, or other interest in any portion of the Property, their respective heirs, legal representatives, successors-in-title, and assigns.

IN WITNESS WHEREOF, the undersigned Beneficiary has executed this Consent this 3rd day of January, 2000.

phs
FINQVA CAPITAL CORPORATION, a
Delaware corporation
By: *Susan Babbitt*
Its: VICE PRESIDENT

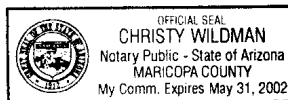
STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 3rd day of
January, 2000, by *Susan Babbitt*.

My Commission
Expires: _____

Christy Wildman
Notary Public

[Notary Seal]

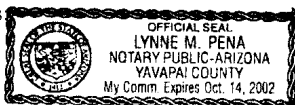


STATE OF ARIZONA)
) ss.
County of Yavapai)

On January 6, 2000, before me, the undersigned
Notary Public, personally appeared ROGER A. YEDINAK,
personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their
authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf
of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

My Commission Expires



Lynne M. Pena
Notary Public

STATE OF ARIZONA)
) ss.
County of Yavapai)

On _____, before me, the undersigned Notary
Public, personally appeared _____,
personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their
authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf
of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

STATE OF ARIZONA)
) ss.
County of _____)

On _____, before me, the undersigned Notary
Public, personally appeared _____,
personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their
authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf
of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

My Commission Expires:

Notary Public

EXHIBIT "A"

Property

Lots 1-101 of THE DELLS AT PRESCOTT LAKES, according to the plat of record in the office of the County Recorder of Yavapai County, Arizona, recorded in Book 39 of Maps, Pages 79 through 81.

P:\Gregh\Prescott Lakes\supp declaration dells.doc

After recording, please return to:

The M3 Companies
110 E. Barclay St.
Prescott, AZ 86301

3123437 BK 3642 PG 161
Yavapai County
Patsy Jenney-Colon, Recorder
02/25/1999 01:41P PAGE 1 OF 186
PRESCOTT LAKES DEVELOPER
RECORDING FEE 188.00
SURCHARGE 4.00
POSTAGE 1.00

STATE OF ARIZONA

Reference:

Book 3214, Page 251

COUNTY OF YAVAPAI

Book 3254, Page 509

**CERTIFICATE OF AMENDMENT TO THE FIRST AMENDED AND RESTATED
MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR PRESCOTT LAKES**

THIS AMENDMENT is made as of the date set forth below by Prescott Lakes Community Association, an Arizona nonprofit corporation ("Association").

WHEREAS, Prescott Lakes Development L.L.C. recorded that certain First Amended and Restated Master Declaration of Covenants, Conditions and Restrictions for Prescott Lakes (the "Amended and Restated Declaration") on August 2, 1996, in Book 3254, Page 509 *et seq.*, in the Official Records of Yavapai County, Arizona; and

WHEREAS, PL Developer I L.L.C. intends to establish a general plan of development for the planned community known as Prescott Lakes by recording the Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes (the "Declaration") in the Office of the County Recorder of Yavapai County, Arizona; and

WHEREAS, pursuant to Article XIII, Section 2 of the Amended and Restated Declaration, the Amended and Restated Declaration may be amended if Owners representing a majority of the votes of all Memberships under the Amended and Restated Declaration vote affirmatively for the adoption of such amendment at a meeting duly called for such purpose; and

WHEREAS, Owners representing a majority of all Memberships under the Amended and Restated Declaration desire to amend the Amended and Restated Declaration by substituting therefor the Declaration; and

WHEREAS, on August 18th, 1998, at a meeting duly called for the purpose of amending the Amended Declaration, Owners representing a majority of the votes of all Memberships under the Amended Declaration voted affirmatively to adopt this Amendment replacing the Amended and Restated Declaration with the Declaration;

NOW, THEREFORE, the Amended and Restated Declaration is hereby amended by striking it and all amendments and exhibits thereto in its entirety and substituting in its place this Declaration.

IN WITNESS WHEREOF, Prescott Lakes Community Association, hereby executes this Certificate of Amendment this 18th day of AUGUST, 1998.

PRESCOTT LAKES COMMUNITY ASSOCIATION
an Arizona Nonprofit Corporation [SEAL]

By: [Signature]
Its: _____ President

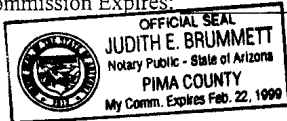
Attest: [Signature]
Its: _____ Secretary

STATE OF ARIZONA)
) ss
COUNTY OF YAVAPAI)

The foregoing instrument was acknowledged before me this 18th day of AUGUST, 1998, by JEFFREY A. DAVIS, the _____ President of Prescott Lakes Community Association and by WILLIAM I BROWNLEE, the _____ Secretary of Prescott Lakes Community Association.

By: [Signature]
NOTARY PUBLIC

My Commission Expires:



APPROVED BY Prescott Lakes Development L.L.C., as the Declarant of the Amended and Restated Declaration, this 18th day of AUGUST, 1998.

PRESCOTT LAKES DEVELOPMENT L.L.C., an
Arizona limited liability company

By: M3 Builders L.L.C., an
Arizona LIMITED LIABILITY company, its member
The M3 Companies LLC, its sole member
By: Jeffrey A. Davis
Name: Jeffrey A. Davis
Its: MEMBER

Attest: [Signature]
Name: William E. Brownlee
Its: Managing Member

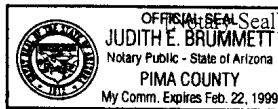
STATE OF ARIZONA)
) ss.
COUNTY OF YAVAPAI)

* THE M3 COMPANIES, L.L.C.,
ITS SOLE MEMBER

The foregoing instrument was acknowledged before me this 18th day of AUGUST, 1998, by JEFFREY A. DAVIS as MEMBER of M3 BUILDERS, LLC, an Arizona LIMITED LIABILITY COMPANY, a member of Prescott Lakes Development L.L.C., an Arizona limited liability company.

[Signature]
Notary Public

My Commission Expires: 2/22/99



DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR

PRESCOTT LAKES

HYATT & STUBBLEFIELD, P.C.
Attorneys and Counselors
1200 Peachtree Center South Tower
225 Peachtree Street, N.E.
Atlanta, Georgia 30303

This Declaration amends and replaces in its entirety the First Amended and Restated Master Declaration of Covenants, Conditions and Restrictions for Prescott Lakes.

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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
PRESCOTT LAKES

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS is made this 16th day of September, 1998, by PL Developer I L.L.C., an Arizona limited liability company ("Declarant").

PART ONE: INTRODUCTION TO THE COMMUNITY

PL Developer I L.L.C., as the developer of Prescott Lakes, has established this Declaration to provide a governance structure and a flexible system of standards and procedures for the overall development, expansion, administration, maintenance, and preservation of Prescott Lakes as a master planned community.

Article I Creation of the Community

1.1. Purpose and Intent.

Declarant, as the owner of the real property described in Exhibit "A" or with the consent of the owners of such property, intends by Recording this Declaration to establish a general plan of development for the planned community known as Prescott Lakes. This Declaration provides a flexible and reasonable procedure for Prescott Lakes' future expansion as Declarant deems appropriate and provides for its overall development, administration, maintenance, and preservation. An integral part of the development plan is the creation of Prescott Lakes Community Association, Inc., an association comprised of all owners of residential real property in Prescott Lakes, to own, operate, and/or maintain various common areas and community improvements and to administer and enforce this Declaration and the other Governing Documents referenced in this Declaration.

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

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

1.2. Binding Effect.

All property described in Exhibit "A," and any additional property which is made a part of Prescott Lakes in the future by Recording one or more Supplemental Declarations, shall be

owned, conveyed and used subject to all of the provisions of this Declaration, which shall run with the title to such property. This Declaration shall be binding upon all Persons having any right, title, or interest in any portion of the Properties, their heirs, successors, successors-in-title, and assigns.

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

If any provision of this Declaration would be unlawful, void, or voidable by reason of any Arizona law restricting the period of time that covenants on land may be enforced, such provision shall expire 21 years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England. Nothing in this Section shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement.

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

1.3. Governing Documents.

Prescott Lakes' Governing Documents consist of:

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

all as they may be amended.

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

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

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

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

Diagram 1.1 identifies the various Governing Documents and their functions.

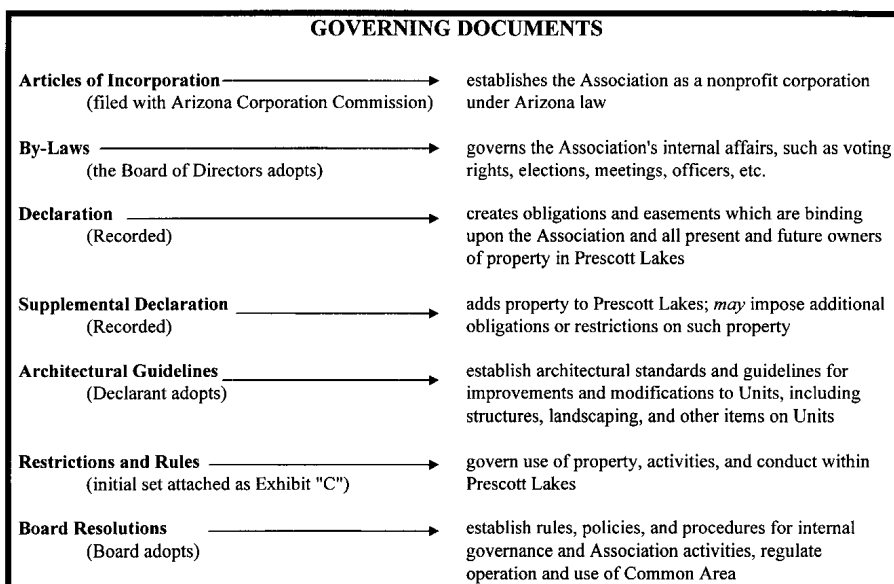


Diagram 1.1 - Governing Documents

Article II Concepts and Definitions

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

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

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

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

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

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

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

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

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

"By-Laws": The By-Laws of Prescott Lakes Community Association, Inc., as they may be amended. A copy of the initial By-Laws is attached to this Declaration as Exhibit "D."

"Class "B" Control Period": The period of time during which the Class "B" Member is entitled to appoint a majority of the members of the Board as provided in Section 3.3 of the By-Laws. The Class "B" Control Period shall terminate on the first to occur of the following:

(a) when 75% of the total number of Units permitted by the Master Plan for the property described in Exhibits "A" and "B" have certificates of occupancy issued thereon and have been conveyed to Class "A" Members other than Builders;

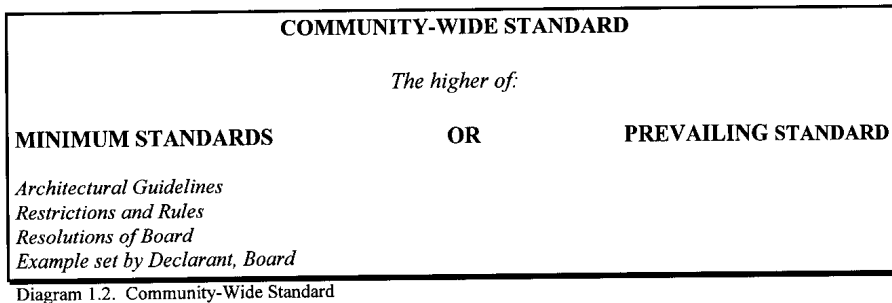
(b) December 31, 2025; or

(c) when, in its discretion, the Class "B" Member so determines.

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

"Common Expenses": The actual and estimated expenses incurred, or anticipated to be incurred, by the Association for the general benefit of all Owners, including any reasonable reserve, as the Board may find necessary and appropriate pursuant to the Governing Documents. Common Expenses shall not include any expenses incurred during the Class "B" Control Period for initial development or other original construction costs unless Voting Members representing a majority of the total Class "A" vote of the Association approve. Payments due under leases of capital improvements such as street lights and access control systems shall not be considered an initial development or original construction cost.

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



"Consenting Owners": PL Custom Investors L.L.C., Prescott Lakes/DeCima 163 L.L.C., DeCima Land Company, and PL Parcel Investors L.L.C., their successors or assigns who own portions of the real property described in Exhibits "A" or "B" and who have consented or will consent to Declarant's submission of their property to this Declaration. Consenting Owners are not Declarant and have no rights or responsibilities of Declarant.

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

"Golf Course": Certain real property and any improvements and facilities thereon located adjacent to, in the vicinity of, or within the Properties, which are privately owned and operated as a golf course by Persons other than the Association for recreational and related purposes, on a club membership basis or otherwise, and which shall include all related and supporting facilities and improvements operated and/or maintained in connection with or incidental to such golf course.

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

"Master Plan": The land use plan for the development of Prescott Lakes prepared by Redstone and approved by the City of Prescott, as it may be amended, which includes all of the property described in Exhibit "A" and all or a portion of the property described in Exhibit "B." Inclusion of property on the Master Plan shall not, under any circumstances, obligate Declarant to subject such property to this Declaration, nor shall the omission of property described in Exhibit "B" from the Master Plan bar its later submission to this Declaration as provided in Article IX.

"Member": A Person subject to membership in the Association pursuant to Section 6.2.

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

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

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

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

"Neighborhood Association": A condominium association or other owners association, if any, having jurisdiction over any Neighborhood concurrent with (but subject to) the jurisdiction of the Association. Nothing in this Declaration shall require the creation of any Neighborhood Associations.

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

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

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

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

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

"Restrictions and Rules": The initial use restrictions and rules set forth in Exhibit "C," as they may be supplemented, modified, and repealed pursuant to Article III.

"Special Assessment": Assessments levied in accordance with Section 8.4.

"Specific Assessment": Assessments levied in accordance with Section 8.5.

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

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

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

"Voting Group": One or more Voting Members who vote on a common slate for election of directors, as more particularly described in Section 6.4(b) or, if the context so indicates, the group of Members whose Units are represented thereby.

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

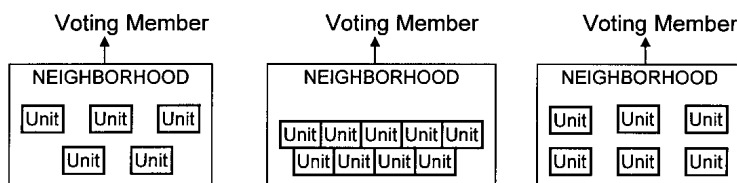


Diagram 2.1 - Voting Members

[Note: Number of Units shown in each Neighborhood is for demonstrative purposes only. Actual numbers may vary from one Neighborhood to another and could be substantially more or less than number of Units shown. Refer to Section 6.4(b) and (c) for a more detailed explanation of representative voting.]

PART TWO: CREATION AND MAINTENANCE OF COMMUNITY STANDARDS

The standards for use and conduct, maintenance, and architecture at Prescott Lakes are what give the community its identity and make it a place that people want to call "home." Each Owner and resident upholding such standards can take pride in the results of that common effect. This Declaration establishes procedures for adopting, modifying, applying, and enforcing such standards while providing the flexibility for the community standards to evolve as Prescott Lakes changes and grows.

Article III Use and Conduct

3.1. Framework for Regulation.

The Governing Documents establish, as part of the general plan of development for the Properties, a framework of affirmative and negative covenants, easements, and restrictions which govern the Properties. Within that framework, the Board and the Members must have the ability to respond to unforeseen problems and changes in circumstances, conditions, needs, desires, trends, and technology. Therefore, this Article establishes procedures for modifying and expanding the initial Restrictions and Rules set forth in Exhibit "C."

3.2. Rule Making Authority.

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

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

(b) Alternatively, Voting Members, representing more than 50% of the total Class "A" votes in the Association at an Association meeting duly called for such purpose, may vote to adopt rules which modify, cancel, limit, create exceptions to, or expand the Restrictions and Rules then in effect. Such action shall require approval of the Class "B" Member, if any.

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

(d) No action taken under this Article shall have the effect of modifying, repealing, or expanding the Architectural Guidelines or any provision of this Declaration other than the Restrictions and Rules. In the event of a conflict between the Architectural Guidelines and the Restrictions and Rules, the Architectural Guidelines shall control.

(e) The procedures required under this Section 3.2 shall not apply to the enactment and enforcement of administrative rules and regulations governing use and operation of the Common Area unless the Board chooses in its discretion to submit to such procedures. Examples of such administrative rules and regulations shall include, but not be limited to, hours

of operation of a recreational facility, speed limits on private roads, and the method of allocating or reserving use of a facility (if permitted) by particular individuals at particular times.

3.3. Owners' Acknowledgment and Notice to Purchasers.

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

3.4. Protection of Owners and Others.

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

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

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

No rules shall regulate the content of political signs; however, rules may regulate the time, place, and manner of posting such signs (including design criteria).

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

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

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

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

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

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

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

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

Article IV Architecture and Landscaping

4.1. General

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

No approval shall be required to repaint the exterior of a structure in accordance with the originally approved color scheme or to rebuild in accordance with originally approved plans and specifications. Any Owner may remodel, paint, or redecorate the interior of his or her Unit without approval. However, modifications to the interior of screened porches, patios, and similar portions of a Unit visible from outside the structure shall be subject to approval.

All dwellings constructed on any portion of the Properties shall be designed by and built in accordance with the approved plans and specifications unless Declarant or its designee otherwise approves in its sole discretion.

This Article shall not apply to Declarant's activities, nor to activities of the Association during the Class "B" Control Period.

4.2. Architectural Review.

(a) By Declarant. Each Owner, by accepting a deed or other instrument conveying any interest in any Unit, acknowledges that, as the developer of, and owner of real property within and in the vicinity of Prescott Lakes, Declarant has a substantial interest in ensuring that the improvements within the Properties enhance Declarant's reputation as a community developer and do not impair Declarant's ability to market, sell, or lease its property. Therefore, each Owner agrees that no activity within the scope of this Article shall be commenced on such Owner's Unit unless and until Declarant or its designee has given its prior written approval for such activity, which approval may be granted or withheld in the Declarant's or its designee's sole discretion.

In reviewing and acting upon any request for approval, Declarant or its designee acts solely in Declarant's interest and shall owe no duty to any other Person. Declarant's rights reserved under this Article shall continue so long as Declarant owns any portion of the Properties or any real property adjacent to the Properties, unless earlier terminated in a written instrument executed and Recorded by Declarant.

Declarant may, in its sole discretion, designate one or more Persons from time to time to act on its behalf in reviewing applications hereunder.

Declarant may from time to time, but shall not be obligated to, delegate all or a portion of its reserved rights under this Article to any other Person or committee. Any such delegation shall be in writing specifying the scope of responsibilities delegated. It shall be subject to (i) Declarant's right to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated and (ii) Declarant's right to veto any decision which Declarant determines, in its sole discretion, to be inappropriate or inadvisable for any reason. So long as Declarant has any rights under this Article, the jurisdiction of the foregoing entities shall be limited to such matters as Declarant specifically delegates to it.

(b) Architectural Review Committee. Upon delegation by Declarant or upon expiration or termination of Declarant's rights under this Article, the Association, acting through an architectural review committee appointed by the Board (the "ARC"), shall assume jurisdiction over architectural matters. The ARC, when appointed, shall consist of at least three, but not more than seven, Persons who shall serve and may be removed and replaced in the Board's discretion. The members of the ARC need not be Members of the Association or representatives of Members, and may, but need not, include architects, engineers, or similar professionals, who may be compensated in such manner and such amount, if any, as the Board may establish.

Unless and until such time as Declarant delegates all or a portion of its reserved rights to the Association or Declarant's rights under this Article terminate, the Association shall have no jurisdiction over architectural matters.

(c) Fees; Assistance. For purposes of this Article, the entity having jurisdiction in a particular case shall be referred to as the "Reviewer." The Reviewer may establish and charge reasonable fees for review of applications and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred in having any application reviewed by architects, engineers, or other professionals. Declarant and the Association may employ architects, engineers, or other Persons as deemed necessary to perform the review. The Board may include the compensation of such persons in the Association's annual operating budget.

4.3. Guidelines and Procedures.

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

Declarant shall have sole and full authority to amend the Architectural Guidelines as long as it owns any portion of or has a right to expand the Properties pursuant to Section 9.1, notwithstanding a delegation of reviewing authority, unless Declarant also delegates the power to amend. Upon termination of Declarant's right to amend, the ARC shall have the authority to amend the Architectural Guidelines with the consent of the Board. Any amendments to the Architectural Guidelines shall be prospective only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Architectural Guidelines, and such amendments may remove requirements previously imposed or otherwise make the Architectural Guidelines less restrictive.

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

(b) Procedures. Except as otherwise specifically provided in the Architectural Guidelines, no activities shall commence on any portion of the Properties until an application for approval has been submitted to and approved by the Reviewer. Such application shall include

plans and specifications showing site layout, structural design, exterior elevations, exterior materials and colors, landscaping, drainage, exterior lighting, irrigation, and other features of proposed construction, as applicable. The Architectural Guidelines and the Reviewer may require the submission of such additional information as may be reasonably necessary to consider any application.

In reviewing each submission, the Reviewer may consider any factors it deems relevant, including, without limitation, harmony of external design with surrounding structures and environment. Decisions are based on purely aesthetic considerations. Each Owner acknowledges that determinations as to such matters are purely subjective and opinions may vary as to the desirability and/or attractiveness of particular improvements. The Reviewer shall have the sole discretion to make final, conclusive, and binding determinations on matters of aesthetic judgment and such determinations shall not be subject to review so long as made in good faith and in accordance with the procedures set forth herein.

The Reviewer shall make a determination on each application within 30 days after receipt of a completed application and all information required by the Reviewer. The Reviewer may (i) approve the application, with or without conditions; (ii) approve a portion of the application and disapprove other portions; or (iii) disapprove the application. In the case of disapproval, the Reviewer may, but shall not be obligated to, specify the reasons for any objections and/or offer suggestions for curing any objections.

Until expiration of Declarant's rights under this Article, the ARC shall notify Declarant in writing within three business days after the ARC has approved an application. The notice shall be accompanied by a copy of the application and any additional information which Declarant may require. Declarant shall have 10 days after receipt of such notice to veto any such action, in its sole discretion, by written notice to the ARC.

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

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

If construction does not commence on a project for which Plans have been approved within one year after the date of approval, such approval shall be deemed withdrawn and it shall be necessary for the Owner to reapply for approval before commencing any activities. Once construction is commenced, it shall be diligently pursued to completion. All work shall be completed within one year of commencement unless otherwise specified in the notice of approval or unless the Reviewer grants an extension in writing, which it shall not be obligated to do. If approved work is not completed within the required time, it shall be considered nonconforming and shall be subject to enforcement action by the Association, Declarant, or any aggrieved Owner.

The Reviewer may, by resolution, exempt certain activities from the application and approval requirements of this Article, provided such activities are undertaken in strict compliance with the requirements of such resolution.

4.4. No Waiver of Future Approvals.

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

4.5. Variances.

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

4.6. Limitation of Liability.

The standards and procedures established by this Article are intended as a mechanism for maintaining and enhancing the overall aesthetics of Prescott Lakes; they do not create any duty to any Person. Review and approval of any application pursuant to this Article is made on the

basis of aesthetic considerations only and the Reviewer shall not bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements, nor for ensuring that all dwellings are of comparable quality, value, or size, of similar design, aesthetically pleasing, or otherwise acceptable to neighboring property owners.

Declarant, the Association, the Board, any committee, or member of any of the foregoing shall not be held liable for soil conditions, drainage, or other general site work; any defects in plans revised or approved hereunder; any loss or damage arising out of the action, inaction, integrity, financial condition, or quality of work of any contractor or its subcontractors, employees, or agents, whether or not Declarant has approved or featured such contractor as a builder in Prescott Lakes; or any injury, damages, or loss arising out of the manner or quality or other circumstances of approved construction on or modifications to any Unit. In all matters, the Board, the ARC, and the members of each shall be defended and indemnified by the Association as provided in Section 7.6.

4.7. Certificate of Compliance.

Any Owner may request that the Reviewer issue a certificate of architectural compliance certifying that there are no known violations of this Article or the Architectural Guidelines. The Association shall either grant or deny such request within 30 days after receipt of a written request and may charge a reasonable administrative fee for issuing such certificates. Issuance of such a certificate shall estop the Association from taking enforcement action with respect to any condition as to which the Association had notice as of the date of such certificate.

Article V Maintenance and Repair

5.1. Maintenance of Units.

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

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

5.2. Maintenance of Neighborhood Property.

Any Neighborhood Association shall maintain its common property and any other property for which it has maintenance responsibility in a manner consistent with the Governing Documents, the Community-Wide Standard, and all applicable covenants.

Any Neighborhood Association shall also be responsible for maintaining and irrigating the landscaping within that portion of any adjacent Common Area or public right-of-way lying between the boundary of its common property and any wall, fence, or curb located on the Common Area or public right-of-way within 10 feet of its boundary; provided, there shall be no right to remove trees, shrubs, or similar vegetation from this area without prior approval pursuant to Article IV.

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

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

5.3. Responsibility for Repair and Replacement.

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

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

Owners, the premiums for such insurance shall be levied as a Specific Assessment against the benefited Unit and the Owner.

Each Owner further covenants and agrees that in the event of damage to or destruction of structures on or comprising his or her Unit, the Owner shall proceed promptly to repair or to reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article IV. Alternatively, the Owner shall clear the Unit and maintain it in a neat and attractive, landscaped condition consistent with the Community-Wide Standard. The Owner shall pay any costs not covered by insurance proceeds.

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

PART THREE: COMMUNITY GOVERNANCE AND ADMINISTRATION

This Declaration establishes the Association as the entity through which each Owner is able to participate in the governance and administration of Prescott Lakes. While many powers and responsibilities are vested in the Association's board of directors in order to facilitate day-to-day management and operation, some decisions are considered of such importance that they are reserved for the Association's membership -- the owners of property in Prescott Lakes.

Article VI The Association and its Members

6.1. Function of Association.

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

6.2. Membership.

Every Owner shall be a Member of the Association. There shall be only one membership per Unit. If a Unit is owned by more than one Person, all co-Owners shall share the privileges of such membership, subject to reasonable Board regulation and the restrictions on voting set forth in Section 6.3(c) and in the By-Laws, and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights of an Owner which is not a natural person may be exercised by any officer, director, partner, or trustee, or by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

6.3. Voting.

The Association shall have two classes of membership, Class "A" and Class "B."

(a) Class "A". Class "A" Members shall be all Owners except the Class "B" Member, if any. Class "A" Members shall have one equal vote for each Unit in which they hold the interest required for membership under Section 6.2, except that there shall be only one vote per Unit. No vote shall be exercised for any property which is exempt from assessment under Section 8.9. All Class "A" votes shall be cast as provided in Section 6.3(c) below.

(b) Class "B". The sole Class "B" Member shall be the Declarant. The Class "B" Member may appoint a majority of the members of the Board of Directors during the Class "B" Control Period, as specified in the By-Laws. Additional rights of the Class "B" Member are specified in the relevant sections of the Governing Documents.

The Class "B" membership shall terminate upon the earlier of:

- (i) two years after expiration of the Class "B" Control Period; or
- (ii) when, in its discretion, Declarant so determines and declares in a Recorded instrument.

Upon termination of the Class "B" membership, Declarant shall be a Class "A" Member entitled to Class "A" votes for each Unit which it owns.

In recognition of the different character and intended use of the property subject to such Supplemental Declaration, Declarant may, by Supplemental Declaration, create additional classes of membership for the owners of Units within any property made subject to this Declaration pursuant to Article IX. These classes shall have such rights, privileges, and obligations as specified in such Supplemental Declaration.

(c) Exercise of Voting Rights. Except as otherwise specified in this Declaration or the By-Laws, the vote for each Unit owned by a Class "A" Member shall be exercised by the Voting Member representing the Neighborhood, as provided in Section 6.4(b).

In any situation where a Member is entitled personally to exercise the vote for his or her Unit, and there is more than one Owner of such Unit, the vote for such Unit shall be exercised as the co-Owners determine among themselves and advise the Secretary of the Association in writing prior to the vote being taken. Absent such advice, the Unit's vote shall be suspended if more than one Person seeks to exercise it.

6.4. Neighborhoods, Voting Members, and Voting Groups.

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

Exhibit "A" to this Declaration, and each Supplemental Declaration submitting additional property to this Declaration shall initially assign the submitted property to a specific Neighborhood (by name or other identifying designation), which Neighborhood may be then existing or newly created. So long as it has the right to subject additional property to this Declaration pursuant to Section 9.1, Declarant may unilaterally amend this Declaration or any Supplemental Declaration to redesignate Neighborhood boundaries. However, two or more existing Neighborhoods shall not be combined without the consent of Owners of a majority of the Units in the affected Neighborhoods.

The Owners within any Neighborhood may request that the Association provide a higher level of service than which the Association generally provides to all Neighborhoods or may request that the Association provide special services for the benefit of Units in such Neighborhood. Upon the request of a Neighborhood Committee elected as provided in Section 5.3 of the By-Laws, if any, or a Neighborhood Association, if any, or upon the affirmative vote, written consent, or a combination thereof, of Owners of a majority of the Units within the Neighborhood, the Association shall provide the requested services.

The cost of such services, which may include a reasonable administrative charge in such amount as the Board deems appropriate (provided, any such administrative charge shall apply at a uniform rate per Unit to all Neighborhoods receiving the same service), shall be assessed against the Units within such Neighborhood as a Neighborhood Assessment.

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

The Board shall call for the first election of a Voting Member from a Neighborhood not later than one year after the conveyance of a Unit in the Neighborhood to a Person other than a Builder (or, with respect to the initial Neighborhood, within one year after the second Neighborhood has been created). Each Class "A" Member who owns a Unit within the

Neighborhood shall be entitled to cast one vote per Unit owned. The candidate who receives the greatest number of votes shall be elected as Voting Member and the candidate receiving the next greatest number of votes shall be elected as the Alternate Voting Member. The Voting Member and the Alternate Voting Member shall serve a term of one year or until their successors are elected.

The Voting Member and alternate Voting Member from each Neighborhood shall be elected on an annual basis, either by written ballot cast by mail or at a meeting of the Class "A" Members within such Neighborhood, as the Board determines; provided upon written petition signed by Class "A" Members holding at least 10% of the votes attributable to Units within any Neighborhood, the election for such Neighborhood shall be held at a meeting. Candidates for election as Voting Members may be nominated by the Board, a nominating committee which the Board may appoint, or from the floor at a meeting at which an election is to be held.

The presence, in person or by proxy, or the filing of ballots by Class "A" Members representing at least 25% of the total Class "A" votes attributable to Units in the Neighborhood shall constitute a quorum at any Neighborhood meeting or election. In the event of a failure to obtain a quorum or vacancy in such positions for any Neighborhood, the Board may appoint a Voting Member or alternate Voting Member to represent such Neighborhood until a successor is elected.

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

Until such time as the Board first calls for election of a Voting Member for any Neighborhood, the Owners within such Neighborhood shall be entitled personally to cast the votes attributable to their respective Units on any issue requiring a membership vote under the Governing Documents.

(c) Voting Groups. Declarant may designate Voting Groups consisting of one or more Neighborhoods for the purpose of electing directors to the Board. Voting Groups may be designated to ensure groups with dissimilar interests are represented on the Board and to avoid some Voting Members being able to elect the entire Board due to the number of Units in such Neighborhoods. Following termination of the Class "B" Control Period, the number of Voting Groups within the Properties shall not exceed the total number of directors to be elected by the Class "A" Members pursuant to the By-Laws.

The Voting Members representing the Neighborhoods within each Voting Group shall vote on a separate slate of candidates for election to the Board. Each Voting Group is entitled to elect the number of directors specified in the By-Laws.

Diagram 6.1 illustrates the organizational structure of the Association and the manner in which Voting Members and Voting Groups will elect the Board of Directors after the Class "B" Control Period. The number of directors (five), Neighborhoods (five), and Voting Groups (three)

shown in the illustration are for demonstrative purposes only; the actual number may be different.

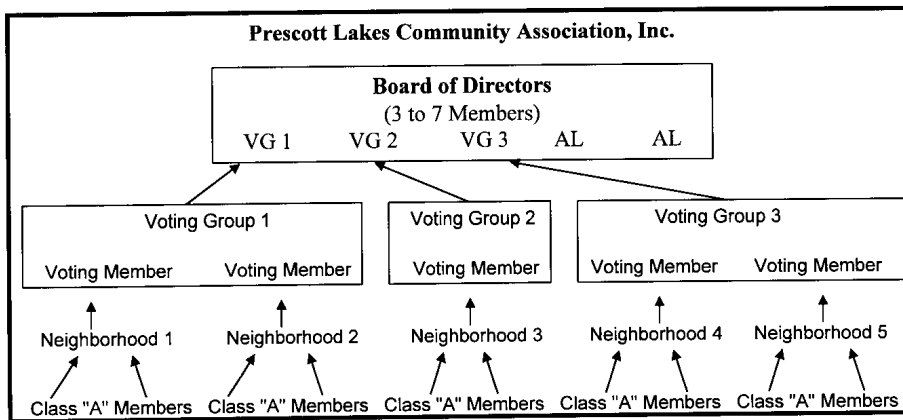


Diagram 6.1 - Association Organizational Structure

Declarant shall establish Voting Groups, if at all, not later than the date of expiration of the Class "B" Control Period by filing with the Association and Recording a Supplemental Declaration identifying each Voting Group by legal description or other means such that the Units within each Voting Group can easily be determined. Such designation may be amended from time to time by Declarant, acting alone, at any time prior to the expiration of the Class "B" Control Period.

After expiration of Declarant's right to expand the Properties pursuant to Article IX, the Board shall have the right to Record or amend such Supplemental Declaration upon the vote of a majority of the total number of directors and approval of Voting Members representing a majority of the total number of Neighborhoods and a majority of the total Class "A" votes in the Association. Neither Recordation nor amendment of such Supplemental Declaration shall constitute an amendment to this Declaration, and no consent or approval of any Person shall be required except as stated in this paragraph. Until such time as Voting Groups are established, all of the Properties shall constitute a single Voting Group. After a Supplemental Declaration establishing Voting Groups has been Recorded, any and all portions of the Properties which are not assigned to a specific Voting Group shall constitute a single Voting Group.

Article VII Association Powers and Responsibilities

7.1. Acceptance and Control of Association Property.

- (a) The Association, through action of its Board, may acquire, hold, lease (as lessor or lessee), operate, and dispose of tangible and intangible personal property and real property. The

Association may enter into leases, licenses, or operating agreements for portions of the Common Area, for such consideration or no consideration as the Board deems appropriate, to permit use of such portions of the Common Area by community organizations and by others, whether nonprofit or for profit, for the provision of goods or services for the general benefit or convenience of owners, occupants, and residents of Prescott Lakes.

(b) Declarant and its designees may convey to the Association, and the Association shall accept, personal property and fee title, leasehold, or other property interests in any real property, improved or unimproved, described in Exhibits "A" or "B." Upon Declarant's written request, the Association shall reconvey to Declarant any unimproved portions of the Common Area originally conveyed to the Association for no consideration, to the extent conveyed by Declarant in error or needed by Declarant to make minor adjustments in property lines.

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

7.2. Maintenance of Area of Common Responsibility.

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

- (a) all portions of and structures situated on the Common Area;
- (b) landscaping within public rights-of-way within or abutting the Properties;
- (c) all portions of the perimeter fencing surrounding the Properties;
- (d) such portions of any additional property included within the Area of Common Responsibility as may be dictated by this Declaration, any Supplemental Declaration, or any contract, covenant, or agreement for maintenance thereof entered into by, or for the benefit of, the Association;
- (e) all ponds, streams, and/or wetlands located within the Properties which serve as part of the stormwater drainage system for the Properties, including improvements and equipment installed therein or used in connection therewith; and
- (f) any property and facilities Declarant owns and makes available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members. Such property and facilities shall be identified by written notice from Declarant to the Association and will remain part of the Area of Common Responsibility maintained by the Association until such time as Declarant revokes such privilege of use and enjoyment by written notice to the Association.

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

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

The Association shall maintain the facilities and equipment within the Area of Common Responsibility in continuous operation, except for any periods necessary, as determined in the Board's sole discretion, to perform required maintenance or repairs, unless Members representing 75% of the Class "A" votes in the Association and the Class "B" Member, if any, agree in writing to discontinue such operation.

Except as provided above, the Area of Common Responsibility shall not be reduced except with Declarant's prior written approval as long as Declarant or a Consenting Owner owns any property described in Exhibits "A" or "B" of this Declaration.

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

7.3. Insurance.

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

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

(ii) Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, such coverage (including primary and any umbrella coverage) shall have a limit of at least \$1,000,000.00 per occurrence with respect to bodily injury, personal injury, and property damage; provided, should additional coverage and higher limits be available at reasonable cost which a reasonably prudent person would obtain, the Association shall obtain such additional coverages or limits;

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

(iv) Directors and officers liability coverage;

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

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

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

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

(b) Policy Requirements. The Association shall arrange for an annual review of the sufficiency of its insurance coverage by one or more qualified Persons, at least one of whom must be familiar with insurable replacement costs in the Yavapai County, Arizona area. All Association policies shall provide for a certificate of insurance to be furnished to the Association and, upon request, to each Member insured.

The policies may contain a reasonable deductible and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 7.3(a). In the event of an insured loss, the deductible shall be treated as

a Common Expense or a Neighborhood Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the By-Laws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may assess the full amount of such deductible against such Owner(s) and their Units as a Specific Assessment.

All insurance coverage obtained by the Board shall:

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

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

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

(iv) contain an inflation guard endorsement;

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

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

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

(viii) include an endorsement precluding the insurer from denying a claim by an individual Owner or conditioning recovery under the policy based upon or due to negligent acts or omissions of the Association or other Owners.

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

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

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

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

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

(v) a cross liability provision; and

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

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

Damaged improvements on the Common Area shall be repaired or reconstructed unless the Voting Members representing at least 75% of the total Class "A" votes in the Association, and the Class "B" Member, if any, decide within 60 days after the loss not to repair or reconstruct. If either the insurance proceeds or estimates of the loss, or both, are not available to the Association within such 60-day period, then the period shall be extended until such funds or information are available. However, such extension shall not exceed 60 additional days. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed.

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

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

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

7.4. Compliance and Enforcement.

(a) Every Owner and occupant of a Unit shall comply with the Governing Documents. The Board may impose sanctions for violation of the Governing Documents after notice and a hearing in accordance with the procedures set forth in Section 3.24 of the By-Laws. Such sanctions may include, without limitation:

(i) imposing reasonable monetary fines which shall constitute a lien upon the violator's Unit. (In the event that any occupant, guest or invitee of a Unit violates the Governing Documents and a fine is imposed, the fine shall first be assessed against the violator; provided, however, if the fine is not paid by the violator within the time period set by the Board, the Owner shall pay the fine upon notice from the Board);

(ii) suspending an Owner's right to vote;

(iii) suspending any Person's right to use any recreational facilities within the Common Area; provided, however, nothing herein shall authorize the Board to limit ingress or egress to or from a Unit;

(iv) suspending any services provided by the Association to an Owner or the Owner's Unit if the Owner is more than 30 days delinquent in paying any assessment or other charge owed to the Association;

(v) exercising self-help or taking action to abate any violation of the Governing Documents in a non-emergency situation;

(vi) requiring an Owner, at its own expense, to remove any structure or improvement on such Owner's Unit in violation of the Governing Documents and to restore the Unit to its previous condition and, upon failure of the Owner to do so, the Board or its designee shall have the right to enter the property, remove the violation and restore the property to substantially the same condition as previously existed and any such action shall not be deemed a trespass;

(vii) without liability to any Person, precluding any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of Article IV and the Architectural Guidelines from continuing or performing any further activities in Prescott Lakes; and

(viii) levying Specific Assessments to cover costs incurred by the Association to bring a Unit into compliance with the Governing Documents.

In addition, the Board may take the following enforcement procedures to ensure compliance with the Governing Documents without the necessity of compliance with the procedures set forth in Section 3.24 of the By-Laws:

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

In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Association may Record a notice of violation or perform such maintenance responsibilities and assess all costs incurred by the Association against the Unit and the Owner as a Specific Assessment. If a Neighborhood Association fails to perform its maintenance responsibilities, the Association may perform such maintenance and assess the costs as a Specific Assessment against all Units within such Neighborhood. Except in an emergency situation, the Association shall provide the Owner or Neighborhood Association reasonable notice and an opportunity to cure the problem prior to taking such enforcement action.

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

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

- (i) the Association's position is not strong enough to justify taking any or further action;
- (ii) the covenant, restriction or rule being enforced is, or is likely to be construed as, inconsistent with applicable law;
- (iii) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or
- (iv) that it is not in the Association's best interests, based upon hardship, expense, or other reasonable criteria, to pursue enforcement action.

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

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

7.5. Implied Rights; Board Authority.

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

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

In exercising the rights and powers of the Association, making decisions on behalf of the Association, and conducting the Association's affairs, Board members shall be subject to, and their actions shall be judged in accordance with, the standards set forth in Section 3.25 of the By-Laws.

7.6. Indemnification of Officers, Directors and Others.

Subject to Arizona law, the Association shall indemnify every officer, director, and committee member against all damages and expenses, including counsel fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer, director, or committee member, except that such obligation to indemnify shall be limited to those actions for which liability is limited under this Section, the Articles of Incorporation, and Arizona law.

The officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association (except to the extent that such officers or directors may also be Members of the Association).

The Association shall indemnify and forever hold each such officer, director, and committee member harmless from any and all liability to others on account of any such contract, commitment, or action. This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

7.7. Safety and Security.

Each Owner and occupant of a Unit, and their respective guests and invitees, shall be responsible for their own personal safety and the security of their property in Prescott Lakes. The Association may, but shall not be obligated to, maintain or support certain activities within Prescott Lakes designed to enhance the level of safety or security which each Person provides for himself and his property. Neither the Association nor Declarant shall in any way be considered insurers or guarantors of safety or security within Prescott Lakes, nor shall either be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

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

7.8. Powers of the Association Relating to Neighborhood Associations.

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

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

7.9. Provision of Services.

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

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

7.10 Relationships with Other Properties.

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

7.11 Facilities and Services Open to the Public.

Certain facilities and areas within the Properties may be open for use and enjoyment of the public. Such facilities and areas may include, by way of example: greenbelts, trails and paths, parks, and other neighborhood spots conducive to gathering and interaction, roads, sidewalks, and medians. Declarant may designate such facilities and areas as open to the public at the time Declarant makes such facilities and areas a part of the Area of Common Responsibility or the Board may so designate at any time thereafter.

Article VIII Association Finances

8.1. Budgeting and Allocating Common Expenses.

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

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

ASSOCIATION FUNDS

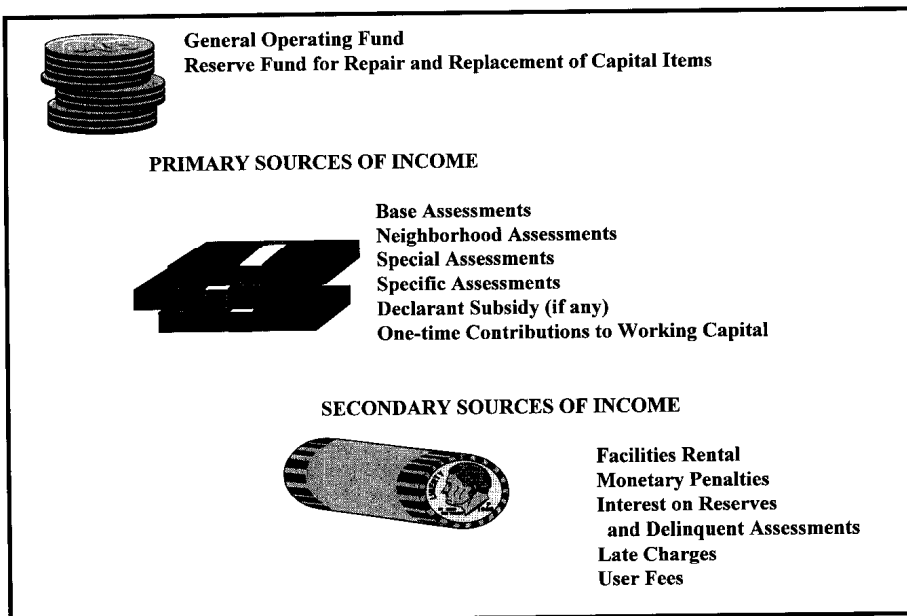


Diagram 8.1 - Funding Sources

The Association is authorized to levy Base Assessments equally against all Units subject to assessment under Section 8.6 to fund the Common Expenses. In determining the Base Assessment rate per Unit, the Board may consider any assessment income expected to be

generated from any additional Units reasonably anticipated to become subject to assessment during the fiscal year.

Declarant may, but shall not be obligated to, reduce the Base Assessment for any fiscal year by payment of a subsidy (in addition to any amounts paid by Declarant under Section 8.7(b)), which may be either a contribution or an advance against future assessments due from Declarant, in Declarant's discretion. Any such subsidy shall be disclosed as a line item in the income portion of the budget. Payment of such subsidy in any year shall not obligate Declarant to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between the Association and Declarant.

The Board shall send a copy of the final budget, together with notice of the amount of the Base Assessment to be levied pursuant to such budget, to each Owner at least 30 days prior to the effective date of such budget. The budget shall automatically become effective unless disapproved at a meeting by Members representing at least 75% of the total Class "A" votes in the Association and by the Class "B" Member, if such exists. There shall be no obligation to call a meeting for the purpose of considering the budget except on petition of the Members as provided for special meetings in Section 2.4 of the By-Laws. Any such petition must be presented to the Board within 10 days after delivery of the budget and notice of any assessment. Notwithstanding the foregoing, if the proposed budget would result in an increase in Base Assessments greater than the maximum increase permitted by the Act without approval of the Association membership, such budget and Base Assessment shall require the approval of Voting Members representing at least a majority of the total votes in the Association.

If any proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then the budget most recently in effect shall continue in effect until a new budget is determined.

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

8.2. Budgeting and Allocating Neighborhood Expenses.

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

The Association is hereby authorized to levy Neighborhood Assessments equally against all Units in the Neighborhood which are subject to assessment under Section 8.6 to fund Neighborhood Expenses; provided, if so specified in the applicable Supplemental Declaration or if so directed by petition signed by a majority of the Owners within the Neighborhood, any portion of the assessment intended for exterior maintenance of structures, insurance on structures, or replacement reserves which pertain to particular structures shall be levied on each of the benefited Units in proportion to the benefit received.

The Board shall cause a copy of the Neighborhood budget and notice of the amount of the Neighborhood Assessment for the coming year to be delivered to each Owner in the Neighborhood at least 30 days prior to the beginning of the fiscal year. Such budget and assessment shall become effective unless disapproved at a meeting of the Neighborhood by Owners of a majority of the Units in the Neighborhood to which the Neighborhood Assessment applies. However, there shall be no obligation to call a meeting for the purpose of considering the budget except on petition of Owners of at least 10% of the Units in such Neighborhood. This right to disapprove shall only apply to those line items in the Neighborhood budget which are attributable to services requested by the Neighborhood and shall not apply to any item which the Governing Documents require to be assessed as a Neighborhood Assessment. Notwithstanding the foregoing, if the proposed budget would result in an increase in Neighborhood Assessments greater than the maximum increase permitted by the Act without approval of the Association membership, such budget and Neighborhood Assessment shall require the approval of Voting Members representing at least a majority of the total votes in the Association.

If the proposed budget for any Neighborhood is disapproved or if the Board fails for any reason to determine the budget for any year, then until such time as a budget is determined, the budget in effect for the immediately preceding year shall continue for the current year.

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

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

8.3. Budgeting for Reserves.

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

Neighborhood Expense budgets adopted pursuant to Section 8.2, as appropriate, a capital contribution to fund reserves in an amount sufficient to meet the projected need with respect both to amount and timing by annual contributions over the budget period.

8.4. Special Assessments.

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

8.5. Specific Assessments.

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

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

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

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

8.6. Authority to Assess Owners; Time of Payment.

Declarant hereby establishes and the Association is hereby authorized to levy assessments as provided for in this Article and elsewhere in the Governing Documents. The obligation to pay assessments shall commence as to each Unit on the first day of the month following: (a) the month in which the Unit is made subject to this Declaration, or (b) the month in which the Board first determines a budget and levies assessments pursuant to this Article, whichever is later; provided, until Declarant has completed all improvements required by the City of Prescott for the issuance of a building permit for the construction of a dwelling on the Unit, no assessment shall be levied on the Unit. The first annual Base Assessment and Neighborhood Assessment, if any, levied on each Unit shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Unit.

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

8.7. Obligation for Assessments.

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

Failure of the Board to fix assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Base Assessments and Neighborhood Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfalls in collections.

No Owner may exempt himself from liability for assessments by non-use of Common Area, abandonment of his or her Unit, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or

Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

The Association shall, upon written request from an Owner, Mortgagee, or other Person designated by the Owner, furnish a statement setting forth the amount of any unpaid assessment against such Owner's Unit. The statement shall be binding upon the Association, the Board, and the Owners to the extent mandated by Arizona law. If the Association fails to provide such statement within 15 days of its receipt of a written request, any lien for unpaid assessments then due shall be extinguished to the extent mandated by Arizona law. The Association may require the advance payment of a reasonable processing fee for the issuance of such statement.

(b) Declarant's Option to Fund Budget Deficits. During the Class "B" Control Period, Declarant may satisfy its obligation for assessments on Units which it owns either by paying such assessments in the same manner as any other Owner or by paying the difference between the amount of assessments levied on all other Units subject to assessment and the amount of actual expenditures by the Association during the fiscal year. Unless Declarant otherwise notifies the Board in writing at least 60 days before the beginning of each fiscal year, Declarant shall be deemed to have elected to continue paying on the same basis as during the immediately preceding fiscal year.

Regardless of Declarant's election, Declarant's obligations hereunder may be satisfied in the form of cash or by "in kind" contributions of services or materials, or by a combination of these. After termination of the Class "B" Control Period, Declarant shall pay assessments on its unsold Units in the same manner as any other Owner.

8.8. Lien for Assessments.

All assessments and other charges of the Association authorized in this Article or elsewhere in this Declaration shall constitute a lien against the Unit against which they are levied from the time such assessments or charges become due until paid. The lien shall also secure payment of interest (subject to the limitations of Arizona law), late charges (subject to the limitations of Arizona law), and costs of collection (including attorneys' fees, lien fees and administrative costs). Such lien shall be superior to all other liens, except those deemed by Arizona law to be superior. The lien created by this Article shall have priority over any lien for assessments asserted by any other community or property owners association, including, without limitation, any Neighborhood Association. The Association may enforce such lien, when any assessment or other charge is delinquent, by suit, judgment, and foreclosure; provided, if enforcement proceedings are not instituted within three years after the full amount of the assessment or other charge becomes due, the lien (but not the personal obligation of the subject Owner) shall be deemed extinguished.

The Association may bid for the Unit at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Unit. While a Unit is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and

(c) each other Unit shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such Unit had it not been acquired by the Association. The Association may sue for unpaid assessments and other charges authorized hereunder without foreclosing or waiving the lien securing the same.

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

8.9. Exempt Property.

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

- (a) All Common Area and such portions of the property owned by Declarant as are included in the Area of Common Responsibility;
- (b) Any property dedicated to and accepted by any governmental authority or public utility; and
- (c) Property owned by any Neighborhood Association for the common use and enjoyment of its members, or owned by the members of a Neighborhood Association as tenants-in-common.

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

8.10. Capitalization of Association.

Upon acquisition of record title to a Unit by the first Owner thereof other than Declarant or a Builder, a contribution shall be made by or on behalf of the purchaser to the working capital of the Association in an amount equal to one-sixth of the annual Base Assessment per Unit for that year. This amount shall be in addition to, not in lieu of, the annual Base Assessment and shall not be considered an advance payment of such assessment. This amount shall be deposited into the purchase and sales escrow and disbursed therefrom to the Association for use in covering operating expenses and other expenses incurred by the Association pursuant to this Declaration and the By-Laws.

PART FOUR: COMMUNITY DEVELOPMENT

The Declaration reserves various rights to the developer in order to facilitate the smooth and orderly development of Prescott Lakes and to accommodate changes in the master plan which inevitably will occur as the community grows and matures.

Article IX Expansion of the Community

9.1. Expansion by Declarant.

Declarant may from time to time subject to the provisions of this Declaration all or any portion of the property described in Exhibit "B" by Recording a Supplemental Declaration describing the additional property to be subjected. A Supplemental Declaration Recorded pursuant to this Section shall not require the consent of any Person except the owner of such property, if other than Declarant.

Declarant's right to expand the Properties pursuant to this Section shall expire when all property described in Exhibit "B" has been subjected to this Declaration or 25 years after this Declaration is Recorded, whichever is earlier. Until then, Declarant may transfer or assign this right to any Person who is the developer of at least a portion of the real property described in Exhibits "A" or "B." Any such transfer shall be memorialized in a written, Recorded instrument executed by Declarant.

Nothing in this Declaration shall be construed to require Declarant or any successor to subject additional property to this Declaration or to develop any of the property described in Exhibit "B" in any manner whatsoever.

9.2. Expansion by the Association.

The Association may also subject additional property to the provisions of this Declaration by Recording a Supplemental Declaration describing the additional property. Any such Supplemental Declaration shall require the affirmative vote of Voting Members representing more than 50% of the Class "A" votes of the Association represented at a meeting duly called for such purpose and the consent of the owner of the property. In addition, so long as Declarant or a Consenting Owner owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1, Declarant's consent shall be necessary. The Supplemental Declaration shall be signed by the President and Secretary of the Association, by the owner of the property and by Declarant, if Declarant's consent is necessary.

9.3. Additional Covenants and Easements.

Declarant may subject any portion of the Properties to additional covenants and easements, including covenants obligating the Association to maintain and insure such property and authorizing the Association to recover its costs through Neighborhood Assessments. Such

additional covenants and easements may be set forth either in a Supplemental Declaration subjecting such property to this Declaration or in a separate Supplemental Declaration referencing property previously subjected to this Declaration. If the property is owned by someone other than Declarant, then the consent of the Owner(s) shall be necessary and shall be evidenced by their execution of the Supplemental Declaration. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

9.4. Effect of Filing Supplemental Declaration.

A Supplemental Declaration shall be effective upon Recording unless otherwise specified in such Supplemental Declaration. On the effective date of the Supplemental Declaration, any additional property subjected to this Declaration shall be assigned voting rights in the Association and assessment liability in accordance with the provisions of this Declaration.

Article X Additional Rights Reserved to Declarant

10.1. Withdrawal of Property.

Declarant reserves the right to amend this Declaration, so long as it has a right to annex additional property pursuant to Section 9.1, for the purpose of removing any portion of the Properties which has not yet been improved with structures from the coverage of this Declaration, provided such withdrawal does not reduce the total number of Units then subject to the Declaration by more than 10 percent. Such amendment shall not require the consent of any Person other than the Owner(s) of the property to be withdrawn, if not the Declarant. If the property is Common Area, the Association shall consent to such withdrawal.

10.2. Marketing and Sales Activities.

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

10.3. Right to Develop.

Declarant and its employees, agents, and designees shall have a right of access and use and an easement over and upon all of the Common Area for the purpose of making, constructing and installing such improvements to the Common Area as it deems appropriate in its sole

discretion.

Every Person that acquires any interest in the Properties acknowledges that Prescott Lakes is a master planned community, the development of which is likely to extend over many years, and agrees not to protest, challenge or otherwise object to (a) changes in uses or density of property outside the Neighborhood in which such Person holds an interest, or (b) changes in the Master Plan as it relates to property outside the Neighborhood in which such Person holds an interest.

10.4. Right to Approve Additional Covenants.

No Person shall Record any declaration of covenants, conditions and restrictions, or declaration of condominium or similar instrument affecting any portion of the Properties without Declarant's review and written consent. Any attempted Recordation without such consent shall result in such instrument being void and of no force and effect unless subsequently approved by written consent signed and Recorded by Declarant.

10.5. Right to Approve Changes in Community Standards.

No amendment to or modification of any Restrictions and Rules or Architectural Guidelines shall be effective without prior notice to and the written approval of Declarant so long as Declarant or a Consenting Owner owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1.

10.6. Right to Transfer or Assign Declarant Rights.

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

10.7. Exclusive Rights To Use Name of Development.

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

10.8. Easement to Inspect and Right to Correct.

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

10.9. Right to Notice of Design or Construction Claims.

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

10.10. Termination of Rights.

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

PART FIVE: PROPERTY RIGHTS WITHIN THE COMMUNITY

The nature of living in a planned community, with its wide array of properties and development types and its ongoing development activity, requires the creation of special property rights and provisions to address the needs and responsibilities of the Owners, Declarant, the Association, and others within or adjacent to Prescott Lakes.

Article XI Easements

11.1. Easements in Common Area.

Declarant grants to each Owner a nonexclusive right and easement of use, access, and enjoyment in and to the Common Area, subject to:

- (a) The Governing Documents and any other applicable covenants;
- (b) Any restrictions or limitations contained in any deed conveying such property to the Association;

(c) The Board's right to:

(i) adopt rules regulating use and enjoyment of the Common Area, including rules limiting the number of guests who may use the Common Area;

(ii) suspend the right of an Owner to use recreational facilities within the Common Area (A) for any period during which any charge against such Owner's Unit remains delinquent, and (B) for a period not to exceed 30 days for a single violation, or for a longer period in the case of any continuing violation, of the Governing Documents after notice and a hearing pursuant to the By-Laws;

(iii) dedicate or transfer all or any part of the Common Area, subject to such approval requirements as may be set forth in this Declaration;

(iv) impose reasonable membership requirements and charge reasonable admission or other use fees for the use of any recreational facility situated upon the Common Area;

(v) permit use of any recreational facilities situated on the Common Area by Persons other than Owners, their families, lessees, and guests upon payment of use fees established by the Board and designate other areas and facilities within the Area of Common Responsibility as open for the use and enjoyment of the public;

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

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

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

11.2. Easements of Encroachment.

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

11.3. Easements for Utilities, Etc.

(a) Installation and Maintenance. Declarant reserves for itself, so long as Declarant or a Consenting Owner owns any property described in Exhibit "A" or "B" of this Declaration, and grants to the Association and all utility providers, perpetual non-exclusive easements throughout the Properties (but not through a structure) to the extent reasonably necessary for the purpose of:

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

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

(iii) access to read utility meters.

(b) Specific Easements. Declarant also reserves for itself the non-exclusive right and power to grant and Record such specific easements as may be necessary, in the sole discretion of Declarant, in connection with the orderly development of any property described in Exhibits "A" and "B." The Owner of any property to be burdened by any easement granted pursuant to this subsection (b) shall be given written notice in advance of the grant. The location of the easement shall be subject to the written approval of the Owner of the burdened property, which approval shall not unreasonably be withheld, delayed, or conditioned.

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

11.4. Easements to Serve Additional Property.

Declarant hereby reserves for itself and its duly authorized agents, successors, assigns, and mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access, and development of the property described in Exhibit "B," whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property.

Declarant agrees that it and its successors or assigns shall be responsible for any damage caused to the Common Area as a result of their respective actions in connection with development of such property. Declarant further agrees that if the easement is exercised for permanent access to such property and such property or any portion thereof benefiting from such easement is not made subject to this Declaration, Declarant, its successors or assigns shall enter into a reasonable agreement with the Association to share the cost of any maintenance which the Association provides to or along any roadway providing access to such Property.

11.5. Easements for Maintenance, Emergency, and Enforcement.

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

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

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

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

11.7. Easements for Golf Course.

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

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

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

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

11.8. Easement for Access.

The Declarant reserves for itself and Prescott Lakes Realty L.L.C., its successors, assigns, and designees, a perpetual easement over the roads, trails, and walkways within the Properties for access by employees, independent contractors, and accompanied guests of Prescott Lakes Realty.

Article XII Limited Common Areas

12.1. Purpose.

Certain portions of the Common Area may be designated as Limited Common Area and reserved for the exclusive use or primary benefit of Owners and occupants within a particular Neighborhood or Neighborhoods. By way of illustration and not limitation, Limited Common

Areas may include entry features, recreational facilities, landscaped medians and cul-de-sacs, lakes, and other portions of the Common Area within a particular Neighborhood or Neighborhoods. All costs associated with maintenance, repair, replacement, and insurance of an Limited Common Area shall be a Neighborhood Expense allocated among the Owners in the Neighborhood(s) to which the Limited Common Areas are assigned.

12.2. Designation.

Initially, any Limited Common Area shall be designated as such in the deed conveying such area to the Association or on the subdivision plat relating to such Common Area; provided, however, any such assignment shall not preclude Declarant from later assigning use of the same Limited Common Area to additional Units and/or Neighborhoods, so long as Declarant has a right to subject additional property to this Declaration pursuant to Section 9.1.

Thereafter, a portion of the Common Area may be assigned as Limited Common Area and Limited Common Area may be reassigned upon approval of the Board and the vote of Voting Members representing a majority of the total Class "A" votes in the Association, including a majority of the Class "A" votes within the Neighborhood(s) affected by the proposed assignment or reassignment. As long as Declarant owns any property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1, any such assignment or reassignment shall also require Declarant's written consent.

12.3. Use by Others.

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

Article XIII Party Walls and Other Shared Structures

13.1. General Rules of Law to Apply.

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

13.2. Maintenance; Damage and Destruction.

The cost of reasonable repair and maintenance of a party structure shall be shared equally by the Owners who make use of the party structure.

If a party structure is destroyed or damaged by fire or other casualty, then to the extent that such damage is not covered by insurance and repaired out of the proceeds of insurance, any Owner who has used the structure may restore it. If other Owners thereafter use the structure, they shall contribute to the restoration cost in equal proportions. However, such contribution will not prejudice the right to call for a larger contribution from the other users under any rule of law regarding liability for negligent or willful acts or omissions.

The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors-in-title.

PART SIX: RELATIONSHIPS WITHIN AND OUTSIDE THE COMMUNITY

The growth and success of Prescott Lakes as a community in which people enjoy living, working, and playing requires good faith efforts to resolve disputes amicably, attention to and understanding of relationships within the community and with our neighbors, and protection of the rights of others who have an interest in the community.

Article XIV Dispute Resolution and Limitation on Litigation

14.1. Agreement to Encourage Resolution of Disputes Without Litigation.

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

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

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

- (ii) the rights, obligations, and duties of any Bound Party under the Governing Documents; or
- (iii) the design or construction of improvements within the Properties, other than matters of aesthetic judgment under Article IV, which shall not be subject to review.

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

- (i) any suit by the Association to collect Assessments or other amounts due from any Owner;
- (ii) any suit by the Association to obtain equitable relief (*e.g.*, temporary restraining order, injunction, or specific performance) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of Part Two of this Declaration (relating to creation and maintenance of community standards);
- (iii) any suit between Owners, which does not include Declarant or the Association as a party, if such suit asserts a cause of action independent of the Governing Documents;
- (iv) any suit in which any indispensable party is not a Bound Party; and
- (v) any suit as to which any applicable statute of limitations would expire within 180 days of giving the Notice required by Section 14.2(a), unless the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period as may reasonably be necessary to comply with this Article.

14.2. Dispute Resolution Procedures.

(a) Notice. The Bound Party asserting a Claim ("Claimant") against another Bound Party ("Respondent") shall give written notice to each Respondent and to the Board stating plainly and concisely:

- (i) the nature of the Claim, including the Persons involved and the Respondent's role in the Claim;
- (ii) the legal basis of the Claim (*i.e.*, the specific authority out of which the Claim arises);
- (iii) the Claimant's proposed resolution or remedy; and

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

(b) Negotiation. The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.

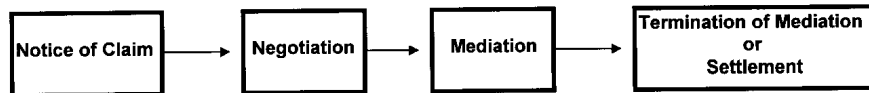
(c) Mediation. If the parties have not resolved the Claim through negotiation within 30 days of the date of the notice described in Section 14.2(a) (or within such other period as the parties may agree upon), the Claimant shall have 30 additional days to submit the Claim to mediation with an entity designated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

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

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

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

Alternative Dispute Resolution Process



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

14.3. Initiation of Litigation by Association.

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

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

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

Article XV Prescott Lakes Golf Club

15.1. Membership.

Every Owner, shall be extended a Trailhead Membership in the Prescott Lakes Golf Club ("Club"). The terms of, and rights afforded by, membership in the Club are subject to the Membership Plan for Prescott Lakes Golf Club ("Membership Plan") including provisions regarding suspension and expulsion from the Club, payment of membership initiation fees, dues, and other fees, and the Club's rules and policies. Additional membership categories, affording additional rights in the Club and its facilities, may be available to Owners subject to the terms of the Membership Plan and any qualification requirements imposed by the owner or operator of the Club. Other than the rights afforded by the Trailhead Membership, no additional rights or privileges are afforded any Owner by virtue of owning a Unit in Prescott Lakes.

By virtue of taking title to a Unit, each Owner agrees, on behalf of itself, its heirs, personal representatives, and successors-in-title to the Unit, to pay initiation fees and periodic dues to the Club regardless of such Owner's use or nonuse of the Club's facilities and to comply with the terms of the Membership Plan as long as such Owner owns property in Prescott Lakes. Each Owner's Trailhead Membership in the Club shall be effective immediately upon taking title to a Unit and shall continue so long as such Owner owns real property in Prescott Lakes, subject to all of the provisions of the Membership Plan. The right of any Person who is not an Owner to

membership in the Club shall be subject to the requirements imposed by the Club's owner or operator. No such rights are granted to non-Owners through this Article.

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

Each Owner is obligated to pay dues to the Club in such amount determined in accordance with the Membership Plan. The obligation to pay dues to the Club and the benefits of Trailhead Membership in the Club shall run with the title to the Unit and shall be binding on all subsequent Owners of the Unit. In the event an Owner is 90 or more days delinquent in Club dues, upon written notification from the Club, the Association shall pay such dues on behalf of the Owner. Any such amounts paid by the Association shall be levied as a Specific Assessment against such Owner in accordance with Section 8.5.

15.2. Right to Use the Golf Course.

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

15.3. Conveyance of Club Facilities.

Certain recreational facilities of the Club may be offered to the Association in Declarant's or the Club owner's discretion, subject to such terms as Declarant or the Club owner may determine. In the event any of the Club facilities are conveyed to the Association, the Association shall maintain such facilities as Common Area at its expense. Use and enjoyment of such facilities will be limited to Association Members, their family members and guests, and to those Persons set forth in the instrument conveying the facilities to the Association.

15.4. View Impairment.

Neither Declarant, the Association, nor the owner or operator of the Golf Course guarantees or represents that any view over and across the Golf Course from Units adjacent to the Golf Course will be preserved without impairment. The owner of the Golf Course shall have no obligation to prune or thin trees or other landscaping, and shall have the right, in its sole and absolute discretion, to add trees and other landscaping to the Golf Course from time to time. In

addition, the owner of the Golf Course may, in its sole and absolute discretion, change the location, configuration, size, and elevation of the tees, bunkers, fairways, and greens from time to time. Any such additions or changes may diminish or obstruct any view from the Units and any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

15.5. Rights of Access and Parking.

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

15.6. Architectural Control.

Declarant, the Architectural Review Committee, the Association, any Neighborhood Association, or any committee shall not approve any construction, addition, alteration, change, or installation on or to any portion of the Properties which is adjacent to, or otherwise in the direct line of sight of, the Golf Course without giving the Golf Course owner at least 15 days' prior written notice of its intent to approve the same together with copies of the request and all other documents and information finally submitted in such regard. The Golf Course owner shall then have 15 days to provide its comments on the proposed construction, alteration, change, or installation to Declarant, the Architectural Review Committee, the Association, or a Neighborhood Association, as applicable. The entity receiving the Golf Course owner's comments shall take such comments into consideration before granting its approval. However, nothing in this Section shall be construed to give the Golf Course owner any right to prevent any construction, addition, alteration, change, or installation on or to any portion of the Properties. The failure of the Golf Course owner to respond to the notice within the 15-day period shall constitute a waiver of the Golf Course owner's right to submit comments on the matter. This Section shall also apply to any work on the Common Area or any common property or common elements of a Neighborhood Association, if any.

15.7. Assumption of Risk and Indemnification.

Each Owner, by its purchase of a parcel or Unit in the vicinity of the Golf Course, acknowledges the inherent dangers associated with living in proximity to the Golf Course and hereby expressly assumes the risk of personal injury, property damage, or other loss

caused by maintenance, operation, and general use of the Golf Course, including, without limitation: (a) noise from maintenance equipment (it being specifically understood that such maintenance typically takes place around or before sunrise or after sunset); (b) noise caused by golfers; (c) use of pesticides, herbicides, and fertilizers; (d) view restrictions caused by maturation of trees and shrubbery; (e) use of effluent in the irrigation of the Golf Course; (f) reduction in privacy caused by constant golf traffic on the Golf Course or the removal or pruning of shrubbery or trees on the Golf Course; (g) errant golf balls and golf clubs and parts thereof; and (h) design of the Golf Course.

Each such Owner agrees that neither Declarant; any Consenting Owner; any successor Declarant; any Builder; the Association; the owner(s) of the Golf Course or their successors, successors-in-title, or assigns; any entity managing the Golf Course, any officer, director or partner of any of the foregoing, or any officer or director of any partner; or any organizer or sponsor of any tournament or special event (collectively, for purposes of this Section 15.7, the "Released Parties") shall be liable to any Owner claiming any loss, injury, or damage based upon, due to, arising from, directly or indirectly, or otherwise related to the proximity of such Owner's Unit to the Golf course, the management of the Golf Course, or the exercise of the easement rights set forth in this Article XV, even if such loss, damage, or injury is caused in whole or in part by the negligence of any of the Released Parties. Each Owner hereby agrees to indemnify, defend, and hold harmless the Released Parties from and against any and all such claims as set forth in the preceding sentence by Owner or Owner's lessees, licensees, invitees, and employees with respect to tenants such Owner's Unit for injury, loss, or damage, whether known or unknown, foreseen, or unforeseen, arising from or resulting from, directly or indirectly, acts or omissions of the Released Parties, even if caused in whole or in part by the negligence of the Released Parties. THE FOREGOING RELEASE AND INDEMNITY IS INTENDED TO RELEASE AND INDEMNIFY THE RELEASED PARTIES FROM AND AGAINST THEIR OWN NEGLIGENCE.

15.8. Limitations on Amendments.

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

15.9. Jurisdiction and Cooperation.

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

Article XVI Mortgage Provisions

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

16.1. Notices of Action.

An institutional holder, insurer, or guarantor of a first Mortgage which provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Unit to which its Mortgage relates, thereby becoming an "Eligible Holder"), will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the Properties or which affects any Unit on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder;

(b) Any delinquency in the payment of assessments or charges owed by a Unit subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 days, or any other violation of the Governing Documents relating to such Unit or the Owner or Occupant which is not cured within 60 days;

(c) Any lapse, cancellation, or material modification of any insurance policy maintained by the Association; or

(d) Any proposed action which would require the consent of a specified percentage of Eligible Holders.

16.2. Special FHLMC Provision.

So long as required by the Federal Home Loan Mortgage Corporation, the following provisions apply in addition to and not in lieu of the foregoing. Unless at least 67% of the first Mortgagees or Voting Members representing at least 67% of the total Association vote consent, the Association shall not:

(a) By act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer all or any portion of the real property comprising the Common Area which the Association owns, directly or indirectly (the granting of easements for utilities or other similar purposes consistent with the intended use of the Common Area shall not be deemed a transfer within the meaning of this subsection);

(b) Change the method of determining the obligations, assessments, dues, or other charges which may be levied against an Owner of a Unit (a decision, including contracts, by the Board or provisions of any declaration subsequently Recorded on any portion of the Properties regarding assessments for Neighborhoods or other similar areas shall not be subject to this

provision where such decision or subsequent declaration is otherwise authorized by this Declaration);

(c) By act or omission change, waive, or abandon any scheme of regulations or enforcement pertaining to architectural design, exterior appearance or maintenance of Units and the Common Area (the issuance and amendment of architectural standards, procedures, rules and regulations, or use restrictions shall not constitute a change, waiver, or abandonment within the meaning of this provision);

(d) Fail to maintain insurance, as required by this Declaration; or

(e) Use hazard insurance proceeds for any Common Area losses for other than the repair, replacement, or reconstruction of such property.

First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area and may pay overdue premiums on casualty insurance policies or secure new casualty insurance coverage upon the lapse of an Association policy, and first Mortgagees making such payments shall be entitled to immediate reimbursement from the Association.

16.3. Other Provisions for First Lien Holders.

To the extent not inconsistent with Arizona law:

(a) Any restoration or repair of the Properties after a partial condemnation or damage due to an insurable hazard shall be performed substantially in accordance with this Declaration and the original plans and specifications unless the approval is obtained of the Eligible Holders of first Mortgages on Units to which more than 50% of the votes of Units subject to Mortgages held by such Eligible Holders are allocated.

(b) Any election to terminate the Association after substantial destruction or a substantial taking in condemnation shall require the approval of the Eligible Holders of first Mortgages on Units to which more than 50% of the votes of Units subject to Mortgages held by such Eligible Holders are allocated.

16.4. Amendments to Documents.

The following provisions do not apply to amendments to the constituent documents or termination of the Association as a result of destruction, damage, or condemnation pursuant to Section 16.3(a) and (b), or to the addition of land in accordance with Article IX.

(a) The consent of Voting Members representing at least 67% of the Class "A" votes and of Declarant, so long as it owns any land subject to this Declaration, and the approval of the

Eligible Holders of first Mortgages on Units to which at least 67% of the votes of Units subject to a Mortgage appertain, shall be required to terminate the Association.

(b) The consent of Voting Members representing at least 67% of the Class "A" votes and of Declarant, so long as it owns any land subject to this Declaration, and the approval of Eligible Holders of first Mortgages on Units to which more than 50% of the votes of Units subject to a Mortgage appertain, shall be required materially to amend any provisions of the Declaration, By-Laws, or Articles of Incorporation, or to add any material provisions thereto which establish, provide for, govern, or regulate any of the following:

- (i) voting;
- (ii) assessments, assessment liens, or subordination of such liens;
- (iii) reserves for maintenance, repair, and replacement of the Common Area;
- (iv) insurance or fidelity bonds;
- (v) rights to use the Common Area;
- (vi) responsibility for maintenance and repair of the Properties;
- (vii) expansion or contraction of the Properties or the addition, annexation, or withdrawal of Properties to or from the Association;
- (viii) boundaries of any Unit;
- (ix) leasing of Units;
- (x) imposition of any right of first refusal or similar restriction of the right of any Owner to sell, transfer, or otherwise convey his or her Unit;
- (xi) establishment of self-management by the Association where professional management has been required by an Eligible Holder; or
- (xii) any provisions included in the Governing Documents which are for the express benefit of holders, guarantors, or insurers of first Mortgages on Units.

16.5. No Priority.

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

16.6. Notice to Association.

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

16.7. Failure of Mortgagee to Respond.

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

16.8. Construction of Article XVI.

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

PART SEVEN: CHANGES IN THE COMMUNITY

Communities such as Prescott Lakes are dynamic and constantly evolving as circumstances, technology, needs and desires, and laws change, as the residents age and change over time, and as the surrounding community changes. Prescott Lakes and its Governing Documents must be able to adapt to these changes while protecting the things that make Prescott Lakes unique.

Article XVII Changes in Ownership of Units

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

The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Owner of the Unit, including assessment obligations, until the date upon which such notice is received by the Board, notwithstanding the transfer of title.

Article XVIII Changes in Common Area

18.1. Condemnation.

If any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation by the Board acting on the written direction of Voting Members representing at least 67% of the total Class "A" votes in the Association and of Declarant, as long as Declarant

or a Consenting Owner owns any property subject to the Declaration or which may be made subject to the Declaration in accordance with Section 9.1) by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to written notice of such taking or conveyance prior to disbursement of any condemnation award or proceeds from such conveyance. Such award or proceeds shall be payable to the Association to be disbursed as follows:

If the taking or conveyance involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent available, unless within 60 days after such taking Declarant, so long as Declarant or a Consenting Owner owns any property subject to the Declaration or which may be made subject to the Declaration in accordance with Section 9.1, and Voting Members representing at least 75% of the total Class "A" vote of the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board. The provisions of Section 7.3(c) regarding funds for restoring improvements shall apply.

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

18.2. Partition.

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

18.3. Transfer or Dedication of Common Area.

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

Article XIX Amendment of Declaration

19.1. By Declarant.

In addition to specific amendment rights granted elsewhere in this Declaration, until conveyance of the first Unit to a Person other than a Builder, Declarant may unilaterally amend this Declaration for any purpose. Thereafter, Declarant may unilaterally amend this Declaration if such amendment is necessary (a) to bring any provision into compliance with any applicable

governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Units; (c) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee mortgage loans on the Units; or (d) to satisfy the requirements of any local, state or federal governmental agency. However, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent in writing.

In addition, so long as Declarant or a Consenting Owner owns property described in Exhibits "A" or "B" for development as part of the Properties, it may unilaterally amend this Declaration for any other purpose, provided the amendment has no materially adverse effect upon the rights of more than 2% of the Members.

19.2. By Members.

Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Voting Members representing 75% of the total Class "A" votes in the Association, including 75% of the Class "A" votes held by Members other than Declarant, and Declarant's consent, so long Declarant or a Consenting Owner owns any property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1. In addition, the approval requirements set forth in Article XVI shall be met, if applicable.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

19.3. Validity and Effective Date.

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

If an Owner consents to any amendment to this Declaration or the By-Laws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

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

19.4. Exhibits.

Exhibits "A" and "B" attached to this Declaration are incorporated by this reference and amendment of such exhibits shall be governed by this Article. Exhibit "C" is incorporated by reference and may be amended pursuant to Sections 19.1 and 19.2, or as provided in Article III. All other exhibits are attached for informational purposes and may be amended as provided therein or in the provisions of this Declaration which refer to such exhibits.

[SIGNATURES BEGIN ON NEXT PAGE]

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration the date and year first written above.

DECLARANT: PL DEVELOPER I L.L.C., an Arizona limited liability company

By: M3 Builders L.L.C., an Arizona Corporation, and its Co-manager

The M3 Companies, L.L.C., Its sole member

By: [Signature]

Name: William I. Brownlee

Its: Co-Manager

Attest: [Signature]

Name: Beth Caldwell

Its: Office Manager

By: [Signature]

Name: Jeffrey A. Davis

Its: Co-Manager

Attest: [Signature]

Name: Beth Caldwell

Its: Office Manager

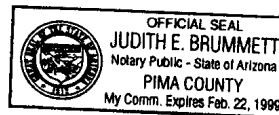
STATE OF ARIZONA)
) ss.
COUNTY OF YAVAPI)

The foregoing instrument was acknowledged before me this 16th day of September 1998, by William I. Brownlee and Jeffrey A. Davis, as Co-Managers of PL Developer I L.L.C., an Arizona limited liability company.

[Signature]
Notary Public

[Notary Seal]

My Commission Expires: 2/22/99



*Members of The M3 Companies, L.L.C., sole Member of M3 Builders, L.L.C., Co-Manager of PL Developer I L.L.C.

DECLARANT: PL DEVELOPER I L.L.C., an Arizona limited liability company

By: ~~M3 Builders L.L.C.~~ ^{FP Real Estate Three}, an Arizona Corporation, and its Co-manager

By: Ronald E. Estes
Name: Ronald E. Estes
Its: Co-Manager

Attest: Leann Spangler
Name: Leann Spangler
Its: Director of Administration

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

The foregoing instrument was acknowledged before me this 11th day of Sept, 1998, by Ronald E. Estes, as Co-Manager of PL Developer I L.L.C., an Arizona limited liability company.

Kathy A. Schmidt
Notary Public [Notary Seal]

My Commission Expires: July 26, 1999



EXHIBIT "A"

Land Initially Submitted

Neighborhood Designation:

**LEGAL DESCRIPTION
PRESCOTT LAKES
RESIDENTIAL**

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

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

Thence, South 85°08'28" West, along the East-West mid-section line as shown on said Results of Survey, 1291.03 feet to the TRUE POINT OF BEGINNING;

Thence, South 00°54'07" West, 851.06 feet;

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

Thence, South 01°07'53" West, 156.79 feet to the beginning of a tangent curve of 25.00 foot radius, concave Northwesterly;

Thence, Southwesterly, along said curve, through a central angle of 90°00'00", a distance of 39.27 feet;

Thence, North 88°52'07" West, 22.00 feet;

Thence, South 01°07'53" West, 50.00 feet;

Thence, South 88°52'07" East, 22.00 feet to the beginning of a tangent curve of 25.00 foot radius, concave Southwesterly;

Thence, Southeasterly, along said curve, through a central angle of 90°00'00", a distance of 39.27 feet;

Thence, South 01°07'53" West, 304.13 feet to the beginning of a tangent curve of 447.00 foot radius, concave Northwesterly;

Thence, Southwesterly, along said curve, through a central angle of 44°18'55", a distance of 345.73 feet;

Thence, South 45°26'48" West, 151.54 feet to the beginning of a tangent curve of 753.00 foot radius, concave Southeasterly;

Thence, Southwesterly, along said curve, through a central angle of 52°19'32", a distance of 687.68 feet;

Thence, South 06°52'44" East, 160.90 feet to the beginning of a tangent curve of 70.00 foot radius, concave Northwesterly;

Thence, Southwesterly, along said curve, through a central angle of 98°26'45", a distance of 120.27 feet;

Thence, South 01°34'01" West, 80.00 feet to the beginning of a 440.00 foot radius non-tangent curve, whose center bears North 01°34'01" East;

Thence, Easterly, along said curve, through a central angle of 07°00'19", a distance of 53.80 feet to the beginning of a tangent reverse curve of 70.00 foot radius, concave Southwesterly;

Thence, Southeasterly, along said curve, through a central angle of 70°46'30", a distance of 86.47 feet to the beginning of a tangent reverse curve of 553.00 foot radius, concave Northeasterly;

Thence, Southeasterly, along said curve, through a central angle of 10°52'35", a distance of 104.98 feet to the beginning of a tangent reverse curve of 447.00 foot radius, concave Westerly;

Thence, Southerly, along said curve, through a central angle of 73°52'32", a distance of 576.35 feet to the beginning of a tangent reverse curve of 853.00 foot radius, concave Southeasterly;

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

Thence, North 48°32'30" West, along the South line of said Tract "H", 554.29 feet;

Thence, South 45°10'48" West, 400.29 feet;

Thence, South 54°58'57" West, 161.23 feet;

Thence, South 04°48'43" West, 146.02 feet;

Thence, South 25°45'22" West, 266.02 feet;

Thence, South 45°02'35" East, 163.23 feet;

Thence, South 25°23'48" East, 118.44 feet to an angle point on the North right-of-way of the proposed "Blooming Hills Road";

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

Thence, Southwesterly, along said curve, through a central angle of 59°45'23", a distance of 479.76 feet to the beginning of a tangent reverse curve of 540.00 foot radius, concave Northwesterly;

Thence, Southwesterly, along said curve, through a central angle of 40°52'26", a distance of 385.23 feet to the beginning of a tangent reverse curve of 25.00 foot radius, concave Southeasterly;

Thence, Southwesterly, along said curve, through a central angle of 69°44'56", a distance of 30.43 feet;

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

Thence, South 82°11'59" West, 1180.29 feet to a found rebar with cap #16558;

Thence, North 89°59'11" West, 646.82 feet;

Thence, South 01°29'09" East, 801.47 feet to a point on the East-West mid-section line of said Section 23;

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

Thence, North 88°12'04" West, along the East-West mid-section line of said Section 22, a distance of 2631.53 feet to a found rebar;

Thence, North 88°12'08" West, along said East-West mid-section line, 1362.45 feet;

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

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

Thence, North 89°13'10" East, 1324.50 feet to a found 5/8" rebar;

Thence, North 89°44'55" East, 648.65 feet;

Thence, North 01°57'23" East, 461.40 feet;

Thence, North 89°33'48" East, 225.07 feet to a found rebar with cap #16921;

Thence, North 01°57'26" East, 186.62 feet to a found rebar with cap # 16921;

Thence, North 89°48'31" East, 424.21 feet;

Thence, North 00°00'21" West, 10.71 feet to a found rebar with cap #13941;

Thence, North 00°00'16" West, 658.59 feet;

Thence, North 00°00'19" West, 2.77 feet;

Thence, North 89°57'44" West, 626.14 feet;

Thence, North 01°57'23" East, 267.95 feet;

Thence, North 88°52'22" West, 196.59 feet;

Thence, North 85°58'45" West, 390.87 feet;

Thence, North 01°34'25" West, 260.90 feet;

Thence, North 11°39'29" East, 241.65 feet;

Thence, North 22°03'34" East, 143.96 feet;

Thence, North 17°55'00" East, 161.61 feet;

Thence, North 10°40'42" East, 162.34 feet;

Thence, North 07°33'26" East, 363.20 feet;
Thence, North 27°45'06" East, 186.41 feet;
Thence, North 38°51'13" East, 83.00 feet;
Thence, North 34°44'00" East, 130.21 feet;
Thence, North 26°11'34" East, 130.20 feet;
Thence, North 17°46'03" East, 154.00 feet;
Thence, North 08°40'41" East, 90.39 feet to a found rebar;
Thence, North 30°15'48" East, 99.96 feet to a found rebar with cap #12734;
Thence, North 04°42'19" West, 200.83 feet to a found rebar with cap #12734;
Thence, North 89°29'09" East, 276.27 feet;
Thence, North 23°53'46" East, 220.03 feet;
Thence, North 89°28'31" East, 89.75 feet to the beginning of a tangent curve of
275.00 foot radius, concave Northwesterly;
Thence, Northeasterly, along said curve, through a central angle of 39°50'13", a
distance of 191.20 feet;
Thence, North 49°38'18" East, 234.18 feet to the beginning of a tangent curve of
225.00 foot radius, concave Southeasterly;
Thence, Northeasterly, along said curve, through a central angle of 19°48'32", a
distance of 77.79 feet;
Thence, South 15°21'32" East, 176.89 feet to the beginning of a tangent curve of
225.00 foot radius, concave Northeasterly;
Thence, Southeasterly, along said curve, through a central angle of 08°04'49", a
distance of 31.73 feet;
Thence, South 23°26'21" East, 273.55 feet to a found rebar with cap #13941;
Thence, South 00°05'42" West, 1324.45 feet;

Thence, North 89°20'20" East, 1347.86 feet;

Thence, South 00°00'19" East, 0.61 feet to a point on the East-West mid-Section line of said Section 15;

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

Thence, North 00°38'02" West, along the section line common to said Sections 14 and 15, a distance of 662.43 feet to a found rebar;

Thence, North 86°53'05" East, 1307.86 feet;

Thence, South 00°04'22" East, 646.19 feet to a point on the East-West mid-section line of said Section 14;

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

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

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

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

EXCEPTING THEREFROM "THE SUMMIT - UNIT I" recorded in Book 34 of Maps and Plats, Pages 18-19, on file in the office of the Yavapai County Recorder;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Thence, Southwesterly, along said curve, through a central angle of $38^{\circ}58'24''$, a distance of 349.63 feet to the beginning of a tangent reverse curve of 321.00 foot radius, concave Northwesterly;

Thence, Southwesterly, along said curve, through a central angle of $123^{\circ}26'28''$, a distance of 691.58 feet;

Thence, North $63^{\circ}14'12''$ West, 335.58 feet to the beginning of a tangent curve of 514.00 foot radius, concave Southwesterly;

Thence, Northwesterly, along said curve, through a central angle of $17^{\circ}29'31''$, a distance of 156.92 feet and to the TRUE POINT OF BEGINNING.

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

Commencing at a found $\frac{1}{2}$ " rebar tag #5362 at the West one-quarter corner of said Section 14;

Thence, North $00^{\circ}38'02''$ West, along the West line of the Northwest quarter of said Section 14, a distance of 266.49 feet to the TRUE POINT OF BEGINNING;

Thence, continuing North $00^{\circ}38'02''$ West, along said West line, 395.94 feet to a found $\frac{1}{2}$ " rebar at the Northwest corner of the South half of the Southwest quarter of the Northwest quarter of said Section 14;

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

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

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

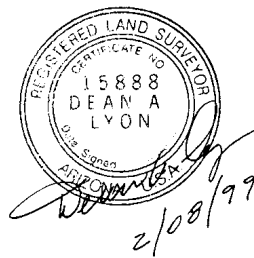
Thence, North $44^{\circ}59'02''$ West, along the North line of said 125 foot electric transmission line easement, 204.47 feet;

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

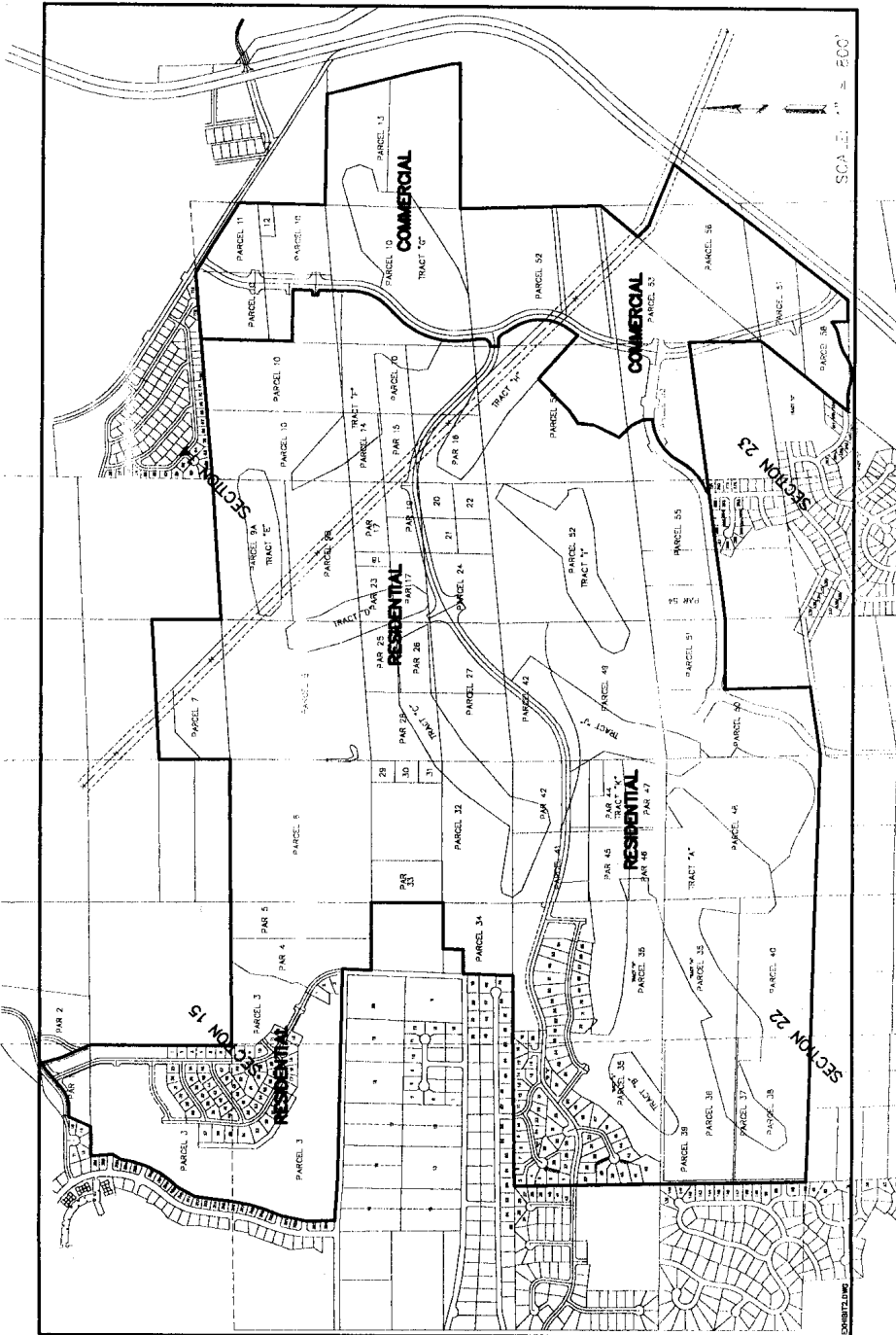
Thence, South $86^{\circ}53'05''$ West, 414.80 feet;

Thence, South 46°05'06" West, 353.64 feet to the TRUE POINT OF BEGINNING.

Containing 644.76 acres, more or less.



Revised
02/08/99
SS #97038
Residential.doc



CONSENT OF PROPERTY OWNER TO SUBJECTION OF LAND TO DECLARATION

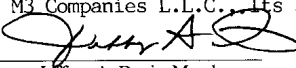
PL Custom Investors L.L.C., an Arizona limited liability company ("Consenting Owner"), as the owner of the real property described in Exhibit "A" attached hereto (the "Property"), hereby approves and consents to subjection of the Property by PL Developer I L.L.C., an Arizona limited liability company ("Declarant") to the provisions of the Declaration of Covenants, Conditions and Restrictions for Prescott Lakes (the "Declaration") to be recorded in the Official Records of Yavapai County, Arizona, and to which this consent is attached. The undersigned Consenting Owner agrees that the Property shall be subject to and bound by all terms of the Declaration which shall run with the title to the Property and shall be binding upon all persons having any right, title or other interest in any portion of the Property, their respective heirs, legal representatives, successors-in-title and assigns.

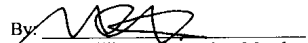
The undersigned Consenting Owner acknowledges that it is not Declarant under the Declaration and that it has no rights or responsibilities of Declarant nor any right to become Declarant.

IN WITNESS WHEREOF, the undersigned Consenting Owner has executed this consent this 26th day of January, 1999.

CONSENTING OWNER: PL Custom Investors L.L.C.

BY: M3 Builders, L.L.C., an Arizona limited
Liability company, its Co-Manager
The M3 Companies L.L.C., Its sole member

By: 
Jeffrey A. Davis, Member

By: 
William I. Brownlee, Member

BY: FP Real Estate Three L.L.C., an Arizona
Limited liability company, its Co-Manager

By: 
Ron Estes, Member

STATE OF ARIZONA)

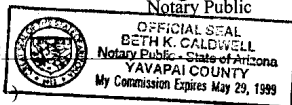
COUNTY OF Yavapai) ss.

* The M3 Companies, LLC
sole member

The foregoing instrument was acknowledged before me this 22nd day of January, 1999, by Jeffrey A. Davis, as Member of * of M3 Builders, LLC.

Beth K. Caldwell
Notary Public

My Commission Expires:



STATE OF ARIZONA)

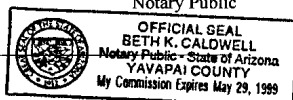
COUNTY OF Yavapai) ss.

* The M3 Companies LLC
sole member

The foregoing instrument was acknowledged before me this 22nd day of January, 1999, by William F. Brownlee, as Member of * of M3 Builders, LLC.

Beth K. Caldwell
Notary Public

My Commission Expires:



STATE OF ARIZONA)

COUNTY OF Maricopa) ss.

The foregoing instrument was acknowledged before me this 26th day of January, 1999, by Ronald E. Zito, as Member of FP Real Time LLC.

Anna Marie Delle Donne
Notary Public

My Commission Expires: Sept 22 2002

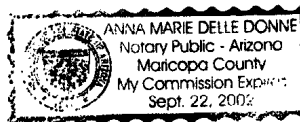


EXHIBIT "A"- I

PARCEL NO. 1:

Portions of Sections 14, 15, 22 and 23, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

Parcels 1, 2, 3, 4, 5, 6, 7, 8, and the West half of Parcel 19, All of Parcels 21, 26, 27, 28, 29, 30, 31, 32, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45 and 49 as set forth in Results of Survey recorded May 22, 1998, in Book 43 of Land Surveys, Pages 3 through 9, records of Yavapai County, Arizona.

EXCEPTING THEREFROM all those portions lying within SMOKE TREE LANE as dedicated by map recorded July 30, 1998, in Book 37 of Maps, Pages 13-14, records of Yavapai County, Arizona.

AND EXCEPTING THEREFROM all those portions lying within TRACTS "A", "B", "C", "D", "I", "J" AND "K" as set forth in map of PRESCOTT LAKES GOLF COURSE, PRESCOTT LAKES PARKWAY AND SMOKE TREE LANE, recorded July 27, 1998, in Book 37 of Maps, Page 10, records of Yavapai County, Arizona.

PARCEL NO. 2:

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

COMMENCING at a found 1" pipe with cap #12005 at the quarter corner common to said Sections 22 and 23;

Thence North 88 degrees, 12 minutes, 04 seconds, West, along the East-West mid-section line of said Section 22, as shown on the "Results of Survey", recorded in Book 43 of Land Surveys, Pages 3-9, on file in the office of the Yavapai County Recorder, a distance of 1315.77 feet to the Southwest corner of Parcel 48 as shown on said "Results of Survey";

Thence North 01 degrees, 36 minutes, 14 seconds, West, 381.38 feet to the TRUE POINT OF BEGINNING;

Thence continuing North 01 degrees, 36 minutes, 14 seconds, West, 1037.39 feet to the Northwest corner of said Parcel 48;

Continued

EXHIBIT "A"- /

Thence North 01 degrees, 37 minutes, 17 seconds, West, 331.85 feet to the Northwest corner of Parcel 46 as shown on said "Results of Survey";

Thence South 89 degrees, 08 minutes, 49 seconds, East 659.27 feet to the Northeast corner of said Parcel 46;

Thence North 83 degrees, 21 minutes, 13 seconds, East, 661.32 feet to the Northeast corner of Parcel 47 as shown of said "Results of Survey";

Thence South 01 degrees, 29 minutes, 04 seconds, East, 416.28 feet to the Southeast corner of said Parcel 47;

Thence North 82 degrees, 54 minutes, 51 seconds, East, along the North line of Parcel 50 as shown on said "Results of Survey", 277.14 feet;

Thence South 14 degrees, 15 minutes, 22 seconds, West, 146.86 feet;

Thence South 22 degrees, 24 minutes, 18 seconds, West, 222.36 feet;

Thence South 88 degrees, 39 minutes, 20 seconds, West, 145.93 feet to a point on the West line of said Section 23;

Thence continuing South 88 degrees, 39 minutes, 20 seconds, West, 38.84 feet;

Thence North 34 degrees, 49 minutes, 44 seconds, West, 229.34 feet;

Thence North 09 degrees, 50 minutes, 11 seconds East, 133.63 feet to a point on the North line of Parcel 48 as shown on said "Results of Survey";

Thence North 89 degrees, 13 minutes, 49 seconds West along said North line, 211.33 feet;

Thence South 45 degrees, 04 minutes, 22 seconds East, 121.49 feet;

Thence South 02 degrees, 02 minutes, 00 seconds West, 65.84 feet;

Thence South 38 degrees, 08 minutes, 25 seconds West, 228.89 feet;

Thence South 44 degrees, 01 minutes, 57 seconds West, 574.13 feet;

Thence South 39 degrees, 09 minutes, 53 seconds West, 290.64 feet;

Thence South 79 degrees, 41 minutes, 01 seconds West, 302.95 feet to the TRUE POINT OF BEGINNING.

Continued

EXHIBIT "A" - /

EXCEPTING THEREFROM all those portions lying within TRACTS "A" AND "K" as set forth in map of PRESCOTT LAKES GOLF COURSE, PRESCOTT LAKES PARKWAY AND SMOKE TREE LANE, recorded July 27, 1998, in Book 37 of Maps, Page 10, records of Yavapai County, Arizona.

PARCEL NO. 3:

The Northeast quarter of the Northwest quarter of Section 23, Township 14 North, Range 2 West;

EXCEPT the following described property:

That portion of Parcel 52 (as shown on the "Results of Survey", recorded in Book 43 of Land Surveys, Pages 3-9, on file in the office of the Yavapai County Recorder) located in a portion of the Northwest quarter of Section 23, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

COMMENCING at a found rebar at the Northeast corner of the Northwest quarter of said Section 23;

Thence South 01 degrees, 29 minutes, 34 seconds, East, along the North-South mid-section line of said Section 23, a distance of 167.73 feet to the TRUE POINT OF BEGINNING;

Thence continuing South 01 degrees, 29 minutes, 34 seconds, East, along the North-South mid-section line, 1209.34 feet to the Southeast corner of said Parcel 52;

Thence South 82 degrees, 54 minutes, 51 seconds, West, along the South line of said Parcel 52, a distance of 1299.31 feet to the Southwest corner of said Parcel 52;

Thence North 01 degrees, 29 minutes, 15 seconds, West, along the West line of said Parcel 52, a distance of 246.12 feet;

Thence North 60 degrees, 01 minutes, 39 seconds, East, 493.14 feet;

Thence North 85 degrees, 04 minutes, 09 seconds, East, 448.99 feet;

Thence North 73 degrees, 10 minutes, 02 seconds, East, 359.00 feet;

Thence North 04 degrees, 29 minutes, 15 seconds, East, 58.68 feet;

Thence North 11 degrees, 15 minutes, 04 seconds West, 80.83 feet;

Thence North 89 degrees, 30 minutes, 01 seconds West, 45.39 feet;

Continued

EXHIBIT "A" - /

Thence North 50 degrees, 12 minutes, 24 seconds West, 183.28 feet;

Thence North 27 degrees, 49 minutes, 13 seconds East, 142.46 feet;

Thence North 12 degrees, 59 minutes, 49 seconds East, 26.25 feet;

Thence North 27 degrees, 36 minutes, 37 seconds East, 369.25 feet to the TRUE POINT OF BEGINNING.

AND a portion of Section 14, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, being a portion of Parcel 17 as set forth in Results of Survey Recorded May 22, 1998, in Book 43 of Land Surveys, Pages 3-9, records of Yavapai County, Arizona, more particularly described as follows:

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

COMMENCING at a found 1/2 inch rebar at the South quarter corner of said Section 14 (as shown on the "Results of Survey", recorded in Book 43 of Land Surveys, Pages 3-9 on file in the office of the Yavapai County Recorder);

Thence South 84 degrees, 20 minutes, 21 seconds West, along the South line of said Section 14, a distance of 1296.43 feet to a found 1/2 inch rebar, tag #5362 at the Southwest corner of the Southeast quarter of the Southwest quarter of said Section 14 (said point also being the Southwest corner of Parcel 24 as shown on said "Results of Survey");

Thence North 00 degrees, 26 minutes, 31 seconds East, 650.46 feet to the Southwest corner of Parcel 17 (as shown on said "Results of Survey") said point also being the TRUE POINT OF BEGINNING;

Thence continuing North 00 degrees, 26 minutes, 31 seconds East, 325.23 feet to a found rebar cap #12005 at the Northwest corner of said Parcel 17;

Thence continuing North 00 degrees, 26 minutes, 31 seconds East, 8.57 feet;

Thence South 21 degrees, 40 minutes, 09 seconds East, 8.91 feet to a point on the North line of said Parcel 17;

Thence continuing South 21 degrees, 40 minutes, 09 seconds East, 300.66 feet;

Thence South 57 degrees, 44 minutes, 26 seconds East, 58.05 feet to a point on the South line of said Parcel 17;

Continued

EXHIBIT "A"-(

Thence South 84 degrees, 47 minutes, 51 seconds West along the South line of said Parcel 17, a distance of 166.66 feet to the TRUE POINT OF BEGINNING.

EXCEPTING therefrom that portion lying within the right of way of Smoke Tree Lane as dedicated in map recorded July 30, 1998, in Book 37 of Maps, Pages 13-14, records of Yavapai County, Arizona.

AND EXCEPTING THEREFROM all those portions lying within TRACT "I" as set forth in map of PRESCOTT LAKES GOLF COURSE, PRESCOTT LAKES PARKWAY AND SMOKE TREE LANE, recorded July 27, 1998, in Book 37 of Maps, Page 10, records of Yavapai County, Arizona.

PARCEL NO. 4:

The Southwest quarter of the Southeast quarter of the Southwest quarter of Section 14, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona.

EXCEPTING THEREFROM all that portion lying within Smoke Tree Lane as dedicated by Map recorded July 30, 1998 in Book 37 of Maps, Pages 13-14.

CONSENT OF PROPERTY OWNER TO SUBJECTION OF LAND TO DECLARATION

Prescott Lakes/DeCima 163 L.L.C., an Arizona limited liability company, ("Consenting Owner"), as the owner of the real property described in Exhibit "A" attached hereto (the "Property"), hereby approves and consents to subjection of the Property by PL Developer I L.L.C., an Arizona limited liability company ("Declarant") to the provisions of the Declaration of Covenants, Conditions and Restrictions for Prescott Lakes (the "Declaration") to be recorded in the Official Records of Yavapai County, Arizona, and to which this consent is attached. The undersigned Consenting Owner agrees that the Property shall be subject to and bound by all terms of the Declaration which shall run with the title to the Property and shall be binding upon all persons having any right, title or other interest in any portion of the Property, their respective heirs, legal representatives, successors-in-title and assigns.

The undersigned Consenting Owner acknowledges that it is not Declarant under the Declaration and that it has no rights or responsibilities of Declarant nor any right to become Declarant.

IN WITNESS WHEREOF, the undersigned Consenting Owner has executed this consent this 26th day of January, 1999.

CONSENTING OWNER: Prescott Lakes/DeCima 163 L.L.C.

liability

By: M3 Builders, L.L.C., an Arizona limited liability company, Its Co-Manager
The M3 Companies, L.L.C., Its sole member

By: [Signature]
Jeffrey A. Davis, Member

By: [Signature]
William I. Brownlee, Member

limited

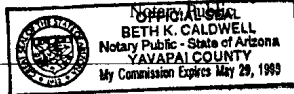
By: FP Real Estate Three, L.L.C., an Arizona Liability company, Its Co-Manager

By: [Signature]
Ron Estes, Member

STATE OF ARIZONA)
COUNTY OF Yavapai) ss. *The M3 Companies LLC
Sole member

The foregoing instrument was acknowledged before me this 22nd day of January, 1999, by Jeffrey A. Davis, as Member of* of M3 Builders LLC.

Beth K. Caldwell

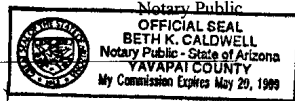


My Commission Expires:

STATE OF ARIZONA)
COUNTY OF Yavapai) ss. *The M3 Companies LLC
Sole member

The foregoing instrument was acknowledged before me this 22nd day of January, 1999, by William L. Brownlee, as Member of* of M3 Builders LLC.

Beth K. Caldwell



My Commission Expires:

STATE OF ARIZONA)
COUNTY OF Maricopa) ss.

The foregoing instrument was acknowledged before me this 26th day of January, 1999, by Ronald E. Estes, as Member of FP Real Estate Three LLC.

Anna Marie O'Leanne Donne
Notary Public

My Commission Expires: Sept 22 2002

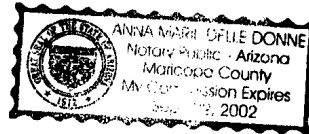


EXHIBIT "A -2

DECIMA PROPERTY - PARCEL 4

That portion of Parcel 10 (as shown on the "Results of Survey", recorded in Book 43 of Land Surveys, Pages 3-9 on file in the office of the Yavapai County Recorder) located in a portion of the Southeast quarter of Section 14, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

BEGINNING at a found 1 inch drill steel at the center corner of said Section 14;

Thence North 85 degrees, 08 minutes, 28 seconds East, along the East-West mid-section line of said Section 14, a distance of 1320.90 feet;

Thence South 00 degrees, 54 minutes, 07 seconds West, 851.06 feet;

Thence South 89 degrees, 05 minutes, 55 seconds East, 485.62 feet;

Thence South 01 degrees, 07 minutes, 53 seconds West, 156.79 feet to the beginning of a tangent curve of a 25.00 foot radius, concave Northwesterly;

Thence Southwesterly along said curve, through a central angle of 90 degrees, 00 minutes, 00 seconds, a distance of 39.27 feet;

Thence North 88 degrees, 52 minutes, 07 seconds West, 22.00 feet;

Thence South 01 degrees, 07 minutes, 53 seconds East, 50.00 feet;

Thence South 88 degrees, 52 minutes, 07 seconds East, 22.00 feet to the beginning of a tangent curve of a 25.00 foot radius, concave Southwesterly;

Thence Southeasterly along said curve, through a central angle of 90 degrees, 00 minutes, 00 seconds, a distance of 39.27 feet;

Thence South 01 degrees, 07 minutes, 53 seconds West, 197.56 feet;

Thence North 88 degrees, 52 minutes, 07 seconds West, 342.01 feet;

Thence South 88 degrees, 22 minutes, 15 seconds West, 833.93 feet;

Thence North 48 degrees, 20 minutes, 21 seconds West, 721.74 feet;

Thence South 86 degrees, 51 minutes, 39 seconds West, 73.22 feet to a point on the North-South mid-section line of said Section 14;

Thence North 00 degrees, 39 minutes, 26 seconds East, along said North-South mid-section line, 225.17 feet;

Continued

EXHIBIT "A-2"

Thence North 68 degrees, 12 minutes, 41 seconds East, 93.59 feet;

Thence North 09 degrees, 15 minutes, 31 seconds East, 145.89 feet;

Thence North 38 degrees, 32 minutes, 04 seconds West, 112.82 feet;

Thence North 82 degrees, 58 minutes, 06 seconds West, 37.26 feet to a point on the North-South mid-section line of said Section 14;

Thence North 00 degrees, 39 minutes, 26 seconds East, along said North-South mid-section line, 245.50 feet to the POINT OF BEGINNING.

AND ALSO:

That portion of Parcel 10 (as shown on the "Results of Survey" recorded in Book 43 of Land Surveys, Pages 3-9 on file in the office of the Yavapai County Recorder) located in a portion of the Southeast quarter Section 14, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

BEGINNING at a found 1 inch drill steel at the center corner of said Section 14;

Thence South 00 degrees, 39 minutes, 26 seconds West, along the North-South mid-section line of said Section 14, a distance of 922.19 feet to the TRUE POINT OF BEGINNING;

Thence South 27 degrees, 22 minutes, 18 seconds East, 332.74 feet;

Thence South 38 degrees, 53 minutes, 37 seconds East, 57.91 feet to a point on the South line of said Parcel 10;

Thence South 84 degrees, 44 minutes, 55 seconds West, along said South line, 194.27 feet to a point on said North-South mid-section line, said point also being the Southwest corner of said Parcel 10;

Thence North 00 degrees, 39 minutes, 26 seconds East, along said North-South mid-section line, 358.37 feet to the TRUE POINT OF BEGINNING.

Continued

EXHIBIT "A-2"

DECIMA PROPERTY - PARCEL 5

That portion of Parcel 10 (as shown on the "Results of Survey", recorded in Book 43 of Land Surveys, Pages 3-9 on file in the office of the Yavapai County Recorder) located in a portion of the Southeast quarter of Section 14, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

COMMENCING at a found "x" on a rock at the section corner common to Sections 13, 14, 23, and 24;

Thence South 84 degrees, 21 minutes, 11 seconds West, along the South line of said Section 14, a distance of 1230.66 feet to the TRUE POINT OF BEGINNING;

Thence continuing South 84 degrees, 21 minutes, 11 seconds West, along said South line, 331.19 feet to a point on the North right of way of the proposed "Smoke Tree Lane";

Thence North 44 degrees, 52 minutes, 33 seconds West, 497.18 feet to the beginning of a tangent curve of a 940.00 foot radius, concave Southwesterly;

Thence Northwesterly along said curve, through a central angle of 02 degrees, 03 minutes, 24 seconds, a distance of 33.74 feet;

Thence North 00 degrees, 47 minutes, 11 seconds East, 522.79 feet;

Thence North 84 degrees, 19 minutes, 06 seconds East, 558.67 feet;

Thence South 03 degrees, 14 minutes, 30 seconds East, 71.27 feet;

Thence South 37 degrees, 46 minutes, 49 seconds West, 219.51 feet;

Thence South 08 degrees, 18 minutes, 46 seconds West, 170.12 feet;

Thence South 09 degrees, 41 minutes, 42 seconds East, 88.46 feet;

Thence South 64 degrees, 01 minutes, 04 seconds East, 307.63 feet to a point on the West right of way of the proposed "Prescott Lakes Parkway", said point also being the beginning of a 753.00 foot radius non-tangent curve, whose center bears South 80 degrees, 52 minutes, 05 seconds East;

Thence Southerly along said curve, through a central angle of 16 degrees, 00 minutes, 39 seconds, a distance of 210.42 feet;

Thence South 06 degrees, 52 minutes, 44 seconds East, 77.17 feet to the TRUE POINT OF BEGINNING.

CONSENT OF PROPERTY BENEFICIARY TO SUBJECTION OF LAND TO DECLARATION

DeCima Land Development, Inc., an Arizona corporation ("Consenting Beneficiary"), as the Beneficiary under the Deed of Trust encumbering the real property described in Exhibit "A3" attached hereto (the "Property"), hereby approves and consents to subjection of the Property by PL Developer I L.L.C., an Arizona Limited Liability Company ("Declarant") to the provisions of the Declaration of Covenants, Conditions and Restrictions for Prescott Lakes (the "Declaration") to be recorded in the Official Records of Yavapai County, Arizona, and to which this Consent is attached. The undersigned Consenting Beneficiary agrees that the Property shall be subject to and bound by all terms of the Declaration which shall run with the title to the Property and shall be binding upon all persons having any right, title or other interest in any portion of the Property, their respective heirs, legal representatives, successors-in-title and assigns.

The undersigned Consenting Beneficiary acknowledges that it is not Declarant under the Declaration and that it has no rights or responsibilities of Declarant nor any right to become Declarant.

IN WITNESS WHEREOF, the undersigned Consenting Beneficiary has executed this consent this 28th day of January, 1999.

CONSENTING BENEFICIARY: DeCima Land Development Inc.

By: [Signature]
Sergio DeCima, President

STATE OF ARIZONA)
COUNTY OF Yavapai) ss.

The foregoing instrument was acknowledged before me this 28th day of January, 1999, by Sergio DeCima, as President of DeCima Land Development.

[Signature]
Notary Public

My Commission Expires:



EXHIBIT "A -3

DECIMA PROPERTY - PARCEL 4

That portion of Parcel 10 (as shown on the "Results of Survey", recorded in Book 43 of Land Surveys, Pages 3-9 on file in the office of the Yavapai County Recorder) located in a portion of the Southeast quarter of Section 14, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

BEGINNING at a found 1 inch drill steel at the center corner of said Section 14;

Thence North 85 degrees, 08 minutes, 28 seconds East, along the East-West mid-section line of said Section 14, a distance of 1320.90 feet;

Thence South 00 degrees, 54 minutes, 07 seconds West, 851.06 feet;

Thence South 89 degrees, 05 minutes, 55 seconds East, 485.62 feet;

Thence South 01 degrees, 07 minutes, 53 seconds West, 156.79 feet to the beginning of a tangent curve of a 25.00 foot radius, concave Northwesterly;

Thence Southwesterly along said curve, through a central angle of 90 degrees, 00 minutes, 00 seconds, a distance of 39.27 feet;

Thence North 88 degrees, 52 minutes, 07 seconds West, 22.00 feet;

Thence South 01 degrees, 07 minutes, 53 seconds East, 50.00 feet;

Thence South 88 degrees, 52 minutes, 07 seconds East, 22.00 feet to the beginning of a tangent curve of a 25.00 foot radius, concave Southwesterly;

Thence Southeasterly along said curve, through a central angle of 90 degrees, 00 minutes, 00 seconds, a distance of 39.27 feet;

Thence South 01 degrees, 07 minutes, 53 seconds West, 197.56 feet;

Thence North 88 degrees, 52 minutes, 07 seconds West, 342.01 feet;

Thence South 88 degrees, 22 minutes, 15 seconds West, 833.93 feet;

Thence North 48 degrees, 20 minutes, 21 seconds West, 721.74 feet;

Thence South 86 degrees, 51 minutes, 39 seconds West, 73.22 feet to a point on the North-South mid-section line of said Section 14;

Thence North 00 degrees, 39 minutes, 26 seconds East, along said North-South mid-section line, 225.17 feet;

Continued

EXHIBIT "A-3"

Thence North 68 degrees, 12 minutes, 41 seconds East, 93.59 feet;

Thence North 09 degrees, 15 minutes, 31 seconds East, 145.89 feet;

Thence North 38 degrees, 32 minutes, 04 seconds West, 112.82 feet;

Thence North 82 degrees, 58 minutes, 06 seconds West, 37.26 feet to a point on the North-South mid-section line of said Section 14;

Thence North 00 degrees, 39 minutes, 26 seconds East, along said North-South mid-section line, 245.50 feet to the POINT OF BEGINNING.

AND ALSO:

That portion of Parcel 10 (as shown on the "Results of Survey" recorded in Book 43 of Land Surveys, Pages 3-9 on file in the office of the Yavapai County Recorder) located in a portion of the Southeast quarter Section 14, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

BEGINNING at a found 1 inch drill steel at the center corner of said Section 14;

Thence South 00 degrees, 39 minutes, 26 seconds West, along the North-South mid-section line of said Section 14, a distance of 922.19 feet to the TRUE POINT OF BEGINNING;

Thence South 27 degrees, 22 minutes, 18 seconds East, 332.74 feet;

Thence South 38 degrees, 53 minutes, 37 seconds East, 57.91 feet to a point on the South line of said Parcel 10;

Thence South 84 degrees, 44 minutes, 55 seconds West, along said South line, 194.27 feet to a point on said North-South mid-section line, said point also being the Southwest corner of said Parcel 10;

Thence North 00 degrees, 39 minutes, 26 seconds East, along said North-South mid-section line, 358.37 feet to the TRUE POINT OF BEGINNING.

Continued

EXHIBIT "A-3

DECIMA PROPERTY - PARCEL 5

That portion of Parcel 10 (as shown on the "Results of Survey", recorded in Book 43 of Land Surveys, Pages 3-9 on file in the office of the Yavapai County Recorder) located in a portion of the Southeast quarter of Section 14, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

COMMENCING at a found "x" on a rock at the section corner common to Sections 13, 14, 23, and 24;

Thence South 84 degrees, 21 minutes, 11 seconds West, along the South line of said Section 14, a distance of 1230.66 feet to the TRUE POINT OF BEGINNING;

Thence continuing South 84 degrees, 21 minutes, 11 seconds West, along said South line, 331.19 feet to a point on the North right of way of the proposed "Smoke Tree Lane";

Thence North 44 degrees, 52 minutes, 33 seconds West, 497.18 feet to the beginning of a tangent curve of a 940.00 foot radius, concave Southwesterly;

Thence Northwesterly along said curve, through a central angle of 02 degrees, 03 minutes, 24 seconds, a distance of 33.74 feet;

Thence North 00 degrees, 47 minutes, 11 seconds East, 522.79 feet;

Thence North 84 degrees, 19 minutes, 06 seconds East, 558.67 feet;

Thence South 03 degrees, 14 minutes, 30 seconds East, 71.27 feet;

Thence South 37 degrees, 46 minutes, 49 seconds West, 219.51 feet;

Thence South 08 degrees, 18 minutes, 46 seconds West, 170.12 feet;

Thence South 09 degrees, 41 minutes, 42 seconds East, 88.46 feet;

Thence South 64 degrees, 01 minutes, 04 seconds East, 307.63 feet to a point on the West right of way of the proposed "Prescott Lakes Parkway", said point also being the beginning of a 753.00 foot radius non-tangent curve, whose center bears South 80 degrees, 52 minutes, 05 seconds East;

Thence Southerly along said curve, through a central angle of 16 degrees, 00 minutes, 39 seconds, a distance of 210.42 feet;

Thence South 06 degrees, 52 minutes, 44 seconds East, 77.17 feet to the TRUE POINT OF BEGINNING.

CONSENT OF PROPERTY BENEFICIARY TO SUBJECTION OF LAND TO DECLARATION

National Bank of Arizona ("Consenting Beneficiary"), as the Beneficiary under the Deed of Trust encumbering the real property described in Exhibit "A" attached hereto (the "Property"), hereby approves and consents to subjection of the Property by PL Developer I L.L.C., an Arizona Limited Liability Company ("Declarant") to the provisions of the Declaration of Covenants, Conditions and Restrictions for Prescott Lakes (the "Declaration") to be recorded in the Official Records of Yavapai County, Arizona, and to which this Consent is attached. The undersigned Consenting Beneficiary agrees that the Property shall be subject to and bound by all terms of the Declaration which shall run with the title to the Property and shall be binding upon all persons having any right, title or other interest in any portion of the Property, their respective heirs, legal representatives, successors-in-title and assigns.

The undersigned Consenting Beneficiary acknowledges that it is not Declarant under the Declaration and that it has no rights or responsibilities of Declarant nor any right to become Declarant.

IN WITNESS WHEREOF, the undersigned Consenting Beneficiary has executed this consent this 25 day of JANUARY, 1999.

CONSENTING BENEFICIARY: National Bank of Arizona

By: [Signature]
Its: SENIOR VICE PRESIDENT

STATE OF ARIZONA)
COUNTY OF Maricopa) ss.

The foregoing instrument was acknowledged before me this 25th day of January, 1999, by Joseph P. Carroll, as Senior Vice President of National Bank of Arizona.

[Signature]
Notary Public

My Commission Expires: 10/31/01



EXHIBIT "A-4"

DECIMA PROPERTY - PARCEL 4

That portion of Parcel 10 (as shown on the "Results of Survey", recorded in Book 43 of Land Surveys, Pages 3-9 on file in the office of the Yavapai County Recorder) located in a portion of the Southeast quarter of Section 14, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

BEGINNING at a found 1 inch drill steel at the center corner of said Section 14;

Thence North 85 degrees, 08 minutes, 28 seconds East, along the East-West mid-section line of said Section 14, a distance of 1320.90 feet;

Thence South 00 degrees, 54 minutes, 07 seconds West, 851.06 feet;

Thence South 89 degrees, 05 minutes, 55 seconds East, 485.62 feet;

Thence South 01 degrees, 07 minutes, 53 seconds West, 156.79 feet to the beginning of a tangent curve of a 25.00 foot radius, concave Northwesterly;

Thence Southwesterly along said curve, through a central angle of 90 degrees, 00 minutes, 00 seconds, a distance of 39.27 feet;

Thence North 88 degrees, 52 minutes, 07 seconds West, 22.00 feet;

Thence South 01 degrees, 07 minutes, 53 seconds East, 50.00 feet;

Thence South 88 degrees, 52 minutes, 07 seconds East, 22.00 feet to the beginning of a tangent curve of a 25.00 foot radius, concave Southwesterly;

Thence Southeasterly along said curve, through a central angle of 90 degrees, 00 minutes, 00 seconds, a distance of 39.27 feet;

Thence South 01 degrees, 07 minutes, 53 seconds West, 197.56 feet;

Thence North 88 degrees, 52 minutes, 07 seconds West, 342.01 feet;

Thence South 88 degrees, 22 minutes, 15 seconds West, 833.93 feet;

Thence North 48 degrees, 20 minutes, 21 seconds West, 721.74 feet;

Thence South 86 degrees, 51 minutes, 39 seconds West, 73.22 feet to a point on the North-South mid-section line of said Section 14;

Thence North 00 degrees, 39 minutes, 26 seconds East, along said North-South mid-section line, 225.17 feet;

Continued

EXHIBIT "A-4"

Thence North 68 degrees, 12 minutes, 41 seconds East, 93.59 feet;

Thence North 09 degrees, 15 minutes, 31 seconds East, 145.89 feet;

Thence North 38 degrees, 32 minutes, 04 seconds West, 112.82 feet;

Thence North 82 degrees, 58 minutes, 06 seconds West, 37.26 feet to a point on the North-South mid-section line of said Section 14;

Thence North 00 degrees, 39 minutes, 26 seconds East, along said North-South mid-section line, 245.50 feet to the POINT OF BEGINNING.

AND ALSO:

That portion of Parcel 10 (as shown on the "Results of Survey" recorded in Book 43 of Land Surveys, Pages 3-9 on file in the office of the Yavapai County Recorder) located in a portion of the Southeast quarter Section 14, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

BEGINNING at a found 1 inch drill steel at the center corner of said Section 14;

Thence South 00 degrees, 39 minutes, 26 seconds West, along the North-South mid-section line of said Section 14, a distance of 922.19 feet to the TRUE POINT OF BEGINNING;

Thence South 27 degrees, 22 minutes, 18 seconds East, 332.74 feet;

Thence South 38 degrees, 53 minutes, 37 seconds East, 57.91 feet to a point on the South line of said Parcel 10;

Thence South 84 degrees, 44 minutes, 55 seconds West, along said South line, 194.27 feet to a point on said North-South mid-section line, said point also being the Southwest corner of said Parcel 10;

Thence North 00 degrees, 39 minutes, 26 seconds East, along said North-South mid-section line, 358.37 feet to the TRUE POINT OF BEGINNING.

Continued

EXHIBIT "A - 4"

DECIMA PROPERTY - PARCEL 5

That portion of Parcel 10 (as shown on the "Results of Survey", recorded in Book 43 of Land Surveys, Pages 3-9 on file in the office of the Yavapai County Recorder) located in a portion of the Southeast quarter of Section 14, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

COMMENCING at a found "x" on a rock at the section corner common to Sections 13, 14, 23, and 24;

Thence South 84 degrees, 21 minutes, 11 seconds West, along the South line of said Section 14, a distance of 1230.66 feet to the TRUE POINT OF BEGINNING;

Thence continuing South 84 degrees, 21 minutes, 11 seconds West, along said South line, 331.19 feet to a point on the North right of way of the proposed "Smoke Tree Lane";

Thence North 44 degrees, 52 minutes, 33 seconds West, 497.18 feet to the beginning of a tangent curve of a 940.00 foot radius, concave Southwesterly;

Thence Northwesterly along said curve, through a central angle of 02 degrees, 03 minutes, 24 seconds, a distance of 33.74 feet;

Thence North 00 degrees, 47 minutes, 11 seconds East, 522.79 feet;

Thence North 84 degrees, 19 minutes, 06 seconds East, 558.67 feet;

Thence South 03 degrees, 14 minutes, 30 seconds East, 71.27 feet;

Thence South 37 degrees, 46 minutes, 49 seconds West, 219.51 feet;

Thence South 08 degrees, 18 minutes, 46 seconds West, 170.12 feet;

Thence South 09 degrees, 41 minutes, 42 seconds East, 88.46 feet;

Thence South 64 degrees, 01 minutes, 04 seconds East, 307.63 feet to a point on the West right of way of the proposed "Prescott Lakes Parkway", said point also being the beginning of a 753.00 foot radius non-tangent curve, whose center bears South 80 degrees, 52 minutes, 05 seconds East;

Thence Southerly along said curve, through a central angle of 16 degrees, 00 minutes, 39 seconds, a distance of 210.42 feet;

Thence South 06 degrees, 52 minutes, 44 seconds East, 77.17 feet to the TRUE POINT OF BEGINNING.

CONSENT OF PROPERTY OWNER TO SUBJECTION OF LAND TO DECLARATION

LINDA & LARRY OFFENBERG ("Consenting Owner"), as the owner of the real property described in Exhibit "A-5" attached hereto (the "Property"), hereby approves and consents to Declarant's subjection of the Property to the provisions of this Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes (the "Declaration") to be recorded in the Official Records of Yavapai County, Arizona. The undersigned Consenting Owner agrees that the Property shall be subject to and bound by all terms of the Declaration which shall run with the title to the Property and shall be binding upon all persons having any right, title, or other interest in any portion of the Property, their respective heirs, legal representatives, successors-in-title, and assigns.

The undersigned Consenting Owner acknowledges that it is not Declarant under the Declaration and that it has no rights or responsibilities of Declarant nor any right to become Declarant.

IN WITNESS WHEREOF, the undersigned Consenting Owner has executed this consent this 19 day of August, 1998.

CONSENTING OWNER:

By: [Signature]
Its: _____

By: _____
Name: _____
Its: _____

Attest: _____
Name: _____
Its: _____

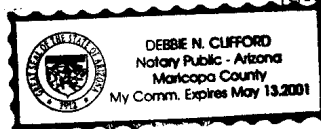
STATE OF ARIZONA)
) ss.
COUNTY OF YAVAPAI)

The foregoing instrument was acknowledged before me this 19th day of August, 1998, by Larry Offenbergs as Owners of property in Exhibit A Linda Offenbergs

[Signature]
Notary Public

[Notary Seal]

My Commission Expires: 5/13/2001
525101/CADoc/Consenting Owner form



RECORDERS MEMO: Legibility
questionable for good reproduction

EXHIBIT "A" S

No. 250-010-302320

The South Half of the following described property:

That portion of the Southeast Quarter of Section 15, Township 14 North, Range 2 west of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at a juniper tree which marks the Northwest corner of Section 21, Township 14 North, Range 2 West;

Thence East 3928.61 feet to the Southeast corner of the MITCHELL TRACT;

Thence East 1220.83 feet;

Thence North 68 degrees, 01 minutes, 30 seconds East, 150.96 feet to a fence corner;

Thence North 89 degrees, 18 minutes, 30 seconds East, 3968.05 feet to the Southeast corner of this tract and the TRUE POINT OF BEGINNING;

Thence North 00 degrees, 04 minutes, 30 seconds West, 1320.32 feet;

Thence South 89 degrees, 55 minutes, 00 seconds West, 626.80;

Thence South 01 degrees, 52 minutes, 00 seconds West, 1328.22 feet;

Thence North 89 degrees, 18 minutes, 30 seconds East, 671.85 feet to the TRUE POINT OF BEGINNING.

EXCEPTING therefrom that portion of the Southeast Quarter of Section 15, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at the Southeast corner of the BLACKHAWK SUBDIVISION, according to the plat of record in Book 29 of Maps, Page 49, Yavapai County Recorder's Office;

Thence North 01 degrees, 54 minutes, 19 seconds East, 461.40 feet to the TRUE POINT OF BEGINNING;

Thence North 01 degrees, 54 minutes, 19 seconds East, 191.38 feet to a point on the South line of that parcel conveyed in Deed recorded in Book 2866 of Official Records, Page 450;

Thence North 89 degrees, 39 minutes, 34 seconds East, 225.00 feet along the South line of said parcel;

- 2 -

Continued

EXHIBIT "A"-5

No. 250-010-302320

Thence South 01 degrees, 54 minutes, 19 seconds West, 191.05 feet;

Thence South 89 degrees, 30 minutes, 57 seconds West, 225.00 feet
to the TRUE POINT OF BEGINNING.

EXCEPT all coal, oil and other minerals as reserved in Patent from
United States of America.

CONSENT OF PROPERTY OWNER TO SUBJECTION OF LAND TO DECLARATION

SARL FEIN, JEANETTE FEIN, RAY NERULA ("Consenting Owner"), as the owner of the real property described in Exhibit "A-6" attached hereto (the "Property"), hereby approves and consents to Declarant's subjection of the Property to the provisions of this Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes (the "Declaration") to be recorded in the Official Records of Yavapai County, Arizona. The undersigned Consenting Owner agrees that the Property shall be subject to and bound by all terms of the Declaration which shall run with the title to the Property and shall be binding upon all persons having any right, title, or other interest in any portion of the Property, their respective heirs, legal representatives, successors-in-title, and assigns.

The undersigned Consenting Owner acknowledges that it is not Declarant under the Declaration and that it has no rights or responsibilities of Declarant nor any right to become Declarant.

IN WITNESS WHEREOF, the undersigned Consenting Owner has executed this consent this 24 day of Aug, 1998.

CONSENTING OWNER: Jeanette Fein

By: _____
Its: _____

RECORDERS MEMO Legible,
Questionable for good reproduction

By: _____
Name: _____
Its: _____

Attest: _____
Name: _____
Its: _____

FLORIDA
STATE OF ARIZONA)
VOLUSIA) ss.
COUNTY OF YAVAPAI)

The foregoing instrument was acknowledged before me this 24 day of Aug, 1998, by SARL FEIN as JEANETTE FEIN of FLORIDA #500-780-57-175-0 and RAY NERULA of FLORIDA #500-434-59-044-0

Notary Public LAURINDA PARKER
[Notary Seal]

My Commission Expires:
525101/CADocs/Consenting Owner form



EXHIBIT "A" -6

No. 250-010-302320

The South Half of the following described property:

That portion of the Southeast Quarter of Section 15, Township 14 North, Range 2 west of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at a juniper tree which marks the Northwest corner of Section 21, Township 14 North, Range 2 West;

Thence East 3928.61 feet to the Southeast corner of the MITCHELL TRACT;

Thence East 1220.83 feet;

Thence North 68 degrees, 01 minutes, 30 seconds East, 150.96 feet to a fence corner;

Thence North 89 degrees, 18 minutes, 30 seconds East, 3968.05 feet to the Southeast corner of this tract and the TRUE POINT OF BEGINNING;

Thence North 00 degrees, 04 minutes, 30 seconds West, 1320.32 feet;

Thence South 89 degrees, 55 minutes, 00 seconds West, 626.80;

Thence South 01 degrees, 52 minutes, 00 seconds West, 1328.22 feet;

Thence North 89 degrees, 18 minutes, 30 seconds East, 671.85 feet to the TRUE POINT OF BEGINNING.

EXCEPTING therefrom that portion of the Southeast Quarter of Section 15, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at the Southeast corner of the BLACKHAWK SUBDIVISION, according to the plat of record in Book 29 of Maps, Page 49, Yavapai County Recorder's Office;

Thence North 01 degrees, 54 minutes, 19 seconds East, 461.40 feet to the TRUE POINT OF BEGINNING;

Thence North 01 degrees, 54 minutes, 19 seconds East, 191.38 feet to a point on the South line of that parcel conveyed in Deed recorded in Book 2866 of Official Records, Page 450;

Thence North 89 degrees, 39 minutes, 34 seconds East, 225.00 feet along the South line of said parcel;

- 2 -

Continued

EXHIBIT "A"-6

No. 250-010-302320

Thence South 01 degrees, 54 minutes, 19 seconds West, 191.05 feet;

Thence South 89 degrees, 30 minutes, 57 seconds West, 225.00 feet
to the TRUE POINT OF BEGINNING.

EXCEPT all coal, oil and other minerals as reserved in Patent from
United States of America.

CONSENT OF PROPERTY OWNER TO SUBJECTION OF LAND TO DECLARATION

AGENCY OF YAVAPAI, INC., AS TRUSTEE
FIRST AMERICAN TITLE INSURANCE / ("Consenting Owner"), as the owner of the real property described in Exhibit "A-7" attached hereto (the "Property"), hereby approves and consents to Declarant's subjection of the Property to the provisions of this Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes (the "Declaration") to be recorded in the Official Records of Yavapai County, Arizona. The undersigned Consenting Owner agrees that the Property shall be subject to and bound by all terms of the Declaration which shall run with the title to the Property and shall be binding upon all persons having any right, title, or other interest in any portion of the Property, their respective heirs, legal representatives, successors-in-title, and assigns.

The undersigned Consenting Owner acknowledges that it is not Declarant under the Declaration and that it has no rights or responsibilities of Declarant nor any right to become Declarant.

IN WITNESS WHEREOF, the undersigned Consenting Owner has executed this consent this 23rd day of October, 1998.

FIRST AMERICAN TITLE INSURANCE
CONSENTING OWNER: AGENCY OF YAVAPAI, INC., TRUSTEE

By: Roger A. Yedinak
Its: TRUST OFFICER

RECORDERS MEMO Legibility
Questionable for good reproduction

By: _____
Name: _____
Its: _____

Attest: _____
Name: _____
Its: _____

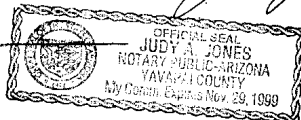
STATE OF ARIZONA)
) ss.
COUNTY OF YAVAPAI)

The foregoing instrument was acknowledged before me this 23rd day of October, 1998, by ROGER A. YEDINAK, as TRUST OFFICER of FIRST AMERICAN TITLE INSURANCE AGENCY OF YAVAPAI, INC., AS TRUSTEE UNDER TRUST 4746

Judy A. Jones
Notary Public

[Notary Seal]

My Commission Expires:
525101/CALDoc/Consenting Owner form



TRUST INSTRUCTION

First American Title is authorized and instructed to sign the Consent of Property owner to Subjection of Land to Declaration for the benefit of the undersigned which affects the property currently held in Trust 4746. Legal description attached as Exhibit "A".

Stuart Dankers 10/2/98
STUART DANKERS DATE TERRY L. ANDERSON DATE

Linda Dankers 10/2/98
LINDA DANKERS DATE DEBRA ANDERSON DATE

PL CUSTOM INVESTORS LLC.

M3 BUILDERS, LLC, CO-MANAGER

WILLIAM I. BROWNLEE, Member DATE

JEFF DAVIS, Member DATE

FP REAL ESTATE THREE LLC, CO-MANAGER

BEN B. DAMERON, JR., Member DATE

TRUST INSTRUCTION

First American Title is authorized and instructed to sign the Consent of Property owner to Subjection of Land to Declaration for the benefit of the undersigned which affects the property currently held in Trust 4746. Legal description attached as Exhibit "A".

<u>Stuart Dankers</u>	<u>9/14/98</u>	<u>Terry L. Anderson</u>	<u>10-8-98</u>
STUART DANKERS	DATE	TERRY L. ANDERSON	DATE
<u>Linda Dankers</u>	<u>DATE</u>	<u>Debra Anderson</u>	<u>10/8/98</u>
LINDA DANKERS	DATE	DEBRA ANDERSON	DATE

PL CUSTOM INVESTORS LLC.

M3 BUILDERS, LLC, CO-MANAGER

WILLIAM I. BROWNLEE, Member DATE

JEFF DAVIS, Member DATE

FP REAL ESTATE THREE LLC, CO-MANAGER

BEN B. DAMERON, JR., Member DATE

TRUST INSTRUCTION

First American Title is authorized and instructed to sign the Consent of Property owner to Subjection of Land to Declaration for the benefit of the undersigned which affects the property currently held in Trust 4746. Legal description attached as Exhibit "A".

STUART DANKERS _____ DATE TERRY L. ANDERSON _____ DATE

LINDA DANKERS _____ DATE DEBRA ANDERSON _____ DATE

PL CUSTOM INVESTORS LLC.

M3 BUILDERS, LLC, CO-MANAGER


WILLIAM I. BROWNLEE, Member _____ DATE


JEFF DAVIS, Member _____ DATE

FP REAL ESTATE THREE LLC, CO-MANAGER

 9-4-98
BEN B. DAMERON, JR., Member _____ DATE

EXHIBIT "A" -7

No. 251-000-302723 (I)

The North Half of the Northeast Quarter of the Southwest Quarter of the Southwest Quarter of Section 14, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona.

EXCEPT the following described parcels:

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

BEGINNING at the Northeast corner of the Southwest quarter of the Southwest quarter of said Section 14, said corner also being the Northeast corner of Parcel 25 as shown on the "Results of Survey", recorded in Book 43 of Land Surveys, Pages 3-9, on file in the office of the Yavapai County Recorder;

Thence, South 00°26'31" West, along the East line of said Parcel 25, a distance of 316.66 feet;

Thence, North 21°40'09" West, 329.64 feet to a point on the North line of said Parcel 25;

Thence, North 85°15'18" East, 124.59 feet to the POINT OF BEGINNING.

AND ALSO;

Commencing at the Northeast corner of the Southwest quarter of the Southwest quarter of said Section 14, said corner also being the Northeast corner of Parcel 25 as shown on the "Results of Survey", recorded in Book 43 of Land Surveys, Pages 3-9, on file in the office of the Yavapai County Recorder;

Thence, South 00°26'31" West, along the East line of said Parcel 25, a distance of 325.23 feet to the Southeast corner of said Parcel 25;

Thence, South 85°01'52" West, along the South line of said Parcel 25, a distance of 171.72 feet to the TRUE POINT OF BEGINNING;

Thence, continuing South 85°01'52" West, along said South line, 477.55 feet to the Southwest corner of said Parcel 25;

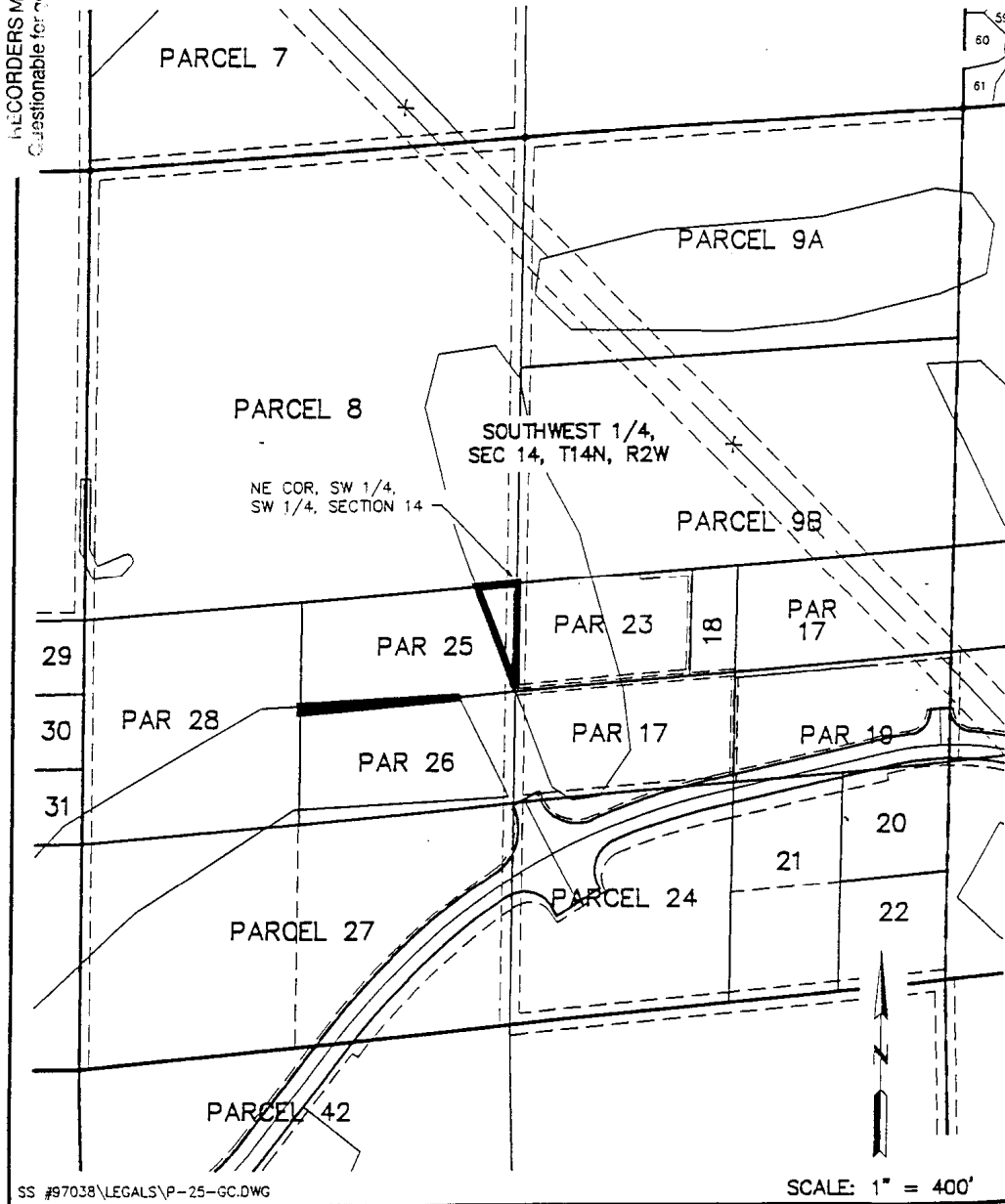
Thence, North 00°20'16" East, along the West line of said Parcel 25, a distance of 17.53 feet;

Thence, North 87°07'54" East, 476.25 feet to the TRUE POINT OF BEGINNING.

RECORDERS MEMO - Legibility
Questionable for good reproduction

RECORDERS MEMO - Legible
Questionable for good reproduction

MAP TO ACCOMPANY LEGAL DESCRIPTION



CONSENT OF PROPERTY OWNER TO SUBJECTION OF LAND TO DECLARATION

CHARLOTTE WELCH ("Consenting Owner"), as the owner of the real property described in Exhibit "A-2" attached hereto (the "Property"), hereby approves and consents to Declarant's subjection of the Property to the provisions of this Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes (the "Declaration") to be recorded in the official Records of Yavapai County, Arizona. The undersigned Consenting Owner agrees that the Property shall be subject to and bound by all terms of the Declaration which shall run with the title to the Property and shall be binding upon all persons having any right, title, or other interest in any portion of the Property, their respective heirs, legal representatives, successors-in-title, and assigns.

The undersigned Consenting Owner acknowledges that it is not Declarant under the Declaration and that it has no rights or responsibilities of Declarant nor any right to become Declarant.

IN WITNESS WHEREOF, the undersigned Consenting Owner has executed this consent this 28 day of July, 1998.

CONSENTING OWNER: CHARLOTTE WELCH

By: Charlotte Welch
Its: _____

By: _____
Name: _____
Its: _____

Attest: _____
Name: _____
Its: _____

STATE OF ARIZONA)
) ss.
County of YAVAPAI)

The foregoing instrument was acknowledged before me this 28 day of July, 1998, by CHARLOTTE WELCH.

My Commission
Expires: _____

Judith E. Brummett
Notary Public

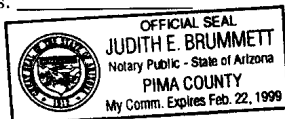


EXHIBIT A - 8

PARCEL 20

The Northeast Quarter of the Southeast Quarter of the Southeast Quarter of the Southwest Quarter of Section 14, Township 14 North, Range 2 of West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona.

CONSENT OF PROPERTY OWNER TO SUBJECTION OF LAND TO DECLARATION

Michael W. Fann ("Consenting Owner"), as the owner of the real property described in Exhibit "A-9" attached hereto (the "Property"), hereby approves and consents to Declarant's subjection of the Property to the provisions of this Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes (the "Declaration") to be recorded in the Official Records of Yavapai County, Arizona. The undersigned Consenting Owner agrees that the Property shall be subject to and bound by all terms of the Declaration which shall run with the title to the Property and shall be binding upon all persons having any right, title, or other interest in any portion of the Property, their respective heirs, legal representatives, successors-in-title, and assigns.

The undersigned Consenting Owner acknowledges that it is not Declarant under the Declaration and that it has no rights or responsibilities of Declarant nor any right to become Declarant.

IN WITNESS WHEREOF, the undersigned Consenting Owner has executed this consent this 4 day of Sept., 1998.

CONSENTING OWNER: *Michael W. Fann*

By: _____
Its: _____

RECORDERS MEMO: Legibility
actionable for good reproduction.

By: _____
Name: _____
Its: _____

Attest: _____
Name: _____
Its: _____

STATE OF ARIZONA)
) ss.
COUNTY OF YAVAPAI)

The foregoing instrument was acknowledged before me this 4th day of Sept., 1998, by Michael Fann, as _____ of _____.

Beth K. Caldwell
Notary Public

[Notary Seal]

My Commission Expires: _____
525101/CALDoca/Consenting Owner form



EXHIBIT A - 9

**PROPERTY DESCRIPTION
PRESCOTT LAKES
FANN - PARCEL 48**

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

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

Thence, North 88°12'04" West, along the East-West mid-section line of said Section 22, a distance of 1315.77 feet to the Southwest corner of Parcel 48 as shown on said "Results of Survey";

Thence, North 01°36'14" West, along the West line of said Parcel 48, a distance of 381.38 feet;

Thence, North 79°41'01" East, 302.95 feet;

Thence, North 39°09'53" East, 290.64 feet;

Thence, North 44°01'57" East, 574.13 feet;

Thence, North 38°08'25" East, 228.89 feet;

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

Thence, North 45°04'22" West, 121.49 feet to a point on the North line of said Parcel 48;

Thence, South 89°13'49" East, along said North line, 211.33 feet;

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

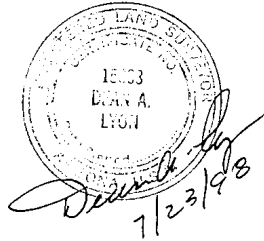
EXHIBIT A - 9

Thence, South 34°49'44" East, 229.34 feet;

Thence, North 88°39'20" East, 38.84 feet to a point on the East line of said Section 22;

Thence, South 01°29'04" East, along said East line, 1125.04 feet to the POINT OF BEGINNING.

Containing 25.74 acres, more or less.



7/22/98
SS#97038
Fann-48.doc

RECORDERS MEMO: Legally
Questionable for record

MAP TO ACCOMPANY LEGAL DESCRIPTION

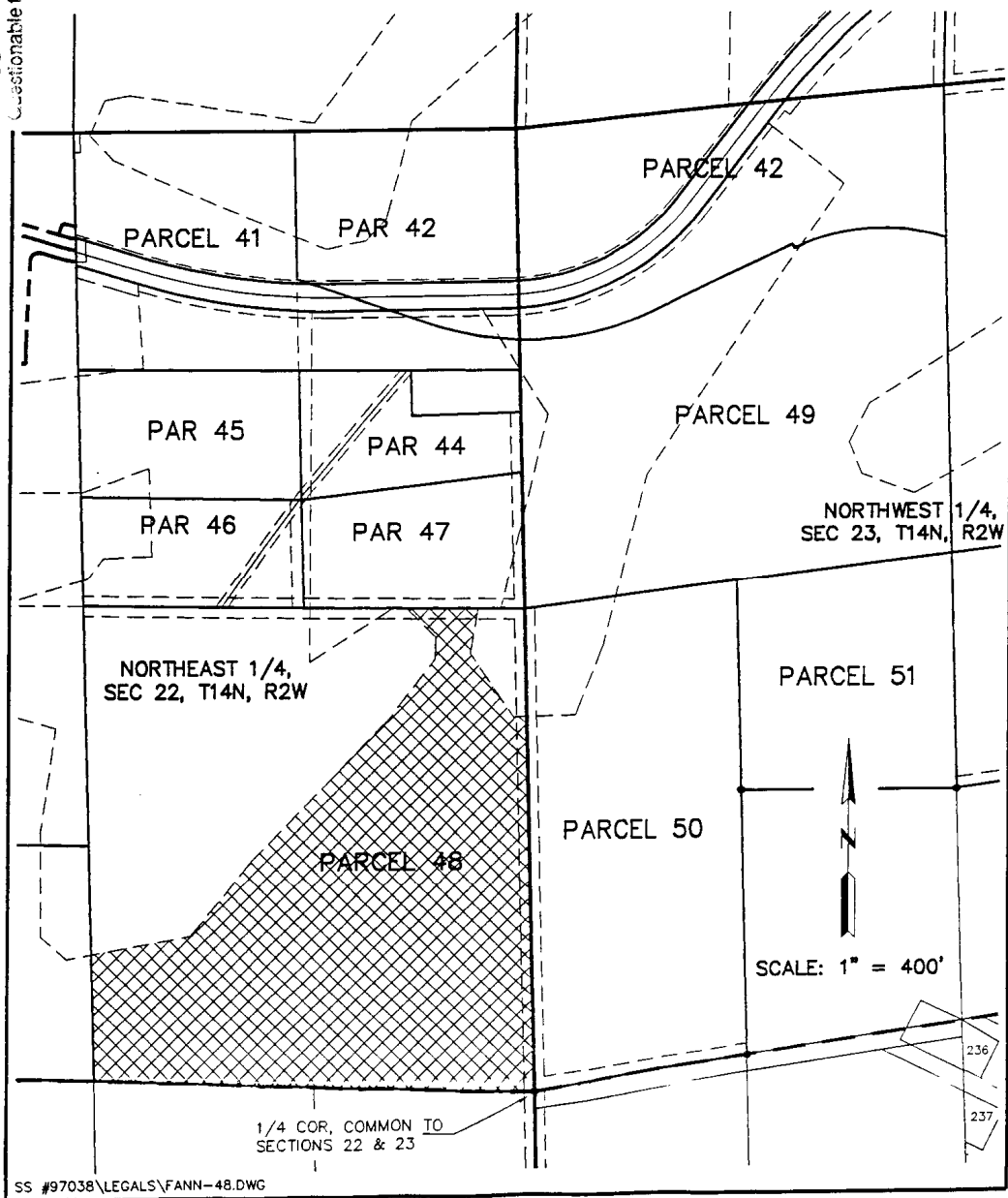


EXHIBIT A -9

PROPERTY DESCRIPTION PRESCOTT LAKES FANN - PARCEL 50

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

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

Thence, North 01°29'04" West, along the West line of said Section 23, a distance of 1125.04 feet;

Thence, North 88°39'20" East, 145.93 feet;

Thence, North 22°24'18" East, 222.36 feet;

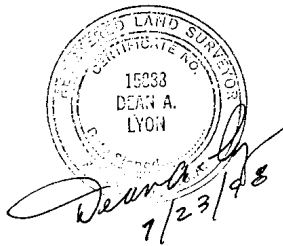
Thence, North 14°15'22" East, 146.86 feet to a point on the North line of Parcel 50 as shown on said "Results of Survey";

Thence, North 82°54'51" East, along said North line, 372.54 feet to the Northeast corner of said Parcel 50;

Thence, South 01°29'09" East, along the East line of said Parcel 50, a distance of 1425.99 feet to a point on the East-West mid-section line of said Section 23, said point also being the Southeast corner of said Parcel 50;

Thence, South 81°29'14" West, along said East-West mid-section line, 651.51 feet to the POINT OF BEGINNING.

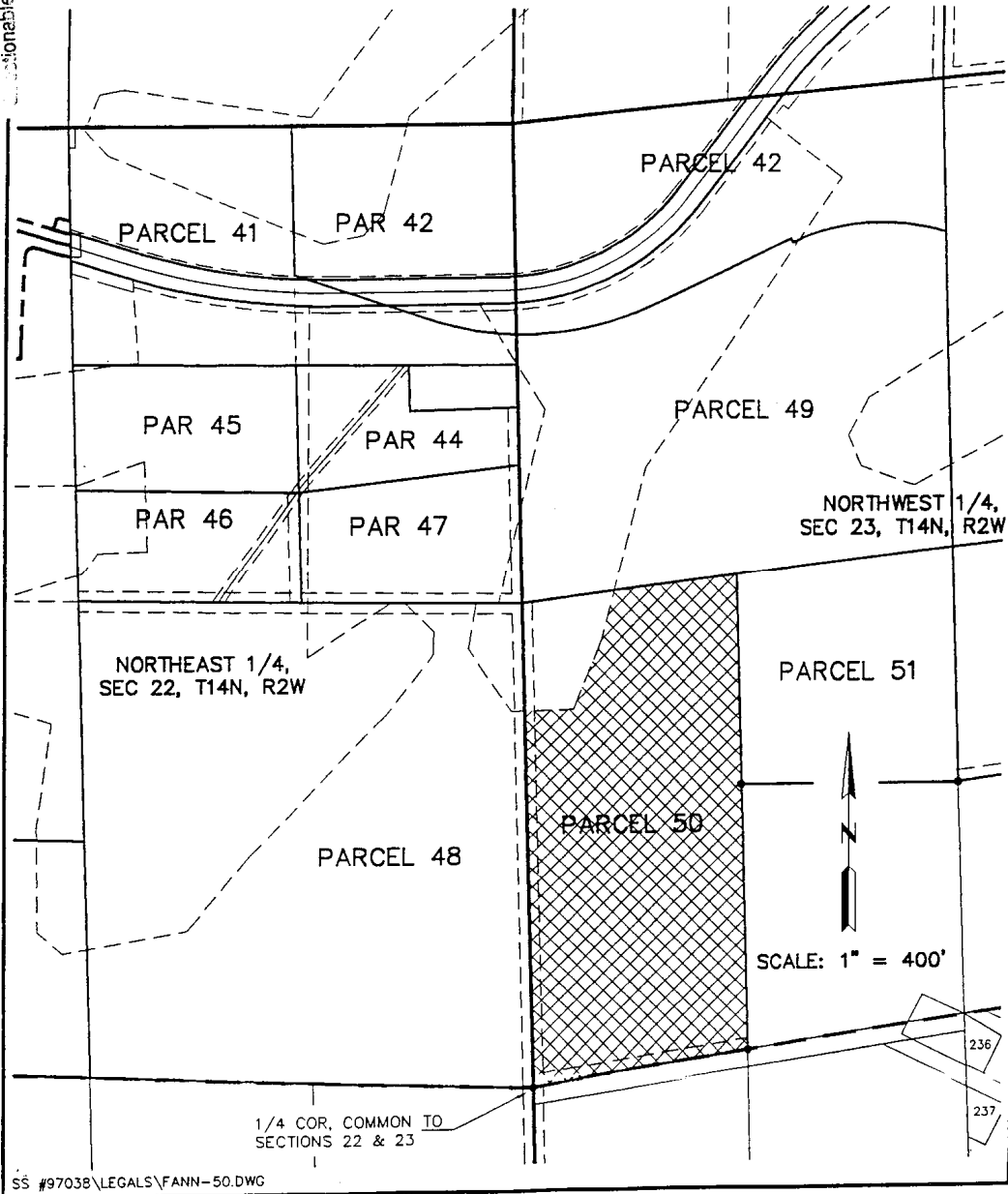
Containing 19.65 acres, more or less.



7/22/98
SS#97038
Fann-50.doc

RECORDERS MAP TO LEGAL
DESCRIPTION FOR ROAD REPRODUCTION

MAP TO ACCOMPANY LEGAL DESCRIPTION



CONSENT OF PROPERTY BENEFICIARY TO SUBJECTION OF LAND TO DECLARATION

National Bank of Arizona, ("Consenting Beneficiary"), as the Beneficiary under the Deed of Trust encumbering the real property described in Exhibit "A" attached hereto (the "Property"), hereby approves and consents to subjection of the Property by PL Developer I L.L.C., an Arizona Limited Liability Company ("Declarant") to the provisions of the Declaration of Covenants, Conditions and Restrictions for Prescott Lakes (the "Declaration") to be recorded in the Official Records of Yavapai County, Arizona, and to which this Consent is attached. The undersigned Consenting Beneficiary agrees that the Property shall be subject to and bound by all terms of the Declaration which shall run with the title to the Property and shall be binding upon all persons having any right, title or other interest in any portion of the Property, their respective heirs, legal representatives, successors-in-title and assigns.

The undersigned Consenting Beneficiary acknowledges that it is not Declarant under the Declaration and that it has no rights or responsibilities of Declarant nor any right to become Declarant.

IN WITNESS WHEREOF, the undersigned Consenting Beneficiary has executed this consent this 4th day of February, 1999.

CONSENTING BENEFICIARY: National Bank of Arizona

By: [Signature]
Its: VP Vice President

STATE OF ARIZONA)
COUNTY OF Maricopa) ss.

The foregoing instrument was acknowledged before me this 9th day of February, 1999, by Joseph P. Carroll, as Sr Vice President of Nat Bank of Arizona.

[Signature]
Notary Public

My Commission Expires: 10/31/2001



EXHIBIT A-10
LEGAL DESCRIPTION
PRESCOTT LAKES
RESIDENTIAL - C C R's

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

BEGINNING at a found 1" drill steel at the center corner of said Section 14;

Thence, South 00°39'26" West, along the North-South mid-section line of said Section 14, a distance of 245.50 feet to a point on the North line of "Tract E", as shown on the "Survey Exhibit of PRESCOTT LAKES GOLF COURSE, PRESCOTT LAKES PARKWAY and SMOKE TREE LANE", recorded in Book 37 of Maps and Plats, Page 10 on file in the office of the Yavapai County Recorder;

Thence, North 82°58'06" West, along said "Tract E", 79.75 feet;

Thence, South 76°05'33" West, along said "Tract E", 353.94 feet;

Thence, South 85°17'25" West, along said "Tract E", 482.66 feet;

Thence, South 75°54'00" West, along said "Tract E", 352.99 feet;

Thence, South 07°48'21" West, along said "Tract E", 99.78 feet;

Thence, South 46°26'38" East, along said "Tract E", 150.43 feet;

Thence, South 89°35'07" East, along said "Tract E", 463.98 feet;

Thence, North 83°54'30" East, along said "Tract E", 306.43 feet;

Thence, North 76°05'32" East, along said "Tract E", 329.80 feet;

Thence, North 68°12'41" East, along said "Tract E", 63.23 feet to a point on the North-South mid-section line of said Section 14;

Thence, South 00°39'26" West, along said North-South mid-section line, 225.17 feet to a point the North line of "Tract F", as shown on said "Survey Exhibit";

Thence, South 86°51'39" West, along said "Tract F", 92.74 feet;

EXHIBIT A -10

Thence, South 27°22'18" East, along said "Tract F", 196.92 feet to a point on said North-South mid-section line;

Thence, South 00°39'26" West, along said North-South mid-section line, 358.37 feet to the Southwest corner of "Parcel 10" as shown on the "Results of Survey" recorded in Book 43 of Land Surveys, Pages 3-9 on file in the office of the Yavapai County Recorder;

Thence, North 84°44'55" East, along the South line of said "Parcel 10", a distance of 194.27 feet to a point on the Southerly line of "Tract F", as shown on said "Survey Exhibit";

Thence, South 38°53'37" East, along said "Tract F", 408.00 feet;

Thence, North 84°19'06" East, along said "Tract F", 753.14 feet;

Thence, South 03°14'30" East, along said "Tract F", 71.27 feet;

Thence, South 37°46'49" West, along said "Tract F", 219.51 feet;

Thence, South 08°18'46" West, along said "Tract F", 170.12 feet;

Thence, South 09° 41'42" East, along said "Tract F", 88.46 feet;

Thence, South 64°01'04" East, along said "Tract F", 307.63 feet to a point on the Westerly right-of-way of "Prescott Lakes Parkway", as shown on the "Map of Dedication of Prescott Lakes Parkway", recorded in Book 37 of Maps and Plats, Pages 11-12, on file in the office of the Yavapai County Recorder, said point also being the beginning of a 753.00 foot radius non-tangent curve, whose center bears South 80°52'05" East;

Thence, Southerly, along said Westerly right-of-way and curve, through a central angle of 16°00'39", a distance of 210.42 feet;

Thence, South 06°52'44" East, 160.90 feet to the beginning of a tangent curve of 70.00 foot radius, concave Northwesterly;

Thence, Southwesterly, along said curve, through a central angle of 98°26'45", a distance of 120.27 feet;

Thence, South 01°34'01" West, 80.00 feet to the beginning of a 440.00 foot radius non-tangent curve, whose center bears North 01°34'01" East;

EXHIBIT A-10

Thence, Easterly, along said curve, through a central angle of 07°00'19", a distance of 53.80 feet to the beginning of a tangent reverse curve of 70.00 foot radius, concave Southwesterly;

Thence, Southeasterly, along said curve, through a central angle of 70°46'30", a distance of 86.47 feet to the beginning of a tangent reverse curve of 553.00 foot radius, concave Northeasterly;

Thence, Southeasterly, along said curve, through a central angle of 10°52'35", a distance of 104.98 feet to the beginning of a tangent reverse curve of 447.00 foot radius, concave Westerly;

Thence, Southerly, along said curve, through a central angle of 40°52'15", a distance of 318.86 feet to the most Easterly corner of "Tract H", as shown on the "Survey Exhibit of PRESCOTT LAKES GOLF COURSE, PRESCOTT LAKES PARKWAY and SMOKE TREE LANE", recorded in Book 37 of Maps and Plats, Page 10 on file in the office of the Yavapai County Recorder;

Thence, North 44°52'33" West, along said "Tract H", 888.18 feet;

Thence, North 60°07'21" West, along said "Tract H", 727.89 feet;

Thence, North 85°15'09" West, along said "Tract H", 125.11 feet;

Thence, South 29°56'08" West, along said "Tract H", 260.14 feet;

Thence, South 48°29'09" East, along said "Tract H", 176.57 feet;

Thence, South 57°15'02" East, along said "Tract H", 599.72 feet;

Thence, South 48°32'30" East, along said "Tract H", 418.99 feet;

Thence, South 45°10'48" West, 400.29 feet;

Thence, South 54°58'57" West, 161.23 feet;

Thence, South 04°48'43" West, 146.02 feet;

Thence, South 25°45'22" West, 266.02 feet;

Thence, South 45°02'35" East, 163.23 feet;

Thence, South 25°23'47" East, 118.44 feet to an angle point on the North right-of-way of the proposed "Blooming Hills Drive";

EXHIBIT A⁻¹⁰

Thence, South 02°51'00" East, 90.00 feet to a point on the South right-of-way of said proposed "Blooming Hills Drive", said point also being the beginning of a 460.00 foot radius non-tangent curve, whose center bears South 02°51'00" East;

Thence, Southwesterly, along said curve, through a central angle of 56°51'07", a distance of 456.77 feet;

Thence, South 30°17'53" West, 51.68 feet to the beginning of a tangent curve of 540.00 foot radius, concave Northwesterly;

Thence, Southwesterly, along said curve, through a central angle of 25°27'31", a distance of 239.94 feet to a point on the North-South mid-section line of said Section 23;

Thence, North 01°29'34" West, along said North-South mid-section line, 621.63 feet to the Northeast corner of "Parcel 55" as shown on the "Results of Survey" recorded in Book 43 of Land Surveys, Pages 3-9 on file in the office of the Yavapai County Recorder;

Thence, South 82°54'51" West, 1299.31 feet to the Northwest corner of "Parcel 54" as shown on said "Results of Survey";

Thence, North 01°29'15" West, 246.12 feet to a point on the South line of "Tract I", as shown on the "Survey Exhibit of PRESCOTT LAKES GOLF COURSE, PRESCOTT LAKES PARKWAY and SMOKE TREE LANE", recorded in Book 37 of Maps and Plats, Page 10 on file in the office of the Yavapai County Recorder;

Thence, North 60°01'39" East, along said "Tract I", 493.14 feet;

Thence, North 85°04'09" East, along said "Tract I", 448.99 feet;

Thence, North 73°10'02" East, along said "Tract I", 359.00 feet;

Thence, North 04°29'15" East, along said "Tract I", 58.68 feet;

Thence, North 11°15'04" West, along said "Tract I", 80.83 feet;

Thence, North 89°30'01" West, along said "Tract I", 45.39 feet;

Thence, North 50°12'24" West, along said "Tract I", 183.28 feet;

Thence, North 27°49'13" East, along said "Tract I", 142.46 feet;

EXHIBIT A -10

Thence, North 12°59'49" East, along said "Tract I", 26.25 feet;

Thence, North 27°36'37" East, along said "Tract I", 369.25 feet to a point on the North-South mid-section line of said Section 23;

Thence, North 01°29'34" West, along said North-South mid-section line, 167.73 feet to a found rebar at the quarter corner common to said Sections 14 and 23;

Thence, North 00°39'26" East, along the North-South mid-section line of said Section 14, a distance of 796.01 feet to a point on the North right-of-way of "Smoke Tree Lane", as shown on the "Map of Dedication of Smoke Tree Lane", recorded in Book 37 of Maps and Plats, Pages 13-14, on file in the office of the Yavapai County Recorder;

Thence, South 88°20'47" West, along said North right-of-way, 59.38 feet to the beginning of a 70.00 foot radius non-tangent curve, whose center bears South 88°20'47" West;

Thence, Southwesterly, along said curve, through a central angle of 84°19'04", a distance of 103.01 feet to the beginning of a tangent reverse curve of 940.00 foot radius, concave Southerly;

Thence, Westerly, along said curve, through a central angle of 05°43'08", a distance of 93.83 feet;

Thence, South 76°56'42" West, 500.41 feet to the beginning of a tangent curve of 2040.00 foot radius, concave Southeasterly;

Thence, Southwesterly, along said curve, through a central angle of 02°51'51", a distance of 101.98 feet;

Thence, South 84°47'51" West, 236.14 feet to an angle point in the East line of "Tract D" as shown on the "Survey Exhibit of PRESCOTT LAKES GOLF COURSE, PRESCOTT LAKES PARKWAY and SMOKE TREE LANE", recorded in Book 37 of Maps and Plats, Page 10 on file in the office of the Yavapai County Recorder;

Thence, North 33°54'52" East, along said "Tract D", 155.69 feet;

Thence, North 07°07'46" West, along said "Tract D", 186.04 feet;

Thence, North 16°08'54" West, along said "Tract D", 475.27 feet;

Thence, North 29°30'42" West, along said "Tract D", 274.10 feet;

EXHIBIT A⁻¹⁰

Thence, North 12°57'58" West, along said "Tract D", 210.31 feet;

Thence, North 00°26'31" East, 713.63 feet to a point on the East-West mid-section line of said Section 14;

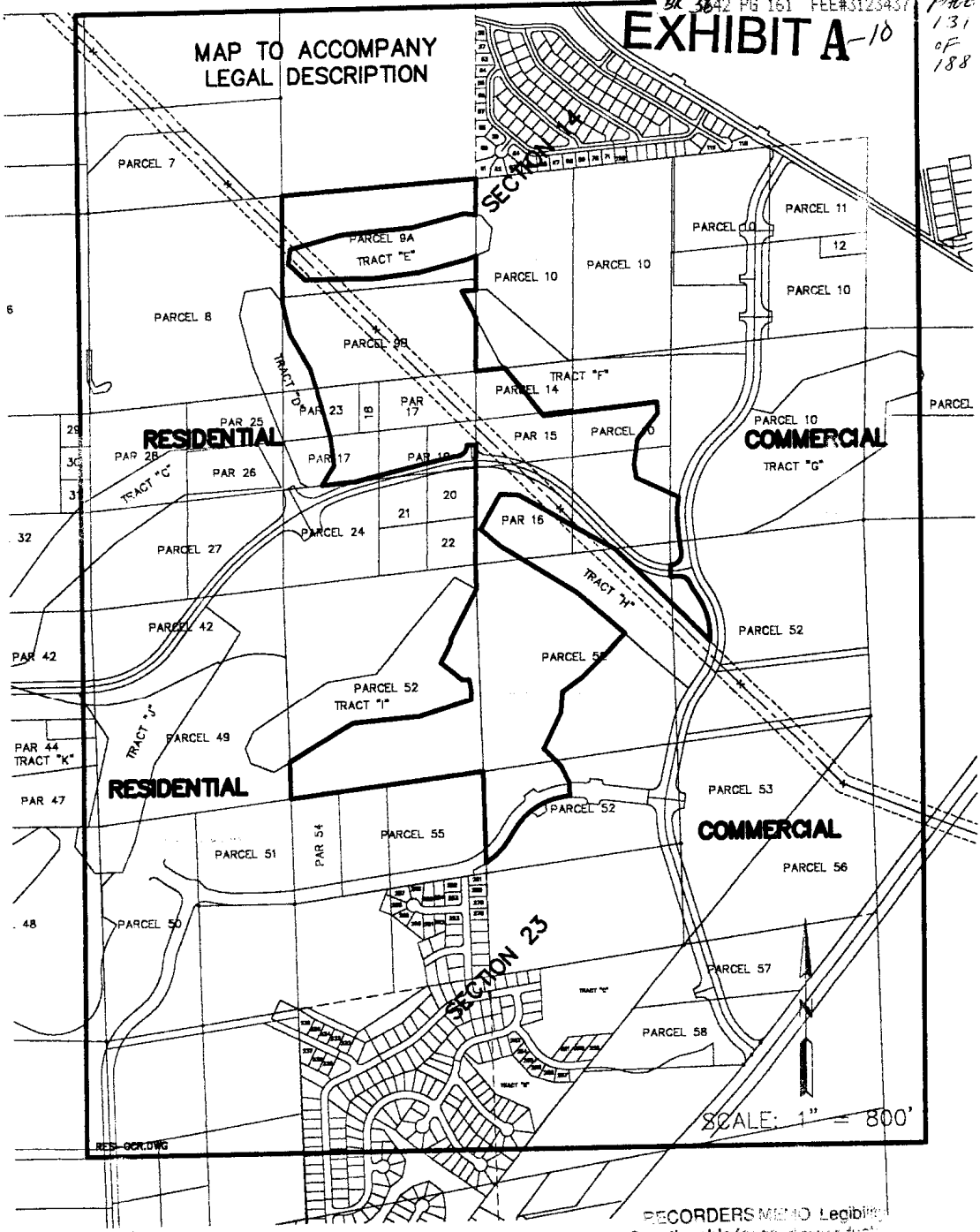
Thence, North 86°09'26" East, along said East-West mid-section line, 1302.35 feet to the TRUE POINT OF BEGINNING.

EXCEPTING THEREFROM any portion of "Smoke Tree Lane", as shown on the "Map of Dedication of Smoke Tree Lane", recorded in Book 37 of Maps and Plats, Pages 13-14, on file in the office of the Yavapai County Recorder, lying within the above described property description.

Containing 105.34 acres, more or less.



Revised 02/10/99
02/02/99
SS #97038
Res-ccr.doc



CONSENT OF PROPERTY OWNER TO SUBJECTION OF LAND TO DECLARATION

PL Parcel Investors, L.L.C., an Arizona limited liability company ("Consenting Owner"), as the owner of the real property described in Exhibit "A" attached hereto (the "Property"), hereby approves and consents to subjection of the Property by PL Developer I L.L.C., an Arizona limited liability company ("Declarant") to the provisions of the Declaration of Covenants, Conditions and Restrictions for Prescott Lakes (the "Declaration") to be recorded in the Official Records of Yavapai County, Arizona, and to which this consent is attached. The undersigned Consenting Owner agrees that the Property shall be subject to and bound by all terms of the Declaration which shall run with the title to the Property and shall be binding upon all persons having any right, title or other interest in any portion of the Property, their respective heirs, legal representatives, successors-in-title and assigns.

The undersigned Consenting Owner acknowledges that it is not Declarant under the Declaration and that it has no rights or responsibilities of Declarant nor any right to become Declarant.

IN WITNESS WHEREOF, the undersigned Consenting Owner has executed this consent this 5th day of February, 1999.

CONSENTING OWNER: PL Parcel Investors, L.L.C.

By: M3 Builders, L.L.C., its Co-Manager
The M3 Companies, L.L.C., Its sole member
By: [Signature]
Jeffrey A. Davis, Member

By: [Signature]
William I. Brownlee, Member

By: FP Real Estate Three L.L.C., its Co-Manager
By: [Signature]
Ronald E. Estes, Member

STATE OF ARIZONA)

COUNTY OF _____)

) ss.
)

The foregoing instrument was acknowledged before me this _____ day of _____, 1999, by _____, as _____ of _____

See Attached

Notary Public

My Commission Expires: _____

STATE OF ARIZONA)

COUNTY OF Yavapai) ss. *The M3 Companies LLC
sole member

The foregoing instrument was acknowledged before me this 5th day of
February, 1999, by Jeffrey A. Davis, as member of * of
M3 Builders, LLC.

Beth K. Caldwell



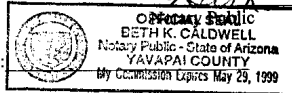
My Commission Expires:

STATE OF ARIZONA)

COUNTY OF Yavapai) ss. *The M3 Companies LLC
sole member

The foregoing instrument was acknowledged before me this 5th day of
February, 1999, by William L. Brewster, as member of * of
M3 Builders, LLC.

Beth K. Caldwell



My Commission Expires:

STATE OF ARIZONA)

COUNTY OF Yavapai) ss.

The foregoing instrument was acknowledged before me this 5th day of
February, 1999, by Ronald E. Esks, as member of * of
EP Real Estate Trust LLC.

Beth K. Caldwell

Notary Public



My Commission Expires:

EXHIBIT A -11

PAGE 134 OF 188
BK 3642 PG 161 FEE#3123437

LEGAL DESCRIPTION PRESCOTT LAKES RESIDENTIAL - C C R's

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

BEGINNING at a found 1" drill steel at the center corner of said Section 14;

Thence, South 00°39'26" West, along the North-South mid-section line of said Section 14, a distance of 245.50 feet to a point on the North line of "Tract E", as shown on the "Survey Exhibit of PRESCOTT LAKES GOLF COURSE, PRESCOTT LAKES PARKWAY and SMOKE TREE LANE", recorded in Book 37 of Maps and Plats, Page 10 on file in the office of the Yavapai County Recorder;

Thence, North 82°58'06" West, along said "Tract E", 79.75 feet;

Thence, South 76°05'33" West, along said "Tract E", 353.94 feet;

Thence, South 85°17'25" West, along said "Tract E", 482.66 feet;

Thence, South 75°54'00" West, along said "Tract E", 352.99 feet;

Thence, South 07°48'21" West, along said "Tract E", 99.78 feet;

Thence, South 46°26'38" East, along said "Tract E", 150.43 feet;

Thence, South 89°35'07" East, along said "Tract E", 463.98 feet;

Thence, North 83°54'30" East, along said "Tract E", 306.43 feet;

Thence, North 76°05'32" East, along said "Tract E", 329.80 feet;

Thence, North 68°12'41" East, along said "Tract E", 63.23 feet to a point on the North-South mid-section line of said Section 14;

Thence, South 00°39'26" West, along said North-South mid-section line, 225.17 feet to a point the North line of "Tract F", as shown on said "Survey Exhibit";

Thence, South 86°51'39" West, along said "Tract F", 92.74 feet;

EXHIBIT A -11

Thence, South 27°22'18" East, along said "Tract F", 196.92 feet to a point on said North-South mid-section line;

Thence, South 00°39'26" West, along said North-South mid-section line, 358.37 feet to the Southwest corner of "Parcel 10" as shown on the "Results of Survey" recorded in Book 43 of Land Surveys, Pages 3-9 on file in the office of the Yavapai County Recorder;

Thence, North 84°44'55" East, along the South line of said "Parcel 10", a distance of 194.27 feet to a point on the Southerly line of "Tract F", as shown on said "Survey Exhibit";

Thence, South 38°53'37" East, along said "Tract F", 408.00 feet;

Thence, North 84°19'06" East, along said "Tract F", 753.14 feet;

Thence, South 03°14'30" East, along said "Tract F", 71.27 feet;

Thence, South 37°46'49" West, along said "Tract F", 219.51 feet;

Thence, South 08°18'46" West, along said "Tract F", 170.12 feet;

Thence, South 09° 41'42" East, along said "Tract F", 88.46 feet;

Thence, South 64°01'04" East, along said "Tract F", 307.63 feet to a point on the Westerly right-of-way of "Prescott Lakes Parkway", as shown on the "Map of Dedication of Prescott Lakes Parkway", recorded in Book 37 of Maps and Plats, Pages 11-12, on file in the office of the Yavapai County Recorder, said point also being the beginning of a 753.00 foot radius non-tangent curve, whose center bears South 80°52'05" East;

Thence, Southerly, along said Westerly right-of-way and curve, through a central angle of 16°00'39", a distance of 210.42 feet;

Thence, South 06°52'44" East, 160.90 feet to the beginning of a tangent curve of 70.00 foot radius, concave Northwesterly;

Thence, Southwesterly, along said curve, through a central angle of 98°26'45", a distance of 120.27 feet;

Thence, South 01°34'01" West, 80.00 feet to the beginning of a 440.00 foot radius non-tangent curve, whose center bears North 01°34'01" East;

EXHIBIT A-11

PAGE 136 OF 188
BK 3642 PG 161 FEE#3123437

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

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

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

Thence, Southerly, along said curve, through a central angle of $40^{\circ}52'15''$, a distance of 318.86 feet to the most Easterly corner of "Tract H", as shown on the "Survey Exhibit of PRESCOTT LAKES GOLF COURSE, PRESCOTT LAKES PARKWAY and SMOKE TREE LANE", recorded in Book 37 of Maps and Plats, Page 10 on file in the office of the Yavapai County Recorder;

Thence, North $44^{\circ}52'33''$ West, along said "Tract H", 888.18 feet;

Thence, North $60^{\circ}07'21''$ West, along said "Tract H", 727.89 feet;

Thence, North $85^{\circ}15'09''$ West, along said "Tract H", 125.11 feet;

Thence, South $29^{\circ}56'08''$ West, along said "Tract H", 260.14 feet;

Thence, South $48^{\circ}29'09''$ East, along said "Tract H", 176.57 feet;

Thence, South $57^{\circ}15'02''$ East, along said "Tract H", 599.72 feet;

Thence, South $48^{\circ}32'30''$ East, along said "Tract H", 418.99 feet;

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

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

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

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

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

Thence, South $25^{\circ}23'47''$ East, 118.44 feet to an angle point on the North right-of-way of the proposed "Blooming Hills Drive";

EXHIBIT A-11

Thence, South 02°51'00" East, 90.00 feet to a point on the South right-of-way of said proposed "Blooming Hills Drive", said point also being the beginning of a 460.00 foot radius non-tangent curve, whose center bears South 02°51'00" East;

Thence, Southwesterly, along said curve, through a central angle of 56°51'07", a distance of 456.77 feet;

Thence, South 30°17'53" West, 51.68 feet to the beginning of a tangent curve of 540.00 foot radius, concave Northwesterly;

Thence, Southwesterly, along said curve, through a central angle of 25°27'31", a distance of 239.94 feet to a point on the North-South mid-section line of said Section 23;

Thence, North 01°29'34" West, along said North-South mid-section line, 621.63 feet to the Northeast corner of "Parcel 55" as shown on the "Results of Survey" recorded in Book 43 of Land Surveys, Pages 3-9 on file in the office of the Yavapai County Recorder;

Thence, South 82°54'51" West, 1299.31 feet to the Northwest corner of "Parcel 54" as shown on said "Results of Survey";

Thence, North 01°29'15" West, 246.12 feet to a point on the South line of "Tract I", as shown on the "Survey Exhibit of PRESCOTT LAKES GOLF COURSE, PRESCOTT LAKES PARKWAY and SMOKE TREE LANE", recorded in Book 37 of Maps and Plats, Page 10 on file in the office of the Yavapai County Recorder;

Thence, North 60°01'39" East, along said "Tract I", 493.14 feet;

Thence, North 85°04'09" East, along said "Tract I", 448.99 feet;

Thence, North 73°10'02" East, along said "Tract I", 359.00 feet;

Thence, North 04°29'15" East, along said "Tract I", 58.68 feet;

Thence, North 11°15'04" West, along said "Tract I", 80.83 feet;

Thence, North 89°30'01" West, along said "Tract I", 45.39 feet;

Thence, North 50°12'24" West, along said "Tract I", 183.28 feet;

Thence, North 27°49'13" East, along said "Tract I", 142.46 feet;

EXHIBIT A-11

Thence, North 12°59'49" East, along said "Tract I", 26.25 feet;

Thence, North 27°36'37" East, along said "Tract I", 369.25 feet to a point on the North-South mid-section line of said Section 23;

Thence, North 01°29'34" West, along said North-South mid-section line, 167.73 feet to a found rebar at the quarter corner common to said Sections 14 and 23;

Thence, North 00°39'26" East, along the North-South mid-section line of said Section 14, a distance of 796.01 feet to a point on the North right-of-way of "Smoke Tree Lane", as shown on the "Map of Dedication of Smoke Tree Lane", recorded in Book 37 of Maps and Plats, Pages 13-14, on file in the office of the Yavapai County Recorder;

Thence, South 88°20'47" West, along said North right-of-way, 59.38 feet to the beginning of a 70.00 foot radius non-tangent curve, whose center bears South 88°20'47" West;

Thence, Southwesterly, along said curve, through a central angle of 84°19'04", a distance of 103.01 feet to the beginning of a tangent reverse curve of 940.00 foot radius, concave Southerly;

Thence, Westerly, along said curve, through a central angle of 05°43'08", a distance of 93.83 feet;

Thence, South 76°56'42" West, 500.41 feet to the beginning of a tangent curve of 2040.00 foot radius, concave Southeasterly;

Thence, Southwesterly, along said curve, through a central angle of 02°51'51", a distance of 101.98 feet;

Thence, South 84°47'51" West, 236.14 feet to an angle point in the East line of "Tract D" as shown on the "Survey Exhibit of PRESCOTT LAKES GOLF COURSE, PRESCOTT LAKES PARKWAY and SMOKE TREE LANE", recorded in Book 37 of Maps and Plats, Page 10 on file in the office of the Yavapai County Recorder;

Thence, North 33°54'52" East, along said "Tract D", 155.69 feet;

Thence, North 07°07'46" West, along said "Tract D", 186.04 feet;

Thence, North 16°08'54" West, along said "Tract D", 475.27 feet;

Thence, North 29°30'42" West, along said "Tract D", 274.10 feet;

EXHIBIT A -11

Thence, North 12°57'58" West, along said "Tract D", 210.31 feet;

Thence, North 00°26'31" East, 713.63 feet to a point on the East-West mid-section line of said Section 14;

Thence, North 86°09'26" East, along said East-West mid-section line, 1302.35 feet to the TRUE POINT OF BEGINNING.

EXCEPTING THEREFROM any portion of "Smoke Tree Lane", as shown on the "Map of Dedication of Smoke Tree Lane", recorded in Book 37 of Maps and Plats, Pages 13-14, on file in the office of the Yavapai County Recorder, lying within the above described property description.

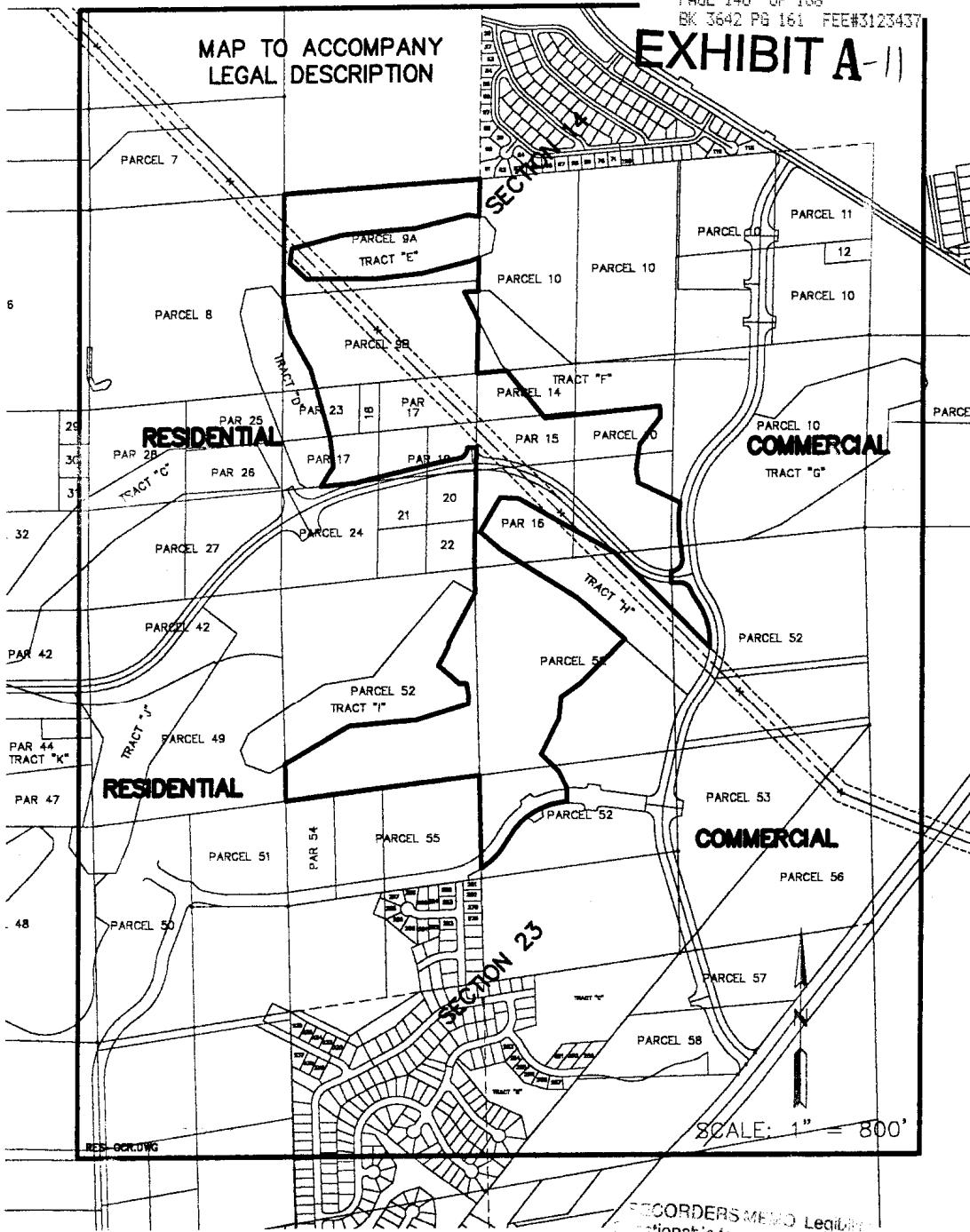
Containing 105.34 acres, more or less.



Revised 02/10/99
02/02/99
SS #97038
Res-ccr.doc

MAP TO ACCOMPANY
LEGAL DESCRIPTION

EXHIBIT A-11



CONSENT OF PROPERTY OWNER TO SUBJECTION OF LAND TO DECLARATION

Bob & Karin Davis, Husband and Wife, ("Owner"), as the Owner of the real property described in Exhibit "A" attached hereto (the "Property"), hereby approves and consents to subjection of the Property by PL Developer I L.L.C., an Arizona limited liability company ("Declarant") to the provisions of the Declaration of Covenants, Conditions and Restrictions for Prescott Lakes (the "Declaration") to be recorded in the Official Records of Yavapai County, Arizona, and to which this consent is attached. The undersigned Owner agrees that the Property shall be subject to and bound by all terms of the Declaration which shall run with the title to the Property and shall be binding upon all persons having any right, title or other interest in any portion of the Property, their respective heirs, legal representatives, successors-in-title and assigns.

IN WITNESS WHEREOF, the undersigned Owner has executed this consent this 8th day of February, 1999.

OWNER: Bob & Karin Davis

By: [Signature]
Bob Davis

By: [Signature]
Karin Davis

STATE OF ARIZONA)
COUNTY OF Maricopa) ss.

The foregoing instrument was acknowledged before me this 8th day of Feb., 1999, by Bob & Karin Davis as Owner of Lot 25, Stoney Creek at Prescott Lakes, Unit 1.

[Signature]
Notary Public

My Commission Expires: 12-1-2002

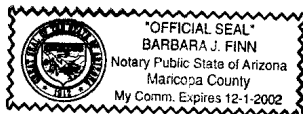


EXHIBIT "A"- 12

Lot 25, STONEY CREEK AT PRESCOTT LAKES, UNIT 1, according to the plat of record in the office of the County Recorder of Yavapai County, Arizona, recorded in Book 34 of Maps, Pages 99-101.

CONSENT OF PROPERTY OWNER TO SUBJECTION OF LAND TO DECLARATION

Edmond & Esmeralda Montas, Husband and Wife, ("Owner"), as the Owner of the real property described in Exhibit "A" attached hereto (the "Property"), hereby approves and consents to subjection of the Property by PL Developer I L.L.C., an Arizona limited liability company ("Declarant") to the provisions of the Declaration of Covenants, Conditions and Restrictions for Prescott Lakes (the "Declaration") to be recorded in the Official Records of Yavapai County, Arizona, and to which this consent is attached. The undersigned Owner agrees that the Property shall be subject to and bound by all terms of the Declaration which shall run with the title to the Property and shall be binding upon all persons having any right, title or other interest in any portion of the Property, their respective heirs, legal representatives, successors-in-title and assigns.

IN WITNESS WHEREOF, the undersigned Owner has executed this consent this 11th day of February, 1999.

OWNER: Edmond & Esmeralda Montas

By: Edmond J. Montas
Edmond Montas

By: Esmeralda J. Montas
Esmeralda Montas

STATE OF ARIZONA)

COUNTY OF Yavapai) ss.

The foregoing instrument was acknowledged before me this 11th day of February, 1999, by Edmond & Esmeralda Montas as Owner of Lot 18, Stoney Creek at Prescott Lakes Unit 1.

Michael V. Angelo
Notary Public

My Commission Expires: May 4, 2003

SEAL

EXHIBIT "A"-13

Lot 18, STONEY CREEK AT PRESCOTT LAKES, UNIT 1, according to the plat of record in the office of the County Recorder of Yavapai County, Arizona, recorded in Book 34 of Maps, Pages 99-101.

CONSENT OF PROPERTY OWNER TO SUBJECTION OF LAND TO DECLARATION

Robert & Sharolyn Johnson, Husband and Wife, ("Owner"), as the Owner of the real property described in Exhibit "A" attached hereto (the "Property"), hereby approves and consents to subjection of the Property by PL Developer I L.L.C., an Arizona limited liability company ("Declarant") to the provisions of the Declaration of Covenants, Conditions and Restrictions for Prescott Lakes (the "Declaration") to be recorded in the Official Records of Yavapai County, Arizona, and to which this consent is attached. The undersigned Owner agrees that the Property shall be subject to and bound by all terms of the Declaration which shall run with the title to the Property and shall be binding upon all persons having any right, title or other interest in any portion of the Property, their respective heirs, legal representatives, successors-in-title and assigns.

IN WITNESS WHEREOF, the undersigned Owner has executed this consent this 16th day of February, 1999.

OWNER: Robert & Sharolyn Johnson

By: [Signature]
Robert Johnson

By: [Signature]
Sharolyn Johnson

STATE OF ARIZONA)

COUNTY OF MARICOPA) ss.

The foregoing instrument was acknowledged before me this 16th day of February, 1999, by Robert & Sharolyn Johnson as Owner of Lot 43, Stoney Creek at Prescott Lakes, Unit 1.

[Signature]
Notary Public

My Commission Expires: May 5, 2001

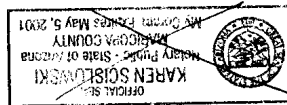
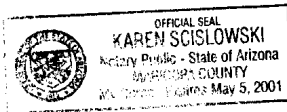


EXHIBIT "A"-14

Lot 43, STONEY CREEK AT PRESCOTT LAKES, UNIT 1, according to the plat of record in the office of the County Recorder of Yavapai County, Arizona, recorded in Book 34 of Maps, Pages 99-101.

CONSENT OF PROPERTY OWNER TO SUBJECTION OF LAND TO DECLARATION

Lewis & Donna Lovitt, Husband and Wife, ("Owner"), as the Owner of the real property described in Exhibit "A" attached hereto (the "Property"), hereby approves and consents to subjection of the Property by PL Developer I L.L.C., an Arizona limited liability company ("Declarant") to the provisions of the Declaration of Covenants, Conditions and Restrictions for Prescott Lakes (the "Declaration") to be recorded in the Official Records of Yavapai County, Arizona, and to which this consent is attached. The undersigned Owner agrees that the Property shall be subject to and bound by all terms of the Declaration which shall run with the title to the Property and shall be binding upon all persons having any right, title or other interest in any portion of the Property, their respective heirs, legal representatives, successors-in-title and assigns.

IN WITNESS WHEREOF, the undersigned Owner has executed this consent this 17th day of FEBRUARY, 1999.

OWNER: Lewis & Donna Lovitt

By: *Lewis Lovitt*
Lewis Lovitt

By: *Donna Lovitt*
Donna Lovitt

STATE OF NEW JERSEY)
~~ARIZONA~~) ss.
COUNTY OF MONMOUTH)

The foregoing instrument was acknowledged before me this 17 day of February, 1999, by Lewis & Donna Lovitt as Owner of Lot 24, Stoney Creek at Prescott Lakes, Unit I.

Barbara Mogler
Notary Public

My Commission Expires: OCT 3 2003

SEAL

EXHIBIT "A"-15

Lot 24, STONEY CREEK AT PRESCOTT LAKES, UNIT 1, according to the plat of record in the office of the County Recorder of Yavapai County, Arizona, recorded in Book 34 of Maps, Pages 99-101.

CONSENT OF PROPERTY OWNER TO SUBJECTION OF LAND TO DECLARATION

Gary & Kathy Gift, Husband and Wife, ("Owner"), as the Owner of the real property described in Exhibit "A" attached hereto (the "Property"), hereby approves and consents to subjection of the Property by PL Developer I L.L.C., an Arizona limited liability company ("Declarant") to the provisions of the Declaration of Covenants, Conditions and Restrictions for Prescott Lakes (the "Declaration") to be recorded in the Official Records of Yavapai County, Arizona, and to which this consent is attached. The undersigned Owner agrees that the Property shall be subject to and bound by all terms of the Declaration which shall run with the title to the Property and shall be binding upon all persons having any right, title or other interest in any portion of the Property, their respective heirs, legal representatives, successors-in-title and assigns.

IN WITNESS WHEREOF, the undersigned Owner has executed this consent this 19th day of February, 1999.

OWNER: Gary & Kathy Gift

By: [Signature]

Gary Gift

By: [Signature]

Kathy Gift

STATE OF Ohio)
~~ARIZONA~~
COUNTY OF Summit) ss.

The foregoing instrument was acknowledged before me this 19th day of February, 1999, by Gary & Kathy Gift as Owner of Lot 62, Stoney Creek at Prescott Lakes, Unit 1.

[Signature]
Notary Public

My Commission Expires: MAR 11, 2001
MADEIRA, CAROL
Notary Public
My Commission Exp. June 12, 2001

SEAL

EXHIBIT "A" - 16

Lot 62, STONEY CREEK AT PRESCOTT LAKES, UNIT 1, according to the plat of record in the office of the County Recorder of Yavapai County, Arizona, recorded in Book 34 of Maps, Pages 99-101.

CONSENT OF PROPERTY BENEFICIARY TO SUBJECTION OF LAND TO DECLARATION

Finova Capital Corporation, a Delaware corporation ("Consenting Beneficiary"), as the Beneficiary under the Deed of Trust encumbering the real property described in Exhibit "A" attached hereto (the "Property"), hereby approves and consents to subjection of the Property by PL Developer I L.L.C., an Arizona Limited Liability Company ("Declarant") to the provisions of the Declaration of Covenants, Conditions and Restrictions for Prescott Lakes (the "Declaration") to be recorded in the Official Records of Yavapai County, Arizona, and to which this Consent is attached. The undersigned Consenting Beneficiary agrees that the Property shall be subject to and bound by all terms of the Declaration which shall run with the title to the Property and shall be binding upon all persons having any right, title or other interest in any portion of the Property, their respective heirs, legal representatives, successors-in-title and assigns.

The undersigned Consenting Beneficiary acknowledges that it is not Declarant under the Declaration and that it has no rights or responsibilities of Declarant nor any right to become Declarant.

IN WITNESS WHEREOF, the undersigned Consenting Beneficiary has executed this consent this 22nd day of January, 1999.

CONSENTING BENEFICIARY: Finova Capital Corporation *phs*

By: *Gayle R. McKenzie*
Name: Gayle R. McKenzie
Title: Vice President

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

The foregoing instrument was acknowledged before me this 22 day of JANUARY, 1999, by GAYLE R. MCKENZIE, as VICE PRESIDENT of FINOVA CAPITAL CORPORATION.

Bonnie J. Fenimore
Notary Public

My Commission Expires:

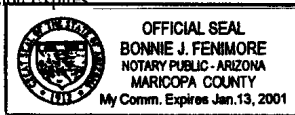


EXHIBIT "A"-17

PARCEL NO. 1:

Portions of Sections 14, 15, 22 and 23, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

Parcels 1, 2, 3, 4, 5, 6, 7, 8, and the West half of Parcel 19, All of Parcels 21, 26, 27, 28, 29, 30, 31, 32, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45 and 49 as set forth in Results of Survey recorded May 22, 1998, in Book 43 of Land Surveys, Pages 3 through 9, records of Yavapai County, Arizona.

EXCEPTING THEREFROM all those portions lying within SMOKE TREE LANE as dedicated by map recorded July 30, 1998, in Book 37 of Maps, Pages 13-14, records of Yavapai County, Arizona.

AND EXCEPTING THEREFROM all those portions lying within TRACTS "A", "B", "C", "D", "I", "J" AND "K" as set forth in map of PRESCOTT LAKES GOLF COURSE, PRESCOTT LAKES PARKWAY AND SMOKE TREE LANE, recorded July 27, 1998, in Book 37 of Maps, Page 10, records of Yavapai County, Arizona.

PARCEL NO. 2:

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

COMMENCING at a found 1" pipe with cap #12005 at the quarter corner common to said Sections 22 and 23;

Thence North 88 degrees, 12 minutes, 04 seconds, West, along the East-West mid-section line of said Section 22, as shown on the "Results of Survey", recorded in Book 43 of Land Surveys, Pages 3-9, on file in the office of the Yavapai County Recorder, a distance of 1315.77 feet to the Southwest corner of Parcel 48 as shown on said "Results of Survey";

Thence North 01 degrees, 36 minutes, 14 seconds, West, 381.38 feet to the TRUE POINT OF BEGINNING;

Thence continuing North 01 degrees, 36 minutes, 14 seconds, West, 1037.39 feet to the Northwest corner of said Parcel 48;

Continued

EXHIBIT "A" - 17

Thence North 01 degrees, 37 minutes, 17 seconds, West, 331.85 feet to the Northwest corner of Parcel 46 as shown on said "Results of Survey";

Thence South 89 degrees, 08 minutes, 49 seconds, East 659.27 feet to the Northeast corner of said Parcel 46;

Thence North 83 degrees, 21 minutes, 13 seconds, East, 661.32 feet to the Northeast corner of Parcel 47 as shown of said "Results of Survey";

Thence South 01 degrees, 29 minutes, 04 seconds, East, 416.28 feet to the Southeast corner of said Parcel 47;

Thence North 82 degrees, 54 minutes, 51 seconds, East, along the North line of Parcel 50 as shown on said "Results of Survey", 277.14 feet;

Thence South 14 degrees, 15 minutes, 22 seconds, West, 146.86 feet;

Thence South 22 degrees, 24 minutes, 18 seconds, West, 222.36 feet;

Thence South 88 degrees, 39 minutes, 20 seconds, West, 145.93 feet to a point on the West line of said Section 23;

Thence continuing South 88 degrees, 39 minutes, 20 seconds, West, 38.84 feet;

Thence North 34 degrees, 49 minutes, 44 seconds, West, 229.34 feet;

Thence North 09 degrees, 50 minutes, 11 seconds East, 133.63 feet to a point on the North line of Parcel 48 as shown on said "Results of Survey";

Thence North 89 degrees, 13 minutes, 49 seconds West along said North line, 211.33 feet;

Thence South 45 degrees, 04 minutes, 22 seconds East, 121.49 feet;

Thence South 02 degrees, 02 minutes, 00 seconds West, 65.84 feet;

Thence South 38 degrees, 08 minutes, 25 seconds West, 228.89 feet;

Thence South 44 degrees, 01 minutes, 57 seconds West, 574.13 feet;

Thence South 39 degrees, 09 minutes, 53 seconds West, 290.64 feet;

Thence South 79 degrees, 41 minutes, 01 seconds West, 302.95 feet to the TRUE POINT OF BEGINNING.

Continued

EXHIBIT "A"-17

EXCEPTING THEREFROM all those portions lying within TRACTS "A" AND "K" as set forth in map of PRESCOTT LAKES GOLF COURSE, PRESCOTT LAKES PARKWAY AND SMOKE TREE LANE, recorded July 27, 1998, in Book 37 of Maps, Page 10, records of Yavapai County, Arizona.

PARCEL NO. 3:

The Northeast quarter of the Northwest quarter of Section 23, Township 14 North, Range 2 West;

EXCEPT the following described property:

That portion of Parcel 52 (as shown on the "Results of Survey", recorded in Book 43 of Land Surveys, Pages 3-9, on file in the office of the Yavapai County Recorder) located in a portion of the Northwest quarter of Section 23, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

COMMENCING at a found rebar at the Northeast corner of the Northwest quarter of said Section 23;

Thence South 01 degrees, 29 minutes, 34 seconds, East, along the North-South mid-section line of said Section 23, a distance of 167.73 feet to the TRUE POINT OF BEGINNING;

Thence continuing South 01 degrees, 29 minutes, 34 seconds, East, along the North-South mid-section line, 1209.34 feet to the Southeast corner of said Parcel 52;

Thence South 82 degrees, 54 minutes, 51 seconds, West, along the South line of said Parcel 52, a distance of 1299.31 feet to the Southwest corner of said Parcel 52;

Thence North 01 degrees, 29 minutes, 15 seconds, West, along the West line of said Parcel 52, a distance of 246.12 feet;

Thence North 60 degrees, 01 minutes, 39 seconds, East, 493.14 feet;

Thence North 85 degrees, 04 minutes, 09 seconds, East, 448.99 feet;

Thence North 73 degrees, 10 minutes, 02 seconds, East, 359.00 feet;

Thence North 04 degrees, 29 minutes, 15 seconds, East, 58.68 feet;

Thence North 11 degrees, 15 minutes, 04 seconds West, 80.83 feet;

Thence North 89 degrees, 30 minutes, 01 seconds West, 45.39 feet;

Continued . . .

EXHIBIT "A"-17

Thence North 50 degrees, 12 minutes, 24 seconds West, 183.28 feet;

Thence North 27 degrees, 49 minutes, 13 seconds East, 142.46 feet;

Thence North 12 degrees, 59 minutes, 49 seconds East, 26.25 feet;

Thence North 27 degrees, 36 minutes, 37 seconds East, 369.25 feet to the TRUE POINT OF BEGINNING.

AND a portion of Section 14, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, being a portion of Parcel 17 as set forth in Results of Survey Recorded May 22, 1998, in Book 43 of Land Surveys, Pages 3-9, records of Yavapai County, Arizona, more particularly described as follows:

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

COMMENCING at a found 1/2 inch rebar at the South quarter corner of said Section 14 (as shown on the "Results of Survey", recorded in Book 43 of Land Surveys, Pages 3-9 on file in the office of the Yavapai County Recorder);

Thence South 84 degrees, 20 minutes, 21 seconds West, along the South line of said Section 14, a distance of 1296.43 feet to a found 1/2 inch rebar, tag #5362 at the Southwest corner of the Southeast quarter of the Southwest quarter of said Section 14 (said point also being the Southwest corner of Parcel 24 as shown on said "Results of Survey");

Thence North 00 degrees, 26 minutes, 31 seconds East, 650.46 feet to the Southwest corner of Parcel 17 (as shown on said "Results of Survey") said point also being the TRUE POINT OF BEGINNING;

Thence continuing North 00 degrees, 26 minutes, 31 seconds East, 325.23 feet to a found rebar cap #12005 at the Northwest corner of said Parcel 17;

Thence continuing North 00 degrees, 26 minutes, 31 seconds East, 8.57 feet;

Thence South 21 degrees, 40 minutes, 09 seconds East, 8.91 feet to a point on the North line of said Parcel 17;

Thence continuing South 21 degrees, 40 minutes, 09 seconds East, 300.66 feet;

Thence South 57 degrees, 44 minutes, 26 seconds East, 58.05 feet to a point on the South line of said Parcel 17;

Continued

EXHIBIT "A"-17

Thence South 84 degrees, 47 minutes, 51 seconds West along the South line of said Parcel 17, a distance of 166.66 feet to the TRUE POINT OF BEGINNING.

EXCEPTING therefrom that portion lying within the right of way of Smoke Tree Lane as dedicated in map recorded July 30, 1998, in Book 37 of Maps, Pages 13-14, records of Yavapai County, Arizona.

AND EXCEPTING THEREFROM all those portions lying within TRACT "I" as set forth in map of PRESCOTT LAKES GOLF COURSE, PRESCOTT LAKES PARKWAY AND SMOKE TREE LANE, recorded July 27, 1998, in Book 37 of Maps, Page 10, records of Yavapai County, Arizona.

PARCEL NO. 4:

The Southwest quarter of the Southeast quarter of the Southwest quarter of Section 14, Township 14 North, Range 2 West of the Gila and Salt River Base and Meridian, Yavapai County, Arizona.

EXCEPTING THEREFROM all that portion lying within Smoke Tree Lane as dedicated by Map recorded July 30, 1998 in Book 37 of Maps, Pages 13-14.

EXHIBIT "B"

Land Subject to Annexation

Any real property located within a 20-mile radius of any point within the property described in Exhibit "A."

EXHIBIT "C"

Initial Restrictions and Rules

The following restrictions shall apply to all of the Properties until such time as they are amended, modified, repealed or limited pursuant to Article III of the Declaration.

1. General. The Properties shall be used only for residential, recreational, and related purposes (which may include, without limitation, an information center and/or a sales office for Declarant, Builders authorized by Declarant, or any real estate broker retained by Declarant to assist in the sale of property described in Exhibits "A" or "B," offices for any property manager retained by the Association, or business offices for Declarant or the Association) consistent with this Declaration and any Supplemental Declaration.

2. Restricted Activities. The following activities are prohibited within the Properties unless expressly authorized by the Board of Directors, and then subject to such conditions as may be imposed by law or by the Board of Directors:

(a) Parking any vehicles on public or private streets or thoroughfares (except as permitted pursuant to Section 15.5 of the Declaration), and parking of commercial vehicles or equipment, mobile homes, recreational vehicles, golf carts, boats and other watercraft, trailers, stored vehicles or inoperable vehicles in places other than enclosed garages; provided, construction, service and delivery vehicles shall be exempt from this provision during daylight hours for such period of time as is reasonably necessary to provide service or to make a delivery to a Unit or the Common Area;

(b) Raising, breeding or keeping animals, livestock, or poultry of any kind, except that a reasonable number of dogs, cats, or other usual and common household pets may be permitted in a Unit; however, those pets which are permitted to roam free, or, in the sole discretion of the Board, make objectionable noise, endanger the health or safety of, or constitute a nuisance or inconvenience to the occupants of other Units shall be removed upon request of the Board. If the pet owner fails to honor such request, the Board may remove the pet. Dogs shall be kept on a leash or otherwise confined in a manner acceptable to the Board whenever outside the dwelling. Pets shall be registered, licensed and inoculated as required by law;

(c) Any activity which emits foul or obnoxious odors outside the Unit or creates noise or other conditions which tend unreasonably to disturb the peace or threaten the safety of the occupants of other Units, as determined in the Board's discretion;

(d) Pursuit of hobbies or other activities which tend to cause an unclean, unhealthy or untidy condition to exist outside of enclosed structures on the Unit;

(e) Any noxious or offensive activity which in the reasonable determination of the Board tends to cause embarrassment, discomfort, annoyance, or nuisance to persons using the Common Area or to the occupants of other Units;

- (f) Outside burning of trash, leaves, debris or other materials;
- (g) Use or discharge of any radio, loudspeaker, horn, whistle, bell, or other similar sound device so as to be audible to occupants of other Units, except alarm devices used exclusively for security purposes;
- (h) Use and discharge of firecrackers and other fireworks;
- (i) Dumping grass clippings, leaves or other debris, petroleum products, fertilizers, or other potentially hazardous or toxic substances in any drainage ditch, stream, pond, or lake, or elsewhere within the Properties, except that commonly-used fertilizers may be applied to landscaping on Units and the Common Area provided care is taken to minimize runoff, and that grass clippings, leaves, and other bio-degradable yard waste may be used in controlled compost piles as are approved by the Board. In addition, Declarant and Builders may dump and bury rocks and trees removed from a building site on such building site;
- (j) Accumulation of rubbish, trash, or garbage except between regular garbage pick ups, and then only in approved containers;
- (k) Obstruction or rechanneling drainage flows after location and installation of drainage swales, storm sewers, or storm drains, except that Declarant and the Association shall have such right; provided, the exercise of such right shall not materially diminish the value of or unreasonably interfere with the use of any Unit without the Owner's consent;
- (l) Subdivision of a Unit into two or more Units, or changing the boundary lines of any Unit after a subdivision plat including such Unit has been approved and Recorded , except that Declarant shall be permitted to subdivide or replat Units which it owns;
- (m) Swimming, boating, use of personal flotation devices, or other active use of lakes, ponds, streams or other bodies of water (except permitted pools) within the Properties, except that Declarant, its successors and assigns, shall be permitted and shall have the exclusive right and easement to retrieve golf balls from bodies of water within the Common Areas and to draw water from lakes, ponds and streams within the Properties for purposes of irrigation and such other purposes as Declarant shall deem desirable. The Association shall not be responsible for any loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of rivers, lakes, ponds, streams or other bodies of water within or adjacent to the Properties;
- (n) Use of any Unit for operation of a timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Unit rotates among participants in the program on a fixed or floating time schedule over a period of years, except that Declarant and its assigns may operate such a program with respect to Units which it owns;
- (o) Discharge of firearms;

(p) On-site storage of gasoline, heating, or other fuels, except that a reasonable amount of fuel may be stored on each Unit for emergency purposes and operation of lawn mowers and similar tools or equipment, and the Association shall be permitted to store fuel for operation of maintenance vehicles, generators, and similar equipment. This provision shall not apply to any underground fuel tank authorized pursuant to Article IV;

(q) Any business, trade, garage sale, moving sale, rummage sale, or similar activity, except that an Owner or occupant residing in a Unit may conduct business activities within the Unit which are ancillary to the residential use of the Unit so long as: (i) the existence or operation of the business activity is not readily apparent or detectable by sight, sound, or smell from outside the Unit; (ii) the business activity conforms to all zoning requirements for the Properties; (iii) the business activity does not involve door-to-door solicitation of residents of Prescott Lakes; (iv) the business activity does not, in the Board's reasonable judgment, generate a level of vehicular or pedestrian traffic or a number of vehicles being parked in the Properties which is noticeably greater than that which is typical of Units in which no business activity is being conducted; and (v) the business activity is consistent with the residential character of the Properties and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of Prescott Lakes, as may be determined in the sole discretion of the Board.

The terms "business" and "trade," as used in this provision, shall be construed to have their 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, or other form of consideration, regardless of whether such activity (i) is engaged in full or part-time, (ii) is intended to or does generate a profit, or (iii) requires a license.

Leasing of a Unit shall not be considered a business or trade within the meaning of this subsection. This subsection shall not apply to any activity conducted by Declarant or a Builder approved by Declarant with respect to its development and sale of the Properties or its use of any Units which it owns within the Properties, including the operation of a timeshare or similar program;

(r) Capturing, trapping or killing of wildlife within the Properties, except within enclosed structures on a Unit or in circumstances posing a threat to the safety of persons using the Properties;

(s) Any activities which materially disturb or destroy the vegetation, wildlife, wetlands, or air quality within the Properties or which use excessive amounts of water or which result in unreasonable levels of sound or light pollution; provided, this restriction is not intended to prohibit common recreational uses of a residential Unit (e.g., barbecues) and shall not restrict or prevent Declarant or the Association from operating recreational facilities or other amenities in the Common Area in a manner consistent with their intended use;

(t) Conversion of any carport or garage to finished space for use as an apartment or other integral part of the living area on any Unit without prior approval pursuant to Article IV;

(u) Operation of motorized vehicles on pathways or trails maintained by the Association, except that maintenance vehicles authorized by the Association and golf carts may be operated on cart paths intended for such purposes;

(v) Creation and maintenance of a woodpile on any Unit; and

(w) Any construction, erection, placement, or modification of any thing, permanently or temporarily, on the outside portions of the Unit, whether such portion is improved or unimproved, except in strict compliance with the provisions of Article IV of the Declaration. Compliance with Article IV of the Declaration shall be required for,, without limitation, signs, basketball hoops, swing sets and similar sports and play equipment; clotheslines; garbage cans; above-ground swimming pools; docks, piers and similar structures; and hedges, walls, dog runs, animal pens, or fences of any kind.

Standard TV antennas and satellite dishes which are less than one meter in diameter shall be permitted at Prescott Lakes; however, such over-the-air reception devices shall comply with the Architectural Guidelines and other applicable Restrictions and Rules pertaining to the location and manner of installation; provided, however, that such rules or regulations do not unreasonably increase the cost of installing, maintaining, or using such devices. Declarant and/or the Association shall have the right, without obligation, to erect an aerial, satellite dish, or other apparatus for a master antenna, cable, or other communication system for the benefit of all or a portion of Prescott Lakes, should any master system or systems be utilized by the Association and require such exterior apparatus.

3. Prohibited Conditions. The following shall be prohibited within the Properties:

(a) Plants, animals, devices or other things of any sort whose activities or existence in any way is noxious, dangerous, unsightly, or of a nature as may diminish or destroy the enjoyment of the Properties, as determined in the reasonable discretion of the Board;

(b) Structures, equipment or other items on the exterior portions of a Unit which have become rusty, dilapidated or otherwise fallen into disrepair; and

(c) Sprinkler or irrigation systems or wells of any type which draw upon water from lakes, creeks, streams, rivers, ponds, wetlands, canals, or other ground or surface waters within the Properties, except that Declarant and the Association shall have the right to draw water from such sources.

4. Leasing of Units. "Leasing," for purposes of this Paragraph, is defined as regular, exclusive occupancy of a Unit by any person, other than the Owner for which the Owner receives any consideration or benefit, including, but not limited to, a fee, service, gratuity, or emolument. All leases shall be in writing. The Board may require a minimum lease term, which requirements

may vary from Neighborhood to Neighborhood. Notice of any lease, together with such additional information as may be required by the Board, shall be given to the Board by the Unit Owner within 10 days of execution of the lease. The Owner must make available to the lessee copies of the Declaration, By-Laws, and the Restrictions and Rules.

EXHIBIT "D"

By-Laws of Prescott Lakes Community Association, Inc.

BY-LAWS

OF

PRESCOTT LAKES COMMUNITY ASSOCIATION, INC.

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BY-LAWS
OF
PRESCOTT LAKES COMMUNITY ASSOCIATION, INC.

Article I Name, Principal Office, and Definitions

1.1. Name.

The name of the corporation is Prescott Lakes Community Association, Inc. (the "Association").

1.2. Principal Office.

The principal office of the Association shall be located in Yavapai County, Arizona. The Association may have such other offices, either within or outside Arizona, as the Board of Directors may determine or as the affairs of the Association may require.

1.3. Definitions.

The words used in these By-Laws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in that certain Recorded Declaration of Covenants, Conditions, and Restrictions for Prescott Lakes as it may be amended (the "Declaration"), unless the context indicates otherwise.

Article II Membership: Meetings, Quorum, Voting, Proxies

2.1. Membership.

The Association shall have two classes of membership, Class "A" and Class "B," as more fully set forth in the Declaration. The provisions of the Declaration pertaining to membership are incorporated by this reference.

2.2. Place of Meetings.

Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as the Board may designate.

RECORDERS MEMO Legibility
Questionable for good reproduction.

2.3. Annual Meetings.

The first meeting of the Association, whether a regular or special meeting, shall be held within one year after the date of incorporation of the Association. Subsequent regular annual meetings shall be set by the Board so as to occur during the third quarter of the Association's fiscal year on a date and at a time set by the Board.

2.4. Special Meetings.

The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting if so directed by resolution of the Board or upon a petition signed by Voting Members representing at least 25% of the total Class "A" votes of the Association.

2.5. Notice of Meetings.

Written or printed notice stating the place, day, and hour of any meeting of the Voting Members shall be delivered, either personally or by mail, to each Voting Member entitled to vote at such meeting, not less than 10 nor more than 50 days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting.

In the case of a special meeting or when otherwise required by statute or these By-Laws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

If mailed, the notice shall be deemed to be delivered when deposited in the United States mail addressed to the Voting Member at his address as it appears on the Association's records, with postage prepaid.

2.6. Waiver of Notice.

Waiver of notice of a meeting of the Voting Members shall be deemed the equivalent of proper notice. Any Voting Member may waive, in writing, notice of any meeting of the Voting Members, either before or after such meeting. Attendance at a meeting by a Voting Member shall be deemed waiver by such Voting Member of notice of the time, date, and place thereof, unless such Voting Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.7. Adjournment of Meetings.

If any meeting of the Association cannot be held because a quorum is not present, a majority of the Voting Members who are present at such meeting may adjourn the meeting to a time not less than 5 nor more than 30 days from the time the original meeting was called. At the

reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Voting Members in the manner prescribed for regular meetings.

Voting Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Voting Members to leave less than a quorum, provided that any action taken is approved by at least a majority of the votes required to constitute a quorum.

2.8. Voting.

The voting rights of the Members shall be as set forth in the Declaration and in these By-Laws, and such voting rights provisions are specifically incorporated by this reference.

2.9. Proxies.

Voting Members may not vote by proxy but only in person or through their designated alternates; provided, however, any Voting Member who is only entitled to cast the vote(s) for his own Unit(s) pursuant to Section 6.4 of the Declaration may cast such vote in person or by proxy until such time as the Board first calls for election of a Voting Member to represent the Neighborhood of which the Unit is a part. On any matter as to which a Member is entitled personally to cast the vote for his Unit, such vote may be cast in person or by proxy, subject to the limitations of Arizona law relating to use of general proxies and subject to any specific provision to the contrary in the Declaration or these By-Laws.

Every proxy shall be in writing specifying the Unit for which it is given, signed by the Member or his duly authorized attorney-in-fact, dated, and filed with the Secretary of the Association prior to the meeting for which it is to be effective. Unless otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid.

Every proxy shall be revocable and shall automatically cease upon: (a) conveyance of any Unit for which it was given, (b) receipt by the Secretary of written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member who is a natural person, or (c) one year from the date of the proxy, unless a shorter period is specified in the proxy.

2.10. Majority.

As used in these By-Laws, the term "majority" shall mean those votes, Owners, or other group, as the context may indicate, totaling more than 50% of the total eligible number.

2.11. Quorum.

Except as otherwise provided in these By-Laws or in the Declaration, the presence of Voting Members representing a majority of the total Class "A" votes in the Association shall constitute a quorum at all Association meetings.

2.12. Conduct of Meetings.

The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings. An Owner may attend any meeting of the Association and shall be permitted to speak at any such meeting; provided, the Board may establish reasonable limitations on the time each Owner may speak at a meeting.

2.13. Action Without a Meeting.

Unless otherwise prohibited by Arizona law, any action required or permitted by law to be taken at a meeting of the Voting Members may be taken without a meeting, without prior notice, and without a vote if written consent specifically authorizing the proposed action is signed by Voting Members holding at least the minimum number of votes necessary to authorize such action at a meeting if all Voting Members entitled to vote thereon were present. Such consents shall be signed within 60 days after receipt of the earliest dated consent, dated and delivered to the Association. Such consents shall be filed with the minutes of the Association and shall have the same force and effect as a vote of the Voting Members at a meeting. Within 10 days after receiving authorization for any action by written consent, the Secretary shall give written notice to all Voting Members entitled to vote who did not give their written consent, fairly summarizing the material features of the authorized action.

Article III Board of Directors: Selection, Meetings, Powers

A. Composition and Selection.

3.1. Governing Body; Composition.

The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one vote. Except with respect to directors appointed by the Class "B" Member, directors shall be Members or residents; provided, however, no Owner and resident representing the same Unit may serve on the Board at the same time. A "resident" shall be any natural person 18 years of age or older whose principal residence is a Unit within the Properties. If a Member is not a natural person, any officer, director, partner or trust officer of such Member shall be eligible to serve as a director unless otherwise specified by written notice to the Association signed by such Member; provided, no Member may have more than one such representative on the Board at a time, except in the case of directors appointed by the Class "B" Member.

3.2. Number of Directors.

The Board shall consist of three to seven directors, as provided in Sections 3.3 and 3.5 below. The initial Board shall consist of three directors as identified in the Articles of Incorporation.

3.3. Directors During Class "B" Control Period.

Subject to the provisions of Section 3.5, the directors shall be selected by the Class "B" Member acting in its sole discretion and shall serve at the pleasure of the Class "B" Member during the Class "B" Control Period. The Class "B" Control Period shall terminate upon the first to occur of the following:

(a) when 75% of the total number of Units proposed by the Master Plan for the property described on Exhibits "A" and "B" of the Declaration have certificates of occupancy issued thereon and have been conveyed to Persons other than Builders;

(b) December 31, 2025; or

(c) when, in its discretion, the Class "B" Member so determines.

3.4. Nomination and Election Procedures.

(a) Nomination of Directors. Except with respect to directors selected by the Class "B" Member, nominations for election to the Board of Directors shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairperson, who shall be a member of the Board of Directors, and three or more Members or representatives of Members. The Nominating Committee shall be appointed by the Board of Directors not less than 30 days prior to each election to serve a term of one year or until their successors are appointed, and such appointment shall be announced at each such election. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but in no event less than the number of positions to be filled as provided in Section 3.5 below. Nominations shall also be permitted from the floor. The Nominating Committee shall nominate separate slates for the directors, if any, to be elected at large by all Class "A" votes, and for the director(s) to be elected by the votes within each Voting Group. In making its nominations, the Nominating Committee shall use reasonable efforts to nominate candidates representing the diversity which exists within the pool of potential candidates. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

(b) Election Procedures. Each Voting Member may cast all votes assigned to the Units which it represents for each position to be filled from the slate of candidates on which such Voting Member is entitled to vote. There shall be no cumulative voting. That number of candidates equal to the number of positions to be filled receiving the greatest number of votes shall be elected. Directors may be elected to serve any number of consecutive terms.

3.5. Election and Term of Office.

Except as these By-Laws may otherwise specifically provide, election of directors shall take place at the Association's annual meeting. Notwithstanding any other provision of these By-Laws:

(a) Within 30 days after the time that Class "A" Members other than Builders own 25% of the Units proposed by the Master Plan for the property described in Exhibits "A" and "B" of the Declaration, or whenever the Class "B" Member earlier determines, the President shall call for an election by which the Voting Members shall be entitled to elect one of the three directors, who shall be an at-large director. The remaining two directors shall be appointees of the Class "B" Member. The director elected by the Voting Members shall not be subject to removal by the Class "B" Member and shall be elected for a term of two years or until the happening of the event described in subsection (b), whichever is shorter. If such director's term expires prior to the happening of the event described in subsection (b), a successor shall be elected for a like term.

(b) Within 30 days after the time that Class "A" Members other than Builders own 50% of the Units proposed by the Master Plan for the property described in Exhibits "A" and "B" of the Declaration, or whenever the Class "B" Member earlier determines, the Board shall be increased to five directors. The President shall call for an election by which the Voting Members shall be entitled to elect two of the five directors, who shall serve as at-large directors. The remaining three directors shall be appointees of the Class "B" Member. Directors elected by the Voting Members shall not be subject to removal by the Class "B" Member and shall be elected for a term of two years or until the happening of the event described in subsection (c) below, whichever is shorter. If such directors' terms expire prior to the happening of the event described in subsection (c) below, successors shall be elected for a like term.

(c) Within 90 days after termination of the Class "B" Control Period, the President shall call for an election by which the Voting Members shall be entitled to elect three of the five directors, who shall serve as at-large directors. The remaining two directors shall be appointees of the Class "B" Member. Directors elected by the Voting Members shall not be subject to removal by the Class "B" Member and shall serve until the first annual meeting following the termination of the Class "B" Control Period. If such annual meeting is scheduled to occur within 90 days after termination of the Class "B" Control Period, this subsection shall not apply and directors shall be elected in accordance with subsection (d) below.

(d) Not later than the first annual meeting after the termination of the Class "B" Control Period, the Board shall be increased to seven directors and an election shall be held. Six directors shall be elected by the Voting Members, with an equal number of directors elected by the Voting Members representing each Voting Group and any remaining directorships filled at large by the vote of all Voting Members. Three directors shall serve a term of two years and three directors shall serve a term of one year, as such directors determine among themselves.

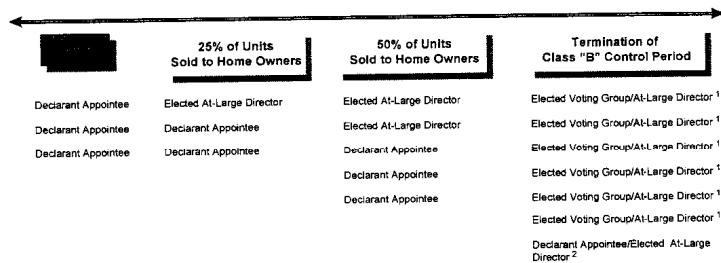
Until termination of the Class "B" membership, the Class "B" Member shall be entitled to appoint one director. Upon termination of the Class "B" membership, the director elected by the Class "B" Member shall resign and the remaining directors shall be entitled to appoint a director to serve until the next annual meeting, at which time the Voting Members shall be entitled to elect a director to fill such position. Such director shall be elected for a term of two years.

Upon expiration of the term of office of each director elected by the Voting Members, Voting Members entitled to elect such director shall be entitled to elect a successor to serve a term of two years. Directors elected by the Voting Members shall hold office until their respective successors have been elected.

Diagram 3.1 illustrates the concept of transition of control of the Board of Directors.

RECORDERS MEMO: Legibility
questionable for good reproduction.

**COMPOSITION OF BOARD OF
PRESCOTT LAKES
COMMUNITY ASSOCIATION, INC.**



¹ If Voting Groups have been established by Declarant, Voting Groups shall elect an equal number of Directors and any other elected directorship position shall be elected at-large.

² Until termination of the Class "B" membership, Declarant shall appoint one of the seven directors. Thereafter, the directorship position shall be an At-Large Director elected by the Voting Members.

3.6. Removal of Directors and Vacancies.

Any director elected by the Voting Members may be removed, with or without cause, by the vote of Voting Members holding a majority of the votes entitled to be cast for the election of such director. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall be elected by the Voting Members entitled to elect the director so removed to fill the vacancy for the remainder of the term of such director.

Any director elected by the Voting Members who has three consecutive unexcused absences from Board meetings, or who is more than 30 days delinquent (or is the representative of a Member who is so delinquent) in the payment of any assessment or other charge due the Association, may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and the Board may appoint a successor to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of a director, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Voting Members entitled to fill such directorship may elect a successor for the remainder of the term.

Any director whom the Board appoints shall be selected from among Members within the Voting Group represented by the director who vacated the position.

This Section shall not apply to directors appointed by the Class "B" Member nor to any director serving as Declarant's representative. The Class "B" Member shall be entitled to appoint a successor to fill any vacancy on the Board resulting from the death, disability or resignation of a director appointed by or elected as a representative of the Class "B" Member.

B. Meetings.

3.7. Organizational Meetings.

The first meeting of the Board following each annual meeting of the membership shall be held within 10 days thereafter at such time and place as the Board shall fix.

3.8. Regular Meetings.

Regular meetings of the Board may be held at such time and place as a majority of the directors shall determine, but at least four such meetings shall be held during each fiscal year with at least one per quarter.

3.9. Special Meetings.

Special meetings of the Board shall be held when called by written notice signed by the President or Vice President or by any two directors.

3.10. Notice; Waiver of Notice.

(a) Notices of Board meetings shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. The notice shall be given to each director by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone communication, either directly to the director or to a person at the director's office or

home who would reasonably be expected to communicate such notice promptly to the director; or (iv) facsimile, computer, fiberoptics or other electronic communication device, with confirmation of transmission, unless otherwise prohibited Arizona law. All such notices shall be given at the director's telephone number, fax number, electronic mail number, or sent to the director's address as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least five business days before the time set for the meeting. Notices given by personal delivery, telephone, or other device shall be delivered or transmitted at least 72 hours before the time set for the meeting.

(b) Transactions of any Board meeting, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (i) a quorum is present, and (ii) either before or after the meeting each director not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.11. Telephonic Participation in Meetings.

Members of the Board or any committee designated by the Board may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

3.12. Quorum of Board.

At all Board meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board, unless otherwise specifically provided in these By-Laws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any Board meeting cannot be held because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than 5 nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

3.13. Conduct of Meetings.

The President shall preside over all meetings of the Board, and the Secretary shall keep a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings.

3.14. Open Meetings

(a) Except in an emergency, notice of Board meetings shall be posted at least 48 hours in advance of the meeting at a conspicuous place within the Properties which the Board establishes for the posting of notices relating to the Association. Notice of any meeting at which assessments are to be established shall state that fact and the nature of the assessment. Subject to the provisions of Section 3.15, all Board meetings shall be open to all Members, but attendees other than directors may not participate in any discussion or deliberation unless a director requests that they be granted permission to speak. In such case, the President may limit the time any such individual may speak.

(b) Notwithstanding the above, the President may adjourn any meeting of the Board and reconvene in executive session, and may exclude persons other than directors, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, legal advice from an attorney for the Board or the Association, matters regarding the enforcement of the Governing Documents, etc.

3.15. Action Without a Formal Meeting.

Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote. Written consent or consents shall be filed with the minutes of the Board's proceedings. A notice of the Board's action shall be posted in a prominent place within the Properties within three business days after all written consents to an action have been obtained. Failure to give notice shall not render the action taken invalid.

C. Powers and Duties.

3.16. Powers.

The Board shall have all of the powers and duties necessary for the administration of the Association's affairs and for performing all responsibilities and exercising all rights of the Association as set forth in the Governing Documents, and as provided by law. The Board may do or cause to be done on behalf of the Association all acts and things except those which the Governing Documents or Arizona law require to be done and exercised exclusively by the Voting Members or the membership generally.

3.17. Duties.

Duties of the Board shall include, without limitation:

(a) preparing and adopting, in accordance with the Declaration, an annual budget establishing each Owner's share of the Common Expenses and any Neighborhood Expenses;

- (b) levying and collecting such assessments from the Owners;
- (c) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility consistent with the Community-Wide Standard;
- (d) designating, hiring, and dismissing personnel necessary to carry out the Association's rights and responsibilities and where appropriate, providing for compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;
- (e) depositing all funds received on behalf of the Association in a bank depository which it shall approve, and using such funds to operate the Association; provided, any reserve funds may be deposited, in the Board's best judgment, in depositories other than banks;
- (f) making and amending use restrictions and rules in accordance with the Declaration;
- (g) opening bank accounts on behalf of the Association and designating the signatories required;
- (h) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Declaration and these By-Laws;
- (i) enforcing by legal means the provisions of the Governing Documents and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association; provided, the Association's obligation in this regard shall be conditioned in the manner provided in the Declaration;
- (j) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;
- (k) paying the cost of all services rendered to the Association;
- (l) keeping books with detailed accounts of the Association's receipts and expenditures;
- (m) making available to any prospective purchaser of a Unit, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Unit, current copies of the Governing Documents and all other books, records, and financial statements of the Association as provided in Section 6.4;
- (n) permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Properties;

(o) indemnifying a director, officer or committee member, or former director, officer or committee member of the Association to the extent such indemnity is permitted or required by Arizona law, the Articles of Incorporation, or the Declaration; and

(p) assisting in the resolution of disputes between owners and others without litigation, as set forth in the Declaration.

3.18. Compensation.

Directors shall not receive any compensation from the Association for acting as such unless approved by Voting Members representing a majority of the total Class "A" votes in the Association at a regular or special meeting of the Association. Any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board, excluding the interested director.

3.19. Right of Class "B" Member to Disapprove Actions.

So long as the Class "B" membership exists, the Class "B" Member shall have a right to disapprove any action, policy or program of the Association, the Board and any committee which, in the sole judgment of the Class "B" Member, would tend to impair rights of Declarant or Builders under the Declaration or these By-Laws, or interfere with development or construction of any portion of the Properties, or diminish the level of services being provided by the Association.

(a) Notice. The Class "B" Member shall be given written notice of all meetings and proposed actions approved at meetings (or by written consent in lieu of a meeting) of the Association, the Board or any committee. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, which notice complies as to Board meetings with Sections 3.8, 3.9, 3.10, and 3.11 and which notice shall, except in the case of the regular meetings held pursuant to the By-Laws, set forth with reasonable particularity the agenda to be followed at such meeting; and

(b) Opportunity to be Heard. The Class "B" Member shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein.

No action, policy or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met.

The Class "B" Member, its representatives or agents shall make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. The Class "B" Member, acting through any officer or director, agent or authorized representative, may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 10 days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions but shall not include a right to require any action or counteraction on behalf of any committee, the Board, or the Association. The Class "B" Member shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

3.20. Management.

The Board may employ for the Association a professional management agent or agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the manager's assigned duties, but shall not delegate policy-making authority or those duties set forth in Sections 3.17(a) (with respect to adoption of the budget), 3.17(b), 3.17(f), 3.17(g) and 3.17(i). Declarant or its affiliate may be employed as managing agent or manager.

The Board may delegate to one of its members the authority to act on the Board's behalf on all matters relating to the duties of the managing agent or manager, if any, which might arise between Board meetings.

The Association shall not be bound, either directly or indirectly, by any management contract executed during the Class "B" Control Period unless such contract contains a right of termination exercisable by the Association, with or without cause and without penalty, at any time after termination of the Class "B" Control Period upon not more than 90 days' written notice.

3.21. Accounts and Reports.

The following management standards of performance shall be followed unless the Board by resolution specifically determines otherwise:

(a) accrual accounting, as defined by generally accepted accounting principles, shall be employed;

- (b) accounting and controls should conform to generally accepted accounting principles;
- (c) cash accounts of the Association shall not be commingled with any other accounts;
- (d) no remuneration shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;
- (e) any financial or other interest which the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board;
- (f) commencing at the end of the quarter in which the first Unit is sold and closed, financial reports shall be prepared for the Association at least quarterly containing:
 - (i) an income statement reflecting all income and expense activity for the preceding period on an accrual basis;
 - (ii) a statement reflecting all cash receipts and disbursements for the preceding period;
 - (iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;
 - (iv) a balance sheet as of the last day of the preceding period; and
 - (v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless otherwise specified by Board resolution); and
- (g) an annual report consisting of at least the following shall be made available to all Members within 120 days after the close of the fiscal year: (i) a balance sheet; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines, by an independent public accountant; provided, upon written request of any holder, guarantor or insurer of any first Mortgage on a Unit, the Association shall provide an audited financial statement. During the Class "B" Control Period, the annual report shall include certified financial statements.

3.22. Borrowing.

The Association shall have the power to borrow money for any legal purpose; provided, the Board shall obtain Voting Member approval in the same manner provided in Section 8.4 of the Declaration for Special Assessments if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 100% of the Association's budgeted gross revenues for that fiscal year. During the Class "B" Control Period, no Mortgage lien shall be placed on any portion of the Common Area without the affirmative vote or written consent, or any combination thereof, of Voting Members representing at least 51% of the total Class "A" votes.

3.23. Right To Contract.

The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or Neighborhood and other owners or residents associations, within and outside the Properties. Any common management agreement shall require the consent of a majority of the Board.

3.24. Enforcement.

The Association shall have the power, as provided in the Declaration, to impose sanctions for any violation of the Governing Documents. To the extent specifically required by the Declaration, the Board shall comply with the following procedures prior to imposition of sanctions:

(a) Notice. The Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than 10 days within which the alleged violator may present a written request for a hearing to the Board or the Covenants Committee, if one has been appointed pursuant to Article V; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is begun within 10 days of the notice. If a timely request for a hearing is not made, the sanction stated in the notice shall be imposed; provided the Board or Covenants Committee may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 10-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

(b) Hearing. If a hearing is requested within the allotted 10-day period, the hearing shall be held before the Covenants Committee, or if none has been appointed, then before the Board in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a

copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(c) Appeal. Following a hearing before the Covenants Committee, the violator shall have the right to appeal the decision to the Board. To exercise this right, a written notice of appeal must be received by the Association's manager, President, or Secretary within 10 days after the hearing date.

(d) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Article, the Board may elect to enforce any provision of the Governing Documents by self-help (specifically including, but not limited to, towing vehicles that violate parking rules) or, following compliance with the dispute resolution procedures set forth in Article XIV of the Declaration, if applicable, by suit at law or in equity to enjoin any violation or to recover monetary damages or both, without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorney's fees actually incurred. Any entry onto a Unit for purposes of exercising this power of self-help shall not be deemed as trespass.

3.25. Board Standards.

In the performance of their duties, Association directors and officers shall be insulated from personal liability as provided by Arizona law for directors and officers of nonprofit corporations, and as otherwise provided in the Governing Documents. Directors are required to exercise the ordinary and reasonable care of directors of a corporation, subject to the business judgment rule.

As defined herein, a director shall be acting in accordance with the business judgment rule so long as the director: (a) acts within the express or implied terms of the Governing Documents and his or her actions are not *ultra vires*; (b) affirmatively undertakes to make decisions which are necessary for the continued and successful operation of the Association and, when decisions are made, they are made on an informed basis; (c) acts on a disinterested basis, promptly discloses any real or potential conflict of interests (pecuniary or other), and avoids participation in such decisions and actions; and (d) acts in a non-fraudulent manner and without reckless indifference to the affairs of the Association. A director acting in accordance with the business judgment rule shall be protected from personal liability.

Board determinations of the meaning, scope, and application of Governing Documents provisions shall be upheld and enforced so long as such determinations are reasonable. The Board shall exercise its power in a fair and nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents.

Article IV Officers

4.1. Officers.

Officers of the Association shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among Board members; other officers may, but need not be Board members. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. Any two or more offices may be held by the same person, except the offices of President and Secretary.

4.2. Election and Term of Office.

The Board shall elect the Association's officers at the first Board meeting following each annual meeting of the Voting Members, to serve until their successors are elected.

4.3. Removal and Vacancies.

The Board may remove any officer whenever in its judgment the best interests of the Association will be served, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

4.4. Powers and Duties.

The Association's officers shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may specifically be conferred or imposed by the Board. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

4.5. Resignation.

Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

4.6. Agreements, Contracts, Deeds, Leases, Checks, Etc.

All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two officers or by such other person or persons as may be designated by Board resolution.

4.7. Compensation.

Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.18.

Article V Committees

5.1. General.

The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution.

5.2. Covenants Committee.

In addition to any other committees which the Board may establish pursuant to Section 5.1, the Board may appoint a Covenants Committee consisting of at least three and no more than seven Members. Acting in accordance with the provisions of the Declaration, these By-Laws, and resolutions the Board may adopt, the Covenants Committee, if established, shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to Section 3.24 of these By-Laws.

5.3. Neighborhood Committees.

In addition to any other committees appointed as provided above, each Neighborhood which has no formal organizational structure or association may elect a Neighborhood Committee to determine the nature and extent of services, if any, to be provided to the Neighborhood by the Association in addition to those provided to all Members of the Association in accordance with the Declaration. A Neighborhood Committee may advise the Board on any other issue but shall not have the authority to bind the Board. Such Neighborhood Committees, if elected, shall consist of three to five Members, as determined by the vote of at least 51% of the Owners of Units within the Neighborhood.

Neighborhood Committee members shall be elected for a term of one year or until their successors are elected. Any director elected to the Board from a Neighborhood shall be an *ex officio* member of the Neighborhood Committee. The Voting Member representing such Neighborhood shall be the chairperson of the Neighborhood Committee, shall preside at its meetings, and shall be responsible for transmitting any and all communications to the Board.

In the conduct of its duties and responsibilities, each Neighborhood Committee shall abide by the notice and quorum requirements applicable to the Board under Sections 3.9, 3.10, 3.11, and 3.12. Meetings of a Neighborhood Committee shall be open to all Owners of Units in the Neighborhood and their representatives. Members of a Neighborhood Committee may act by unanimous written consent in lieu of a meeting.

Article VI Miscellaneous

6.1. Fiscal Year.

The Association's fiscal year shall be the calendar year unless the Board establishes a different fiscal year by resolution.

6.2. Parliamentary Rules.

Except as may be modified by Board resolution, *Robert's Rules of Order* (current edition) shall govern the conduct of Association proceedings when not in conflict with Arizona law or the Governing Documents.

6.3. Conflicts.

If there are conflicts among the provisions of Arizona law, the Articles of Incorporation, the Declaration, and these By-Laws, the provisions of Arizona law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

6.4. Books and Records.

(a) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Unit, any Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Unit: the Governing Documents, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the Association's office or at such other place within the Properties as the Board shall designate.

(b) Rules for Inspection. The Board shall establish rules with respect to:

- (i) notice to be given to the custodian of the records;
- (ii) hours and days of the week when such an inspection may be made; and
- (iii) payment of the cost of reproducing documents requested.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the Association's expense.

6.5. Notices.

Except as otherwise provided in the Declaration or these By-Laws, all notices, demands, bills, statements, or other communications under the Declaration or these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first class postage prepaid:

(a) if to a Member or Voting Member, at the address which the Member or Voting Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Unit of such Member or Voting Member;

(b) if to the Association, the Board, or the managing agent, at the principal office of the Association or the managing agent or at such other address as shall be designated by notice in writing to the Members pursuant to this Section; or

(c) if to any committee, at the principal address of the Association or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

6.6. Amendment.

(a) By Class "B" Member. Prior to the conveyance of the first Unit by Declarant to a Person other than a Builder, the Class "B" Member may unilaterally amend these By-Laws. Thereafter, subject to the requirements of Article XVI of the Declaration, if applicable, the Class "B" Member may unilaterally amend these By-Laws at any time and from time to time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule or regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Units; or (iii) to enable any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee mortgage loans on the Units; provided, however, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent thereto in writing. So long as the Class "B" membership exists, the Class "B" Member may unilaterally amend these By-Laws for any other purpose, provided the amendment has no materially adverse effect upon the rights of more than 2% of the Members.

(b) By Members Generally. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Voting Members representing 51% of the total Class "A" votes in the Association, and the consent of the Class "B" Member, if such exists. In addition, the approval requirements set forth in Article XVI of the Declaration shall be met, if applicable. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(c) Validity and Effective Date of Amendments. Amendments to these By-Laws shall become effective upon Recordation unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of its Recordation, or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant, the Class "B" Member, or the assignee of such right or privilege.

6.7. Diagrams.

All diagrams which are included in these By-Laws are intended only to summarize the express written terms of the Governing Documents. **Diagrams are not intended to supplant or supplement the express written or implied terms contained in the Governing Documents.**

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CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Prescott Lakes Community Association, Inc., an Arizona corporation;

That the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the Board of Directors thereof held on the 30th day of October, 1998.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 30th day of October, 1998.


Secretary